

The 11th meeting (2017) of the Board was held at 08:30 on Thursday 23rd November 2017 at CITB Carthusian Court, 12 Carthusian Court, London, EC1M 6EZ.

PRESENT

James Wates (**Chair**) : Board Trustee
Maureen Douglas : Board Trustee
Diana Garnham : Board Trustee
David Harris : Board Trustee
Karen Jones : Board Trustee
Maria Pilfold : Board Trustee
Frances Wadsworth : Board Trustee
Ray Wilson : Board Trustee

INVITEES

Emma Black : Head of Legal/Board Secretary
Craig Pemberton : CFO/Corporate Performance Director

OBSERVERS

Dan Foster : Government Observer, Department for Education (DfE)
Sharon Davies : Welsh Government Observer, Department for Education (DfE)
Sally Spink : Solicitor
Robert Williams : W R W Construction Limited

STAFF IN ATTENDANCE

Sarah Beale : Chief Executive
Patrick Makoni : Assistant Board Secretary (Minutes)
Mark Noonan : Industry Relations Director
Steve Radley : Policy Director

APOLOGIES: Sarah Griffiths, Sarah Hart (Scottish Government Observer).

ITEM 1: APOLOGIES FOR ABSENCE, DECLARATIONS OF INTEREST, MINUTES OF PREVIOUS MEETING HELD ON 21 SEPTEMBER AND 4 OCTOBER 2017.

1.1. The Chair welcomed members present and noted apologies for absence. Also welcomed was Emma Black the new General Counsel and Craig Pemberton the CFO and Corporate Performance director who were attending for the first time.

1.2. There were no Declarations of Interest.

1.3. The Minutes of the meeting held on the 21 September and 4 October 2017 were **approved** by the Board and signed as a true and correct record.

ITEM 2: WORKSHOP – BUSINESS PLANNING

2.1. The Board received a presentation from the CEO who gave a review of current performance, the outturn and the financial envelope for context.

2.2. The Board was not being requested to sign off the presentation as a costed plan. The Business Plan would be presented to the Board at its meeting in February 2018. The year-end out turn estimation indicated a lower draw on reserves (£18.5m from £36m). The CSkills awards had been accounted for differently in the accounts in this year's figures resulting in an increase in charitable income. However, they would not have to be disclosed as a separate item in financial statements, so can protect the commercial position. There had been a reduction in planned funding levels, presenting further evidence of the need to shift to commissioning. The reduction in charitable costs was attributed to the Future Operating Model (FOM) for previously agreed changes to timing and efficiency costs.

Board Outcomes

2.3. Advice had been taken from Council and the RAG status scoring changed to show impact in industry. While the Training Directory was ahead of milestones as part of the training model, which would be launched when fully tested, the model would remain amber until delivered to industry. All of the agreed standards had been produced but more time was needed for engagement with industry as insufficient time had been allocated to implementation. Grant supported mental health training was being considered and CITB would be launching an app to support this.

Finance Discussion

2.4. The CEO laid out the factors affecting the financial plan. The variables were creating uncertainty for the financial plan and decisions were being taken on whether to take those into account. This included not being over prudent which would restrict funding levels unnecessarily. There would be a significant change in Levy which was usually raised annually around March/April, now to be raised 1st April each year. CITB would therefore account for twelve months of levy against fifteen months of grants within the 2018 accounts, resulting in a significant reduction in reserves. Two risks had been identified in grant schemes. These were the removal of training plans and the tracking behind on transition packages. A rush of applications was expected and a known huge claim had not yet been claimed. However, this was all accounted for in the figures. The FOM was on track but any significant changes on the cash flow would be brought back to the Board for approval.

15 Month Outturn

2.5. A best case, worst case and most likely scenarios was presented. The previous plan had excluded [REDACTED] levy income which was now in the plan. This was also included in next year's levy income figures.

[REDACTED]. The level of minimum new assets is set to go below the £40m mark requested by ITB pensions but they would be replenished back to that level over the life of the plan. In further discussion, the Board **noted**:

- That if [REDACTED] lost their tribunal case, they had a right of appeal which could take another six months. [REDACTED]. The Chair requested the Chief Financial Officer and Corporate Performance Director to keep the Board informed by monitoring developments on a weekly basis, giving regard to variables on material figures in the outturn scenarios.

