



# Construction Industry Training Board (CITB-ConstructionSkills)

ANNUAL REPORT AND ACCOUNTS 2011



**Construction Industry Training Board  
(CITB-ConstructionSkills)  
Annual Report and Accounts 2011**

Annual Report and Accounts presented to Parliament pursuant to section 8 (4)  
of the Industrial Training Act 1982.

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# Foreword

2011 was certainly a year of ‘consensus’. The very shape and nature of the future of the organisation with which we’re all involved was under discussion – indeed under scrutiny. The past year involved consultation with employers, trade associations and trades unions over that future direction and, as with all genuine consultations, saw debate happen and differences, for the most part, resolved.

One very important element of that which continues is the Levy Working Party. Through this body, we will make strenuous efforts to listen to employers’ concerns, just as in 2011 we discussed proposals for the levy that will see liability reduced by 50% for smaller levy payers. This is a significant step – cutting the difference in levy liability between those just above the small firms exclusion level and those just below. Labour-only agreements will also be identified differently, action taken on ‘passing on’ the levy, and in the longer term, there’ll be work on ways to reduce the burden of completing a Levy Return – one possibility being aligning our process with the data needed by HMRC. Consultation begun in 2011 continues on all these areas in 2012.

No-one who works in our sector can escape the extent of the challenges posed by the present economic climate. Last year, I urged that employers keep a focus on training to ensure that the sector is not left short of trained talent when the climate changes and work starts to flow again. But this isn’t a one-sided plea. We recognise the pressure felt by employers of all sizes and shapes at this tough time. No organisation is exempt from decisions that come with challenging times and CITB-ConstructionSkills is no different. We used 2011 to evaluate critically the way in which we work and how that can improve, continuing to cut costs and working through how we operate, how we engage and how we continue to improve efficiency and effectiveness on your behalf. You have my assurance that this effort will not let up in 2012.

As well as making sure that our own house is in order, we are keen to ensure that important messages about the sector reach Governments and the wider policy world. There have been concerted efforts over 2011 to remind Governments of the beneficial impact to the UK economy of spending money through construction projects.

Two people who contributed to our efforts in this and other areas are Trevor Gamble and Geoff Lister, who retired from the Board at the end of 2011. Both Trevor and Geoff have been enormously hard working Board members over many years. My heartfelt thanks go to them both.

Trevor has been a dedicated and articulate champion for the skills needs of the plant sector for many years and has represented the Construction Plant-hire Association on the CPCS Management Committee and its predecessor since 1999.

Geoff’s dedication to promoting apprenticeships is well known. He has been tireless in promoting apprenticeships to regional training groups, colleges and other stakeholders.

As a sector, we know that we have a material impact on economic growth, but at CITB-ConstructionSkills we also know that our impact can be substantial on society in general. Construction is unrivalled in its ability to take on and train a wide range of talent, from the site to the surveyor’s office, from the drawing board to the Board Room. So the Deputy Prime Minister’s launch of the Youth Contract at Leeds College of Building was welcome evidence that the Governments see the case for training and skills.

This is the talent pipeline essential not only for our sector but also for the UK economy generally. These talents must include new skills and maturing skills: a commitment to a green economy offers – in fact demands – new skills and the Green Deal and Cut the Carbon were highly successful initiatives from CITB-ConstructionSkills in 2011. The realisation that nuclear power can be harnessed safely also offers big opportunities for the sector – as long as we are skilled and trained and ready to make the most of them.

So – 2011 was indeed a year of consultation and consensus; in some ways a year of recognition too, not least that the levy deserves its place in ensuring a provision of training in the sector. But without a continuing focus on improving the way in which we work for you, every week and every month, the gains from 2011 will not translate to lasting impact and benefits.

We are here to address your needs and to make your case. We are here to lead, support and listen. That continues to be our focus as 2012 unfolds.

**James Wates  
Chairman**

# The Business and Economic Environment

## **Industry profile**

2011 was another difficult year for construction. Output grew (by about 2.8%) in real terms compared with 2010, benefiting from better than expected results in the first half (particularly Q2), but slow growth in Q4 is probably not strong enough to avert a downturn going into 2012. The slowing pace of output growth over 2012 serves to emphasise the challenging trading conditions and largely extinguishes any positive sentiment that may have begun to emerge. The fragility of the recovery cannot be overestimated and a very mixed picture exists across the industry.

Whilst output growth of some 8% in 2010 surprised many in heralding a perceived return to normality, the inability to gain traction in the recovery suggests (in retrospect) that it was a false dawn. Even with a positive start to 2011, many across the industry couldn't see this growth and have continued to struggle in the face of rising costs and falling margins. In reality, construction still suffers from lack of demand, with all parts of the sector affected. The past 12 months have been slightly better for some larger contractors, but a combination of weak demand, rising costs and falling tender prices have made conditions challenging, irrespective of firm size.

Although fears of a double-dip recession largely receded during 2011, recent growth data and poor demand indicators mean that fears of another downturn are now more real than ever. There is an air of sobriety and output results for Q4 in 2011 will almost certainly set the tone for the next 12 months. Despite a 12.8% rise in the volume (in £m) of new orders in Q3 compared with Q2, confidence remains low – because this recent data belies the overall trend.

New orders growth in Q3 probably overstates the sector's underlying health. In the first half of 2011, new orders were down by 27%, and the volume fell by 5.5% in Q3 2011 compared to the same period in 2010. Growth in new orders in Q3 comes after some particularly poor results in Q2, which showed the lowest total since Q3 in 1980.

With intense competition to win contracts from a dwindling pool of work, tender prices have been pushed ever lower and margins have continued to be eroded due to rising input costs.

Furthermore, cashflow is now a real concern, particularly among SME builders and specialists. The Construction Products Association (CPA) reported that only 2% of specialist contractors received payment within 30 days in Q3, despite nearly 70% of respondents working on public sector projects, for which this is now a contractual requirement.

The impact of lower cashflow is that more firms are going into administration. Experian data shows that construction had the second largest number of insolvencies in the UK economy (of any of the 35 sectors it monitored) in November 2011, up 15% on the same period last year.

The current situation presents a grave threat to the industry, not only to its short-term prospects (in terms of work and jobs), but also its long-term health in respect of skills. The industry is changing both in terms of its composition and operation, and it may be that long-standing ambitions to modernise the industry will be triggered by the recession.

## **Workforce profile**

Whilst the construction workforce has contracted by some 8% since 2008, construction remains an important industry in terms of employment.

Employing circa 2.1 million people and accounting for about 8% of the UK workforce, the industry supports circa 3 million people when the wider supply chain is considered.

Although unemployment in the industry has stabilised over 2011, the redundancy rate remains high (13.5 per 1,000 employees) and the number of unemployed (179,000) and long-term unemployed (69,000) is significant. Indeed, it is predicted that jobs will continue to be lost well into 2012 before employment starts to grow again in 2013.

This is also borne out in the current data on construction vacancies. Whilst there is significant seasonal variation during a year, there were 30% fewer in October 2011 compared with the same period 12 months earlier, and 60% fewer than in the period immediately prior to the start of the recession. In fact, as of the end of 2011, construction had the second lowest vacancy rate of all UK sectors.

Despite economic hardship, contractors have striven to retain skilled staff and preserve capacity for the upturn, typically by cutting working hours. The downside is that there is much excess capacity to take up before firms look to expand their workforces.

Data from the Construction Skills Network (CSN) suggests that employment in the industry is likely to fall in 2011 and 2012, with no noteworthy increase until 2014/15 at the earliest. CSN data suggests that over the period 2012 – 2016 an average of 46,000 workers per year will be needed to deliver the forecast growth and replace those leaving the industry. However, most of this requirement will be towards the end of the forecast period and is predicated on private sector growth, which, if it doesn't materialise, will seriously impinge on the long-term prospects of the sector. Employment by 2016 will still be some 5% below previous peak employment seen in 2007/2008.

For some traditional construction trades, long-term changes in construction processes (as much as the weak performance of their primary sectors) may constrain future workforce growth.

### Industry performance

Industry's performance is customarily characterised by strong geographic and sectoral variation, and in this respect, 2011 was no different from years past.

During 2011, a north/south divide seems to have emerged, with the greater south east (the South East, Greater London and the East of England) beginning to fare better than the northern English regions. In between are the devolved nations, which, having overall expenditure limits set by Westminster, have already started to redirect a proportion of resource funding to capital expenditure. This should continue to benefit the construction industry in these areas.

The most buoyant sectors in 2011 were private housing and infrastructure, although the relative strength of public non-housing in 2011 came as a surprise. While public housing performed as expected, public non-housing output held up much better. However, the parameters within which the sector will have to work in future (lower Departmental Expenditure Limits) are known, and the fact that work held up relatively well in 2011 suggests that the downturn in this sector may be stronger in 2012 and beyond than previously anticipated.

Infrastructure was the best performing sector during 2011 with output exceeding the previous record. In 2011, UK Infrastructure output is predicted to have risen by 9%, on top of a 23% rise in 2010, to

a little over £13bn (in 2005 prices). This is a higher level than at the peak of the Channel Tunnel building programme in 1993.

However, the commercial and industrial sectors didn't experience expected growth, as private investment failed to take off in the face of faltering confidence and low growth. Economic forecasts for the eurozone have turned negative and the prospects for UK exporters worsened considerably. This uncertainty further undermined weakened consumer confidence, meaning that manufacturers and retailers have not invested in facilities and property as anticipated. Increasing economic uncertainty also affected developer confidence in the offices market towards the end of 2011, even in London. Growth in new orders across the private sector was only modest in the first three quarters of 2011. It is likely to be 2013 at the earliest before we see any real growth in activity.

### Industry prospects

Despite the recession, construction remains a key component of the UK economy not only in terms of output and employment, but also for wider job creation and wealth generation. This became evident when the Government published its updated National Infrastructure Plan in November 2011 followed by the launch of the Get Britain Building programme in December 2011. It is also recognised that the industry has a significant part to play in delivering the Green Deal and underpinning carbon reduction.

The major drivers of output growth in the medium term (given that public expenditure on the built environment is due to fall and the prospects for consumer-driven expansion remain muted) are centred around energy and the environment – security, capacity and carbon emission reduction – and these impinge to a greater or lesser extent on almost all construction sectors.

Over 2012 – 2016, it is forecast that the East of England, Greater London, and the South East will experience higher than the national average annual growth (at rates of 2.9%, 2.5% and 2.2% respectively). Meanwhile, industries in the West Midlands, the North West, the North East and Yorkshire and Humber will shrink or exhibit next to no growth. Output in Scotland and Wales are both forecast to grow at an annual average of 1.3% – in line with the UK average of 1.4%.

Nevertheless, the construction industry is facing a tough 2012 and it is now clear (as in past recessions) that full recovery will take at least 10 years.

## INTRODUCTION

# Corporate Performance 2011

In what was expected to be another tough year in construction, difficult economic conditions continued to impact our industry. Recognising these continuing uncertainties, 2011's targets for Key Deliverables anticipated the challenge of more falls in grant volumes, balanced against targeted growth in other areas, to further increase the number of new entrants, employer visits and skills reviews, and to drive up diversity in recruitment and learner volumes.

This challenging context is reflected in the varied set of results for the industry-facing and organisational measures targeted during 2011. Recruitment saw a shortfall in pathway to construction starts; however, this was offset by higher apprenticeship starts, reflecting the positive work done by our integrated delivery teams throughout the country.

The number of registrations for vocational qualifications (target 1) exceeded target, better than expected due to revised public funding part way through the year. Achievements (target 2) also exceeded target, though both fell slightly short of 2010 levels. Level 2 VQs make up most of this total.

Although Health and Safety Test bookings (target 3) narrowly missed target, both bookings and passes saw an encouraging rise from 2010 volumes, in line with the renewal cycle.

Pathway routes to apprenticeships (target 4) fell some way short, delivering slightly over half of the planned 800 starts. This was due to a shortage of employers able to offer work placements.

New entrant trainee volumes (target 5) exceeded target. Specialist apprenticeships contributed to the positive results, delivering double their planned 100 starts for the year. However, diverse entrants (target 6) showed only minimal growth from 2010 volumes, delivering 70% of the stretching target set for 2011.

The lower levels of apprentice framework achievements (target 7) reflected the impact of the downturn in recruitment during 2009. However, the overall percentage of apprentices achieving a framework held strong at 78%.

The Business and Skills Review with employers (target 8) has seen good results in 2011, though marginally missing target. Primarily driven by numbers in England, work will be on-going in 2012 measuring the impact of this activity linked to training and skills development.

A challenging target was set to increase the number of employer visits (target 9), and although we did not reach this, we saw a 75% increase from 2010.

The impact of cuts in training budgets and in grant rates continued to be felt in 2011, resulting in the number of employers claiming grant (target 10) dropping by 20% from the 2010 level. The largest falls in training activity related to Training & Development Plans, OSAT and Work Experience, with grant expenditure falling by around 50% in all cases. Measures to stimulate training were introduced with some success in the last quarter of the year.

Employer and stakeholder surveys (target 11) showed satisfaction levels exceeding target – extremely positive results considering the economic environment. A revised employee survey (target 12) focused on employee engagement during 2011. Engagement levels narrowly missed target (set against the Towers Watson norm), but it was a positive result considering the extent of organisational change. Focus groups will be held during 2012 exploring the key themes emerging from the survey.

Time was devoted in 2011 to work on the risk management framework. Whilst good progress has been made in managing threats and opportunities to the business, the number of corporate risks within tolerance (target 13) fell slightly short, reinforcing the importance of further work to embed the framework.

Income, excluding levy, was expected to fall in 2011, to give a planned target break-even contribution (target 14). The actual surplus has arisen from higher delivery (especially of NVQs), improved margins and keeping down costs.

When the planned target level of working capital (target 15) was set for 2011, it was not anticipated that there would be such a dramatic fall in the level of grant expenditure, which is the main reason for the significantly higher level of working capital achieved at the end of 2011. In 2012, the Board will be considering different options for deploying these funds to stimulate training and benefit our industry.

Assessing overall performance, the Board recognised the organisation's efforts in delivering a range of positive results set against some stretching targets. It supported the steps being taken to address areas of shortfall and to build on these achievements in 2012.

## INTRODUCTION

Key Deliverable	2011 Target	2011 Achieved	2010 Achieved
1 Vocational qualifications started Productivity – supporting employer and industry competitiveness	56,250	73,174	74,833
2 Vocational qualifications achieved Productivity – supporting employer and industry competitiveness	49,500	63,658	66,770
3 Health and Safety Test bookings / passes (000s) Productivity – supporting employer and industry competitiveness	559 / 403	538 / 414	522 / 404
4 Pathway routes to apprenticeships Recruitment – keeping the pipeline of talent flowing	800	430	454
5 New entrant trainees Recruitment – keeping the pipeline of talent flowing	5,340	5,377	5,278
6 Diverse entrants Recruitment – keeping the pipeline of talent flowing	320	216	194
7 Framework achievements Recruitment – keeping the pipeline of talent flowing	5,740 (75%)	5,606 (78%)	6,985 (79%)
8 Business and Skills Reviews delivered with employers Employer engagement – recognising and responding to skills needs	1,220	1,193	1,047
9 Employer visits Employer engagement – recognising and responding to skills needs	20,420	18,028	10,291
10 Number of employers claiming grant Employer engagement – recognising and responding to skills needs	18,100	15,648	19,058
11 Employer / stakeholder satisfaction survey % Developing our customer and stakeholder relationships	72% / 85%	76% / 90%	74% / 84%
12 Employee engagement survey % Building the capability of our people	70%	69%	n/a
13 Corporate risks within tolerance Improving our business operations	60%	50%	55%
14 Contribution from other income (£m) Managing our finances	0.0	1.8	7.6
15 Working capital (£m) Managing our finances	36.7	86.9	45.3

## INTRODUCTION

# Public Benefit

CITB-ConstructionSkills aims to improve the training of people working or wanting to work in construction and has been registered as a charity since 1972.

The Board has regard to the Charity Commission's general guidance on Public Benefit when planning activities to achieve its aims. Amongst other factors, the Board believes that the following all deliver substantial public benefits:

- enhancing the skills and competence of people in construction benefits the competitiveness of an industry that employs more than 2.2m people, contributes 8% of UK GDP, and improves the quality of the built environment
- spotting and mitigating skills gaps and shortages and maintaining training capacity is vital for the UK economy
- encouraging individuals to develop their skills through lifelong learning benefits them personally and contributes to a stable and productive society.

Our aims are achieved mainly by:

- giving grants to employers engaged in training
- offering advice and support to employers about their training needs
- creating and maintaining standards and qualifications in consultation with employers
- managing schemes for recording achievement
- providing training where the market does not offer sufficient coverage.

This Report illustrates how in 2011 these aims have been delivered across England, Scotland and Wales.

More than 15,600 employers received grants towards their training needs during 2011.

Details of financial performance are on pages 19 to 28. Information about performance against other business targets is on pages 6 and 7, analysed by nation and region in Appendix E, page 68.

