

Meeting of the Foundation Board

Date: Thurs 15 March 2018

Time: 14.00 – 17.00

Venue: Blue Mezz 0, ETF, 157-197 Buckingham Palace Road, London SW1W 9SP

Present

Zayn Azam

Sally Dicketts CBE

Steve Freer (Chair of Audit & Performance Committee and Senior Independent Director)

Don Hayes MBE

Lynsi Hayward-Smith

John Hyde CBE

Chris Jeffery MBE

Dr Nigel Leigh OBE

Paul Mullins OBE (Chair)

Florence Orban

Mick Ord

Dr Sue Pember OBE

Dan Williams

Mark White OBE DL (Chair of Finance & Resource Committee)

Apologies

Tim Weiss, Director of Business Development, Membership & Communications

Gary Phillips, Director of Professional Development

In attendance

Mark Brooks, Head of Communications and Marketing

Leanne During, Governance Officer

Dr Gina Hobson, Head of CEO's Office and Company Secretary

Jenny Jarvis, COO

Alison Morris, Director of Sector Development

Martin Reid, Head of Membership

John Sills, Director of Finance & Resources

David Russell, CEO

Minutes

1. Apologies and Welcome

Apologies for absence were received from Tim Weiss and Gary Phillips.

2. Declarations of Interest

Standing declarations of interests were noted. Mark White reminded the Board of his role with the National Leaders of Governance programme.

3. Minutes

The minutes of the Board meeting held on 30 November 2017 were approved as an accurate record. The minutes of the AGM held on 7 December 2017 were noted.

4. DfE Review

The CEO gave an oral update on the Ministerial letter of 8th February which concluded the DfE Review of the ETF and then invited trustees to share queries and observations. The Board discussed the benefits of multi-year funding and the content and tone of the Minister's letter. A range of views was expressed, including the view that the letter was mild and low-key in comparison with standard Government letters to grant recipients; and alternatively, the view that the letter was directional in tone. There was also a view expressed that the letter seemed to narrow the ETF's remit to colleges alone; the CEO stated that he did not believe this was the intention of the letter, nor did he interpret it as such.

The Board discussed the Future Apprenticeships programme ending and questioned whether this could be seen as ETF not adhering to what it was set up to do. The CEO reported that he had expressed a very clear view to DfE privately that the cessation of funding for this area was unwise and very disappointing. He confirmed that ETF will continue to provide support for the ITPs and others delivering apprenticeships and had as a very high priority pursuing further support from DfE in this area. It was emphasised by trustees that ETF needed to continue to focus on support for the whole of the training sector, which the Training Needs Analysis will assist with.

The Chair summed up by saying that the ETF must strike the optimum balance between attracting funding and retaining the confidence of the whole sector. He concluded that the Board had agreed on the high importance of being seen to respond positively to the Minister's requests.

The Board noted the Ministerial letter and requested updates against the delivery plans in future meetings.

5. CEO's report

The CEO provided an overview of ETF's current position, and gave updates of other business. The Board noted that ETF had secured a new annual grant of £13.6m from DfE. The CEO noted that the equivalent starting point last year had been £0.9m higher. He explained that various elements of the grant were higher or lower this year, but that the net reduction was accounted for by the ending of the £1.5m Future Apprenticeships programme.

The Board noted the CEO's Report and congratulated the team on securing another year of grant funding for ETF, against initial expectations that grant would end in 2015-16.

6. 2018-19 Budget

The Board received the draft 2018-19 budget, introduced by the Chair of the Finance & Resources (F&R) Committee. He confirmed that the F&R Committee had reviewed the budget in detail and recommended it to the Board. The Director of F&R confirmed that 2018-19 would be a year of transformation and change. The Board noted that top line income was down 37% at £16.5m, reflecting the grants for WorldSkills and Future Apprenticeships which were not being continued after March 2018.