ACTION: The Chief Financial Officer and Corporate Performance Director to keep the Board informed, giving regard to variables on material figures.

Financial Envelope 2018/19 to 2020/21

2.6. Reserves were now shown as £29.5m instead of £62m due to accounting treatment and not loss of cash. This would impact on the comments in the Annual Report and Accounts with a need to ensure how ratios were shared to industry, comparing like for like. A hit is also being taken on the transition payment in the 2017/18 figures, bringing forward the cost but would be clean in 2018/19. Construction News (CN) would be given a pre-emptive message prior to publication to reduce negativity. Further points to note following discussion were:

- Programme based funding would get less cash but there creates a good argument for

commissioning. There was a need to show what the CITB was doing for small firms;

- Members recommended an extra bit of introduction in the 2017 Annual Report and Accounts, building in how to read the accounts (12 month and 15 month set) to ensure they were comparative and easy to read;
- No major changes were envisaged following the Budget Statement and allocation of funds from Treasury. The funds were earmarked for onsite skills activity and would be drawn down with the expectation that CITB would drive the process and provide the evidence base. There was a possible risk on commissions but there was opportunity for collaborative working with industry to support large bids. A meeting was planned for January 2018 to draft criteria for the fund and any charges for overheads that CITB could levy;
- A team was working on legacy issues around estimated debts from Levy where there was potential for upsides if the right assumptions were fed in;
- The cash flow projection showed a change in the accounting period. In the interests of prudence, there would be a week by week monitoring basis of cash as it was tight. There was a degree of uncertainty until all levy assessments had been done hence a need to show figures to year end of 2019;
- Last minute surge provisions would most likely change the figures with transition payments doubling the impact if big hitters such as Carillion put in bids.

ACTION: The Chief Financial Officer and Corporate Performance Director to model the cash flow and align to the Business Plan period.

2.7. The Board **noted** the update.

CITB Strategic Planning

2.8. The Board received a presentation from the Policy Director on CITB's strategy from 2018-2021 to gain **feedback** and ensure that:

- CITB had captured and fully understood the implications of its industry priorities and key trends that would impact on construction;
- Planned interventions flowed logically from the analysis of the trends; and
- Deliverables required to achieve agreed goals and ambitions had been identified.

The feedback would be responded to and brought back to the Board at its meeting in February 2018 to agree outcomes.

2.9. The Board **noted** that there were six core messages underpinning the CITB's thrust in its Vision 2020 statement. These had now been adopted internally as the organisation's values. However, there was concern that the priorities were set up in different areas but were all interconnected as suggested in the presentation papers. There was also a need to reflect CITB's role in influencing the policy environment and for the leadership to emphasise the forward looking aspect of the organisation. In discussion, the Board gave the following feedback to the Executive for consideration:

Evidence Base

- Political Context – Had CITB considered a change of government and its impact?
- Were we satisfied with the level to inform the need of what we do? Do we then do things differently based on the evidence?
- Skill needs by occupation needed to go more granular and have more scenarios;

- Approach to research – While there was a challenge to prompt employers to respond to current needs (Industry Relations Director via the Partnerships Team would deliver an external voice for the CITB), the funding from the budget for homes and communities should act as a catalyst to push employers to the CITB and meet government’s expectation of the CITB being the catalyst for change;
- Research and Development Training – This was poor within the industry. Consider linking up with companies in raising awareness of the funding announced in the budget so that employers could take advantage of tax breaks. Getting to the employers was key and alerting them to the advantages of the scheme.

Check and Act

Is the construction industry attractive to young people and are we getting to their peer groups? There is a need for industry to address its values as evidence suggested young people considered values when considering careers. The concern is that circa 20% of apprentices stay on in construction after training. Were they getting turned off somewhere? Should employers change behaviours?

Careers – CITB’s Proposed Response

- Given the statistics, was there potential for missing sections of industry because they have not engaged, e.g. small micros;
- We could be a challenging organisation by showing them the evidence from CITB research to employers. There was a need to find a way to present the information and take into account that young people were technologically savvy whilst employers were not;
- There was a need to change the language from “driving” to “inspiring” so that people could aspire to get into the industry. The language ought to be dynamic.