# Information Security

To achieve our aims effectively and efficiently, we collect and make use of personal information about individuals, such as employers, employees and applicants for posts, suppliers and apprentices.

We are committed to protecting the rights and freedoms of individuals in respect of the processing of their personal data, and undertake to comply with our obligations and responsibilities under the Data Protection Act 1998 at all times. We will ensure:

- information is protected from unauthorised access
- integrity of information is maintained
- information is available when needed
- regulatory and legislative requirements are met
- we consider and implement as appropriate any requirements, recommendations and best practice guidance from Government and industry
- Fair Processing Notices are issued each year asking employers to update the details we hold and giving them the chance to opt in or out of receiving marketing information
- business continuity plans are produced, maintained and tested
- staff are trained to fulfil their responsibilities to process information securely
- all breaches of information security are investigated.

We follow Cabinet Office guidance in relation to incidents involving protected personal data.

There was one incident in 2011 resulting from a technical error made by a third party mailing house during the posting of Levy Returns to employers. Immediate action was taken to identify those potentially affected, and they received a written apology (at no cost to levy payers).

During 2011, two encrypted laptops were lost as a result of thefts.

These incidents were not required to be reported to the Information Commissioner as it was considered that there was immaterial risk of data loss.

# Corporate Responsibility

CITB-ConstructionSkills began to develop a full Corporate Responsibility (CR) programme at the end of 2010 and continued to work on strategy and policy during 2011, following a recognised model around four core principles. Each has its own strategy around which objectives and targets to measure performance during 2012 will be set.

- Creating a positive **workplace** for employees by having policies and systems to support them, and providing a healthy and effective workplace by creating an environment in which they can develop their skills and realise their full potential.
- Encouraging positive business relationships in the **marketplace** with our customers, stakeholders and industry by building a reputation as a responsible business which sets us apart with many stakeholders who now see CR as a core part of business strategy.
- Reducing impact on the **environment** by developing a management system that ensures regulatory compliance and continual improvement across the organisation.
- Making a positive impact on **local communities** by identifying social issues pertinent to the organisation within the communities where we operate, and developing a programme of support for those communities.

During 2011, we set initial targets to reduce paper use, mileage and energy consumption by 5%. However, this proved more challenging than expected, such as in developing accurate baseline data on energy consumption against which we can measure progress. We will address this during 2012, working with suppliers to ensure we have accurate and timely data, helping us to manage consumption more effectively.

To help drive reductions, development work at the NCC East (Bircham Newton) includes the commissioning of a Biomass boiler to heat the new energy-efficient student accommodation.

In 2011, we introduced an internal award to encourage staff to support the reduction of carbon emissions. We had four entries of a high standard, with the winner being a formal car-sharing scheme, to be introduced early in 2012.

During 2012, we aim to have a top level measure in our corporate scorecard, with milestones to indicate progress. This will give staff greater visibility of how we are doing. Progress is also being made to roll out an integrated management system that manages health and safety and environmental impacts.

CITB-ConstructionSkills was awarded the Equality Standard during 2011 as recognition of our commitment to plan and promote good equality and diversity practice in all of our work. Gaining the Equality Standard is a first for a Sector Skills Council and it is also the first time an organisation working across the three nations has achieved the Standard.

Many of our staff get involved in charity work and contribute to both national and regional appeals and events or undertake individual charitable activities. Many staff also take on voluntary roles within their local communities, which the organisation actively encourages and supports.

We recognise that Corporate Responsibility objectives must be embedded in business planning and corporate strategy if they are to be achieved; actions are in place to ensure this progresses during 2012.

# CITB-ConstructionSkills in England

## **Apprenticeships**

Last year's total recruitment of 3,405 is an increase on the previous year and ahead of the target we had set. Demonstrating growth in a market that continues to decline overall is a testament to the work carried out by our field teams in promoting the benefits of apprenticeships to industry and employers.

In 2011, we continued to work closely with our delivery partners, learners and employers to improve the standard of achievement across our apprenticeship delivery. In the contract year we have recorded achievement rates of 81%, significantly above the construction sector average and also above the average level for work-based learning across all sectors. This result is a tribute to the hard work and dedication of our apprenticeship staff.

## **Business Information, Advice and Guidance (BIAG)**

Our staff undertook over 14,000 employer visits during 2011, providing the platform to deliver many of the value-added products and services, such as Business and Skills Reviews (BSRs), that we can now offer companies in support of business planning, identifying training needs, and improving productivity as we move our advisory offer towards closer partnership working focused upon business improvement. Company Development Advisers carried out 1,093 Business & Skills Reviews with in-scope employers. We will be launching three new activity-based BSRs in 2012 under our Equipped4 programme which will focus upon preparing for nuclear build, working with local authorities, and the green agenda.

2011 also saw the launch of Advisory Forums across England and these have been well received. This is the opportunity for employers of all sizes to directly engage with CITB-ConstructionSkills, and staff from across the business, to influence the way we work and the services we offer. These forums also engage with local Training Groups and federation representatives.

## **Careers Information, Advice and Guidance (CIAG) and work experience**

Our Careers Advisers have delivered 520 schools events across England during 2011. These events are primarily focused upon the promotion of the construction industry as a career of choice and are often co-presented with one of our industry Construction Ambassadors.

The Experience Construction initiative was launched during the year and has been well received by employers; this will be expanded in 2012 and supported through our regional Training Groups. We will also use Experience Construction as a vehicle to promote diversity across the sector. This initiative provides young people with a valuable insight into the construction industry to assist in their career selection as well as enabling employers to evaluate potential apprentices in a work environment.

## **Specialists**

Despite the challenging economic climate, the National Specialists Accredited Centre (NSAC) managed to exceed its target by helping employers deliver more than 1,260 VQs in specialist occupations.

Specialist Apprenticeship Programmes continue to prove to be a popular and recognised apprenticeship option amongst the smaller niche specialist occupations, with a further nine programmes having been developed and introduced during 2011.

The National Specialist Team (NST) has been successful in drawing together the main heritage organisations across the four home nations in order to ensure a consistent approach to training and qualifications across the nations as well as sharing best practice and reducing duplication. A meeting was held in Stirling in September 2011 at which representatives from CADW, English Heritage, Historic Scotland and the Northern Ireland Environment Agency were in attendance. It has been agreed that similar meetings will be conducted on a six-monthly basis.

**NCC**

2011 proved a difficult year for the National Construction College (NCC) with employers continuing to cut back on training. Despite this, the College managed to keep its income in line with 2010 and in doing so started to do business with some 2,000 new customers.

Achievement rates continue to improve for our apprentices and are now at 76%. The quality of the teaching delivered by the College is also rising, as evidenced by an improving Observation of Teaching and Learning profile (more ‘goods’ and ‘excellents’), learner feedback with 72% of learners rating their training as ‘excellent’, and the fact that 75% of our teaching staff now have a formal qualification. The remainder are either working towards one or have an equivalent trainer qualification.

At the start of 2011, we won the contract to run Cathall Rd, a new construction training facility in East London, and at the end of 2011, were asked by Crossrail to run their Tunnelling and Underground Construction Academy. Along with the start of redevelopment at Bircham Newton, these moves mean that we are making progress towards our vision of delivering training from modern facilities which will help inspire learners and get the best out of them.

During the year, the College was successfully reaccredited with the 18001 standard (Health and Safety), the 14001 standard (Environment) and Matrix (Information Advice and Guidance for Learners). It maintained a strong record on Health and Safety, with just two reportable accidents and a reduction in accidents overall.

Our Self-Assessment Review rates us overall as ‘good’ with many areas of excellence. Recent learner reviews and an inspection in Wales support this conclusion.

# CITB-ConstructionSkills in Scotland

## **Directing New Approaches**

CITB-ConstructionSkills in Scotland successfully launched its Client-Based Approach guidance for clients and contractors in Glasgow in October 2011. This was endorsed by the Minister for Infrastructure and Capital Investment, Alex Neil MSP, and the Scottish Government. The guidance has been adopted by the Scottish Futures Trust for use across each of its five regional hubs, and the south east hub succeeded in its submission to be recognised under the new Programme-Based Approach. A Project Skills Co-ordinator oversees the implementation of employment and skills targets. These hubs will support around £1.5bn in construction activity over 10 years and through the adoption of this guidance will ensure a steady flow of apprentices, work placements and up-skilling opportunities across a range of projects. The Client-Based Approach has also been adopted by four local authorities in Scotland with another 15 clients interested in using the guidance.

Under our Memorandum of Understanding, CITB-ConstructionSkills has worked with Historic Scotland and the Scottish Qualifications Authority (SQA), resulting in the publication of an audit of Traditional Skills. This report shows where traditional skills are integrated in accredited qualifications and training programmes, and identifies gaps.

CITB-ConstructionSkills has long argued that construction should be recognised as one of the Government's key sectors. It was pleasing to note that the SNP Manifesto took this up, and we look to its implementation shortly. There is a commitment to a new pipeline of investment which will deliver major projects in transport, health and education.

All these policy commitments would benefit the wider construction industry, but they should be viewed with caution. It is not clear that their cost implications have been properly scrutinised. Moreover, they will be operating within the tight financial parameters of block grants decided by the UK Government.

Momentum towards the SNP's manifesto commitment to a referendum on independence will be of interest. The Commonwealth Games, the Second Homecoming, the Ryder Cup and the creation of a new visitors' centre, funded by Historic Scotland and the National Trust for Scotland to celebrate the 700th anniversary of the battle of Bannockburn, will all happen in 2014.

## **Attracting Talent**

In 2011, CITB-ConstructionSkills in Scotland worked with a range of Awarding Organisations to develop and promote construction-related qualifications for the school curriculum, further and higher education. We worked with SQA to develop new generations of national qualifications resulting from the 'Curriculum for Excellence', looking at the suite of practical craft courses as well as Skills for Work national awards.

We worked in partnership with Scottish universities to develop and validate construction-related degree courses and have supported SQA to modernise craft apprenticeship training programmes in Scotland. Industry-led steering groups were established to guide SQA writing teams to ensure that the training reflects changes in industry practices.

We have also worked hard to increase employer involvement in developing our qualification strategy and in the development of National Occupational Standards and recommended qualification structures. We actively promoted the Scottish Credit and Qualifications' Framework (SCQF) with employers, and have responded to proposed changes to the education and funding systems by making recommendations to influence government.

We continue to work with LearnDirect & Build on e-learning initiatives that use 2D, 3D and m-technology to develop virtual worlds, landscapes and buildings to deliver pedagogically-sound built environment learning, information and assessment to school, college and university students. We have worked with Learning & Teaching Scotland to e-enable construction-related topics, ensuring that these partner the Curriculum for Excellence in schools and enable pupils to access information in the media format that suits them.

## **Business Information, Advice and Guidance (BIAG)**

We have been working to maintain the high standard of skills testing in Scotland, in partnership with both the Scottish Building Apprenticeship Training Council (SBATC) and the Scottish Painting and Decorating Apprenticeship Council (SPADAC), and a programme of incremental improvements is now underway.

We worked in partnership with SQA, SBATC and SPADAC to consult employers to ensure that apprenticeship training meets industry's current and future training requirements. This resulted in Industry Steering Groups being established to review the knowledge-based training qualifications for the main crafts. These groups have led SQA writing teams to review training content, and new programmes will be in place for apprentices, starting in 2012.

An example of the change is a new unit to ensure that in the first week of college, all apprentices receive stand-alone health and safety training. A sustainability unit has also been added to all craft qualifications.

CITB-ConstructionSkills was appointed by the Scottish Government to undertake a cross-Sector Skills Council project across the Built Environment in 2011. Its report was published on the Scottish Government's website in October and highlighted that the increase in micro-generation and energy efficiency initiatives could potentially support up to 170,000 FTE-years of construction employment over the 10 years from 2010 to 2020.

Publication of the report coincided with the annual update of progress on the Energy Efficiency Action Plan and CITB-ConstructionSkills has engaged regularly with the Scottish Government to address key issues through chairing the cross-SSC Built Environment Skills Alliance Group.

## **Apprenticeships**

Delivery staff in Scotland continued to prioritise the re-employment of redundant apprentices and during 2011 confirmed the re-employment of the 1,000th apprentice since the recession hit the Scottish building industry. This figure has now reached approximately 1,200 and this achievement has been strongly recognised by the Scottish Government, Skills Development Scotland, Trade federations and Apprentice Registration Councils.

Intervention by CITB-ConstructionSkills staff across Scotland has helped retain a solid infrastructure of college training provision for construction against a backdrop of staff cuts and potential college mergers.

Staff in Scotland North started a project in January 2011 to help local industry qualify its experienced workers. Funding for this project was accessed through Skills Development Scotland's (SDS) Flexible Training Opportunities and was not dependent on the delegate achieving a VQ but attending the initial training sessions. Among the first employers to put candidates forward in January 2011 was Neil Montgomery from Skye, who was keen to give his bricklayers a chance to achieve a recognised qualification. We have had candidates attending the programme from employers as far north as Shetland and as far south as Lochgilphead. The project is now being extended to the south of Scotland.

It is hoped that, with continuing support from employers, 2012 will continue to see a further rise in apprenticeships to reduce on-going concern about future skill shortages. We will be starting new frameworks, such as Drylining, in 2012 with the first apprentices at the new Southern General Hospital project.

# CITB-ConstructionSkills in Wales

During 2011, CITB-ConstructionSkills in Wales worked closely with the industry, key partners and Welsh Government to ensure the sector is recognised under the Welsh Government's Economic Renewal Policy as a key sector as well as to maintain its tradition of training and apprenticeship recruitment.

## **Strategic and political influence**

Following the announcement of the construction sector panel by the Minister for Business, Enterprise, Technology and Science, Edwina Hart, details of the panel's membership has emerged. CITB-ConstructionSkills is in a strong position to advise the panel and reflect the needs of the industry as it has good relationships with all panel members – Ann-Marie Smale (Chair of CITB-ConstructionSkills Professional services group), David Harris (Wales representative at the Strategic Partnership Panel), Rhodri Jones (Chair of Wales Qualifications advisory group). The panel will help inform the Welsh Government's policy development and will be chaired by David Joyce, Chief Operating Officer of Vinci.

We re-established the Cross Party Group on Construction in the new Assembly. This group, which builds on the successful Cross Party Group in the Built Environment constituted by CITB-ConstructionSkills Wales, started on a positive note with good attendance and cross-party representation. Members agreed that the group will focus on two main areas: procurement, and apprenticeships and training. The group is chaired by Joyce Watson AM.

Since the completion of Welsh Government funded Sector Priorities Fund Pilot (SPFP) Research into Transformational Change, the findings of the report have been communicated to key partners and stakeholders. Subsequently, CITB-ConstructionSkills Wales has engaged with employers and stakeholders to establish a working group to ensure that actions and recommendations are taken forward and a project plan is produced. The inaugural meeting of the group will take place at the end of January 2012.

The Delivering Low Carbon Skills SPFP is nearing completion with some 600 participants benefiting from a variety of skills or knowledge units/qualifications relating to the 'Green Agenda'. The pilot activity has been noted in the Welsh Government's Programme as a way of measuring its commitment to deliver training in the low carbon agenda and we are in discussions with the funding team to continue

elements of the programme to the end of the current academic year.

Supported by the Welsh Assembly Government's SPFP programme, Delivering Low Carbon Skills is a built environment cross-sector programme between CITB-ConstructionSkills, Asset Skills, Energy and Utility Skills and Summit Skills in Wales. The project seeks to develop the capacity of the supply-side to respond to the future skills challenges associated with moving towards a low carbon economy for Wales.

The programme is nearing completion and we are forecasting that around 600 people will participate in a variety of training courses including Sustainable Construction, External Wall Insulation, and Sustainable Traditional Buildings (focusing on brickwork, leadwork and solid plastering). The programme is underpinned by a series of Train the Trainer courses aimed at FE and private training providers.

Our work through regional forums and national groups has continued, with good attendance from participants from micro to large contractors. Three regional forums meet three times a year and the chair and deputy chairs are expected to attend the Wales Construction Skills Group (WCSG) to share a regional view. Members from the professional services group, CSN, Qualifications Advisory Group and Traditional & Sustainable Building Group are all represented at our WCSG. This ensures meaningful dialogue can take place with a general overview being captured at a high level.

Our employer groups are seen as a key vehicle for both internal and external engagement with the sector. We are currently in dialogue with the Welsh Government to formalise our offer of using such existing mechanisms to help the newly formed Construction Sector panel to have meaningful dialogue with the sector.

The major achievement for 2011 was achieving a very pleasing Estyn Inspection Grading, with an overall Good for 'current performance' and a Good for 'capacity to improve'. Within the grading scores we received two excellent grades for 'partnership working' and 'managing the learning environment'. This put the Managing Agency at the top of the work-based learning providers inspected in 2011.

## **Apprenticeships**

We are working closely with FE colleges on the Welsh Government-led initiatives (Pathways to Apprenticeship (PTA)) designed to counter the effects of the economic recession on the recruitment of apprentices and the continued flow of newly qualified young people into the construction industry. To date, we have enrolled approximately 280 PTA students.

