

PRIVATE & CONFIDENTIAL

ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD

Minutes of the 60th meeting of the Board held at the Engineering Employers' Federation,
Broadway House, Tothill Street, London on Tuesday April 2008 at 10:30am

Chairman

- * Mr Terry Lazenby

Employer Members

- * Mr David Billington
- * Mr Bruce Buchan
- * Mrs Louise Ferguson
- * Ms Christine Forbes
- * Mr Richard Leamon
- Ms Terry McDougall
- Mr Brian Rogan
- * Mr Steve Lee
- * Mr Andrew Smith

Employer Association Members

- * Mr Mike Hockey
- * Mr Bill Murray

Regional Chairs

- * Mr George Beattie
- Mr Tom Jones
- Mr John Hornby
- * Mr Mike Jex
- Mr John Jones
- Mr John Mellon
- * Mr Martyn Fletcher
- Mr Tim Millard

In Attendance

Mr D Edwards, Chief Executive
Mr P Hill, Director of Finance/Board Secretary
Mr N Spencer, Director - Development & Quality

Client Member

Mr Paul Gotts

Trade Union Members

- * Mr Keith Hazlewood
- * Mr Tom Hardacre

Non-Executive Directors

- * Mr Neil Davis

Educationalist

Mr Mike Bretherick

Government Observer

- * Ms Freda Green

* present

OPENING REMARKS

1. The Chairman welcomed members to the 60th meeting.
2. The Chairman welcomed Mr Steve Lee to his first meeting of the Board since being reappointed as a Board member.

Minute 01/08 **APOLOGIES FOR ABSENCE**

1. Apologies for absence were received on behalf of Ms T McDougall and Messrs T Jones, J Jones, T Millard, P Gotts, J Mellon, M Bretherick, J Hornby and B Rogan.

Minute 02/08 **ITEMS OF OTHER BUSINESS**

1. The Chairman reported that Mr Mike Beaumont, a Non-Executive Director, had resigned as a Board member and Chairman of the Audit Committee in January 2008. This was because of his promotion within Foster Wheeler Energy Ltd. Consequently, he was unable to devote time to the Board's activities. The Chairman recorded his thanks on behalf of the Board for the valuable contribution which Mr Beaumont had made and wished him well in his new appointment. This was endorsed by the meeting.
2. The Chairman reported that the recruitment process for a new Non-Executive Director had commenced. To date 18 applications had been received. A short list of 8 candidates had been produced who would be interviewed by a panel comprising the Chairman, Messrs Hockey and Murray and the Chief Executive.
3. The Chairman asked if there were any additional items of business that members wished to raise.
4. Mr Leamon advised the meeting that he wished to discuss the availability of Board minutes.
5. Mr Billington advised the meeting that he wished to discuss the increasing activities of foreign contractors in the UK engineering construction industry.
6. The Chairman reported that a workshop would be held following the meeting concerning the ECITB's National Skills and Qualifications Plan. This was scheduled to conclude at 3pm.
7. The Chairman advised the meeting of some adjustments to the order of business in the agenda. These were agreed by the meeting.

Minute 03/08 **MINUTES OF THE 59TH MEETING HELD ON 11TH DECEMBER 2007** Agenda Item 1

