# Board of the Centre

81st Session, Turin, 25-26 October 2018

**CC 81/3/2**

**FOR INFORMATION**

THIRD ITEM ON THE AGENDA

## Report of the meeting of the Officers of the Board (25th May 2018)

**1.** A meeting of the Officers of the Board of the International Training Centre of the ILO (the Centre) was held, *via* videoconference, on 25th May 2018 to enable the timely consideration and adoption of the financial statements for the year ended 31 December 2017 and to consider and approve the proposed allocation of the 2016-17 net budget surplus.

**2.** The report of this meeting is submitted to the 81st Session of the Board (October 2018).

**Financial statements and External Auditor's Report for the year ended 31 December 2017**
(First item on the agenda)

**3.** The *Chairperson and Representative of the Director-General* welcomed the Officers of the Board to the meeting.

**4.** The documents under consideration were published on the Centre's webpage in April 2018 and the Officers of the Board were notified of this. This allowed for a period of five weeks for any questions and clarifications to be provided by the Treasurer, as well as for consultations by the Officers with the members of their respective groups. He noted that no questions had been received from the Officers.

**5.** The *Chairperson* then gave the floor to the Director of the Centre for a few introductory remarks.

**6.** The *Director of the Centre* thanked everyone involved in the preparation of the meeting. He explained that, as the ILO's training facility, the Centre operates within the "One ILO" policy and institutional framework, and that close alignment between the Centre and the ILO – both at headquarters and in the regions – has been and will remain critical to the relevance, effectiveness and sustainability of the Centre's learning and training activities.

**7.** He reminded everyone that the Centre faces many challenges in achieving its many objectives. While it receives voluntary contributions from the Government of Italy and the ILO, among others, it still needs to earn the majority of its revenue in order to be sustainable over the long term. Thus, the Centre is constantly innovating new products, as well as developing and delivering training of the highest quality that is as relevant as possible to the ILO constituents.

**8.** He also pointed out that every year, the Centre continues to invest significant efforts and resources in streamlining its internal business and administrative processes in order to react more quickly to the various demands. The Centre has been successful in completing several additional process reviews and further details will be provided to the Board in October.

**9.** He reminded Officers that over the past years, the Centre has been fortunate to generate reasonable surpluses that have been re-invested in its training activities and in training innovations.

**10.** He pointed out that in this biennium, the Centre also had to re-invest a significant amount of its own funds towards the regular and extraordinary maintenance of the Campus to ensure that it provides a comfortable and secure campus to all participants and staff. For each year that the campus ages, more and more funding is required to maintain the infrastructure to the current level. In 2016, the Centre was fortunate to receive from the City of Turin the contributions in arrears for the years 2013, 2014 and 2015 for a total of €750,000. This was quickly spent in improving the campus, repairing and refreshing much needed areas.

**11.** He had requested that the Officers of the Board approve urgent funding in 2016 to assist in this work. In addition, the Centre had invested its own funds during that year on regular and extraordinary maintenance as the City of Turin had not paid any contribution for 2016 and had confirmed that none would be paid for 2016 and 2017.

**12.** He warned the Officers that this leaves the Centre facing a significant risk vis-à-vis its deteriorating infrastructure. Since early 2016, the Centre has had no choice but to fully close the Africa 10 and 11 pavilions as engineers have identified significant structural issues as well as to refurbish the interiors are higher than what is available in the Campus Improvement Fund and thus, the Centre is unable to go ahead with the project due to insufficient funds on hand. In addition, in both 2018 and 2019, the Centre will need to invest its own funds from the regular budget to cover regular maintenance, which is normal, but also any extraordinary maintenance including urgent repairs. The results of the Occupational, Health and Safety audit carried out in late 2016 indicate several important deficiencies on the campus and severe future issues such as the stability of rooftops in case of heavy snow to asbestos contained in some pavilions presently occupied by staff and which contain classrooms. Without a significant influx of funding over the next several years, the Centre faces a significant risk for the security and health of its staff as well as its participants attending training on campus. The Centre continues to explore all options to identify much needed funding to carry out and complete the necessary work to maintain a campus that is safe for everyone.