Traditional apprenticeship recruitment work is progressing well and has remained relatively robust during these times of economic instability with circa 670 apprentices. However, we are mindful that 2012 will present further challenges and are seeking to develop a variety of innovative recruitment models to attempt to offset the negative impact of the recession (for example, by rolling out the Shared Apprenticeship Scheme). Continuing demand for apprenticeships has been fuelled by Community Benefit clauses; our strategy of targeting the repair and maintenance sector has proven beneficial.

One of the most important developments with regards to apprenticeships which has taken place during 2011 is the establishment of SASW and SASE (Standard Apprenticeship Specifications Wales and Standard Apprenticeship Specifications England). These outline the Apprenticeship Frameworks which CITB-ConstructionSkills approve for funding and delivery on behalf of the construction industry. There is considerable interest in Higher Apprenticeships and Technical Apprenticeships which are useful for industry and attractive for learners as alternatives to university. It is likely that work with professional bodies matching qualifications and apprenticeships to technical membership requirements will be an interesting aspect of work over the coming year.

Other important developments which have made progress in Wales during 2011 and will develop further during 2012 are Shared Apprenticeships and PTAs with one of the key challenges going forward being how to ensure that more learners are able to enter employment following attainment of qualifications in FE and HE colleges. This is likely to require further work to develop links to employers and to structured work experience.

Within higher education provision in Wales, interesting and valuable work has taken place to develop Foundation Degrees, many of which include an opportunity to develop higher level skills related to sustainability and the effective design of buildings.

Additional developments during 2012 will be looking at Foundation Degrees within the heritage sector and pre-1919 houses (a large proportion of the Welsh housing stock). In addition to an increase in innovative provision, the development of Foundation Degrees has enabled HE and FE colleges in Wales to work more collaboratively, which will be of benefit to learners and employers.

CITB-ConstructionSkills in Wales is supporting the UK Women and Work programme. It will be focusing on retention and career progression for 350 women working in the sector and is offering Foundation courses and the Institute of Leadership and Management (ILM) Level 3 Award in Leadership and Management Skills.

In addition, there has been a major drive on management and leadership with over £120,000 worth of courses provided through our National Construction College.

These courses have been delivered in collaboration with regional providers and are supported by the Enhancing Leadership and Management Skills (ELMS) programme. ELMS is part-funded by the European Social Fund (ESF) through the Welsh Government's Department for Education and Skills (DfES). The purpose of the project is to support growth in the Welsh economy by enhancing the leadership and management skills of the Welsh workforce.

CITB-ConstructionSkills has been working with the DfES Business Skills branch and BETS (Business Enterprise Technology and Science) Supplier Development Services over the last year to develop a collaborative working arrangement to improve support to the construction sector. In 2012, we will host a networking event with Human Resources Development (HRD) Advisers and SDS Champions to support this.

# CITB-SgiliauAdeiladu yng Nghymru

Yn ystod 2011, gweithiodd CITB-SgiliauAdeiladu yng Nghymru'n agos â'r diwydiant, partneriaid allweddol a Llywodraeth Cymru i sicrhau y cydnabyddir y sector o dan Bolisi Llywodraeth Cymru ar gyfer Adnewyddu'r Economi fel sector allweddol yn ogystal ag i gynnal ei draddodiad o hyfforddi a reciwtio prentisiaid.

## Dylanwad Strategol a Gwleidyddol

Yn dilyn cyhoeddiad y panel sector adeiladu gan y Gweinidog dros Fusnes, Menter, Technoleg a Gwyddoniaeth, Edwina Hart, mae manylion am aelodaeth y panel wedi dod allan. Mae SgiliauAdeiladu mewn sefyllfa gref i gynghori'r panel ac adlewyrchu anghenion y diwydiant gan fod ganddo berthynas dda ag holl aelodau'r panel – Ann-Marie Smale (Cadeirydd Grŵp Gwasanaethau Proffesiynol SgiliauAdeiladu), David Harris (cynrychiolydd Cymru ar y Panel Partneriaeth Strategol), Rhodri Jones (Cadeirydd Grŵp Cynghori Gymwysterau Cymru). Bydd y panel yn helpu i hysbysu datblygiad polisi Llywodraeth Cymru a bydd yn cael ei gadeirio gan David Joyce, Prif Swyddog Gweithredu Vinci.

Ailsefydlom y Grŵp Trawsbleidiol ar Adeiladu yn y Cynulliad newydd. Dechreuodd y grŵp hwn, sy'n adeiladu ar y Grŵp Trawsbleidiol llwyddiannus yn yr Amgylchedd Adeiledig a oedd yn cynnwys SgiliauAdeiladu yng Nghymru, ar nodyn cadarnhaol â phresenoldeb da a chynrychiolaeth o'r grŵp trawsbleidiol. Cytunodd aelodau y bydd y grŵp yn ffocysu ar ddau brif faes: caffa a phrentisiaethau ac hyfforddiant. Cadeirir y grŵp gan Joyce Watson AC.

Ers i ymchwil peilot y Gronfa Blaenoriaethau Sector a gyllidwyd gan Lywodraeth Cymru i mewn i Newid Trawsffurfiol gael ei gwblhau, mae canfyddiadau'r adroddiad wedi'u cyfathrebu i bartneriaid a rhanddeiliaid allweddol. Yn dilyn hynny, mae Sgiliau Adeiladu yng Nghymru wedi ymgysylltu â chyflwyniwr a rhanddeiliaid i sefydlu gweithgor i sicrhau yr eir ymlaen â'r gweithredoedd ac argymhellion ac y cynhyrchrir cynllun project. Bydd cyfarfod cychwynnol y grŵp yn cymryd lle ar ddiwedd mis Ionawr 2012.

Mae Cyllun Peilot Darparu Sgiliau Carbon Isel y Gronfa Blaenoriaethau Sector ar fin gael ei gwblhau gyda rhwng 600 o gyfranogwyr yn gweld budd amrywiaeth o unedau/cymwysterau sgiliau neu wybodaeth gysylltiedig â'r 'Agenda Werdd'. Mae'r gweithgaredd peilot hwn wedi'i nodi yn Rhaglen Llywodraeth Cymru fel fford o fesur ei hymrwymiad i ddarparu hyfforddiant o dan yr agenda

carbon isel ac rydym mewn trafodaethau â'r tîm cyllid i barhau ag elfennau o'r rhaglen tan ddiwedd y flwyddyn academaidd bresennol.

Rhaglen draws-sector rhwng SgiliauAdeiladu, Sgiliau Asedau, Sgiliau Ynni a Chyfleustodau a Summit Skills yng Nghymru sy'n cael ei gefnogi gan Raglen Beilot Cronfa Blaenoriaethau Sector Llywodraeth Cymru yw Darparu Sgiliau Carbon Isel. Mae'r project yn ceisio datblygu gallu'r cyflenwyr i ymateb i heriau sgiliau dyfodol cysylltiedig â symudiad tuag at economi rhad-ar-garbon yng Nghymru.

Mae'r rhaglen ar fin gael ei chwblhau ac rydym yn rhagweld y bydd tua 600 o bobl yn cymryd rhan mewn amrywiaeth o gyrsiau hyfforddi gan gynnwys Adeiladu Cynaliadwy, Inswleiddio Waliau Allanol ac Adeiladau Traddodiadol Cynaliadwy (gan ffocysu ar fricwaith, plymwaith a phlastro solet). Tanategir y rhaglen gan gyfres o gyrsiau Hyfforddi'r Hyfforddwyr a anelir at Addysg Bellach a darparwyr hyfforddiant preifat.

Mae ein gwaith trwy fforymau rhanbarthol a grwpiau cenedlaethol wedi parhau, gyda phresenoldeb da gan gyfranogwyr o gontactwyr micro a mawr. Mae tri fforwm rhanbarthol yn cwrdd tair gwaith y flwyddyn ac mae disgwyl i'r cadeirydd a dirprwy gadeiryddion fynychu Grŵp Sgiliau Adeiladu yng Nghymru (WCSG) i rannu barn ranbarthol. Mae aelodau o'r Grŵp Gwasanaethau Proffesiynol, Rhwydwaith Sgiliau Adeiladu, Grŵp Cynghori ar Gymwysterau a Grŵp Adeiladu Traddodiadol a Chynaliadwy i gyd yn cael eu cynrychioli yn ein Grŵp Sgiliau Adeiladu yng Nghymru. Mae hyn yn sicrhau y gall deialog ystyrlon gymryd lle gyda throsolwg cyffredinol yn cael ei gipio ar lefel uchel.

Gwelir ein grwpiau cyflogwyr fel cludydd allweddol ar gyfer ymgysylltu'n fewnol ac yn allanol gyda'r sector, rydym mewn trafodaethau â Llywodraeth Cymru ar hyn o bryd i ffurfioli ein cynnig o ddefnyddio mecanweithiau presennol i helpu'r Panel Sector Adeiladu sydd newydd ei ffurfio i gael deialog gwerthfawr â'r sector.

Y prif gyflawniad ar gyfer 2011 oedd ennill gradd ddymunol iawn yn yr Arolwg Estyn, gyda gradd 'Da' yn gyffredinol ar gyfer 'perfformiad cyfredol' a gradd 'Da' am 'allu i wella'. O fewn y graddau, derbynio mwy radd ardderchog ar gyfer gweithio mewn partneriaeth a rheoli'r amgylchedd dysgu.

## Prentisiaethau

Rhoddodd hwn yr Asiantaeth Reoli ar dop y rhestr o ddarparwyr Dysgu Seiliedig ar Waith a gafodd eu harolygu yn 2011.

Rydym yn gweithio'n agos â Cholegau Addysg Bellach ar y mentrau a arweinir gan Lywodraeth Cymru (Llwybrau at Brentisiaethau (PTA)) a ddyllunnir i wrthweithio effeithiau'r dirwasgiad economaidd ar recriwtio Prentisiaid a'r llif parhaol o bobl ifanc newydd gymhwys i mewn i'r Diwydiant Adeiladu. Hyd yn hyn, rydym wedi cofrestru tua 280 o fyfyrwyr PTA.

Mae gwaith recriwtio Prentisiaid Traddodiadol yn cynyddu'n dda ac mae wedi aros yn berthynol o gadarn yn ystod yr amseroedd hyn o ansadrwydd economaidd, â thua 670 o Brentisiaid. Er hynny, rydym yn ymwybodol y bydd 2012 yn cyflwyno heriau pellach ac rydym yn ceisio datblygu amrywiaeth o fodelau recriwtio arloesol mewn ymdrech i wrthweithio effaith negyddol y dirwasgiad (er engrhaifft, trwy roi'r Cynllun Prentisiaethau a Rennir ar waith). Mae galw parhaol am brentisiaethau wedi'i ysgogi gan gymalau Manteision Cymunedol; mae ein strategaeth o dargedu'r sector atgyweirio a chynnal-a-chadw wedi bod yn fuddiol.

Un o'r datblygiadau mwyaf pwysig ynglŷn â Phrentisiaethau sydd wedi cymryd lle yn ystod 2011 yw sefydlu SASW a SASE (Pennu Safonau Prentisiaethau i Gymru a Phennu Safonau Prentisiaethau i Loegr). Mae'r rhain yn amlinellu'r Fframweithiau Prentisiaeth sy'n cael eu cymeradwyo gan Sgiliau Adeiladu ar gyfer cyllid a darpariaeth ar ran y Diwydiant Adeiladu. Mae diddordeb sylweddol mewn Prentisiaethau Uwch a Phrentisiaethau Technegol sy'n ddefnyddiol ar gyfer diwydiant ac sy'n ddeniadol i ddysgwyr fel opsiwn amgen i'r Brifysgol. Mae'n debygol y bydd gwaith â Chyrff Proffesiynol i gydweddu cymwysterau a phrentisiaethau ag anghenion aelodaeth technegol yn agwedd ddiddorol dros y flwyddyn sydd i ddod.

Mae datblygiadau pwysig eraill y mae cynnydd wedi'i wneud arnynt yng Nghymru yn ystod 2011 a fydd yn cael eu datblygu'n bellach yn ystod 2012 yw Prentisiaethau a Rennir a llwybrau at Brentisiaethau. Un o'r heriau allweddol wrth symud ymlaen fydd sut i sicrhau y bydd mwy o ddysgwyr yn gallu mynchyu cyflogaeth ar ôl iddynt ennill cymwysterau mewn Colegau Addysg Bellach ac Uwch. Mae'n debygol y bydd hyn yn galw am waith pellach i ddatblygu cysylltiadau â chyflogwyr ac i brofiad gwaith strwythuradig.

O fewn darpariaeth Addysg Uwch yng Nghymru, mae gwaith diddorol a gwerthfawr wedi'i wneud i ddatblygu Graddau Sylfaenol y mae nifer ohonynt yn cynnwys cyfle i ddatblygu sgiliau lefel uwch cysylltiedig â chynaliadwyedd a dylunio adeiladau'n effeithiol.

Bydd datblygiadau ychwanegol yn ystod 2012 yn edrych ar Raddau Sylfaen o fewn y Sector Treftadaeth a Thai cyn 1919 (cyfran fawr o stoc tai Cymru). Yn ogystal â chynyddu darpariaeth arloesol, mae datblygu Graddau Sylfaen wedi galluogi Colegau Addysg Uwch a Phellach yng Nghymru i weithio'n fwy cydweithredol a fydd yn fanteisiol i Ddysgwyr a Chyflogwyr.

Mae Sgiliau Adeiladu yng Nghymru'n cefnogi rhaglen Menywod a Gwaith y DU a bydd yn ffocysu ar ddargadwad a dilyniant gyraol ar gyfer 350 o fenywod sy'n gweithio yn y sector. Mae hefyd yn cynnig cyrsiau Sylfaenol a Gwobr ILM Lefel 3 mewn sgiliau Arwain a Rheoli.

Yn ogystal, mae gwthiad mawr wedi cymryd lle ar Reoli ac Arwain gyda thros £120,000 gwerth o gyrsiau'n cael eu darparu trwy ein Coleg Adeiladu Cenedlaethol.

Mae'r rhain wedi'u darparu mewn cydweithrediad â darparwyr rhanbarthol ac yn cael eu cefnogi gan y Rhaglen Gwella Sgiliau Arwain a Rheoli (ELMS). Cyllidir ELMS yn rhannol gan Gronfa Gymdeithasol Ewrop (ESF) trwy Adran dros Addysg a Sgiliau Llywodraeth Cymru (AdAS). Pwrpas y project yw cefnogi twf yn economi Cymru trwy wella sgiliau arwain a rheoli gweithlu Cymru.

Mae CITB-Sgiliau Adeiladu wedi bod yn gweithio â changen Sgiliau Busnes yr Adran dros Addysg a Sgiliau a Gwasanaethau Datblygu Cyflenwyr BETS (Busnes Menter Technoleg a Gwyddoniaeth) dros y flwyddyn ddiwethaf i ddatblygu trefniad gweithio cydweithiol i wella cefnogaeth i'r sector adeiladu. Yn 2012, byddwn yn cynnal digwyddiad rhwydweithio â Chyngorwyr HRD ac Eiriolwyr SDS i gefnogi hyn.

# CITB-ConstructionSkills Trustees

The names of those serving as charitable Trustees of CITB-ConstructionSkills on 22 February 2012 are shown below, together with the names of those who stepped down during 2011.

As specified in Schedule 1 of the Industrial Training Act 1982, Trustees are appointed by the Secretary of State for Business, Innovation and Skills, normally for five years, following a public appointment process governed by the Office for the Commissioner of Public Appointments (OCPA), including the advertising of vacancies on the Government's Public Appointments website (<http://publicappointments.cabinetoffice.gov.uk/>).

Nominations of candidates from the industry's employers are sought from the principal trade associations, while those for employees are made by the Trades Unions. Candidates from the Education Sector are appointed after consultation with the Ministers concerned with education in England, Scotland and Wales.

Trustees are introduced to CITB-ConstructionSkills' work through an induction meeting with the senior management team and receive on-going support from the Corporate Governance Unit. As all members are required to have industrial or commercial experience, further training (whether formal or informal) is provided to support specific duties, such as participation in the Audit Committee.

Trustees are responsible for agreeing CITB-ConstructionSkills' policies, business and financial plans, delegating operational decision-making to the Executive Team. In addition to serving on the Board, most will also take part in policy making as members of the Board's subcommittees, as shown in Appendix A (pages 60 and 61). These non-executive bodies are also supported by other volunteers from the industry.