The Board also noted that the budget showed a £179k deficit for 2018-19 because, in line with agreed budgeting guidelines, until additional bid income is won ETF will not recover all its fixed overhead. ETF had invested reserves in the Training Needs Analysis and Advanced Teacher Status in 2017-18 and the budget reflected that it might be necessary to invest in 18-19 to secure commercial growth. The Board discussed whether it would be better to set Business Development an income target, albeit offset by a contingency line elsewhere.

The Board questioned the modest level of spending classified as 'communications'. The Director of F&R reassured members that communications activity in the broadest sense was financed through a number of lines, including the value ETF receives from being rooted in the sector. The Board suggested that ETF consider how it might put a value on that support. The Government restrictions on communication spend from grant were noted.

The Board questioned what support ETF would provide for apprenticeships. The Executive assured

the Board that ETF would continue workforce support around apprenticeships. He recommended against deploying the ETF's reserves on one-off short-term extension to any programme. The Board has previously established guidelines that reserves should only be used for investment and not to support the delivery of specific programmes.

The Board approved the draft budget for 2018-19.

7. ETF Governance: responding to the DfE Review and Governance Plan

The Board received a paper covering the context around the Minister's governance requests (from her letter of 8 Feb 2018) and a broad Governance Plan. Trustees were invited to share their views of the letter and discuss the Board's next steps. The trustees discussed the following: the risks associated with being seen by DfE not to fully respond to the letter; the importance of ETF being rooted in the sector; the importance of using an open and competitive process to recruit trustees; concern and a desire not to see history repeat itself with ETF as per its predecessor organisations; trustees' roles and responsibilities; and the size of the Board.

The Board agreed it was important to address the DfE's governance concerns, which would necessitate making changes to ETF's constitution (Articles of Association). The majority of the Board agreed that the Board was currently too big, and it would consider reducing the number of trustees to 10-12. The majority of the Board agreed that the number of Founding Member appointed trustees should be reduced to a clear minority and that different models of company membership (through the constitution) should be explored, including widening the membership across a broader cross section of the FE and training sector. The Board agreed it was vital that ETF continued to be constituted and act in accordance with the principle of being *of and for the FE and training sector* in its broadest sense.

At this point in the meeting, the Board were advised by two of the AELP-appointed trustees that AELP was resigning its membership of ETF and they were resigning from the ETF Board. They revealed that this decision had been taken by the AELP Board some days ago as a result of AELP's perception that there was no benefit to its remaining part of ETF's governance, which the earlier conversation on the Future Apprenticeships programme had not reversed.

The Board resolved that the Chair and CEO should engage in urgent discussions with AELP's CEO and Chair to understand their rationale and to see whether there was a possibility of AELP changing their decision.

[John Hyde left the meeting]

Post-script: Following the meeting it was immediately and publicly confirmed that AELP had announced its decision to remove itself and two trustees from ETF's governance through a press notice and article in FE Week. The Company Secretary has liaised with AELP and John Hyde and Chris Jeffrey advising as to how resignations should be formally confirmed which they have now done.

8. Development of ETF 5-year strategy

The CEO presented to the Board the results of the recent Board strategy survey. The Board briefly discussed the contrasting views and interpretations of the statements. Trustees shared their feedback on the method used to collect their views and the CEO confirmed that this would input into how the strategy would be brought back to the Board for discussion at its June meeting.

The Board thanked the CEO for this presentation.

[Jenny Jarvis left the meeting]

9. Appointment of the external auditor

The Chair of the Audit and Performance Committee outlined the external audit tender process. The Board noted that the tender specification was published and nine responses were received. The shortlisted four audit companies were interviewed on Fri 16 Feb. The Chair of the A&P Committee confirmed that following full deliberation, considering the tender submission, interview performance

and price, it agreed to recommend the appointment of BDO. The Board noted it was good practice to change auditors after a period of time.

The Board agreed to recommend the appointment of BDO as ETF's external auditor for 2018-19 to the Founding Members.

The Board agreed to keep its decision confidential until it had been communicated to the incumbent audit company.

10. Any other business

None.