Standards and Qualifications - CITB’s Proposed Response

- There was concern on the end-point assessment. There was no recognition of what the apprentices had done;
- There was a risk of setting up the CITB on things outside of its control hence a need to engage government. The deliverable ought to be around influencing the government’s approach in areas such as developing and approving new apprenticeship standards;
- Was CITB targeting the right individuals among the employers to achieve the strategy? There was a need to show that all nations were aware of qualifications that were recognised and could be applied to those nations, including the pathways to achieve the qualifications;
- What were the key drivers for establishing these standards and qualifications? Was this being driven by changes in the nations or was CITB just being reactive? Could CITB be more pro-active in influencing the approach?
- There was need to show that CITB were not just custodians but were commissioners, be forward looking and taking caution in balancing between being forward looking and current industry needs.

Training and Development - CITB’s Proposed Response

- Strategic approach – the use of the word “speed” suggested doing it faster. Speed was not recognised as strategic; the wording needed to change;
- Must have a pathway for career changers such as targeting ex-offenders. This may not have been captured well. There was also a need to look at transferability of skills from other sectors;

- Concern was raised on the language used on the deliverables – the activities were without the goal of why the CITB was doing what it was doing;
- Build in CITB's role to encourage more use of training by employers themselves as well as in further education;
- Recommended for more work to be done on the priority.

ACTION: The Policy Director to note the feedback and use it to inform the outcomes that would be presented to the Board at its February 2018 meeting.

ITEM 3: CORPORATE CONTROL - ENGAGEMENT

3.1. The Board received a paper and a presentation from the Industry Relations Director on CITB's strategy to delivering commitments on external engagement for **consideration** of the proposals and to **inform** the Executive of any other comments in relation to engagement improvements.

3.2. CITB's tendency was to react and the paper set out a structure to formalise CITB's voice, proposing an engagement map with industry to reduce the many voices and confused messages. There were thirty seven forums and this piece of work would ensure control and a move away from current practise with emphasis on removing barriers. A testing loop had been set up with employer forums under the current training groups, some of which would be combined to avoid multiple interactions. The idea was to go to where employers gathered, know their stakeholders, voice providers and get employers to listen to different groups. Meetings would be characterised by plenary and breakout sessions to achieve a two way conversation. A structure was being set up that ensured the right people were in the "room" to gather information in a robust way. The CITB's Customer Insights Team would challenge the composition of the groups to ensure that they were representative. In discussion the following points were raised:

- Senior level people were being targeted and as networks developed, it was envisaged they would start coming to the groups to make presentations. There was recognition that work needed to be done in this respect as current groups had Training Manager level people as opposed to structural ones;
- While there was great coherence in the plans, the number of meetings seemed rigid hence it would be useful to make them fluid;
- There was a need to engage the clients as opposed to contractors to map their exact needs;
- The mapping would feed into governance but mapped against the communications calendar;
- It was noted that there might be challenges on the information that would feed into the Board and what would feed into the Nation Councils and the mandate of the voice on its representativeness. Clarity on where the voice would go afterwards was crucial to attracting big hitters within the industry;
- It would be useful to get some synergies on key themes across the sector and get a mechanism that allowed for collected information to be visible to all groups;
- CITB needed to be acutely aware of the "feeding frenzy" mentality and take caution on how to manage it;
- Work was underway to change skill sets of the engagement team to make them conversant with how construction worked. Personnel changes would also be considered.

3.3. The Board **supported** the proposals and **noted** that further discussions would be held at the Board workshop in January 2018 in respect of the governance structure.

ITEM 4: INDUSTRY CAMPAIGN

4.1. The Board received a paper and a presentation from the Industry Relation Director on a proposal for

CITB to lead an over-arching industry awareness and image campaign to encourage candidates to consider construction as a career of choice for **consideration** and to **agree** that the activity was in line with the organisation's future direction.