## **Current and former Trustees (2011/12)**

James Wates, CBE, FCloB, FRSA – Chairman

Judy Lowe, BA, FCIL, FRSA, FIOD – Deputy Chairman

Harry Adam

Chris Jones, BSc (Hons), MBA, CEng, MICE

John Allott

Billy Kirkwood

Ian Billaryd

Geoff Lister, FCloB (until 31 August 2011)

Jason Campbell (until 21 September 2011)

John Lorimer, BSc Civil Engineering, CEng, MICE (from 1 December 2011)

Professor Barry Clarke, Eur Ing, FICE, FGS, PhD, BSc

Tim Peach

Dave Cochrane

Martyn Price, FIOC

Bob Collins (from 1 September 2011)

Harold Rackham

Derek Field, FCloB

Alan Ritchie (until 11 March 2011)

Trevor Gamble (until 31 August 2011)

Ray Wilson (from 1 December 2011)

Jim Gilmour (from 1 September 2011)

Graham Wren, BSc, CEng, MICE

Geoff Holt, FloR, MInstD

# Financial Report

## **Accounting and Reporting Compliance: Statement of Recommended Practice (SORP 2005)**

The accounts comply with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) and all applicable accounting standards, and are prepared in accordance with the disclosure requirements of the Government Financial Reporting Manual.

## **Accounts direction**

The accounts have been prepared in a form directed by the Secretary of State for Business, Innovation and Skills with the approval of HM Treasury in accordance with Section 8 (1) of the Industrial Training Act 1982.

## **Result for the year**

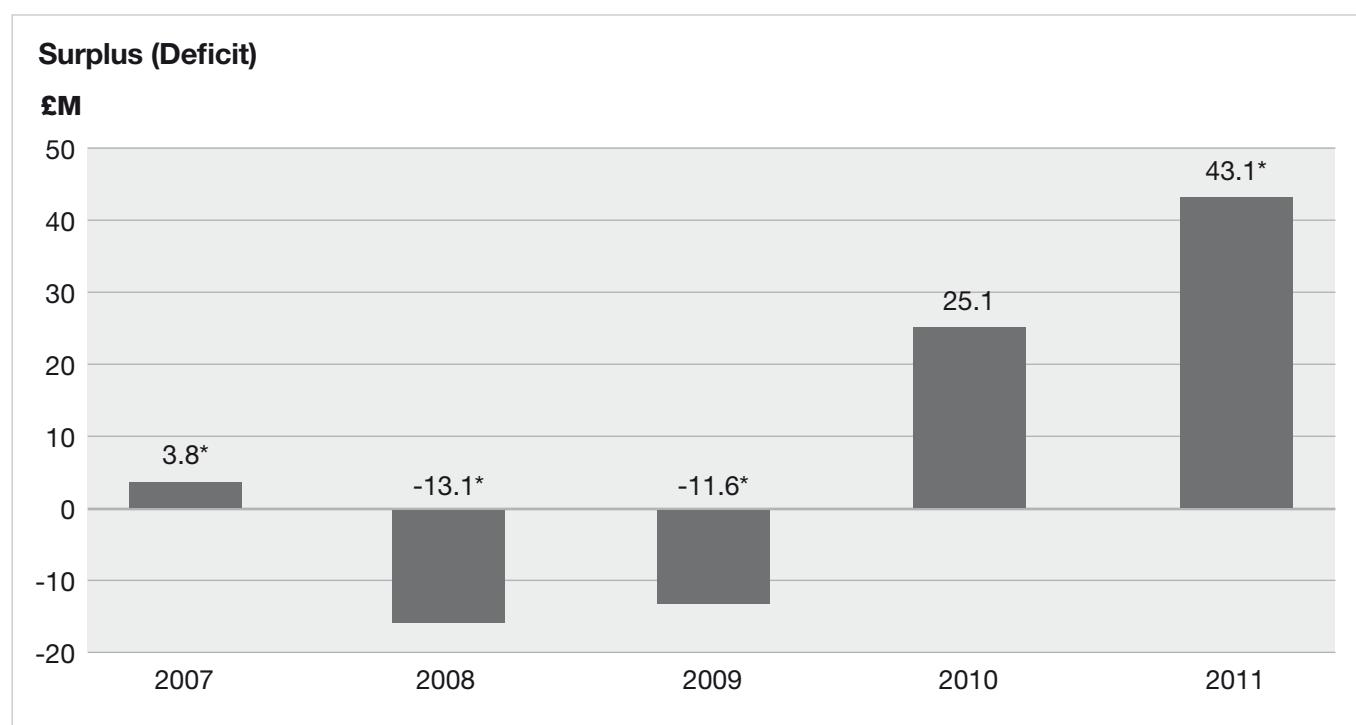
CITB-ConstructionSkills returned a £43.1m surplus for the year to 31 December 2011 (2010 £25.1m) compared with a forecast break-even.

Levy income in the year was £2.4m above expectations, but £23m below last year, reflecting the impact of difficult economic conditions on the construction industry.

Against this, grants paid to employers were £38.1m less than forecast due to a greater than anticipated decline in training activity, driven by cuts in training budgets and the reduction in grant rates introduced in 2010 that were necessary to secure a sustainable Grants Scheme and rebuild working capital levels, following two years of significant overspend on grants. Taking the above into account, CITB-ConstructionSkills returned 109% of levy (£140.1m) in benefits to the industry (see page 28).

Other income fell by 2.6% which, as for levy income, reflects the current economic climate and particularly the impact of on-going government expenditure cuts. Expenditure (excluding grants) increased by £2.9m (2.0%) overall as a result of £13.5m paid during the year towards the ITB pension fund deficit (see Note 21 to the Financial Statements on page 53), offset by a reduction in other expenditure of £10.6m (7.6%).

The Board is currently looking at additional funding initiatives to support and stimulate training in the industry. If agreed, these will reduce some of the extra working capital arising in 2011.



\*The revaluation of freehold property gave rise to an unrealised gain of £0.7m in 2007, and unrealised losses of £1.7m in 2008, £0.3m in 2009 and £0.3m in 2011.

Results for 2009 also include an exceptional write-off of £1.3m.

## ANNUAL ACCOUNTS

### Income

#### Levy

Levy income in 2011 amounted to £144.4m (2010 £167.4m) comprising of £142.2m (£2010 £168.2m) in respect of the current year's assessment plus an adjustment of £2.2m (2010 reduction of £0.8m) for the reassessment of prior year charges.

Levy rates remained unchanged at 0.5% on direct labour payments (PAYE) and 1.5% on labour-only sub-contract payments (LOSC), as did the £80,000 small firms' exclusion level. These levels were fixed for the duration of the three-year Levy Order made in 2009.

The significant reduction in levy income, compared to 2010, was largely due to a fall of 10% in industry activity and earnings (measured from levy returns covering the year to 5 April 2010) and a 5% shift in terms of the balance between direct and indirect employment costs, towards PAYE from the higher rated LOSC. Bad debts were not as high as predicted and debts written off fell from 1.4% to 1.0% of the current year's assessment income. However, the level of provision for future bad debts remained much the same as last year in anticipation of a worsening economic climate. The provision for future reassessments increased from 4% (2010) to 7% of levy income based on previous years' trends.

The prior years' adjustment resulted from a lower level of reassessments (£1.0m) and bad debts written off (£1.2m) than were forecast at 31 December 2010, particularly in respect of the 2009 assessment.

#### Government and other public authorities

CITB-ConstructionSkills receives no grant-in-aid. Funding itemised here is in respect of specific projects undertaken.

Overall, funding from Government and other public authorities increased from £10.6m to £13.6m (see Note 2 to the Financial Statements on page 43).

Income from central Government departments and the Scottish and Welsh Governments rose from £7.9m to £11.9m. This was primarily due to an increase in income of £3.5m (70%) to £8.8m from the SFA in England for adult work-based learning programmes (formerly 'Train to Gain').

Income from the UK Commission for Employment and Skills (UKCES) fell by £1.1m to £1.7m. Funding for SSC core contract activities from UKCES was £1.7m (2010 £2.3m), to match expenditure on specific contracted activities. Following an extension of the 2006 contract, a new contract with UKCES started on 01 March 2010, providing up to £3.9m over three years to deliver three key goals:

- raise employer engagement, demand and investment in skills
- provide authoritative labour market intelligence for our sector, and
- develop national occupational standards and ensure qualifications meet employer needs.

Funding for SSC non-core contract activities reduced by £0.4m to £0.1m because fewer projects were undertaken. This income was allocated over several small projects.

#### Investment income

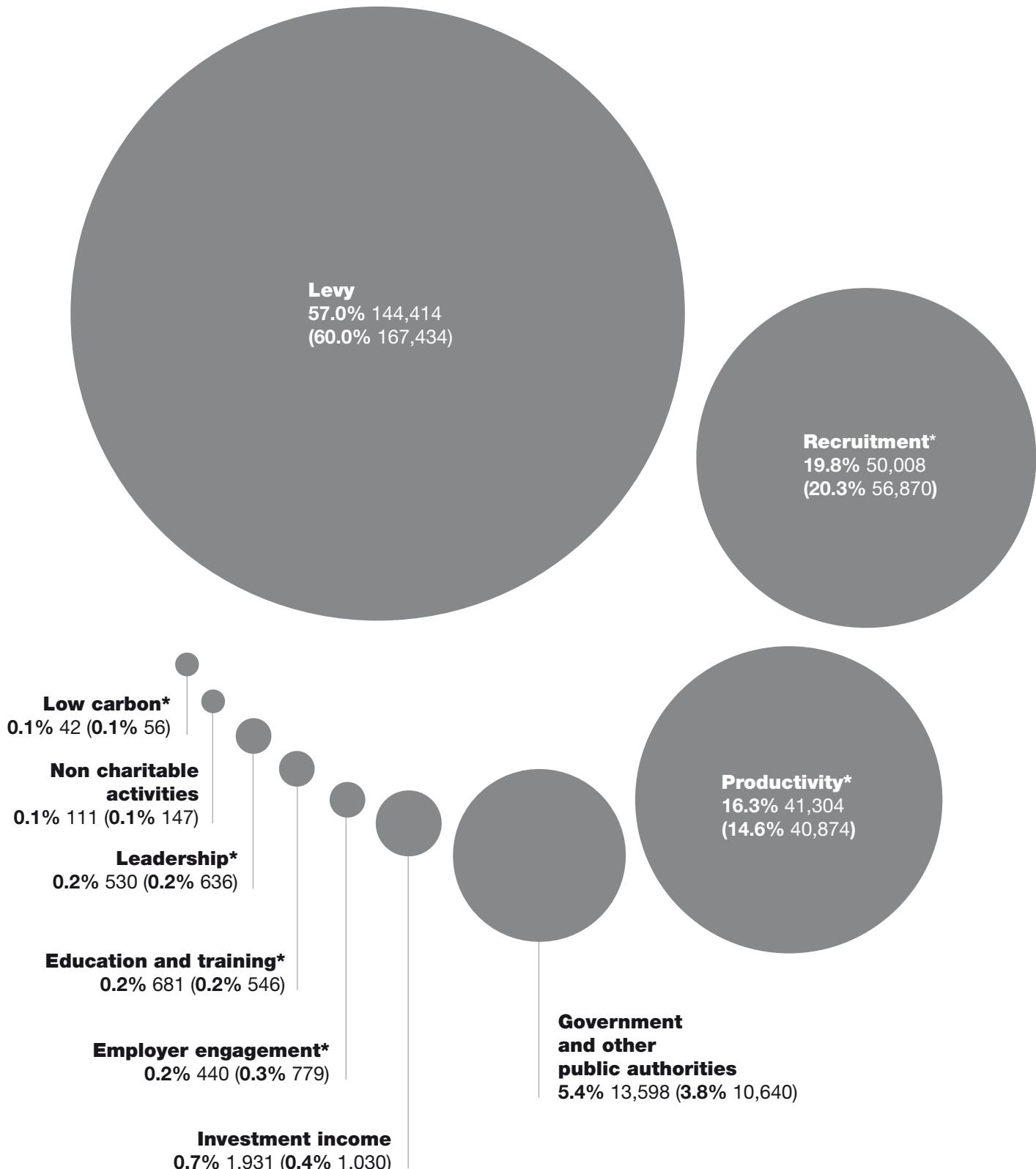
Investment income at £1.9m rose by 87% over 2010, as a result of an increase in the average level of cash deposits and investments held during the year, together with the benefit of higher returns on longer term investments. Average net investment returns for the year rose to 1.4% (2010 0.72%).

#### Other income

Other income totalled £93.0m, down from £99.8m in 2010, due to the reasons outlined in the section 'Industry skills challenges' on pages 24 and 25.

**Income by category as a percentage of total incoming resources 2011**  
 (2010 in brackets)

This is a graphic presentation of the data shown under Incoming Resources on the Statement of Financial Activities (SOFA) on page 37. It shows the percentages and the value, comparing 2011 with 2010. Values are shown in £'000s.



## ANNUAL ACCOUNTS

### Expenditure

#### Grants

Grant expenditure amounted to £65.7m in 2011 (2010 £113.2m), helping to support 18,231 apprentices (including 7,433 framework achievements), 2,166 Training & Development Plans, 27,358 VQ achievements and 22,857 plant tests.

The fall in expenditure (42%) can be attributed to two main factors. Firstly, grant rates were cut in 2010 (with the exception of non-apprenticeship supplementary grant) to ensure the sustainability of future Grants Schemes as the economy improves and to rebuild levels of working capital diminished by previous years' overspends. Secondly, the level of training activity within the industry dropped significantly as a result of a smaller workforce and reduced training budgets.

Apprentice numbers held up against plan, but demand for Training & Development Plan and On-Site Assessment & Training grants dropped compared with 2010. Overall, apprentice grants fell by 19% and other grants by 69%.

A number of funding initiatives to stimulate training were introduced in October. The full funding of training courses organised by Training Groups (up to £10,000 per Group) and a threefold increase in grant for the Site Safety Plus suite of courses has been well received by the industry.

The total number of employers claiming grant in 2011 was 15,648 (2010 19,058).

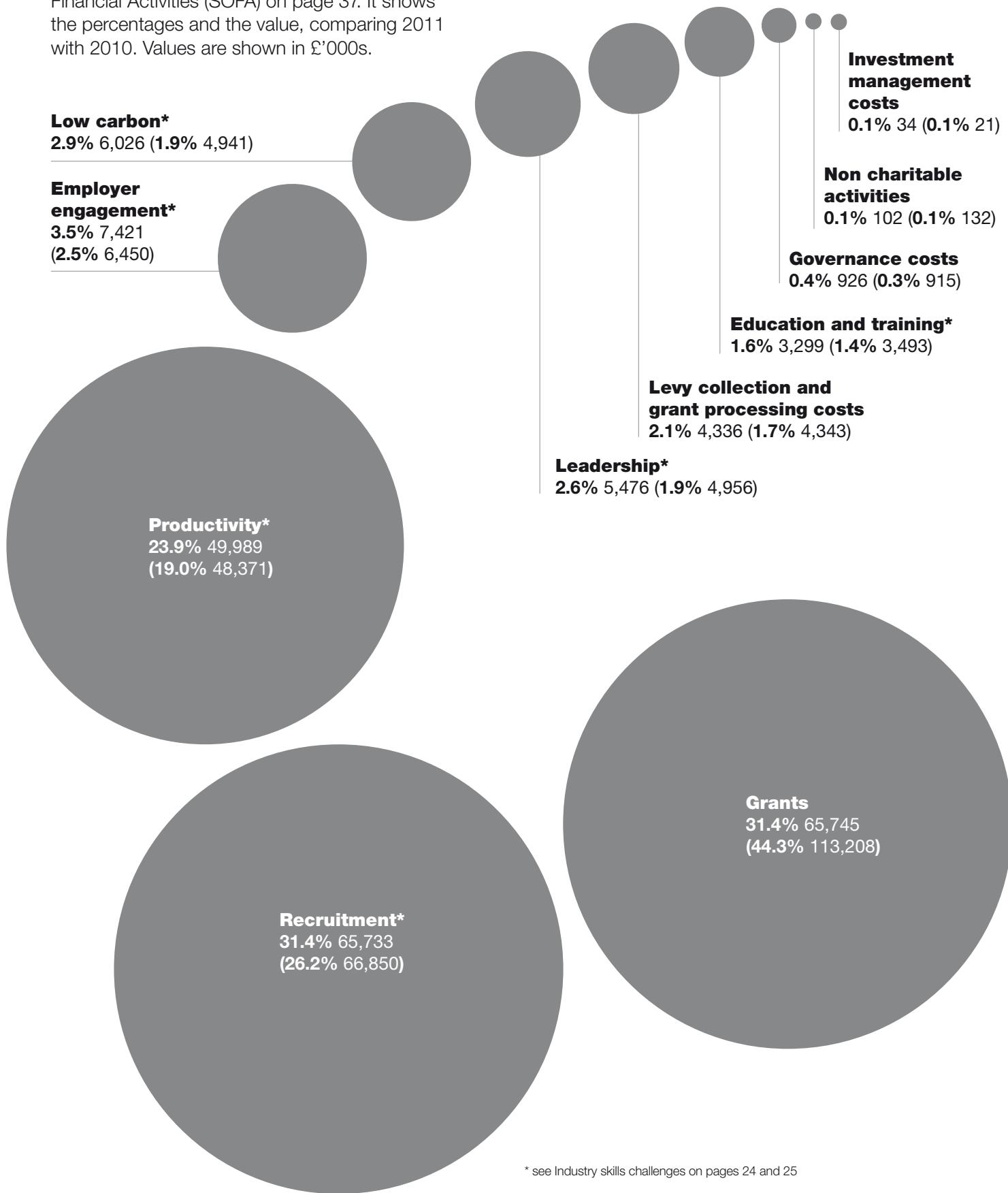
#### Governance costs

Governance costs represent the costs of the governance infrastructure (as defined in the SORP 2005) and include the costs of the Board and committees, corporate assurance, external audit, business planning and related support costs.