1. The minutes of the meeting were agreed as a fair record and the Chairman signed them.

Minute 04/08 **ACTION POINTS FROM THE LAST MEETING** Agenda Item 2 – ECI 500

1. The meeting noted that all of the action points from the last meeting had been completed.

AUDIT COMMITTEE – MINUTES OF THE MEETING HELD ON 8TH APRIL 2008
Agenda Item 6 – ECI 508

1. The Chairman reported with regard to the business transacted by the Audit Committee at its meeting of 8th April 2008. He advised the meeting that pending the appointment of a new Non-Executive Director the committee had agreed that he would chair Audit Committee meetings. This was approved by the meeting.
2. The Chairman invited the Secretary to report with regard to the National Audit Office's final Management Report relating to the Trustees' Report and Audited Accounts for year ended 31 December 2007.
3. The Secretary reported that the Report and Audited Accounts presented to the meeting had been approved by the Audit Committee and the Management Board, subject to some minor changes which had been agreed by the Audit Committee. These amendments had been made to the Report and Accounts presented to the Board.
4. The Secretary explained that since the circulation of the Report and Accounts presented to the meeting, the National Audit Office had proposed some minor amendments, which had no effect on the results shown in the Statement of Financial Activities, but would affect the Cash Flow Statement and Note 22 to the Accounts (post year-end events). The proposed changes to Note 22 were as follows:-

- A note would be inserted relating to levy amounting to approximately £60,000 which had been paid in 2008 by VT Project Services Ltd in respect of the base period 2005/6. In view of the immateriality of the sum the matter would be noted in the 2007 accounts, and the income would be recorded in the 2008 accounts.
- The day upon which the Accounting Officer would sign the Accounts was 29th April 2008.
- The estimated levy payable by AMEC amounted to £500,725.

The Secretary confirmed that there were no other changes to be made to the accounts. The meeting approved the changes to the Accounts.

5. The Secretary reported that the key points to note from the National Audit Office's Management Report were as follows:-
 - Reporting for bad debts – In previous years ECITB had offset the bad debt provision against levy income. However, in the 2007 and future accounts it had been agreed that gross levy and the provision for bad debts would be reported on the face of the accounts.
 - The levy estimated by the ECITB to be owed by AMEC's offshore establishment in respect of the 2005/6 and 2006/7 base periods should not be recorded in the accounts. Instead the Audit Committee had agreed that the uncertainty regarding the valuation and recovery was such that the matter should be noted in Note 22 to the accounts.
 - All adjustments to the accounts identified by the National Audit Office in Appendix B of its report had been made in the accounts.
 - All unadjusted misstatements recorded in Appendix C to the NAO's report were immaterial.
 - The NAO proposed to issue an unqualified certificate.

Minute 06/08

INTERNAL AUDIT: 2007 REPORT AND 2008 PLAN

Agenda Item 7 – ECI 509

1. The Chairman presented paper ECI509 relating to Deloitte & Touche's report on internal audit work undertaken in 2007. He advised the meeting that in the high risk areas there was a priority 1 recommendation (relating to the monitoring of apprenticeship contracts), and that appropriate action had been taken. The Chairman reported that limited assurance with regard to information systems project management had been given. The relevant recommendations would be taken into account in future IT projects.
2. The meeting agreed to accept the Internal Audit 2007 Report.
3. The Chairman reported that the Internal Audit Plan for 2008 had been considered and approved by the Audit Committee and was submitted to the meeting for approval. The Chairman advised the meeting that the emphasis was upon the quality and reliability of the ECITB's management information systems.
4. The meeting approved the 2008 Internal Audit Plan.
5. The Chairman reported that one of the recommendations arising from the 2007 Information Systems Audit concerned information security. He advised the meeting that the Secretary was in the process of devising a new Information Technology Security Policy which, after endorsement by the Audit Committee, would be implemented during the course of 2008. This was noted by the meeting.