4.2. Initial investigations had suggested an expectation of a top down review of behaviours that prevented construction being first choice, alongside structures and systems that ensured an entrant was able to enter construction with ease. There was a likelihood of duplication of effort if the C.C.S. led initiative were to proceed; however, they were unlikely to find funds to support the campaign. The CEO and the Industry Relations Director would engage with them to dissuade them. A change of approach for the communications and marketing team would result in work that took an overall approach rather than supporting individual pieces of work. The cost of scoping this work was £250k to end of March 2018. This was not new money but was already catered for in the careers budget. Thus the financial envelope would not change; only the granularity of the work would change. The Executive had recently engaged key industry influencers such as Home Building Skills Partnership (HBSP), Construction Leadership Council (CLC), Build UK and others who offered to make contributions to the campaign. Other points to note from the discussion were:

- Work would start on engaging external agencies to overcome challenges such as awareness, accessibility by different routes or channels and putting the plan together;
- A recommendation to be explicit under engagement to say retraining;
- A need to see the longer term impact of the sustainability of the campaign including focussing on industry behaviours;
- In terms of resourcing, the engagement team had been excluded from the FOM changes to concentrate on this piece of work. A new marketing team would be set up at the new Head Office post FOM;
- There was no clarity as yet on the numbers of big brand names in industry that would be supporting the campaign but there were currently sufficient numbers who would be using it as part of their corporate social responsibility.

4.3. The Board **agreed** to the proposal, **noting** that the financial envelope would not change but that funds would be re-allocated.

ITEM 5: CFO AND PERFORMANCE REPORT

5.1. The Board received the CEO report for October 2017 to **note** the updates and to **suggest** any additional areas to include for future reports. The report was taken as read.

5.2. The biggest issue was the FOM but all projects were on track. The General Data Protection Regulation (GDPR) project was complex. However, steady progress was being made. An **outstanding grading** from OFSTED on the Apprenticeship and Standards provision had been awarded. While there had been some political "noise" in Norfolk following the FOM announcement to staff and the press, this had not been evident in other regions where the CITB operated from. Internally, it had been the best received announcement to date with an employee portal set up for support issues registering positive comments. The CEO thanked the Board for their support of the reforms. Other points of note were:

- There had been no political "heat" on a company in Norfolk where there had been recent major job losses. The CITB needed to forge ahead with its reform plans in total;
- The unions had broken their embargo on FOM in the aftermath of press leaks from the MP and had requested that their own communications piece be put up on the CITB intranet, The Hub;
- The CEO had been approached by partners for the card schemes in Norfolk. Meetings were planned with the outlook seeming positive;
- The open fund for pensions was in an excellent position. The trajectory of the section 75 debt had

gone down significantly following a test of the market the previous month. A de-risking programme that would see pension funds buying insurance would have an impact and reduce the debt by twenty percent. A detailed paper would be submitted to the Appointments and Remuneration Committee;

- Plans to get contract workers for FOM had been abandoned. Individuals had been hired instead resulting in FTE costs going down, but FTE numbers increasing;
- Accreditation of training providers in support of the new training model had commenced with expressions of interest to be processed around January 2018. Fifty three standards were in place but these could be tweaked.

5.3. The Board **noted** the report gave its congratulations to the Executive on achieving outstanding grading from OFSTED on the Apprenticeship and Standards provision. However, it recommended that future CEO reports be more transparent on the actual delivery, volumes, outcomes, benchmarks and the number of colleges that were offering construction. There was concern that the grading may not stay and hence there was a need to put in place checks and balances, including Trustee engagement. The CEO recommended that the Executive would present to the Board a self-assessment report twice yearly.

ACTION: The CEO to liaise with the Director of Apprenticeships and Standards to carry out half yearly self-assessments ahead of OFSTED inspections and provide a report to the Board. Areas to include would be the actual delivery, volumes, outcomes, benchmarks and the number of colleges that were offering construction.

ITEM 6: CHAIR'S AOB; EFFECTIVENESS REVIEW

6.1. The Board Chair gave the floor to Committee Chairs to give their updates to the Board.

6.2. The English Committee had not met since its last meeting in September 2017. Its next and last meeting would be held on the 19th of February 2018 at HMP Brixton. The Wales/Cymru Committee had not met since its last meeting in September 2017. Its next and last meeting would be held on the 24th of January 2018. The Appointments and Remuneration Committee would meet soon after this Board meeting.

The Investment Funding Committee

6.3. The Committee had been joined by two new members with varying skills. In discussion, members had noted that:

- Of the £40m funding allocation, £35m had been allocated to date;
- Proposal had been put forward to the renaming of funds;
- There was a greater penetration of small employers getting access to funding. This had been hailed as positive;
- There was concern on the backlog of grant claims. However, the introduction of automated grant claims in the system would mitigate this;
- Five new commissions had been presented to the Committee. The Executive had been challenged to show cause and justify the research that had led to the commissioning topics.