Total expenditure for 2011 was £0.9m (2010 £0.9m) (see Notes 1 and 8 to the Financial Statements on pages 40 and 45 respectively).

**Expenditure by category as a percentage of total outgoing resources 2011**  
 (2010 in brackets)

This is a graphic presentation of the data shown under Resources Expended on the Statement of Financial Activities (SOFA) on page 37. It shows the percentages and the value, comparing 2011 with 2010. Values are shown in £'000s.



## ANNUAL ACCOUNTS

### Industry skills challenges

The SSA is vital to delivering our commitments as an SSC. It is structured to ensure that the activities we undertake, and those that we look to other stakeholders to deliver, address the sector's most immediate skills priorities and training needs. As a result, the Statement of Financial Activities (see page 37) reports income and expenditure against six industry skills challenges:

- productivity
- low carbon
- leadership
- recruitment
- employer engagement
- education and training.

Resources associated with these activities are allocated against the six challenges, showing the amount of incoming and expended resources between the six.

### The productivity challenge

Priority activities are centred on supporting employer and industry competitiveness by:

- qualifying the workforce and raising skills levels
- improving health, safety, welfare and competence
- understanding and addressing employers' business skills needs.

Income and expenditure in this area arises from industry initiatives for qualifying the workforce through Health and Safety Testing and Training, Experienced Worker Assessment, certification schemes and NVQ/SVQ registrations.

Income rose by £0.4m (1.1%) to £41.3m because of higher revenues from Health and Safety tests, (£0.5m). Income from the sale of publications and competency cards also showed a small growth, offset by a slight reduction in NCC training courses income.

Expenditure at £50.0m (2010 £48.4m) also increased, as a result of costs associated with the adult work-based learning programmes (formerly Train to Gain), the income effect of which is reflected under Government and other public authorities (see Statement of Financial Activities on page 37).

### The low carbon challenge

Priority activities are centred on supporting industry's future skills needs by:

- Cut the Carbon campaign
- mapping skills and qualifications
- delivering solutions and accrediting training
- working in partnership on low carbon issues, to maximise influence over policy and funding for future skills.

Income during 2011 and 2010 (primarily funding for research and management training activity) was minimal, reflecting the development nature of the challenge.

Expenditure, which covers a number of work streams including development for emerging skills needs, publications, research and marketing, increased by £1.1m (22.0%) to £6.0m largely on activities to raise awareness of the low carbon challenges facing the industry across the three home nations. This includes £0.2m for a project in Wales, the income effect of which is reflected under Government and other public authorities (see page 37).

Expenditure also includes £2.7m (2010 £2.0m) on the Management and Supervisory Development Programme (M&SDP) fund, which has supported approximately 75 applications in 2011 spread across the three nations. Of this, 47% (2010 40%) was spent on innovation and sustainability projects.

### The leadership challenge

Priority activities, aimed at providing industry leadership on skills and leadership training for employers, are centred on:

- working with employers and their representative bodies, professional bodies, trades unions, delivery partners, clients, other SSCs and related bodies to develop an integrated approach
- leveraging our research to influence Government policy on the industry's behalf
- understanding and addressing employers' management and leadership skills needs.

Income and expenditure arise from a number of areas including SSC activities on devolved skills across the SSC partnership, research projects, the production and sale of publications and the development and delivery of training courses in management and leadership.

Income, arising mainly from training delivery, reduced by £0.1m to £0.5m but expenditure rose by £0.5m to £5.5m, through increased public affairs, publications, sponsorship and marketing activities, engaging policy makers, stakeholders and employers on skills and training issues.

### **The recruitment challenge**

Priority activities, aimed at keeping the pipeline of talent flowing, are centred on:

- supporting new entrants
- providing information, advice and guidance on qualifications and careers to potential recruits and their influencers
- actively promoting equality and diversity.

Income is derived from Apprenticeship funding in England, Skills Development Scotland and the Welsh Government, as well as funding for Specialists from the SFA covering programmes such as Inspire Scholarships, Women into Work and the development of 14- to 19-year-olds. Expenditure includes college fees, trainee allowances and related operating costs.

Income of £50.0m was £6.9m down on 2010. This was mainly due to a reduction in apprenticeship income for framework achievements in 2011 arising from lower apprenticeship recruitment in the 2009/10 academic year. Expenditure of £65.7m decreased by £1.1m as a result of lower college fees.

### **The employer engagement challenge**

Priority activities are focused on recognising and responding to skills needs by:

- promoting the benefits of investing in training and development
- diagnosing skills needs and providing solutions
- extending our reach through employer groups.

Major costs in this area are in respect of the Advisory and National Specialist support teams. Other expenditure includes directly supporting the Constructionarium, partly supported by SSC funding, undertaking research work to support labour market intelligence and regional activity as well as implementing stakeholder strategy through engagement with industry and other key organisations at local and national level.

Income of £0.4m compares with £0.8m in 2010 impacted by public expenditure cuts, resulting in reduced income for the National Specialists team. Expenditure increased from £6.5m in 2010 to £7.4m largely as a result of increased training support for specialist employers.

### **The education and training challenge**

Priority activities are focused on working with providers to deliver 'right skills, right place, right time' through:

- understanding skills provision to influence funding
- working with providers across the learning lifecycle to ensure industry's current and future skills needs are met
- developing accreditation schemes to assure education and training provision.

Income in this area mainly arises from bespoke health and safety training in NCC. However, expenditure is a combination of training delivery costs and development activity, covering new training courses, and training plans. There is also a focus on developing and maintaining a dynamic Construction Qualifications Strategy supported by home nations' action plans that meet industry needs and regulatory requirements. These include setting National Occupational Standards (NOS) and qualifications, apprenticeship frameworks and other measures aimed at influencing Higher Education Institutions and promoting CPD and lifelong learning.

There has been more funding available in 2011 to meet the costs of this work (up £0.2m at £0.7m), and income from the SSC core funding from the UKCES continues to support the development of standards and qualifications. Expenditure was down by £0.2m, (5.6%) at £3.3m, resulting from efficiency savings in the Standards and Qualifications team.

## ANNUAL ACCOUNTS

### Balance sheet

The balance sheet shows net assets of £101.6m at 31 December 2011 (£57.7m at 31 December 2010). The increase over the previous year reflects the surplus for the year of £43.1 and the receipt of capital funding grant of £0.7m (see Note 18 to the Financial Statements on page 52). Working capital (net current assets) improved by £41.6m to £86.9 (see below).

### Fixed assets

The net book value of fixed assets increased by £2.2m to £15.0m, reflecting net additions of £3.9m less depreciation charges of £1.5m and a reduction in the value of freehold property of £0.2m.

All freehold properties were revalued at 31 December 2011 (see Note 11 to the Financial Statements on pages 47 and 48).

During 2011, fixed asset additions totalled £4.1m, including £2.7m of expenditure on assets in development, of which £0.9m was spent on building new student accommodation at the NCC college site at Bircham Newton (an SFA grant-aided project) due for completion in 2012.

IT expenditure totalled £3.0m, including £1.8m on projects in development at the end of the 2011. The primary focus has been the on-going IT improvement programme, to rebuild infrastructure and systems that will automate business and workflow processes, improve customer service and reduce future costs. Major expenditure in 2011 included: £1.2m in respect of the Levy/Grant e-enablement programme, £0.6m on replacing the finance and HR/Payroll systems and £0.2m on a web-based Learner Management System to deliver online training by the NCC.

### Debtors

Total debtors at 31 December 2011 were £20.0m (2010 £18.0m).

Levy debtors fell from £7.0m to £3.6m. This reflects the fact that the collection of levy debts in 2011 outperformed expectations, with 65% of levy payers paying by direct debit instalments and the level of bad debt write-offs being lower than anticipated. Reassessment and bad debt provisions, as at 31 December 2011, covering outstanding assessments raised during the year were based on the same criteria as 2010. However, a more prudent approach to bad debt provisioning was adopted in respect of prior year levy debts, anticipating a financially difficult year for the industry in 2012.

Non-levy debtors increased by £5.3m to £16.3m (see Note 12 to the Financial Statements on page 48).

Amounts due from intra-Government bodies increased by £3.9m at 31 December 2011 (mainly SFA £4.3m due to a backlog in agreeing claims in November and December, offset by a reduction in the amount due from the Welsh Government of £0.7m).

Other trade debtors rose by £1.0m to £5.0m reflecting higher turnover towards the end of the year. Prepayments and accrued interest increased by £0.4m.

### Creditors

Creditors fell by £10.6m to £42.7m at 31 December 2011.

Apprentice grants and allowances outstanding at the year-end increased by £0.7m to £4.3m as a result of a growing intake of apprentices. Accruals for other grants decreased by £10.7m, reflecting the considerable fall in the demand for grant.

Amounts owing to intra-Government bodies fell by £1.9m to £2.1m, mainly due to a reduction in amounts owing to the SFA. Other trade creditors (see Note 15 on page 49) increased by £1.3m, primarily due to the increase in expenditure towards the end of the year, particularly on capital expenditure projects.

### Net current assets/reserves

Net current assets, which are taken as a measure of CITB-ConstructionSkills' reserves, increased from £45.3m at 31 December 2010 to £86.9m at 31 December 2011, as a result of the surplus for the year of £43.1m, a capital funding grant of £0.7m for the NCC redevelopment project (see Note 18 to the Financial Statements on page 52), less an increase of £2.2m in the level of tangible fixed assets.

Reserves at £86.9m were above the year-end target level of £36.7m, as agreed with Government. The target range for reserves is calculated using a risk-based formula (see the section 'Reserves' within Note 1 to the Financial Statements on page 42).

### Provisions

The level of provisions remained constant at £0.4m and represents provision for future leasehold property dilapidations (see Note 17 to the Financial Statements on page 51).

## Other information

### **Employer registrations**

The number of employers on the Levy and Grant register decreased by 2,051 to 78,286 at 31 December 2011 – see Statistical Information Table on page 56. During the year, 4,597 employers were added to the register compared with 6,648 deletions resulting from firms going out of business or out-of-scope to CITB-ConstructionSkills.

### **Grant policy**

CITB-ConstructionSkills publishes a Grants Scheme annually and registered employers are entitled to claim training grants in line with its conditions.

### **Risk management**

The major risks to which CITB-ConstructionSkills is exposed, as identified by management, have been reviewed and systems have been established to mitigate those risks (see the Governance Statement on pages 32 to 34).

### **Material cash support payments**

The names of the recipients and the aggregate amounts of material grant and support payments are disclosed in Note 6 to the Financial Statements on page 44.

### **Events since the end of the year**

No events have occurred since the end of the year that affect the reader's understanding of the Financial Statements.

### **Charitable donations**

No charitable donations were made during the year.

### **Auditor**

The Comptroller and Auditor General (C&AG) is appointed under statute as CITB-ConstructionSkills' auditor. The statutory audit fee for 2011 amounted to £49,500 (2010: £49,000).

### **Disclosure of information to the Auditors**

The Chief Executive has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that CITB-ConstructionSkills' auditors are aware of that information. So far as the Chief Executive is aware, there is no relevant audit information of which CITB-ConstructionSkills' auditors are unaware.

### **Payment policy and performance**

CITB-ConstructionSkills' payment policy is to pay all undisputed invoices within 30 days (or the agreed contractual terms if otherwise specified). The aim is to pay 100% of undisputed invoices, and disputed invoices once the dispute has been settled, on time within these terms. The payment performance for the whole of 2011 was 99% compared with 98% in 2010.

### **Investment policy and performance**

CITB-ConstructionSkills invests available funds within strict guidelines set by Government. These are designed to ensure that the risk of loss is minimised and the range of investments available is consequently tightly controlled. Environmental, social and ethical factors are considered to the extent permitted by current guidelines.

Funds invested directly by CITB-ConstructionSkills generated a return of 1.01% for the year compared with a benchmark (Charities Official Investment Fund) rate of 0.71%. Funds invested by funding managers Williams de Broë increased by £5.6m to £26.1m during the year, achieving a net return of 2.9%.

## ANNUAL ACCOUNTS

### What the industry gets back

In 2011, CITB-ConstructionSkills collected £140.1m in levy after deducting the costs (£4.3m) of collecting levy and processing grants, and generated £106.6m in self-funded commercial activity. This enabled the organisation to return £153.1m in benefits (see table below).

<b>Financial benefits statement £m</b>	Total	Training grants	Employer support	Industry support	Other support	Third party funding
Apprentices	112.6	49.1	18.5	2.5	30.1	12.4
Training courses	5.7	5.0				0.7
Graduates/undergraduates	4.0	3.5	0.3	0.2		
National Skills Academies for Construction	0.8		0.6		0.2	
VQ achievements (non-apprentice) & Qualifying the Workforce support	4.2	3.6	0.6			
Plant & other grants	4.5	4.5				
Advice	3.9		2.4	0.5	1.0	
Consultancy & research, marketing campaigns and press coverage	8.8			0.6	0.4	7.8
Training Groups	3.2		2.6		0.6	
Specialist support	2.7		2.7			
Management & Supervisory Development Programme	2.7		2.6		0.1	
Growth fund	0.2		0.2			
<b>Total benefits</b>	<b>153.3<sup>1</sup></b>	<b>65.7</b>	<b>30.5</b>	<b>3.8</b>	<b>32.4</b>	<b>20.9</b>
<b>Net levy</b>	<b>140.1<sup>2</sup></b>					
<b>Percentage return on levy</b>	<b>109%</b>					

*Training grants* represent Grants Scheme payments (see Note 6 to the Financial Statements on page 44).

*Employer support* represents direct payments made on behalf of employers including £18.5m on the following – apprentice subsidy for 19-year-olds and over (£7.3m), NCC apprentice support (£7.4m), apprentice travel and lodging allowances (£3.0m), and pre-apprenticeship programmes (£0.8m).

*Industry support* represents expenditure on industry-wide initiatives such as the Positive Image marketing campaign (£0.9m), and consultancy and research projects (£0.6m).

*Other support* represents college fees paid on behalf of employers (£29.4m), schools and careers events and staff support.

*Third party funding* represents leveraged funds and benefits for the industry which do not enter CITB-ConstructionSkills Financial Statements, such as college fee discounts.

*Direct and other operating costs* (see figures below) include the direct cost of goods and services of non-levy income-generating activities, staff, premises and other support costs.

Detailed in the Financial Statements (page 37) as:

	£m
Levy income	144.4
Less: levy collection/grant processing costs	(4.3)
<b>2 Net levy</b>	<b>140.1</b>
1 Total benefits	153.3
Less: third party funding	(20.9)
Add: direct and other operating costs	75.6
<b>Total cost of charitable activities</b>	<b>208.0</b>

**Statement of the Board's and Accounting Officer's responsibilities**

Under section 8 (1) of the Industrial Training Act 1982, the Board is required to prepare for each financial year a statement of accounts in the form and on the basis determined by the Secretary of State for Business, Innovation and Skills with the consent of the Treasury.

The accounts are prepared on an accruals accounting basis and must show a true and fair view of CITB-ConstructionSkills' state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing that statement of account, the Board is required to comply with the relevant requirements of the Government Financial Reporting Manual and in particular to:

a) observe the accounts direction issued by the Secretary of State for Business, Innovation and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- b) make judgements and estimates on a reasonable basis;
- c) state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statements
- d) prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that CITB-ConstructionSkills will continue in operation.

The Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive of CITB-ConstructionSkills as Accounting Officer for CITB-ConstructionSkills. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding CITB-ConstructionSkills assets, are set out in Managing Public Money published by the HM Treasury.

Annual Report approved by the Board on 22 February 2012 and signed on its behalf by:

**Chairman  
James Wates**

**Chief Executive  
Mark Farrar**

# Remuneration Report

## Membership

The Remuneration Committee is a subcommittee of the Board. Its purpose is to determine general policy on remuneration and individual remuneration packages for Directors.

Its membership is made up of the Chairman, Deputy Chairman and three Board members (Dave Cochrane and Tim Peach served throughout the year with one vacancy outstanding since 2010).

The Chief Executive, Corporate Services Director and Head of Human Resources provide information to the Committee to inform its decisions.

## Policy on the remuneration of directors

Salaries and benefits are benchmarked against external market comparators on a triennial basis to ensure appropriate remuneration packages are paid to attract and retain capable individuals.

Individual remuneration for directors is reviewed annually with regard to external market changes and an assessment of individual performance evidenced by the performance management process. However, no performance related payments were made to any employees in 2011.

All employees, including directors, are eligible for membership of the ITB Pension Funds Scheme.

## Policy on contracts, notice periods and termination payments

Directors are permanent employees of the organisation. Notice periods are six months. Termination payments, if applicable, are paid in accordance with standard CITB-ConstructionSkills staff terms and conditions.