**13.** The Centre is now fully engaged in the ILO's programme of work associated with the Centenary Initiatives and is actively promoting sharing of knowledge around these initiatives, particularly around the theme of the Future of Work. The Centre will continue to actively invest in innovation and will continue to identify new internal and external sources of funding to assist in this exercise.

**14.** The Director presented the financial results of the Centre for the year ended 31 December 2017 and the net budget results of the 2016-17 biennium. As mentioned last year, the biennium net budget surplus was calculated by combining the 2016 and 2017 net budget surpluses. He also presented the proposed allocation of the 2016-17 biennium net budget surplus of €1.764 million. He reminded the Officers of the Board that the Board's approval of the proposal had been delegated to them at the last Board meeting in October 2017.

**15.** The Chairperson invited the Treasurer to introduce the 2017 financial statements.

**16.** The Treasurer introduced the financial statements and highlighted a number of key areas.

**17.** She confirmed that, during the year, there had been no new IPSAS standards that impacted the Centre's financial statements. IPSAS has a limited impact on the Centre's regular budget as this is presented on a modified accrual basis.

Commenting on the financial results, she explained that the Centre's budget results for 2017 showed that the Centre had achieved positive results again this year with an overall net budget surplus of €712,000. Last year, a preliminary surplus for the first year of the Centre's 2016-17 biennial budget amounted to €1.052 million. By combining both the results of 2016 and 2017, the Centre's final net budget surplus for the biennium was €1.764 million.

**18.** She further pointed out that the actual revenue for 2017 totaled €38.4 million. The ILO's contribution amounted to $8.24 million, when converted, which was €357,000 higher than the budget as a result of the difference between the exchange rate applied at the time of the budget and the actual conversion rate. The Centre also received the voluntary contribution from the Government of Italy of €7.85 million and a contribution of €250,000 from the Government of Portugal that are to be applied to the overall expenditures. In total, the biennium generated €76.4 million in revenue.

**19.** Revenue from training activities totaled €23.4 million in 2017, and this represented an increase of 1.9% over the 2016 revenue. When comparing these results to the expected 2017 budget target, the Officers could note that the results were below what was initially expected. It was important, however, to also consider the use of past surpluses for training activities as well as the related variable expenditures to understand the variation noted. Although both the training revenue and the variable expenditures were both below the expected 2017 budget targets, the contribution to fixed costs or CFC, which is the difference between the training revenue plus the use of surpluses less the variable expenditures came in on target resulting in the Centre still achieving a positive result for the year as well as for the biennium. The main reasons for this were that the Centre generated overall efficiency gains in the delivery of its training activities as well as the type of training delivered, which had an impact on the overall revenue and expenditures.

**20.** Overall, in the biennium, the total number of participant-days totaled 203,439 as compared to 191,042 for the period of 2014-15. This represents an increase of 12,397 participant-days or 6.5%. The total number of participant-days in 2017 were 97,027 as compared to 106,412 in 2016, showing a decrease of 9%. While the number of participants were stable in 2016-17 when compared to those of 2014-15, the actual number of training days delivered by the Centre totaled 6,983 for the 2016-17 period as compared to 6,810 during 2014-15 representing an increase of 173 days of training or 2.5%. There was also a significant increase in training activities called "Blended-F" (distance training plus face-to-face in the field). Many constituents have been requesting the Centre to bring its training to the field and the Centre has responded, showing an increase of 129% in Blended-F participant-days. This had had an impact on the training at a distance that saw a decrease of 59.5% in participant-days in 2017 (12,356 participant-days in 2017 as compared to 30,492 in 2016), mostly due to the Centre having held fewer Massive Open On-line Courses in 2017 than in 2016.