Minute 07/08

2007 TRUSTEES' REPORT AND ACCOUNTS

Agenda Item 3 – ECI 501

1. The Chief Executive presented the 2007 Trustees' Report and Audited Financial Accounts to the meeting. The meeting noted that the Audit Committee and the Management Board had considered and were satisfied that the report and accounts represented a true and fair record, that the disclosures were correct, and that they discharged the Board's compliance responsibilities for charities and the government. It was noted that the Audit Committee and Management Board had recommended that the report and the audited accounts be approved by the Main Board and that the National Audit Office proposed to issue an unqualified certificate.
2. The Chairman invited questions from the meeting concerning the report and accounts.
3. Mr Buchan raised the question as to whether or not the Management Board had the authority to agree the products and services to be offered to meet the demands and needs of the industry under Section 14(5) of the Act.
4. The Secretary referred to the discussion which had been held at the Main Board's meeting in April 2007 when it had been noted that authority to make such decisions had been delegated to the Management Board.
5. Mr Leamon advised the meeting that many products and services for the offsite sector had been developed and introduced without prior reference to the Main Board.
6. The Chairman and Mr Edwards advised the meeting that matters of strategy and policy concerning products and services were referred to the Main Board for consideration. This occurred annually when the Main Board considered the ensuing year's Guide to ECITB Products and Services, and also whenever items of strategic change arose. However, matters of detail would be resolved by the Management Board. This approach was approved by the meeting.

7. Mr Spencer reported that there were products and services which by way of necessity were developed on an ongoing basis in order to meet the requirements of the industry.

8. It was resolved:

THAT the 2007 Trustees' Report and Audited Accounts for Year Ended 31st December 2007 be and are hereby approved and adopted.

Minute 08/08

MANAGEMENT BOARD – MINUTES OF THE MEETINGS HELD ON 29TH JANUARY AND 8TH APRIL 2008

Agenda Item 4 – ECI 502

1. The Chairman presented the minutes of the meetings of the Management Board held on 29th January and 8th April 2008 and reported on significant items of business transacted at the meetings.
2. The meeting noted that new arrangements had been put in place under which at any one time two Regional Chairs would be members of the Management Board as representatives of the Regional Chairs. Currently, Messrs Beattie and Hornby represented the Regional Chairs on the Management Board.
3. The Chairman raised the issue of foreign contractors and explained the difficulty in demonstrating such contractors operated "establishments" within the meaning of the law. The Chairman advised the meeting that assistance from industry employers was required in identifying establishments operated by foreign contractors.
4. Mr Billington expressed his serious concern about the difficulty in establishing liability to pay levy by short-term foreign contractors. This was a major issue for the industry and placed many UK contractors at a competitive disadvantage. He felt that there should be a level playing field in which all engineering construction employers were assessable to training levy. Mr Lee endorsed this view and advised the meeting that there would be a significant increase in the number of foreign contractors, particularly in the power generation sector.
5. The Chairman asked Ms Green of DIUS if it would be possible to change the basis of levy liability from "leviable establishments". Ms Green advised the meeting that this would take time (at least 2 years) and would involve industry consultations and the formulation of alternative methods.
6. Mr Hockey pointed out that the prevailing legislation did not envisage the situation in which there would be such wide spread operation of short-term foreign contractors in the industry.
7. Mr Hardacre shared this view and stated that the legislation should be changed in order to ensure foreign contractors operating in the United Kingdom became assessable to levy in the same way as other contractors.
8. Mr Jex agreed, but advised that great care would need to be taken in formulating alternative regulations. He felt it would be very difficult to frame legislation which would catch contractors operating on a short-term or temporary basis. Furthermore, even if new legislation could be put in place, there would be difficulties in collecting levy from foreign contractors.
9. Mr Edwards opined that it was unnecessary to change the "Scope Order".
10. Mr Murray stated that care would have to be taken to ensure that any legislative changes did not accentuate the fact that training levy was payable in the United Kingdom.

11. It was noted that the Chief Executive would soon meet with Messrs Hockey and Hardacre to discuss options in this context. The Chairman invited Board members to submit their suggestions on the matter to the Chief Executive. This matter will be revisited at the next Board meeting.

ACTION – Board members to submit suggestions on the issue of foreign contractors and levy liability and the matter to be discussed at next Main Board meeting.