## Non-cash remuneration

No non-cash remuneration is made. The provision of company cars and free fuel – offset by a private use contribution – are part of the standard terms and conditions of employment for senior grades of staff. As an alternative, a cash option and business mileage allowance are paid.

## Salary and pension entitlements (audited)

The sections on the following page provide details of the remuneration for the year and the pension benefits of the most senior members of CITB-ConstructionSkills' staff.

## Board members' remuneration

The Remuneration Committee is not responsible for considering Board members' remuneration.

Payments to the Chairman and Deputy Chairman are authorised under Schedule 1 (4) of the Industrial Training Act 1982. No other Board members are remunerated. Note 23 (page 54) provides more information about this.

<b>Remuneration</b>	<b>Salary</b>	<b>Benefits in kind</b>	<b>2011 Total</b>	<b>2010 Total</b>
	£'000	£'000	£'000	£'000
Mark Farrar – <i>Chief Executive</i>	222.0	1.1	223.1	223.1
Mike Bialyj – <i>Employer Services Director</i>	99.3	12.2	111.5	110.1
Colin Evans – <i>Business Services Director</i>	112.8	1.6	114.4	115.8
Steve Geary – <i>Skills Strategy Director</i>	105.3	10.0	115.3	115.1
Erika Stoddart – <i>Corporate Services Director</i>	117.2	0.9	118.1	118.1
Nicola Thompson – <i>Communications and Change Director</i>	102.8	1.1	103.9	103.3
Andy Walder – <i>NCC Director</i>	98.7	1.6	100.3	99.3
Frazer Clement – <i>Business Services Director</i> (left 26 February 2010)				22.9
Max Hamps – Director (left 30 April 2010)	–	–	–	37.1

Salary includes gross pay, payments in lieu of car and luncheon allowance.  
 Benefits in kind include the use of allocated cars and medical insurance.

<b>Pension benefits</b>	<b>Real increase/ (decrease) in pension at normal retirement date</b>	<b>Total accrued pension at normal retirement date as at 31 Dec 2011</b>	<b>Cash equivalent transfer value at 01 Jan 2011</b>	<b>Real increase/ (decrease) in the cash equivalent transfer value during the year</b>	<b>Cash equivalent transfer value at 31 Dec 2011</b>
	£'000	£'000	£'000	£'000	£'000
Mark Farrar	0 – 2.5	15 – 20	167	57	233
Mike Bialyj	0 – 2.5	20 – 25	253	64	331
Colin Evans	0 – 2.5	0 – 5	18	17	36
Steve Geary	0 – 2.5	0 – 5	5	17	23
Erika Stoddart	0 – 2.5	0 – 5	32	18	51
Nicola Thompson	0 – 2.5	10 – 15	131	46	184
Andy Walder	0 – 2.5	10 – 15	171	44	224

**James Wates**  
**Chairman of the Remuneration Committee**

**22 February 2012**

**Mark Farrar**  
**Chief Executive**

**22 February 2012**

# Governance Statement

## **Scope of responsibility**

As Chief Executive and Accounting Officer, I am responsible for ensuring that there is a sound system of governance and internal control to support the achievement of CITB-ConstructionSkills' policies, aims and objectives whilst safeguarding the funds and assets entrusted to me, and ensuring they are properly accounted for and used economically, efficiently and effectively in line with responsibilities assigned to me in managing public money.

## **The purpose of the Governance Statement**

The Governance Statement, for which as Accounting Officer I take personal responsibility, is intended to facilitate a clear understanding of the dynamics of the business and its control structure. Essentially, it records the stewardship of the organisation (supplementing financial information in the accounts) and provides an insight into the way in which the governance structure directs, challenges and reviews plans and performance.

This statement explains how CITB-ConstructionSkills has complied with the principles of good governance and reviews the effectiveness of these arrangements.

## **How CITB-ConstructionSkills is governed**

CITB-ConstructionSkills is directed by its employer-led Board composed primarily of unpaid volunteers. Its make-up reflects the main stakeholders in the construction sector. Members are appointed through a process managed by the Department for Business, Innovation and Skills (BIS) and the Office of the Commissioner for Public Appointments (OCPA). Appointments are generally for five years, and a second five-year term is possible, depending on an assessment of performance over that period, but members cannot serve for more than 10 years. During 2011, four Board members' terms of office came to an end as a result of resignation or retirement, and four were appointed.

Board members are charitable trustees, and have an over-riding obligation to place the interests of beneficiaries before all others, including their own. More information about those who served as trustees during 2011 is shown on page 18.

The Board is supported by several employer-led advisory and functional bodies including the Audit, Finance, Remuneration and Training Committees. Members are drawn from the Board and may also be nominated by stakeholders, including the principal trade associations in the sector.

Meeting five times annually, the Board provides strategic direction to the business, maintains oversight of business and financial planning and performance, makes key decisions about the raising and spending of levy, and authorises (if appropriate) significant policy or investment proposals. Average attendance at the Board across the year was 73.91%.

## **Ensuring Board effectiveness**

The annual survey of committee members' views in 2011 showed that 80% thought that they achieved results, influenced policy development and were effective in ascertaining the views of sector employers/businesses. Fewer (60%) thought that committees were challenging enough towards the organisation's plans and proposals. The Audit Committee considered its role and effectiveness as it developed its interest in risk management questions.

From 2012, this review process is being strengthened to include annual self-evaluation by the Board examining its strengths and areas for development. The Board will have regard to the Charity Commission's guidance about the need periodically to use external facilitation for such reviews.

The Board reviewed its governance during 2011, taking note of developments in charitable and private sector best practice. As a result, an enhanced training and development programme is being implemented in 2012, and more structured links made with stakeholders in the devolved nations.

## **Board performance**

As a registered charity, CITB-ConstructionSkills is bound by the Charity Commission's Statement of Recommended Practice (SORP) rather than the UK Corporate Governance Code. It complies with the Code's principles with the following exceptions:

- The Board is wholly non-executive. It does not have executive and non-executive directors.
- Apart from the Chairman and Deputy Chairman, whose remuneration is set by Government, no trustee is remunerated.
- The Board conducts dialogue with its stakeholders through several engagement programmes but does not have shareholders or investors or hold an AGM.

The Board worked hard to develop its strategic thinking in 2011, raising the level and quality of debate. This also helped to bring the four new members appointed during 2011 into the team.

Increasing members' detailed understanding of the business, and strengthening engagement and challenge will be priorities in 2012.

The focus for the Board in 2011 has been on strategic direction, although it also looked at research on the sectoral framework of standards and qualifications, how to direct resources during a recession, how competence is defined and measured and how best to support industry's future skills needs.

As well as its regular business, the Audit Committee has looked closely at the management of risk and assurance and the implications of the Bribery Act.

The Executive has focused on a programme of modernisation, including more use of e-enabled services, on transforming the rewards structure aimed at further cost reduction and control, on introducing activity-based planning and on looking for new ways to deliver products and services effectively.

### **Purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on a process designed to identify and prioritise risks to the achievement of business policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 December 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

### **The risk and control framework**

As a registered charity, the organisation has a proportionate and prudent attitude to risk, placing great emphasis on its risk management and control framework. Risk management is integral to business planning and performance monitoring, and risks are considered not just corporately and at directorate level, but also by departments. A risk management strategy, framework and policy are in place which will identify new risks. Corporate Assurance supports directorates, and reports the principal risks facing them and the business to the Executive, and to the Risk and Audit Committees.

Each directorate's risk profile is monitored by regular review meetings between director and risk manager, at which the current Risk Register and Assurance Framework are central to discussions. The organisation has built risk management and assurance capability over the past two years and its risk profile is now one of 'Novice'. This is a strong foundation on which to build.

A summary of each directorate's principal risks (giving an organisational view) is reported monthly to the Executive, and to the Risk and Audit Committees.

Assessments of the various risk appetites appear in *The Managers Guide to Risk Management* on the Intranet. Set in 2010 by the Executive, these were reviewed by the Risk Committee in December 2011 and will be revisited by the Executive in early 2012.

Risk Registers, completed by risk owners, are in place for each department, consolidated at directorate level. These are placed on an electronic audit/risk platform, enabling trained risk owners to maintain their identified risks online, and enabling measurement of their involvement (actions) in the process. Progress is audited annually. Risk Management is at an individual level, with operational managers and directors getting guidance and challenge from a dedicated Risk Manager.

When Risk Registers were rolled out, another key document (the Assurance Framework) was introduced. Completed by departmental risk-owners, the Assurance Framework provides an end-to-end process view of risks, controls, any gaps, mitigations and evidence to prove the mitigating actions. These are nearing completion, and will be consolidated at directorate level. It is our intention to place these on an electronic platform, again enabling risk owners to maintain them online. The Risk Manager is facilitating this goal.

An annual Control Risk Self Declaration exercise conducted by managers gives further assurance that the organisation handles risk effectively.

### **Risk and Audit Committees**

The Risk Committee meets six times a year to review progress on embedding risk documentation within directorates, top organisational risks and movement, risk appetite and Health & Safety statistics. A meeting summary is sent to the Executive Team.

The Audit Committee meets three times each year to review the organisation's assurance arrangements; the main inputs are Internal Audit reports, but this has recently broadened to include summary information on each directorate's top three risks, the organisation's top risks and progress summary on embedding risk documentation within directorates. The Audit Committee sees Risk Committee minutes.

### **Maintaining stakeholder support**

To continue to meet industry expectations CITB-ConstructionSkills must maintain support from a range of stakeholders. We liaise with industry at all levels and an independent survey of employers' attitudes is carried out annually. Results are used

## **ANNUAL ACCOUNTS**

to gauge industry support for the levy and to inform business planning and longer-term strategies.

We place great importance on links with federations, trades unions and educational bodies to support strategic reviews of training priorities. Work with Government (for example, the Departments for Business, Innovation and Skills and for Education; the Scottish and Welsh Governments) ensures mutual understanding and alignment of policies and goals.

### **Corporate Assurance opinion**

Corporate Assurance is the dedicated Internal Audit unit working to standards defined by HM Treasury and in accordance with professional guidelines.

Its opinion on the quality of internal control, governance and risk management at the end of 2011 was that these were good. This is based on delivery of the 2011 plan of audit work across all directorates, and inputs from risk management activity and governance arrangements.

### **Management of risks to information**

We routinely review our systems and processes for handling data securely and undertook a thorough review of systems, access and information security process and procedure in the light of revised government guidelines and to ensure we continue to meet best practice. The Information Management Group, consisting of senior staff from information management related areas of the business, meets regularly to consider how information is managed and controlled. The Group reports periodically to the Executive Team.

Detailed information about the organisation's approach to information security is shown on page 8.

### **Conflicts of interest**

CITB-ConstructionSkills provides a unique focal point for integrating strategic skills planning, standard setting and the delivery of national training resources. As a Non-Departmental Public Body (NDPB) it is accountable to the Secretary of State for Business, Innovation and Skills and must abide by principles of regularity and propriety, ensuring that its work is not adversely impacted by a conflict of interest. It believes that transparency of decision-making and rigorous scrutiny by stakeholders, combined with well-maintained information and other structural barriers, will help it attain these goals.

CITB-ConstructionSkills is subject to much external and independent scrutiny; its accounts are audited annually by the National Audit Office and (as a registered charity) it reports to the Charity Commission and Office of the Scottish Charities Regulator (OSCR). Allegations of maladministration

may be investigated by the Parliamentary Commissioner for Administration (the Ombudsman). Its Accounting Officer may be called before the Public Accounts Committee. Its levy proposals must be agreed by both Houses of Parliament – if industry support has been confirmed.

The organisation adopts a balanced approach to developing standards, qualifications and training, to ensure sustainable solutions are embedded for the benefit of those who need training and those who supply it. Its composite nature allows for the integration and testing of developments across all stages of the educational process, acting as a provider of training resources in specialist or other market sectors which are not otherwise supported.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This is informed by the work of executive managers and internal auditors within the organisation who are responsible for developing and maintaining (the governance structures and internal control framework) and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

I have been advised on the implications of the result of the review of the effectiveness of the system of the Governance, including internal control and risk management by the Audit Committee, and also that a plan to address weaknesses and ensure continuous improvement of the system is in place.

I have considered the evidence linked to the production of the Annual Governance Statement. The conclusion is that the CITB-ConstructionSkills' overall governance and internal control structures are satisfactory.

Accounting Officer

**Mark Farrar**  
**Chief Executive**

Acknowledged on behalf of the Board

**Harry Adam**  
**Chairman of the Audit Committee**

22 February 2012

# Certificate and Report from the Comptroller and Auditor General to the Houses of Parliament and the Board of CITB-ConstructionSkills

I certify that I have audited the financial statements of CITB-ConstructionSkills for the year ended 31 December 2011 under the Industrial Training Act 1982. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Board, Chief Executive and auditor**

As explained more fully in the Statement of the Board and Accounting Officer's Responsibilities (page 29), the Board and Chief Executive (as Accounting Officer) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit the financial statements in accordance with the Industrial Training Act 1982. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to CITB-ConstructionSkills' circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

## **Opinion on regularity**

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of CITB-ConstructionSkills' affairs as at 31 December 2011 and of its incoming resources and application of resources for the year then ended
- the financial statements have been properly prepared in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Business, Innovation and Skills.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Industrial training Act 1982; and
- the information given in the sections headed Financial Report, Key Deliverables 2011, CITB-ConstructionSkills Trustees and Appendix B: Register of Interests of Board Members for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **ANNUAL ACCOUNTS**

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept;  
or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns;  
or
- I have not received all of the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**

Comptroller and Auditor General

14 March 2012

National Audit Office

157-197 Buckingham Palace Road  
Victoria

London  
SW1W 9SP

# Financial Statements

## Statement of Financial Activities for the Year Ended 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>INCOMING RESOURCES</b>			
Incoming resources from charitable activities			
Non-levy income			
Skills challenges			
Productivity		41,304	40,874
Low carbon		42	56
Leadership		530	636
Recruitment		50,008	56,870
Employer engagement		440	779
Education and training		681	546
Government and other public authorities	2	13,598	10,640
Total non-levy income		106,603	110,401
Levy	3	144,414	167,434
Incoming resources from generated funds			
Investment income		1,931	1,030
Incoming resources from non-charitable activities	4	111	147
		253,059	279,012
<b>RESOURCES EXPENDED</b>			
Cost of generating funds			
Investment management costs		34	21
Charitable activities			
Grants	5, 6	65,745	113,208
Skills challenges			
Productivity		49,989	48,371
Low carbon		6,026	4,941
Leadership		5,476	4,956
Recruitment		65,733	66,850
Employer engagement		7,421	6,450
Education and training		3,299	3,493
Levy collection and grant processing costs		4,336	4,343
Total cost of charitable activities	7	208,025	252,612
Non charitable activities	4	102	132
Governance costs	8	926	915
<b>Total resources expended</b>		209,087	253,680
Notional cost of capital	9	—	1,558
<b>Total resources expended including notional costs</b>		209,087	255,238
<b>Net incoming resources for the year after charging notional cost of capital</b>		43,972	23,774
Notional cost of capital added back	9	—	1,558
<b>Net incoming resources before other recognised gains and losses</b>		43,972	25,332
<b>Other recognised gains and losses</b>			
Realised loss on investments		(86)	(115)
Unrealised loss on investments		(402)	(106)
Unrealised loss on revaluation of freehold properties		(335)	(10)
<b>Net movement in funds</b>	10	43,149	25,101
Accumulated unrestricted fund at 01 January		57,678	32,577
<b>Accumulated unrestricted fund at 31 December</b>	18	100,827	57,678
Incoming resource – NCC East development fund	18	741	—
Accumulated restricted fund at 01 January		—	—
<b>Accumulated restricted fund at 31 December</b>		741	—
<b>Accumulated funds at 31 December</b>		101,568	57,678

The above results include all recognised gains and losses and are derived from continuing activities. Notes 1–28 form an integral part of these accounts.

## ANNUAL ACCOUNTS

### Balance Sheet as at 31 December 2011

	Notes	2011 £'000	2010 £'000	2010 £'000
<b>FIXED ASSETS</b>				
Tangible assets	11	<b>15,049</b>		12,821
<b>CURRENT ASSETS</b>				
Debtors	12, 16	<b>19,970</b>		17,952
Properties held for sale	13	<b>655</b>		790
Investments	14,16, 20	<b>108,687</b>		78,222
Cash at bank	16, 20	<b>333</b>		1,627
		<b>129,645</b>		98,591
<b>CREDITORS</b>				
Amounts falling due within one year	15, 16	<b>(42,726)</b>		(53,291)
<b>Net current assets</b>		<b>86,919</b>		45,300
<b>Total assets less current liabilities</b>		<b>101,968</b>		58,121
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<b>(400)</b>		(443)
<b>NET ASSETS</b>		<b>101,568</b>		57,678
<b>FINANCED BY</b>				
Accumulated fund	18	<b>101,568</b>		57,678

Notes 1–28 form an integral part of these accounts.