**21.** Actual expenditures in 2017 totaled €39.1 million. Those relating to regular budget staff were lower than budgeted by approximately €891,000 or 5.5%. This was also the case in 2016. While the Centre applied to its staff costs the mandatory salary increases approved by the International Civil Service Commission, this was counter-balanced by savings resulting from several vacant positions during the year, as in 2016. Overall, for the biennium, this resulted in overall savings of €1.2 million. The actual expenditure relating to consultants was higher than budgeted by €292,000. This was due to additional work undertaken during the year, such as the external work required for the implementation of the new Oracle eProcure-to-Pay system and workflow, the elaboration of the draft procurement manual, the Health and Safety audit as well as the audit on Diversity, and other staff-related matters, among others. For the biennium period, actual consultant expenditure totaled €1.353 million which was higher than the budget by €399,000. In 2016, consultative assistance was also sought to carry out various work by the Centre.

**22.** The actual expenditure relating to facilities was higher than budgeted by €266,000 or 14.5%. In the current year, the Centre undertook additional maintenance work on the Campus and this included repairs of the Centre's pipes, the initial work for the refurbishment of the reception, the creation of a small boutique as well as improvements to the gym area, the upgrading of various washrooms and changing rooms across the Campus as well as the upgrading of the building automation systems and fire detection equipment, among others. During the biennium, the Centre spent an additional €666,000 in facilities as well as €480,000 in leasehold improvements.

**23.** Governance expenditure was lower than the budget by €128,000 or 35%. This was largely due to the ILO having provided the Centre with legal services free of charge throughout the year.

**24.** Information and technology costs were higher than the budget by €144,000 or 9.5% as a result of one project having been deferred from 2016 to 2017 and other small increases in all types of costs. Over the biennium, the actual expenditures were just slightly over the budget.

**25.** The total variable expenditures related to training activities, publication activities and other revenue as well as use of surpluses for training activities. These were lower than budgeted by approximately €3.46 million or 18.4%. These expenditures fluctuate with earned revenue from all three categories and the use of surpluses based on different ratios depending on the types of activities delivered by the Centre and the types of products delivered to external clients.

**26.** The Treasurer continued her presentation, commenting on Statement of Financial Performance.

**27.** In 2017 and in compliance to IPSAS, the Centre recognized €37.6 million in total revenue and €39.1 million in total expenditures resulting in a net deficit of €1.5 million. The principal reasons for this IPSAS loss are the fluctuation of the US dollar to the Euro as well as the timing differences as a result of the receipt and disbursements of voluntary contributions and the use of past surpluses for which no revenue is recorded under IPSAS.

**28.** The Treasurer reminded the Officers that the Centre has always faced a high currency risk vis-à-vis the US dollar since its functional and reporting currency is the Euro. In the past, the Centre has recognized wide fluctuations whereby in some years, exchange gains were recognized while in other years, the Centre showed exchange losses. As of early 2016, the Centre has slowly started being impacted by the devaluation of the US dollar against the Euro and this is revealed in Statement II each year. In 2017, the US dollar exchange rate to the Euro fluctuated significantly from a rate of 0.956 in early January to a rate of 0.837 at the end of December, thus showing an overall decrease of 12.4% in its exchange value. This has had a significant impact on the final IPSAS results for the Centre. The Centre registered an unrealised exchange loss of €946,500 as a result of revaluations during and at year-end as well as a realised exchange loss of €125,000 for a total of €1.07 million in exchange and revaluation losses. Last year, the Centre recorded an exchange and revaluation gain of €182,000 that was made up of an unrealised gain of €195,000 and a realised loss of €13,200. This very much demonstrates the exposure of the Centre to current and future exchange losses. Thus, care is taken to mitigate as much as possible the increasing risk of exchange by naturally hedging the Centre's US dollars – this means that the treasury is watched very carefully to align receipts of Euros to payments in Euros and receipts in USD to payments in USD. US dollars are converted only on an "as needed basis" in order to minimize realised exchange losses. In addition, budgets for training activities are opened only in Euros and to the extent possible, our agreements with donors and partners are in Euros.

**29.** She confirmed that the two major sources of revenue, representing approximately 94% of the total revenue, are earned from training activities and voluntary contributions.