12. The Chairman reported the progress made by the ECITB in the 2007 Customer Satisfaction Survey.
13. Mr Edwards reported that the Management Board and the Audit Committee had discussed how qualifications and Awarding Body issues and activities should be overseen in the future. At present, the Audit Committee was responsible for these areas. However, members of the committee had expressed doubt as to whether the committee was properly qualified to perform the role and assume responsibility in these areas. Mr Edwards reported that the Management Board and the Audit Committee felt that there was a need for a separate committee of the Main Board to assume responsibility for qualifications and the Awarding Body. The meeting noted that the role and purposes of the ACE Industry Steering Group was in the process of changing, and that the Management Board and the ECITB's Executive were in the process of reviewing the allocation of responsibilities in this area. Mr Edwards proposed that the role of the ACE ISG should evolve to assume responsibilities for the Awarding Body, qualifications and accreditation issues. The meeting approved this principle and it was noted that proposals would be put forward for consideration during 2008.

ACTION – The Executive and Management Board to submit proposals for the formation of a new Qualifications Committee to the Main Board for Approval.

14. Mr Fletcher asked for further information with regard to the number of active TECSkills coaches. Mr Edwards reported that he was in the process of gathering the information in order to assess whether or not the number of coaches was adequate to meet current and future needs.

ACTION – Mr Edwards to report on the number and adequacy of active TECSkills coaches.

Minute 09/08

REGIONAL FORUM MINUTES OF MEETINGS SINCE 11TH DECEMBER
Agenda Item 5 – ECI 503

The Chairman invited the Regional Chairs to raise any issues.

1. Mr Jex reported that apprentices in the Yorkshire & Humberside region were performing well and virtually a 100% retention rate had been achieved. There had been strong apprenticeship demand in 2008 and over 70 pledges had been made by regional employers. He explained that proactive steps were being taken in the region concerning levy assessment and collection. He reported on the issues concerning training providers available to undertake ACE training and the availability of funding from Train to Gain.
2. Mr Leamon reported that two meetings of the Offsite Forum had recently occurred in London and Aberdeen. Working groups were in the process of reviewing training programmes, BEng to MEng to chartered status, and Plant Layout and Design. The work of the groups was designed to address gaps in the ECITB's training programmes and services in the offsite area. Work was also being undertaken concerning the possibility of supporting a Master's degree in Project Management in partnership with Manchester University. He reported that the Active Cup had been very well subscribed with over 11 teams participating. It was noted that an additional Active Cup competition would be run in the summer, funded from the Forum's

Regional Discretionary Grant. Mr Leamon reported that DVDs and videos had been produced to promote the Design & Draughting Technicians programme. The video presentation was played to the meeting. Mr Leamon pointed out that the video was available to industry employers and had been developed at a cost of £6,000.

- 3 Mr Fletcher reported that the Midlands region had recently operated without an Account Manager due to long term sickness. He reported that the ACE regional meetings had been incorporated within the Regional Forum meetings.
- 4 Mr Beattie reported that a new Regional Account Manager had been appointed in the Offshore Region. All apprentices had been found placements to complete their programmes. It was noted that in the UOGITTS scheme the period of the apprenticeship was under review, and that this would probably be extended in order to improve the preparedness of apprentices. The meeting noted that the ECITB was working with OPITO on the matter in order to ensure consistency of approach.
- 5 Mr Davis reflected on the Regional Forum reports and emphasised the positive steps and activities which were being taken throughout the regions.

Minute 10/08 **SELLAFIELD LIMITED LEVY APPEAL**
Agenda Item 5 – ECI 505

1. The Secretary presented paper ECI 505 relating to the current position on Sellafield Limited's appeal against the 2005/6 Levy Assessment. The meeting noted that Sellafield Limited has also appealed against an estimated Levy Assessment relating to the 2006/7 base period, and that a case management discussion was currently in progress in the Newcastle Industrial Tribunal.
2. The Secretary reported that the cost of a full trial had been estimated to be in the region of £400,000 - £500,000 (including costs already incurred to-date).
3. The meeting agreed that the Management Board should decide with regard to the next steps to be taken in this matter, but should refer to the Main Board for confirmation.

ACTION – The Management Board to submit proposals to the Main Board concerning the future conduct of the case.