**Approved by the Board on 22 February 2012**

**and signed on its behalf by:**

**Chairman**  
**James Wates**

**Chief Executive**  
**Mark Farrar**

**Cash Flow Statement for the Year Ended 31 December 2011**

<b>Reconciliation of net resources used to net cash inflow from operating activities</b>	Notes	<b>2011</b>	<b>2010</b>
		£'000	£'000
Net incoming resources for the year after charging notional cost of capital		<b>43,972</b>	23,774
Notional cost of capital		–	1,558
Interest receivable		(1,931)	(1,030)
Operating surplus		<b>42,041</b>	24,302
Depreciation charges		1,527	1,688
Profit on sale of tangible fixed assets		(3)	(24)
Realised loss on investments		(86)	(115)
(Increase)/Decrease in debtors		(1,747)	14,365
Decrease in creditors and provisions		(11,061)	(1,059)
<b>Net cash inflow from operating activities</b>		<b>30,671</b>	<b>39,157</b>

**CASH FLOW STATEMENT**

<b>Net cash inflow from operating activities</b>		<b>30,671</b>	39,157
<b>Returns on investments and servicing of finance</b>	19	<b>1,660</b>	807
<b>Capital expenditure (net)</b>	19	(2,758)	(287)
<b>Management of liquid resources (call accounts, term deposits, money market and externally managed funds)</b>	19	(30,867)	(39,604)
<b>(Decrease)/Increase in cash at bank</b>	20	<b>(1,294)</b>	<b>73</b>

<b>Reconciliation of net cash flow to movement in net funds</b>	20		
<b>(Decrease)/Increase in cash at bank in the period</b>		<b>(1,294)</b>	73
Management of liquid resources (call accounts, term deposits, money market and externally managed funds)		<b>30,867</b>	39,604
Other non-cash movements in the year		(402)	(106)
<b>Movement in net funds in the year</b>		<b>29,171</b>	<b>39,571</b>
<b>Net funds at 01 January</b>		<b>79,849</b>	40,278
<b>Net funds at 31 December</b>		<b>109,020</b>	<b>79,849</b>
<b>Represented by:</b>			
<b>Investments</b>	14	<b>108,687</b>	78,222
<b>Cash at bank</b>		<b>333</b>	<b>1,627</b>
		<b>109,020</b>	<b>79,849</b>

Notes 1–28 form an integral part of these accounts.

## **ANNUAL ACCOUNTS**

### **Notes to the Financial Statements for the Year Ended 31 December 2011**

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#### **1. ACCOUNTING POLICIES**

##### **Going concern**

These accounts are prepared on a going concern basis.

##### **Accounting convention**

The Financial Statements are prepared in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Business, Innovation and Skills. The accounts comply with the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005).

The accounts also meet the disclosure requirements of the 2010–11 Government Financial Reporting Manual in so far as they are applicable and do not conflict with the requirements of SORP 2005.

These accounts are prepared under the historical cost convention as modified to reflect the revaluation of fixed assets and investments. Debtors and creditors are shown at face value as any impairments are covered by provisions.

##### **Incoming resources**

###### **Levy**

Levy income is that receivable from assessments based on the employment details returned by firms, with an estimate for firms from which employment details have not been received, and is recognised in the Statement of Financial Activities (SOFA) in the period in which assessments are raised.

###### **Government and other public authorities**

Government grants received are recognised in the SOFA so as to match them with the expenditure towards which they are intended to contribute.

###### **Skills challenge – recruitment**

Income is accounted for on an accruals basis apart from output-related funding which is included in the period in which the trainee attains the specified achievements.

##### **Resources expended**

###### **Grants**

The charge in the SOFA consists of the training grants paid during the year together with an estimate of the liability for unpaid grants for the period and any adjustments to accruals made in earlier years.

###### **Skills challenge – recruitment**

The charge in the SOFA includes payments in relation to New Entrant Training made during the year together with an estimate of the liability for unpaid course fees for the period.

###### **Leasing**

Rentals paid under operating leases are charged in the SOFA on a straight line basis over the lease term.

###### **Allocation of resources expended**

Costs are allocated either directly or apportioned by staff time spent as follows:

Cost of generating funds – direct

Charitable and non-charitable activities – direct and by staff time

Governance costs – direct and by staff time, and include the costs of Board and committees, Corporate Assurance, Business Planning, Legal, Finance and Audit fees.

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****1. ACCOUNTING POLICIES (continued)****Other recognised gains and losses****Realised on investments**

The SOFA recognises the net value of all gains and losses on the sale of investments, calculated as the difference between the cost and sales proceeds of each investment liquidated.

**Unrealised on investments**

The difference between the cost and the year-end market value of all investments held at the balance sheet date is recognised in the SOFA.

**Assets****Estimation techniques***Levy debtors*

Amounts receivable for levy assessments are calculated on the basis of historical results and patterns adjusted for any known changes in circumstances. In particular, the calculation includes an adjustment to estimated levies that normally result in being reassessed to a level below that originally estimated, following the receipt of a levy return declaring actual direct employment and labour-only sub-contract payments.

**Tangible fixed assets**

Tangible fixed assets are stated at modified historical cost. Costs of acquisition, comprising only those costs that are directly attributable to bringing the asset into working condition for its intended use, are capitalised. The threshold for capitalisation is £2,500.

Freehold land is not depreciated. Motor vehicles are depreciated on a reducing balance basis at 30% per annum. All other tangible fixed assets are depreciated evenly in order to write off the value of the asset over their estimated useful economic lives. These lie within the following ranges:

Freehold buildings	– 50 years (permanent buildings)
	– 20 years (improvements and temporary buildings)
	– Nil (buildings under construction)
Leasehold land and buildings	– the lease term
Plant and machinery	– 5 to 10 years
Office equipment	– 4 to 10 years
Computer equipment	– 4 years

Freehold properties are fully revalued every five years and all tangible fixed assets are subject to an annual impairment review.

**Properties held for sale and investments**

Properties held for sale and investments are stated at market value at the balance sheet date.

**Liabilities****Estimation techniques***Grant and college fees creditors*

Amounts payable in relation to college fee invoices and training plan grant claims not yet received are calculated on the basis of historical payment patterns adjusted for any known changes in circumstances. Accruals for apprentice grant claims are based on known liabilities at the year end and claims for other grants are accrued on the basis of forecast Grants Scheme expenditure falling evenly throughout the year.

## **ANNUAL ACCOUNTS**

### **Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are classified in the following categories: loans and receivables, available-for-sale and other financial liabilities. CITB-ConstructionSkills' financial instruments are not considered to be held-to-maturity investments, nor does CITB-ConstructionSkills hold financial assets or liabilities expressly for trading purposes. Material classes of financial instruments are separately identified under these categories in the notes to the accounts.

##### **Loans and receivables**

'Loans and receivables' financial instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, for example trade debtors and deposits held in banks. Subsequent to initial recognition, these assets are carried at cost less impairment where material.

##### **Available-for-sale**

'Available-for-sale' financial instruments are non-derivatives that are either designated in this category or not classified in any of the other categories. CITB-ConstructionSkills' investments are considered to fall within this category. Subsequent to initial recognition these assets are recorded at fair value, with any realised and unrealised gains or losses reflected in the SOFA.

##### **Other financial liabilities**

'Other financial liabilities' financial instruments are short-term creditors.

##### **Other**

##### **VAT**

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

##### **Pensions**

The expected costs of pensions are provided on systematic and rational bases over the estimated average service lives of members of the schemes. Variations arising from actuarial surpluses are spread over the average remaining service lives of members to the extent that the resulting credit does not exceed the regular cost.

##### **Reserves**

Reserves (defined as net current assets) are required to cover exposure to delays in income receipts and acceleration of grants and costs which are outside the control of CITB-ConstructionSkills and to ensure continuity of funding to the construction industry.

A risk-based formula, as agreed with Government, is used to calculate an appropriate year-end target level of reserves. Actual reserves should fall within the range of plus or minus 5% of the agreed target.

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****2. INCOMING RESOURCES FROM GOVERNMENT AND OTHER PUBLIC AUTHORITIES**

	2011 £'000	2010 £'000
European grants receivable	599	1,697
Government departments and Skills Development Scotland	<u>11,254</u>	6,175
	<b>11,853</b>	7,872
UK Commission for Employment and Skills (UKCES) (see below)	1,745	2,768
	<b>13,598</b>	<u>10,640</u>
No grant-in-aid is receivable by CITB-ConstructionSkills		

UKCES income includes funding for the SSC core contract of £1,684,000 (2010 £2,318,000) to reimburse expenditure of £1,684,000 (2010 £2,318,000) for specific activities during the year.

**3. LEVY**

2010 levy assessment receivable in 2011	142,227	168,220
Adjustment to previous year's levy assessments	2,187	(786)
	<b>144,414</b>	<u>167,434</u>

**4. NON-CHARITABLE ACTIVITIES**

Non-charitable activities represents the income generated from the use of CITB-ConstructionSkills' social and leisure facilities and its related expenditure.

**5. TRAINING GRANTS**

Paid or offset during the year	75,742	113,604
<b>Less:</b> Accruals brought forward	<b>(27,811)</b>	(28,207)
<b>Add:</b> Accruals for further payments	<b>17,814</b>	27,811
	<b>65,745</b>	<u>113,208</u>
Apprenticeship grants	71	375
Commitment grants	24,057	25,730
Attendance grants	24,945	34,093
Achievement grants	<u>49,073</u>	60,198
Other grants	<b>16,672</b>	53,010
Total grants (all claimed as institutional grants)	<b>65,745</b>	<u>113,208</u>

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)

#### 6. MATERIAL CASH SUPPORT PAYMENTS IN RESPECT OF TRAINING

Accounting and Reporting by Charities: Statement of Recommended Practice 2005 requires material grants made to be disclosed. Disclosure must include the name of the recipient and the aggregate amount of grants made to that recipient. The definition of grants includes grants, trainee allowances and college fee payments, and these are reconciled below. Training grants make a contribution towards an employer's training costs. Aggregate payments/offsets over £110,000 made during the year:

Recipient	£'000	Recipient	£'000
Carillion* – CITC £5,912		Enterprise Group Holdings Ltd	233
– other £262	6,174	Alfred Bagnall & Sons Ltd	231
Laing O'Rourke	1,487	Lavendon Group plc	216
Balfour Beatty plc	1,305	Persimmon plc	199
Kier Group plc	1,001	Interior Services Group plc	173
Royal BAM Group	930	The Clancy Group plc	172
Morgan Sindall Group plc	798	Hewden Stuart Ltd	171
Barratt Developments plc	781	Ian Williams (Holdings) Ltd	167
Vinci	696	J Murphy & Sons Ltd	166
Keepmoat Plc	650	Lend Lease Corp Ltd	156
Mears Group plc	600	Symm Group Ltd	148
Taylor Wimpey plc	506	Bowmer & Kirkland Ltd	148
Galliford Try plc	472	Gap Holdings Ltd	147
Seddon Group Ltd	445	Muirfield Holdings Ltd	144
Mitie Group plc	432	Shepherd Building Group	141
Interserve plc	392	McNicholas Construction	131
Bell Group UK Ltd	372	Bloor Holdings Ltd	129
Willmott Dixon Group	372	Gelder Group Ltd	129
Redrow plc	358	Thomas Vale Group plc	128
Costain Group plc	355	Crest Nicholson plc	127
Sir Robert McAlpine	345	Higgins Group plc	126
Bouygues	337	The Miller Group Ltd	125
Amey plc	329	Jones Bros Ruthin Ltd	122
Ashtead Group plc	325	Bentley Holdings Ltd	117
Wates Group Ltd	323	Veitchi (Holdings) Ltd	116
Anglian Water Group Ltd	298	W H Brown Construction Ltd	114
C C G (Holdings) Ltd	286	Cape plc	114
Skanska UK	271	J B Leadbitter & Co Ltd	112
R G Carter Group Ltd	261	Admiral Scaffolding Group Ltd	110
Royal Volker Wessels	254		26,208
Cruden Holdings Ltd	250		
Speedy Hire plc	247		
Morrison Utility Services Ltd	244	Other recipients	82,832
		Total payments	<u>109,040</u>

\* This employer operates a managing agency (providing training opportunities for more than its own needs) and so could claim a greater number of New Entrant Training grants.

The number of employers claiming grant decreased from 19,058 in 2010 to 15,648 in 2011 (-17.9%).

Reconciliation with charges:	Accruals B/F £'000	Payments £'000	Accruals C/F £'000	Charges £'000
Training grants (Note 5)	(27,811)	75,742	17,814	65,745
Trainee allowances	(375)	3,977	375	3,977
College fees	(6,819)	29,321	6,917	29,419
	<u>(35,005)</u>	<u>109,040</u>	<u>25,106</u>	<u>99,141</u>

College fees and trainee allowances are included within expenditure attributed to Recruitment in the Statement of Financial Activities (page 37).

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****7. CHARITABLE ACTIVITIES**

Activity	Activities undertaken directly	Support costs (Note 10)	Total	Grant making	<b>2011 Total including grants £'000</b>	2010 Total including grants £'000
	£'000	£'000	£'000	£'000		
Grants	65,745	–	65,745	(65,745)	–	–
Productivity	46,503	3,486	49,989	11,544	<b>61,533</b>	88,499
Low carbon	5,963	63	6,026	–	<b>6,026</b>	4,941
Leadership	5,223	253	5,476	1,096	<b>6,572</b>	7,506
Recruitment	60,794	4,939	65,733	52,608	<b>118,341</b>	136,547
Employer engagement	7,279	142	7,421	497	<b>7,918</b>	7,283
Education and training	3,184	115	3,299	–	<b>3,299</b>	3,493
Levy collection and grant processing costs	–	4,336	4,336	–	<b>4,336</b>	4,343
	<b>194,691</b>	<b>13,334</b>	<b>208,025</b>	<b>–</b>	<b>208,025</b>	<b>252,612</b>

Activities undertaken under the skills challenges headings: Productivity, Low carbon, Leadership, Recruitment, Employer engagement, and Education and training are described in more detail on pages 24 and 25.

**8. GOVERNANCE COSTS**

	<b>2011 £'000</b>	2010 £'000
Board and committee costs	<b>225</b>	209
Corporate Assurance	<b>365</b>	356
Business Planning	<b>54</b>	121
Legal	<b>93</b>	74
Finance	<b>63</b>	56
External audit	<b>50</b>	49
Other	<b>76</b>	50
	<b>926</b>	<b>915</b>

**9. NOTIONAL COST OF CAPITAL**

In accordance with HM Treasury Guidance for 2010, the 2010 accounts included a notional charge of £1.6m representing the cost of capital, based on the average capital employed (equivalent to net assets) at a rate prescribed by HM Treasury of 3.5%. HM Treasury Guidance for 2011 specifically requires that notional costs are excluded from the accounts.

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)

#### 10. NET MOVEMENT IN FUNDS

	2011 £'000	2010 £'000
The net movement in funds for the year of £43,149,000 was arrived at after (crediting)/charging:		
Profit on sale of fixed assets	(3)	(24)
Unrealised loss on revaluation of freehold property	335	10
Board members' remuneration (see Note 23)	32	27
Rentals paid under operating leases		
• Hire of plant and machinery external audit	81	100
• Other operating leases	1,002	789
Auditors' remuneration		
• Audit fees	50	49
Depreciation		
• Owned assets	1,527	1,688
SSC activities (see Note 2)	1,684	2,318
Indemnity insurance	10	13
Support costs (see below)	<u>13,334</u>	<u>11,281</u>

Indemnity insurance covers breach of professional duty by reason of any neglect, error or omission committed in good faith by any employee or agent.