**30.** Total revenues increased by 1% in 2017 when compared to 2016. While the training revenue increased by 4.5% and other revenues increased by 1.5% when taking into consideration the 2016 exchange gain, the voluntary contribution revenue decreased by €610,000 or 4.3%. The training revenue increase is mainly due to the increase in the number of participants attending training that was higher by 698 or 6.1% over 2016.

**31.** The decrease in voluntary contributions is due to the Centre not having received any contribution from the City of Turin in 2017 as compared to the receipt of the annual contributions of €250,000 for the years 2013, 2014, and 2015 in 2016. The conversion of the ILO USD contribution resulted in approximately €140,000 more than in 2016.

**32.** Total expenditures increased by €363,000 or approximately 1% as compared to 2016. Staff costs increased by less than 1% mainly as a result of a combination of the normal increases to the compensation package issued by the United Nations International Civil Service Commission (UNICCS) while having savings from vacant positions during the year and recruitment of more junior level staff in vacant positions. Efforts continue to ensure that staff costs are kept within an acceptable level and that no additional positions are being created in the regular and variable budget staff categories.

**33.** Sub-contracts, travel, other costs related to training activities and other costs decreased by €256,000 or 1.7% as a result of continued efforts to contain all fixed expenditures. General operating expenditures, buildings and ground maintenance decreased by 16.9% or €666,000 as a result of a significant decrease in extraordinary maintenance carried out on the Campus as the City of Turin did not provide any voluntary contribution to cover costs in 2017.

**34.** Regarding the Statement of Financial Position, the Treasurer clarified that the Centre's total assets at the end of the year totaled nearly €27 million. Cash and cash equivalents totaled €10.7 million at the end of 2017 of which €3.8 million were held on behalf of donors, as advance payments for training activities. In addition, an amount of €7.6 million was held in USD. Information on the movements of the Centre's cash and cash equivalent position are in Statement IV of the financial statements.

**35.** The Centre had accounts receivable totaling €6.9 million at the end of 2017, which were higher by €1.5 million as compared to 2016. While collection efforts continue, the increasewas in part due to an increase in accounts receivable from training service agreements for which there was a matching liability. The Centre had also decreased its estimated provision for doubtful accounts by €129,000 as this was deemed somewhat high when comparing to the actual subsequent write-offs. The final balance due from the ILO was slightly lower than in 2016 by €136,000 and efforts also continued to collect the funds regularly. Property and equipment decreased by €280,000 as a result of taking annual depreciation on the Centre's assets of €1 million which was offset by purchases of €712,000 in the year. This mainly related to capitalized leaseholds improvements carried out on the Campus.

**36.** She finally noted that liabilities totaled €11.5 million at the end of 2017 as compared to €10.6 million in 2016. There was a decrease in accounts payable and accrued liabilities of €400,000 as there was a slight increase in the payments made prior to the holidays and an increase in deferred revenue of €1.2 million from signed training service agreements to be delivered over the next few years. At the end of 2017, the Centre had net assets as reported under IPSAS of €15.2 million. Further details could be found in Statement III.

**37.** The Chairperson then invited the Officers to comment and raise questions regarding the 2017 financial statements.

**38.** Taking the floor, the Workers' Vice-Chairperson asked to add another item on the agenda and asked for some clarifications on the implementation of the collective agreement between the Centre and the Staff Union. All agreed to add this point to the agenda.

**39.** The Workers' Group took note of the financial statements and of the Auditors report. They thanked the auditors for their work and recommendations.

**40.** The Workers' Group noted that the Centre's financial statements had been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and that, according to the External Auditor, the financial statements presented fairly the financial position of the Turin Centre as at 31 December 2017. It also noted the net deficit of €1.471.000 of all funds of the Centre, as well as the surplus of €712,000 concerning the General Fund for 2017.

**41.** The Workers' Group noted the final net budget surplus for 2016-17 of €1.764.000.

**42.** In relation to the revenue for 2016-17, the Workers' Group welcomed the change in revenue pattern resulting in greater equilibrium and therefore less volatility, for the two years of the biennium. It welcomed the increase in total revenue for 2017 along with the slight increase in the number of participants attending training. Over the biennium, figures for participants attending training and the number of participant days indicate a stable performance for the Centre.