4. Mr Smith asked whether or not the ECITB could recover costs. The Secretary advised the meeting that this was not possible even if the ECITB should succeed.
5. Mr Lee raised the question as to whether or not discussions had been held with relevant stakeholders in an attempt to resolve the issue. Mr Edwards reported that this had occurred and that the ECITB would continue to attempt to resolve the matter without the need for further legal proceedings.

Minute 11/08 **REGIONAL CHAIRS : WALES & SW, MIDLANDS AND SE & E REGIONS**
Agenda Item 5 – ECI 506

1. The Chairman drew the meeting's attention to paper ECI 506 and reported that Messrs J Jones and M Fletcher had been re-elected as the Regional Chairs for the Wales & South West and Midlands regions respectively. The Chairman also reported that Mr T Millard had been appointed as the Regional Chair for the South East & East region. These matters were approved by the meeting.

Minute 12/08 **ACE PROGRESS REPORT**
Agenda Item 5 – ECI 507

1. The meeting noted the contents of paper ECI 507.

Minute 13/08 **2008 APPRENTICE RECRUITMENT – INDUSTRY DEMAND**
Agenda Item 5 – ECI 504, ECI504A and MB 276

1. The Chairman invited Mr Edwards to report on the high level of demand from industry for apprentice recruitment in 2008. It was noted that the demand exceeded the numbers of recruits planned to occur in the 2008 Operating Plan and Budget. This raised the question of whether or not the Board wished to recruit more than the planned levels, and whether or not funding for additional apprentices was available.
2. The meeting noted that the Board Secretary was in the process of assessing the ECITB's financial commitments over the next 5 years in order to assess whether or not more than 600 apprentices could be recruited in 2008. The financial analysis would take into account a revision of some of the assumptions underlying the 2008 Financial Budget as a result of the 2007 outturn and the reassessment of financial liabilities. The meeting noted that the financial position with regard to the NSDS programme, the Sellafield Ltd appeal and the levy demanded from AMEC (offshore establishments) would become clearer over the course of the next month. This would enable the number of additional apprentices which could be recruited in 2008 to be calculated with greater certainty.
3. Mr Edwards advised the meeting that discussions were ongoing with DIUS concerning the availability of governmental funding to meet the demand.
4. Mr Edwards recommended that the financial analysis should be completed and considered by the Management Board in June 2008, and that the Management Board should decide upon the number and mix of apprentices to be recruited. This was agreed by the meeting.

ACTION - The Management Board to decide upon the number and mix of apprentices to be recruited in 2008.

5. The Chairman advised the meeting that the Management Board would consult with members of the Main Board prior to making its decision concerning the level of 2008 apprentice recruits.

Minute 14/08 **ANY OTHER BUSINESS**

1. Mr Leamon reported that at a meeting of the Offsite Forum it had been asked whether or not draft Main Board meeting minutes could be made available prior to their formal approval at ensuing meetings. This would enable industry stakeholders to be kept informed of the Board's decisions on a more timely basis. The Chairman advised the meeting that he had no issue with regard to the posting of draft minutes on the ECITB's website providing that they had been approved beforehand by him and viewed by the Main Board members. This was approved by the meeting.

ACTION – Secretary to arrange for posting of Board meeting minutes following approval by the Chairman and circulation amongst Board members.

2. The meeting noted that the new Executive Director of BCECA would be invited to join the Board. This was approved by the meeting.