The Audit and Risk Committee

6.4. A new member had joined the Committee to help strengthen its deliberations. Issues that had come under discussion included:

- The Change Programme – the National Audit Office (NAO) had been asked for advice on whether the

Committee had the right information to exercise its oversight role on behalf of the Board;

- Treatment of Levy – A meeting would be arranged with the Chief Financial Officer and Corporate Performance Director;
- Strategic Policies had been reviewed and needed formatting for consistency. Some gaps had been identified including good governance practises from the Charity Governance Code. The Assistant Board Secretary had done some work around the gaps, which the Committee was still going through.

The Scottish Committee

6.5. The Committee had met for the last time and its agenda had been changed to focus on the ITB Review, the Future Operating Model (FOM) and CITB future governance arrangements. The Chair has taken time to thank members for their contributions and time to the Committee. Key issues discussed included:

- The FOM – There had been tension due to misunderstandings on communications to industry during and after the ITB Review. The Scottish Decorators and Painters Federation pointed out that had the CITB put forward their views before the Consensus process, they would have voted “yes”. They put it on record that they now supported and endorsed the changes the organisation was taking. The Chair and the Industry Relations Director reminded members of various engagement activities that had taken place where announcements of the intended direction of travel had been communicated. Future engagement activities would be relevant to the locality in the regions. However, it was acknowledged that communications had not been detailed due to the ITB Review but it was emphasised that the FOM had not been a knee jerk reaction to the ITB Review publication;
- The SAC who had supported the continuation of the skills test had strongly felt that their views had not been sufficiently articulated by the Chair and registered their disappointment. The Chair had taken note and acknowledged their concerns;
- A discussion on the composition of the new Nation Council was had, with a recommendation that the Chair should not also be a Trustee.

6.6. The new Chief Financial Officer and Corporate Performance Director and the new General Counsel and Board Secretary gave their introductions to members for the Board, outlining in brief their biographies. The Chief Financial Officer and Corporate Performance Director had observed that the CITB had built a credible and coherent plan for change. The leadership behaviours exhibited by the Executive who had handled difficult questions from members of staff had been impressive. Noting the challenging timelines for delivery, it was advised that there was a risk present around capacity and capability in the necessary skills for effective delivery and this was something which the Executive were alive to. A critical success factor on outsourcing was in building the necessary governance arrangements and capabilities to run effective services and manage outsourced providers under any new arrangements. The Board was updated on the point that an even higher level of maturity on financial management would be required going forward as CITB operated with fewer resources. Consequently, a replacement interim Finance Director had been recruited and work was being progressed on linking strategy and performance in addition to a huge human resources agenda as the organisation underwent change. The quality of debate was commended, noting that discussions had been a good mix of focus on the “now” and the future. There was a recommendation to invite teams to Board meetings for recognition and to celebrate successes. This would help keep staff motivated.

6.7. The General Counsel and Board Secretary expressed some concern on engagement of teams, specifically on staff remaining focussed as the CITB underwent transformation. Attending the Board for the first time had been a useful experience that had allowed her to meet Trustees, get a “buy in” into CITB’s strategic priorities and how they filtered down to the rest of the organisation.

6.8. In other matters, the Government observer from the sponsoring department informed the Board that the recruitment of a new Board Chair had commenced. Work had begun on the Levy Order and it was

expected that the Secretary of State would sign it off for debate in Parliament on 26 January 2018. No challenges were anticipated in the debate. Consequently, the order would be in place by 31 March 2018. The Board was also informed that a meeting had been held with Government ministers and following their letter of support to the Board Chair last July, they had once more reiterated their full support of the continuation of the CITB and the direction of travel of its reform programme.

6.9. Members were invited to a Funding Impact Showcase Conference that would be held on the 6th of December 2017 by the Chair of the Investment Funding Committee. The Board noted that there were no restrictions on submission of bids under programme based funding. However, the bids avoided paying for administrative expenses such as electricity, wages, etc.

6.10. There being no further business, the meeting was closed.

ITEM 7: DATES OF FORTHCOMING MEETINGS

- 22 January (Board Workshop)
- 28 February 2018
- 16 May 2018
- 25 July 2018
- 19 September 2018
- 5 December 2018

ITEM 8: CLOSED SESSION