**43.** The Workers' Group noted that across the Centre, the ITC-ILO Programme offering uses a number of training modalities. The balance of face-to-face, blended, distance learning and massive open online courses must be carefully determined and monitored, ensuring that participants get the best possible training based on their individual and organisational training needs.

**44.** The Workers' Group noted the contribution made by the City of Turin in 2016 and would like to know which steps have been taken by management to maintain the financial contribution by the City of Turin as well as the Piedmont Region for the future and to ensure greater financial stability in relation to their funding contributions.

**45.** The Workers' Group noted the increase in sub-contract expenditure (consultancy) and the reasons given for this increase (page 6). The Group would like to remind that expenditures in this area need to be monitored closely and be kept to a minimum and the Group further noted the figures and explanations given for exchange rate losses.

**46.** The Workers' Group noted the increased expenditure in relation to the facilities in 2017. Spending in this area will largely improve the participants' experience on Campus, which is welcomed and noted the significant liability that relates to deferred revenue and would like to know what steps management was taking to reduce this liability.

**47.** They further drew attention to the Centres' mix of funding sources, which present a substantial risk as they are subject to continuous variations in donors' support and changing priorities and therefore recommended an even greater promotion of increased voluntary contributions of ILO member States to the Turin Centre and in this regard, the Workers' Group wanted to hear what further measures were being taken to foster this process.

**48.** The Workers' Group also took note of the improvements that are gradually taking place regarding the implementation and delivery of ILO's development cooperation projects by ITCILO. The Group recommended an even greater use of the Centre for the implementation of ILO's capacity development projects. In this regard, components of the ILO's flagships programmes that are related to capacity development should be delivered with the support of ITCILO. The Group wanted to know what measures were being taken to foster this process of integration and delivery of development cooperation programmes.

**49.** The Workers' Group reiterated that ITCILO should continue to fulfil its core institutional mandate as the training arm of the ILO and asked the Director to continue his efforts to bring about an even stronger integration of the Centre with the ILO. In order to preserve the core mandate of the ITCILO, the Centre should ensure that the use of its resources stay within the ILO mandate. The mobilisation of ITCILO resources must further be based on the needs of the tripartite constituents, in general, and trade union organisations, in particular.

**50.** The Workers' group further called upon the Director of the Centre to take the necessary measures to implement a financial framework that fully supports the sustainability of the ACTRAV and ACT/EMP Programmes. Concrete measures to be undertaken with the support of both Groups should be discussed at the next Board meeting in November. The delivery of the Workers' and the Employers' Programmes should not depend on the surplus that may or may not be generated by ITCILO in any given financial year.

**51.** The Workers' Group took note of the comments made by the External Auditor and supported actions relating to the four recommendations of the Auditor concerning: the Centre's operational results; the procurement to Pay Processes in the Oracle Application; the Accounts receivable monitoring; and the implementation of previous audit recommendations.

**52.** Overall, the Workers' Group noted the largely positive results shown in the financial statements and suggested that this was a product of the hard work and efforts undertaken across the Campus by the entire Centre's staff in their endeavours to provide resources and capacity development to constituents.

**53.** The Group thanked the Director of the Turin Centre for having organized this Officers of the Board meeting in order to proceed with the adoption of the financial statements for the year 2017, under the delegated authority of the Board. They also took this opportunity to thank the Government of Italy and the Government of Portugal for their voluntary contributions provided in 2017.

**54.** The Workers' Group was ready to approve the 2017 financial statements as presented, together with the Report of the External Auditor and adopt the point for decision on page 13 of the report.

**55.** The Employers' Vice-Chairperson thanked the Treasurer and the External Auditor sfor the presentation of the Financial Statements and External Auditor's Report for the year ending 31 December 2017 and appreciatd the diligence undertaken in ensuring the accuracy of these reports.