1. The Chairman reported that the Management Accounts for March 2008 would be issued very shortly.
2. Mr Edwards reported that the emphasis of his Chief Executive's Report (ECI 510) was on future work and strategy. The meeting noted the following points:-
 - The report concerning the ECIA's recent Management Board meeting.
 - Skills for the Future.
 - Discussions with DIUS and DBERR concerning industry skills gaps.
 - The Young Offenders initiative in the South East and East region.
 - The ECITB's Risk Management Policy and Profile.
3. Mr Edwards advised the meeting that in his opinion, there was a greater willingness by industry to engage in discussion of how training should be funded. Mr Hardacre asked what commitments were likely to be made by industry in terms of either increased levy or the funding of specific initiatives. Mr Edwards reported on the openness with which both clients and contractors were prepared to discuss the issue of skills gaps, and the realisation that this had to be addressed by industry itself.
4. Mr Hazlewood applauded the ECITB's initiative with Young Offenders in the South East & Region.
5. Mr Edwards explained the purpose of the workshop to be held following the meeting concerning the National Skills & Qualifications Plan.
6. Mr Spencer reported that the ECITB was engaged in three strands of work, the outputs of which collectively would contribute to and comprise a National Skills & Qualifications Plan for the engineering construction industry. The plan would relate to the period 2009 – 2014 inclusive and was of fundamental importance in the forthcoming Board decision on the level of training levy for the period 2010 – 2012 inclusive.
7. Mr Spencer reported that the three strands of work were as follows:-
 - The Qualification Reform Programme, which would lead to a Sector Qualification Strategy and a Qualifications and Credit Framework for the engineering construction industry.
 - Development of the ECITB document "Securing Engineering Construction Skills for the Future". This document follows the "Bridging the Skills Gap" consultation paper published by the ECITB in 2007. The document develops the themes relating to the industry's skills needs and gaps, and the strategy for addressing such issues.
 - A Train to Gain Compact. The ECITB is in the process of developing a proposal to be submitted to DIUS for Train to Gain funding. It is hoped that the result will be a national agreement (a compact) for the funding of skills development and the acquisition of qualifications.
8. Mr Spencer explained that the combination of these strands of activity would comprise an overarching skills plan for the industry during the period 2009 – 2014 inclusive.
9. Mr Spencer advised that the ECITB would be holding consultation meetings with industry representatives throughout the country on such matters during the course of the next couple of months. A steering group had been established with regard to these initiatives with representatives from the industry in England, Scotland and Wales. Three members of the steering group were Regional Chairs.

10. Mr Spencer noted that the ECITB's existing N/SVQs would expire in August 2008, and that ECITB would submit applications for extensions of the qualifications until 2010 whilst the proposed Sector Qualification Strategy and Qualifications and Credit Framework were being completed. However, after 31 December 2010 all qualifications would fall into the new qualifications and credit framework.
11. The Chairman concluded that this was a significant and major project. The meeting noted that the developed plan could form the basis of a proposal to be submitted to DIUS for a Train to Gain funding compact.
12. Mr Hardacre asked if it was envisaged there would be Trade Union participation in the regional workshops. The Chairman confirmed that this was the case.

Minute 16/08 **ARRANGEMENTS FOR THE 61ST MEETING**

1. It was noted that the next meeting of the Main Board would be held on Tuesday 29th July 2008.

There being no other business, the **Chairman** closed the meeting at 12:45pm.

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T M Lazenby FEng
Chairman

Engineering Construction Industry Training Board
Blue Court
Church Lane
Kings Langley
Herts WD4 8JP

April 2008

ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD

ACTIONS FROM 60TH MEETING HELD ON 29.04.08

Minute	Para	Action	Date	By	Current Status
08/08	11	Submit suggestions on the issue of foreign contractors and levy liability and discuss at next meeting.	Immediately	Main Board Members	
08/08	13	Submit proposals for the formation of a new Qualifications Committee to the Main Board for Approval.	09.12.08	ECITB Executive/Management Board	
08/08	14	Mr Edwards to report on the number and adequacy of active TECSkills coaches.	29.07.08	DE	
10/08	3	Submit proposals to the Main Board concerning the future conduct of the Sellafield Ltd levy appeal.	29.07.08	Management Board	
13/08	4	Decide upon the number and mix of apprentices to be recruited in 2008.	10.06.08	Management Board	
14/08	1	Arrange for posting of Board meeting minutes following approval by the Chairman and circulation amongst Board members.	Immediately	PCH	