Board of the Centre

CC 72/1/Add.1 72<sup>nd</sup> Session

Turin, 4-5 November 2010

## FOR DISCUSSION

FIRST ITEM ON THE AGENDA

Officers of the Board:

Report of the Meeting held on 24 September 2010

The Officers had before them a document prepared by the Director of the Centre (Annex I) with the request of the Director to allow the Centre to use €500.000 out of the surplus of the 2009 exercise for activities in 2011.

After a presentation by *the Director* of the reasons of the 2009 surplus (see Annex I), the Officers of the Board acknowledged the surplus made by the Centre for the 2009 exercise and congratulated the management.

However, *Mr Renique, the Employers' Vice-Chairperson*, expressed his disappointment vis à vis the agenda. He had expected also to discuss a more strategic paper as the Board and the PFA-C had asked for last year. On the proposals for the surplus, he agreed with investing € 500,000 of it in training programmes in 2011, provided that priority was given to subjects and courses that were in demand by constituents. He agreed with transferring the remaining € 549,000 to the reserve, but was not ready to decide where to invest it. He wanted first to have the further discussion within the Board on the mid-term and long-term strategy to give the Centre a sustainable future, and then make decisions in the light of the outcome of that discussion.

Mr Sidi Said, the Workers' Vice-Chairperson, was concerned that the Board was now dealing with a surplus, whereas all the previous discussions had focused on the financial fragility of the Centre and a possible deficit. He therefore reiterated the need for a strategy paper and discussion of the sustainability of the Centre at the upcoming Board meeting. He also expressed his concern over the fall in workers' participation in the Centre's training activities. He agreed with using the surplus of €500,000 for activities in 2011, but it should in part be used to finance activities of the Workers' Programme and participation by workers in open courses. He also asked for more detailed information on the "Academies", and added that if the surplus were used to finance Academies, they should cover topics of interest to workers. The use of the remaining surplus of €549,000 should be decided at a later stage.

Ms Fitting, the Governments' Vice-Chairperson, requested more detailed information on the measures taken, their results and their sustainability, and on the future measures the surplus would be used for (including the risks and opportunities involved in the "Academies"). She stressed that these measures had to be compatible with the mid-term strategy and the future profile of the ITC, which should be discussed at the Board meeting on the basis of facts and figures.

The Officers of the Board, including *Ms. Zappia, representative of the Italian Government*, while approving the use of the €500.000 for activities, insisted on having a paper that set out the structural measures taken or envisaged by the Centre for the future.

The Director thanked the Officers of the Board for the approval and said that the document presented to them (Annex I) did not include structural measures because its main purpose was to obtain permission to use part of the surplus and hence to finalize the 2011 budget, which should be presented to the Board in November. Structural measures, as well as the follow up to saving measures, would be presented in the forthcoming Directors' Report to the Board in November. However, the Director acknowledged the value of having a paper which presented all the measures envisaged, including those regarding the recommendations of the ILO Support Team. As regards the surplus, he underlined that it was for 2009, the budget for which had not raised particular problems, whereas that for 2010, did present difficulties.

**Approved:** use of € 500.000 from the 2009 surplus for activities in 2011 and preparation of a document for the Board in November listing the structural measures envisaged by the Centre.

The same document presented to the Officers also contained a request of the Director to allow the Centre to transfer the remaining €549,000 balance of the net financial surplus into the Reserve, and the authorization of the Officers of the Board to utilize this amount not later than 2012.

The Officers of the Board agreed to put the rest of the surplus into the reserve, but its use should be based on a more precise proposal from the management of the Centre.

**Approved:** the remaining  $\leq$ 549,000 balance of the net financial surplus will be transferred into the Reserve with a request for more information on its precise use and proposals to be presented to the Board by the Director.

The official part of the Officers of the Board meeting was thus completed.

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At the request of the Officers, a presentation of the recommendations of the ILO Support Team has been made by Mr Joe Thurman (Director, ILO-PROGRAM) and Mr Greg Johnson (Treasurer and Financial Comptroller of the ILO). The content of slides of their Power Point presentation can be found below.

# Internal Review of the Operations of the International Training Centre, Turin September 2010

#### **Terms of Reference**

Internal Review of operations of ITC-ILO in 2 areas:

- Greater integration between the Centre and ILO of management and administration, planning, programming and budgeting in order to reduce duplication of functions, enhance cost-effectiveness and improve predictability of resources for the Centre;
- Review the Centre's expenditures and identification of possibilities for further efficiencies.

## Methodology

- 3-day mission by Mr. Thurman, Mr. Johnson for consultations with Centre's management and selected officials, staff union;
- Review of financial and programmatic data and set-up of operation of the Centre;
- Review of current level of contributions of the Centre to the work of the ILO and vice versa;
- Structured interviews at HQ with departments collaborating with the Centre, including ACTRAV and ACTEMP, as well as management and administrative units.

#### **Key findings: integration**

- Extensive integration has already been achieved:
  - ✓ Alignment to ILO strategic framework; systematic reference to ITC in outcome strategies; resource reporting by outcome;
  - ✓ Collaboration in delivering courses; joint planning
- Some limitations to integration remain:

- ✓ Outcome-based Work plans on IRIS do not include ITC as full participant;
- ✓ Extent of integration not well documented

## Key findings: operating model

- The current model is built on pricing to cover costs and treats staff as fixed costs;
- An optimised model could identify a better mix of activities and better use of staff time, but this requires activity-based cost data;
- Activity-based costing would also support a more results-based planning approach.

## Key findings: finance, IT and administration

- Level of integration;
- Review of administrative costs:
  - ✓ Operating costs reviewed
  - ✓ Reorganisation of support staff utilization
- Good base for management reporting:
  - ✓ Enhanced cost attribution
- Budget and reporting statements could be improved.

#### Recommendations

Greater integration, effectiveness and efficiency by:

- a. Clarifying roles and responsibilities
- b. A new operating model
- c. A new financial model

## a. Clarifying roles and responsibilities

#### ITC to articulate a new vision and mission statement that could:

- Serve as a tool to encourage joint work and to communicate the Centre's mission and role internally and externally;
- Serve as a reference for future strategic alignment of the Centre's medium-term planning and operational work plans.

## b. A new Operating Model

## ITC to develop a new operating model as an "engine" for greater integration, including:

- A medium-term plan using established RBM-based methodologies, with a fullyintegrated operational risk management module;
- More integrated joint-planning of the Centre's activities with the ILO, within the framework of outcome-based work plans (OBWs);
- An integrated budgetary and financial framework;
- An enhanced mix of activities (e.g. global academies) including through joint investment by the ITC and the Office, based on careful analysis;
- Concentrating resource mobilization efforts on well-coordinated large-scale undertakings in close collaboration with the ILO.

#### c. A new Financial Model

#### ITC to enhance its financial and budget model, including:

- Revise budget format:
  - ✓ training and related costs v management and administrative costs, and
  - ✓ fixed vs. variable costs
- Enhanced cost attribution;
- Enhanced management reporting.