**56.** The Employers' Group took note of the welcomed increase of training revenue in 2017 by €950,000, an increase of 4.5% from 2016. They also took note of the steady increase in staff cost expenditure. This is a natural process, which came from the increase in the number of training activities over the years and also the increasing number of participant days. On this note, they believed that although there were savings from vacant staff positions, efforts should be made to ensure that these vacancies do not result in inefficiencies of the various teams affected. Quality assurance of training activities should be the top priority. In this regard, they would like to send their full appreciation to the Training Director and to Mr. Liu, for kindly handling the selection process of a new P2 staff for ACTEMP in an efficient manner. This was much needed to maintain the excellent performance of the ACTEMP team in delivering quality training services.

**57.** With regards to the External Auditor's Report, they acknowledged the diligent auditing work of the Commission on Audit of the Republic of the Philippines. Their positive report has given the Employers' Group continued confidence in the Training Centre for its compliance with the Financial Regulations and legislative authority. They hoped to see a continuous culture of improvement within the Training Centre, and hoped to see that the Commission's recommendations were taken on board for the next biennium.

**58.** On this note, the Employers' Group agreed to adopt the 2017 Financial Statements as submitted in accordance with Article 17.2 of the Financial Regulations, as presented, together with the Report of the External Auditor.

**59.** The Governments' Vice-Chairperson thanked the Treasurer and the External Auditor for the presentations and noted the increase of participants as well as the net budget surplus. In the framework of budget restrictions, there is a need to invest more funds in the Centre, in order to maintain the appropriate level of efficiency and excellency.

**60.** She mentioned the ILO Centenary Initiatives programmes, closely linked to ILO Future of Work Initiative and hoped that the Turin Centre would be involved and part of those.

**61.** The Governments' Group was ready to approve the point for decision in the Financial Statements.

**62.** The representative of the Government of Italy welcomed the opportunity to review the financial statements and external auditor's report for the year ended 31 December 2017. This represents the first complete biennial financial exercise for the Centre.

**63.** He congratulated the Director of the Centre for the solid document which highlighted the sound financial management of the Centre for the biennium 2016-17, confirmed by the proposed allocation of the 2016-17 net budget surplus. He noted the good financial performance and the continuous efforts made by the Centre to reach ILO constituents.

**64.** He also acknowledged the efforts of the Director to look for a diversified income base with a view to reaching out multi and bi-lateral partners and congratulated the Centre's management for keeping the staff costs under control. He also encouraged the Management to continue to look for cost-saving opportunities in the current biennium 2018-19.

**65.** Finally, the Italian government fully supported the adoption of the 2016-17 financial statements as presented and fully supported the proposed allocation of the 2016-17 net budget surplus.

**66.** The Chairperson invited the Treasurer and the Deputy Director of the ITCILO to reply to the queries expressed by the Groups.

**67.** The Deputy Director assured Representatives that the Centre is in constant contact with the authorities of the City of Turin and of the Piedmont Region. A technical meeting was just organized to present to the City the results of the OSH Report. The representatives of the Mayor assured the Centre that it was their concern to keep the Centre,a centre of excellence as it is now considered to be.

**68.** The Treasurer thanked the members for their comments. She explained to the Representatives that deferred revenues under Liabilities represented a matching liability to contributions receivable. Under IPSAS, when the Centre signs agreements with donors for future training delivery, both a receivable and a liability is recorded. In some cases, the cash is received in advance. These amounts can increase and decrease depending on how many agreements are signed. When the Centre delivers the training services, both amounts are decreased and an equal amount is recognized as revenue. These figures are monitored very closely on a regular basis. She also noted a comment on the exchange rates. She explained how exchange rates are monitored continuously in order to maximize investment income as well as minimize realised exchange losses.

**69.** The Chairperson invited the representative of the External Auditor to introduce the External Auditor's Report for 2017.

**70.** The representative of the External Auditor noted that the Groups had already commented on the Report and stated that, based on their audit, they confirmed that the financial statements were reasonable under IPSAS. The policies were also applied in a comparable manner and that all transactions reviewed were in accordance with Financial Regulations, hence a clean opinion was issued.

**71.** He commended the Centre for streamlining some business processes, which has enhanced efficiency and saved time. Some areas need to be further improved such as the Centre's operational results, the procurement process and the way account receivables are monitored. They take note of the rate of implementation of their past recommendations and are satisfied with it.

**72.** The Chairperson then invited the Officers to comment on the External Auditor's Report for 2017. Both the Employers' and Workers' Vice-Chairpersons took note of the report and thanked the Auditors.

***The Officers of the Board:***

1) ***adopted the financial statements, and***
2) ***took note of the External Auditor's Report for the year ended 31 December 2017.***

**Proposed allocation of the 2016-17 net budget surplus**
(Second item on the agenda)

**73.** The Chairperson invited the Director to present the document.

**74.** The Director reminded the Representatives that as a result of the decision taken by the Board in October 2017, the Officers of the Board have now been delegated the Board's authority to approve the allocation of any surplus at the end of a complete financial period. As per the Financial Regulations, this is defined as two consecutive calendar years. The following document contains the proposed allocation of the 2016-17 net budget surplus which amounts to €1.764 million.

**75.** As per Article 7.4 of the Financial Regulations of the Centre, the proposal was to allocate €1.2 million to the training activities to provide partial and full fellowships for participants from developing countries in order to partly or fully offset course fees, travel and subsistence costs. The Centre would maintain its next biennium's financial support to the same level as in 2016-17.

**76.** He further clarified that €300,000 would be allocated to the Innovation Fund to promote learning and innovation as a cross-cutting driver to the organization to further support becoming a world-class training institution, as expected by the Board and €264,000 would remain in the General Fund to provide flexibility to management to allocate additional funds in priority areas including the purchases of assets and any significant emergency repairs to the aging Campus.

**77.** The Chairperson then invited the Officers to comment.

**78.** The Workers Group took note of the proposal for the allocation of the net budget surplus 2016-17. With regards to point (a), the Workers' group supported the proposed allocation of €1.2 million to the training activities. This allocation should take place according to the usual practice for the allocation of these funds, namely 50% of this allocation for the Workers' (60%) and the Employers' (40%) Programmes and the remaining 50% of the allocation across the other departments of the Centre.

**79.** With regards to point (b), the Workers' group approved the allocation of €300,000 to the Innovation Fund to promote learning and innovation as a cross cutting policy driver element for ITCILO. In particular, such funds should contribute to developing learning and innovation in areas that fall within the core mandate of the ILO.

**80.** With regards to point (c), the allocation of €264,000 to the General Fund, the Workers' group would like to see part of these funds being used to provide partial or full fellowships to workers' and employers' participants attending Academies organized at the ITCILO, in particular Academies that are of high importance for the social partners. For many years, there have been difficulties in assuring sufficient participation from workers in Academies, due to a lack of fellowships, and it would be important to launch a fund for this specific purpose. Especially since Academies take up an important place in the Centre's training portfolio. This would be a first concrete measure to address a gap that has been raised and discussed several times at the Board meetings and at the Workers' and Employers' Committees.

**81.** The Workers' Group approved the point for decision in paragraph 3.

**82.** The Employers' Group thanked the Director for his presentation on the proposed allocation of the 2016-17 net budget surplus. He particularly sent appreciation and gratitude to the Government of Italy for its strong and continuous support to the Centre over the past 50 years and more. This has helped to strengthen the skills and capacities of employers, workers and governments. The Group also welcomed the continued support from the City of Turin in 2018.

**83.** The Representative took note of the proposals made by the Director on the proposed allocation of the 2016-17 net budget surplus. In general, they agreed with the allocation of the €1.764 million, as proposed. He further stated that the allocation of the surplus in recent years has been key for the maintenance and upgrading of campus infrastructures, as well as a source of income for the different Training Programmes of the Centre. The Employers' Group then proposed for further consideration that of the total amount given to the Training Department, 50% be given to ACTRAV and ACTEMP and that this amount should then be split 55% to ACTRAV and 45% to ACTEMP. They strongly believed that this split would provide both programmes with the resources needed to ensure the delivery of quality courses to both employers and workers. They hoped the funds would be used as efficiently as possible, to maximise the value of the training experience and to impact those taking the courses.

**84.** The Vice-Chair person of the Government Group thanked the Director for preparing and presenting the proposed allocation and supported what was presented with the same allocation as last year, i.e. 55 % for ACTRAV and 45 % for ACT/EMP.

**85.** As concerns were raised by the two Groups of the precise split of the allocation between the Workers' and Employers' Programme, the Chairperson proposed the approval of the allocation of the net surplus budget as it was presented in the document and that the final split between the Workers and Employers programme would be further discussed and decided between the two Workers and Employers Groups afterwards. (It is recalled that the Workers' Group asked that 60% of this allocation be assigned to the Workers' Programme and 40% to the Employers' Programme, preserving the written agreement reached between the two groups in 2014 and based on a historical division. The Workers' Group had agreed to the last split on a one off basis and on the condition that it would not set a precedent for future division, while the Employers Group asked that 45% of this allocation be assigned to the Employers' Programme and 55% to the Workers' Programme, preserving the split that was agreed between the two groups when the surplus was last allocated and enquired then why it was not 50/50). As mentioned above, the final split would be further discussed and decided between the Workers and Employers.

***The Officers of the Board approved the proposed allocations of the 2016-17 net budget surplus.***

**86.** The Workers' Vice-Chairperson took the floor to make a declaration on the implementation of the collective agreement signed the previous year.

**87.** She mentioned that there was a pending issue concerning the recognition of seniority for those staff now hired under the "variable budget" rule. The Group would like to receive an update on this pending issue as they considered that until now the collective agreement was not fully and properly implemented.

**88.** The Deputy Director mentioned that a discussion took place the day before at the Joint Negotiation Committee, which was actually the proper place to discuss the matter. A recommendation by the JNC would be forwarded to the Director for decision or information. He confirmed that Management of the Centre was seriously following up on this issue, and that the issue would be clarified and endorsed before the meeting of the Board in October.

## Concluding remarks

The *Chairperson* stated that a report of the meeting would be presented to the 81st Session of the Board to be held in Turin on 25 and 26 October, 2018, before the 334th Session of the Governing Body of the ILO. The Officers of the Board agreed to delegate approval of the report of the meeting to the Chairperson and the Secretary of the Board.

The *Chairperson* thanked the Officers, the secretariats of the various groups and the staff of the ILO and the Centre for their participation and declared the meeting closed.

**This report would submitted to the Board for information.**

Turin, October 2018

**Attendance list**
**Liste des présences**
**Lista de presencias**

| | |
|---|---|
| Mr Giulio MARINI | ITALY |
| Ms Daniela ALVARO GUTIERREZ | ARGENTINA<br>*(Governments' Vice-Chairperson)* |
| Mr Harry KYRIAZIS (Greece) | *(Employers' Vice-Chairperson)*<br>*by video-conference* |
| Ms Akustina MORNI (IOE) | *(Employers' Secretariat)*<br>*by video-conference* |
| Ms Silvana CAPPUCCIO (Italy) | *(Workers' Vice-Chairperson)*<br>*by video-conference* |
| Ms Esther BUSSER (ITUC) | *(Workers' Secretariat)* |

**International Labour Organization**

| | |
|---|---|
| Mr Moussa OUMAROU | DDG/FOP |
| Mr Giovanni DI COLA | DDG/FOP |
| Mr Enrico CAIROLA | ACTRAV |

**External Auditor** Commission on Audit, Philippines

Mr Lito MARTIN
Mr Danilo CABUG

**International Training Centre of the ILO**

| | |
|---|---|
| Mr Yanguo LIU | Director |
| Mr Giuseppe CASALE | Deputy Director |
| Ms Christine BOULANGER | Treasurer |
| Ms Nathalie MIRABILE | Note-taker |