Support costs are allocated on a staff time basis as follows:

Support costs	Levy collection and grant processing £'000	Productivity £'000	Low carbon £'000	Leadership £'000	Recruitment £'000	Employer engagement £'000	Education and training £'000	Total £'000
Levy and grant	3,247	—	—	—	—	—	—	3,247
Management	90	201	58	214	263	106	61	993
Finance	180	434	1	4	646	4	5	1,274
Information technology	492	2,141	3	24	3,067	22	37	5,786
Human resources	90	524	1	8	642	8	8	1,281
Legal	237	186	—	3	321	2	4	753
<b>2011</b>	<b>4,336</b>	<b>3,486</b>	<b>63</b>	<b>253</b>	<b>4,939</b>	<b>142</b>	<b>115</b>	<b>13,334</b>
<b>2010</b>	<b>4,343</b>	<b>2,669</b>	<b>57</b>	<b>219</b>	<b>3,770</b>	<b>127</b>	<b>96</b>	<b>11,281</b>

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****11. TANGIBLE FIXED ASSETS**

	Freehold property	Plant and machinery	Motor vehicles	Office and computer equipment	Assets under development	Total
(a) <b>Summary</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
01 January 2011						
	9,225	5,999	2,644	4,204	–	22,072
Additions	–	65	60	1,235	2,740	4,100
Disposals	–	–	(733)	–	–	(733)
Write-off	–	(464)	–	(605)	–	(1,069)
Revaluation (see below)	(200)	–	–	–	–	(200)
<b>31 December 2011</b>	<b>9,025</b>	<b>5,600</b>	<b>1,971</b>	<b>4,834</b>	<b>2,740</b>	<b>24,170</b>
Valuation 2011						
	8,465	–	–	–	–	8,465
Cost	560	5,600	1,971	4,834	2,740	15,705
	<b>9,025</b>	<b>5,600</b>	<b>1,971</b>	<b>4,834</b>	<b>2,740</b>	<b>24,170</b>
Depreciation						
01 January 2011	79	4,461	1,987	2,724	–	9,251
Charges for the year	28	537	184	778	–	1,527
Disposals	–	–	(588)	–	–	(588)
Write-off	–	(464)	–	(605)	–	(1,069)
<b>31 December 2011</b>	<b>107</b>	<b>4,534</b>	<b>1,583</b>	<b>2,897</b>	<b>–</b>	<b>9,121</b>
<b>Net book value</b>						
<b>31 December 2011</b>	<b>8,918</b>	<b>1,066</b>	<b>388</b>	<b>1,937</b>	<b>2,740</b>	<b>15,049</b>
31 December 2010	<b>9,146</b>	<b>1,538</b>	<b>657</b>	<b>1,480</b>	<b>–</b>	<b>12,821</b>

At 31 December 2011, CITB-ConstructionSkills received professional valuations of its freehold property. FDP Savills undertook the valuation of the property at Bircham Newton, valuing the training centre and head office on an existing use basis and the agricultural land at market value. Lambert Smith Hampton carried out the valuations of freehold property held at Glasgow, Birmingham and Erith on an existing use basis. These valuations were made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, which resulted in a reduction in value of £200,000.

		2011	2010
(b) <b>Historical cost information</b>		£'000	£'000
If the valuations had not been included then freehold property would have been included at the following amounts:			
Cost		<b>14,161</b>	13,226
Accumulated depreciation		<b>(3,811)</b>	(3,679)
		<b>10,350</b>	9,547

**(c) Freehold property**

Included in freehold property is an amount of £3,694,000 (2010 £3,910,000) relating to freehold land, and assets under development include an amount of £935,300 (2010 £nil) relating to the construction of new college facilities at NCC East.

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)

#### 11. TANGIBLE FIXED ASSETS (continued)

##### (d) Modified historic cost accounting

Apart from freehold property, fixed assets are included at cost less accumulative depreciation. No adjustment has been made in respect of modified historical cost accounting as the amount is not considered to be material.

##### (e) Capital commitments

There were capital commitments of £4,056,000 at 31 December 2011 (2010 £73,000) for NCC East redevelopment and computer equipment.

##### (f) Plant equipment on loan

The NCC has the use of equipment on loan, free of charge, from plant equipment suppliers equivalent to a purchase value of approximately £330,000 (2010 £228,000).

#### 12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£'000	£'000
Levy debtors	<b>3,638</b>	6,956
Trade/other debtors (see below)	<b>14,125</b>	9,172
Prepayments and accrued interest	<b>2,207</b>	1,824
	<b>19,970</b>	17,952
Trade/other debtors includes:		
Intra-Government balances:		
Central Government bodies	<b>9,035</b>	4,767
Public corporations	<b>76</b>	374
Local authorities	<b>27</b>	79
	<b>9,138</b>	5,220
Other trade debtors	<b>4,987</b>	3,952
	<b>14,125</b>	9,172

#### 13. PROPERTIES HELD FOR SALE

Properties held for sale represents two Scottish properties which are surplus to requirements and are stated at their market value at 31 December 2011.

#### 14. INVESTMENTS

Analysis of movement of investments	2011	2010
	£'000	£'000
Carrying value (market value) at beginning of year	<b>78,222</b>	38,724
Additions to investments at cost	<b>329,943</b>	302,693
Disposals at carrying value	<b>(298,990)</b>	(262,974)
Net loss on revaluation	<b>(488)</b>	(221)
Carrying value (market value) at end of year	<b>108,687</b>	78,222
Listed securities managed by fund managers	<b>26,134</b>	20,542
Deposits with banks and building societies	<b>82,553</b>	57,680
	<b>108,687</b>	78,222

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****14. INVESTMENTS (continued)**

Included in the above are the following investments that individually represent more than 5% of the total investment portfolio:

<b>Investments</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
8% UK Treasury Stock 2013	<b>7,926</b>	—
2.875% Euro Inv Bank 2013	—	5,147
4.875% Kreditanst Fur Wie 2013	—	5,072
 <b>Term deposits</b>		
Bank of Scotland	<b>10,000</b>	10,000
Clydesdale Bank	<b>10,000</b>	10,000
Nationwide	<b>10,000</b>	5,000
Nat West Bond	<b>10,000</b>	—
Svenska Handelsbanken	<b>10,000</b>	—
BBVA	<b>6,000</b>	—
Royal Bank of Scotland	—	10,000
Santander	—	5,000
 <b>Money market funds</b>		
Barclays Business Premium	<b>6,807</b>	6,144
Abbey Business Reserve	—	5,015
Aviva Liquidity Funds	—	4,204

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

Included in the above are the following investments that individually represent more than 5% of the total investment portfolio:

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors (see below)	<b>23,384</b>	23,958
Taxation and social security	<b>1,154</b>	1,148
Accruals:		
New Entrant Training grants and allowances payable to 31 December	<b>4,298</b>	3,597
Other grants payable to 31 December	<b>13,890</b>	24,588
	<b>42,726</b>	53,291
Trade creditors includes:		
Intra-Government balances:		
Central Government bodies	<b>1,819</b>	3,349
Public corporations	<b>233</b>	609
Local authorities	<b>40</b>	2
	<b>2,092</b>	3,960
Other trade creditors	<b>21,292</b>	19,998
	<b>23,384</b>	23,958

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)

#### 16. FINANCIAL INSTRUMENTS

FRS 29 requires the disclosure of information to enable users to evaluate the significance of financial instruments for CITB-ConstructionSkills' financial position, the nature and extent of risks arising from financial instruments to which it was exposed during the period and at the reporting date and how these are managed.

##### Financial assets and liabilities by category

Set out below are the accounting classifications of each class of financial assets and liabilities as at 31 December 2011, together with any associated gains and losses.

	Loans and receivables £'000	Available for sale £'000	Other financial liabilities £'000	Total £'000
Debtors excluding prepayments	17,763	–	–	17,763
Investments	–	108,687	–	108,687
Cash at bank	333	–	–	333
Creditors	–	–	(42,726)	(42,726)
<b>2011</b>	<b>18,096</b>	<b>108,687</b>	<b>(42,726)</b>	<b>84,057</b>
2010	17,755	78,222	(53,291)	42,686

Investment losses	£'000
Loss on disposal of investments	(86)
Net movement in fair value of available-for-sale investments	(402)
<b>2011</b>	<b>(488)</b>
2010	(221)

#### Financial risk management

Qualitative information on CITB-ConstructionSkills' approach to financial risk management is disclosed in the 'Investments' and 'Reserves' sections of the Annual Report above, and in the Statement of Internal Control. Quantitative disclosures are included here. All investments are reported at market value at 31 December 2011.

#### Credit risk

CITB-ConstructionSkills is exposed to credit risk of £4,987,000 (2010 £3,952,000) in other trade debtors (see Note 12 on page 48). However, this is not considered to be significant as major customers are familiar and loss experience has been small. 89% of non-levy debts have been recovered over the past year and it is expected that the current outstanding figure will be settled within normal payment terms. Any amounts that are overdue or impaired are not material and are adequately provided for. No collateral is held in respect of any debtors. Levy debtors arise as a consequence of raising statutory assessments on in-scope employers and are not perceived to be a credit risk.

As at 31 December 2011, term deposits and cash holdings are all placed with approved UK banks and are spread across several institutions. CITB-ConstructionSkills has not suffered any loss during 2011 (2010 nil) in relation to cash held by bankers.

#### Liquidity risk

57% of CITB-ConstructionSkills' income in 2011 was derived from the statutory levy (2010 60.0%), and the right to raise this levy was confirmed for the three years 2009 to 2011.

The reserves policy is set out under accounting policies (Note 1 on pages 40 to 42). CITB-ConstructionSkills believes that the level of unrestricted reserves at the end of 2011, combined with secure matching of expenditure to funding income for the year ahead and the continuation of levy receipts, is such that CITB-ConstructionSkills is not exposed to unacceptably high liquidity risks.

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****16. FINANCIAL INSTRUMENTS (continued)****Market risks****Interest rate**

CITB-ConstructionSkills' financial assets, excluding short-term debtors and creditors, are made up of investments and cash. Information about material investments is disclosed at Note 14 on pages 48 and 49.

Cash is held in a variety of non-interest bearing bank accounts.

Interest income for the year made up 0.8% (2010 0.4%) of CITB-ConstructionSkills incoming resources and no loans are held, so exposure to interest rate risk is minimal. The effect of a 1% movement in interest rates in 2011 would have been approximately £1,079,000.

**Foreign currency**

All of CITB-ConstructionSkills' financial assets are denominated in pounds sterling; therefore there is no exposure to any foreign currency risk.

**Other price**

Exposure to wider price risks is reduced by appropriate procurement controls coupled with competitive tendering and the securing of longer-term fixed price contracts where possible. Whilst some contracts have an element of variability based on the Retail Price Index, any risks arising from these are not deemed to be material.

**17. PROVISIONS FOR LIABILITIES AND CHARGES**

	Leasehold property dilapidations	£'000
Balance as at 01 January 2011	443	
Utilised	(125)	
Additional provisions	82	
<b>Balance as at 31 December 2011</b>	<b>400</b>	

Leasehold property dilapidations represent a provision for estimated settlements with landlords on the expiry of the leases over the next seven years based on past experience; £17,541 of this provision is in respect of 2012 and the remainder relates to future years.

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)

#### 18. ACCUMULATED UNRESTRICTED FUND

	Unrestricted fund		Restricted fund		Total funds
	General reserve	Fixed asset revaluation reserve	Total unrestricted fund	NCC East development fund	
	£'000	£'000	£'000	£'000	£'000
Balance at 01 January 2011	56,945	733	57,678	–	57,678
Capital funding receipts	–	–	–	741	741
Net movement in funds	43,349	(200)	43,149	–	43,149
<b>Balance at 31 December 2011</b>	<b>100,294</b>	<b>533</b>	<b>100,827</b>	<b>741</b>	<b>101,568</b>

The accumulated unrestricted fund is available for use at the discretion of the Board in furtherance of the general objectives of the charity.

The general fund includes £2,103,000 arising from the sale of property, in 2003, held by the NCC. This surplus will be used to support the costs of constructing new student accommodation at the NCC college at Bircham Newton, which was started in 2011 and due for completion in 2012.

#### 19. GROSS CASH FLOWS

	2011 £'000	2010 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received on investments	<b>1,660</b>	807
Capital expenditure		
Payments to acquire tangible fixed assets	(3,647)	(456)
<b>Receipts from sales of tangible fixed assets</b>		
	<b>148</b>	169
Capital grant receipts	<b>741</b>	–
	<b>(2,758)</b>	(287)
<b>Management of liquid resources</b>		
Placed on deposit and purchase of externally managed investments	(329,943)	(302,693)
Deposit withdrawals and sale of externally managed investments	<b>299,076</b>	263,089
	<b>(30,867)</b>	(39,604)

#### 20. ANALYSIS OF CHANGES IN NET FUNDS

	At 01/01/11 £'000	Cash flows £'000	Other non-cash movements £'000	At 31/12/11 £'000
Current asset investments on call				
Other current asset investments	17,680	(1,127)	–	<b>16,553</b>
	60,542	31,994	(402)	<b>92,134</b>
	78,222	30,867	(402)	<b>108,687</b>
Cash at bank	1,627	(1,294)	–	<b>333</b>
	79,849	29,573	(402)	<b>109,020</b>

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****21. ITB PENSION FUND**

CITB-ConstructionSkills is a participating employer in the ITB Pension Funds Scheme, which is a defined benefit scheme. The most recent triennial valuation of the scheme was performed as at 31 March 2010.

The principal future assumptions used are that the real rate of return (net of pension increases) would be 1.9% per annum; the nominal rate of investment return on assets would be 5.8% per annum; the rate of pension increases (Old and New Sections) would be in line with the Retail Prices Index (RPI) changes and is assumed to be 3.8% per annum; and 'real' salary inflation would be 1.5% per annum.

The 2010 valuation indicated that the actuarial value of the assets held by the total Scheme fund showed a deficit of £76m against the Scheme liabilities, based on FRS 17 methodologies.

As the proportion of assets and funding level attributable to CITB-ConstructionSkills are not separately identified, in accordance with the provisions of FRS 17 relating to multi-employer schemes, the Scheme has been accounted for as a defined contribution scheme.

All CITB-ConstructionSkills staff in the ITB Pension Funds Scheme at 01 January 2011 were transferred into the 2007 section of the ITB Pension Funds Scheme, having previously been in either the 'Old Section' or, if joining the scheme after 01 April 2008, the 'New Section' of the Scheme. Employee and employer contribution rates for the 2007 section are 6% and 7.6% respectively (2010 - 'Old Section' 7.8% and 16% respectively and 'New Section' 5% and 11.1% respectively). Total employer contribution payments to the Scheme for 2011 increased to 19.5% to include employer contributions and agreed fixed monthly deficit payments. Total deficit contributions of £13.5m were paid to the Scheme in 2011 in order to reduce the period over which the agreed deficit contributions are made and the interest costs thereon.

Total payments made in 2011 are shown in Note 24 on page 54.

**22. LEASE COMMITMENTS**

CITB-ConstructionSkills is committed to the following annual payments under non-cancellable operating lease agreements:

	2011		2010
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating leases	<b>26</b>	<b>436</b>	145
Leases expiring within one year	<b>304</b>	<b>196</b>	265
Leases expiring in the second to fifth years	<b>155</b>	<b>–</b>	156
Leases expiring after five years	<b>485</b>	<b>632</b>	566
	<b> </b>	<b> </b>	<b>454</b>

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)

#### 23. BOARD MEMBERS' REMUNERATION

Remuneration of the Board members was as follows:

	<b>2011</b>	2010
	£	£
Chairman – James Wates ( <i>appointed 01 April 2010</i> )	–	–
Chairman – Sir Michael Latham ( <i>retired 31 March 2010</i> )	–	5,609
Deputy Chairman – Judy Lowe	<b>32,251</b>	21,501

The authority under which payments were made to the Chairman and Deputy Chairman is contained within the Industrial Training Act 1982.

James Wates elected to waive his remuneration in favour of an award to the employer making the most innovative contribution to low carbon construction. No other Board members received any emoluments from CITB-ConstructionSkills during the year.

No Board member had pension entitlements under any pension schemes funded by CITB-ConstructionSkills.

Expenses paid to Board members during the year amounted to £27,314 (£33,557 in 2010) in respect of accommodation, travel and subsistence. The total number of recipients was 16 (15 in 2010).

#### 24. PARTICULARS OF STAFF

During the year, the average number of staff directly and temporarily employed by CITB-ConstructionSkills (expressed in full-time equivalents) was as follows:

	Directly employed	Temporary	<b>2011 number</b>	2010 number
Training	853	66	<b>919</b>	962
Other activities	402	30	<b>432</b>	427
	<b>1,255</b>	<b>96</b>	<b>1,351</b>	1,389

During the year, the following costs were incurred in respect of the above:

	<b>2011</b>	2010
	£'000	£'000
Salaries of directly employed staff	<b>38,653</b>	38,161
Temporary staff costs	<b>4,728</b>	3,504
Redundancy costs	<b>825</b>	7,195
Social security costs	<b>3,018</b>	3,114
Other pension costs (see Note 21)	<b>15,775</b>	4,636
	<b>62,999</b>	56,610

The remuneration, pension entitlements and pension transfer values of the most senior members of CITB-ConstructionSkills' staff can be found in the Remuneration Report on pages 30 and 31.

The emoluments, including benefits in kind but excluding pension contributions and redundancy payments, of employees earning more than £60,000, other than those stated in the Remuneration Report (pages 30 and 31), fell within the ranges shown below:

	<b>Number of employees</b>	
	<b>2011</b>	2010
£60,001 – £70,000	<b>23</b>	18
£70,001 – £80,000	<b>12</b>	14
£80,001 – £90,000	<b>3</b>	4
£90,001 – £100,000	<b>2</b>	1

**Notes to the Financial Statements for the Year Ended 31 December 2011 (continued)****25. TAXATION**

As a registered charity, CITB-ConstructionSkills is exempt from corporation tax on its charitable activities under section 505 of the Income and Corporation Taxes Act 1988. However, incoming resources includes income which is deemed to be of a non-charitable nature, resulting in a taxable profit of £9,000 (2010 £15,000). This has given rise to a potential corporation tax liability of £1,960 (2010 £3,200), provision for which is included under taxation in creditors (Note 15 on page 49).

**26. RELATED PARTY TRANSACTIONS**

CITB-ConstructionSkills is sponsored by the Department for Business, Innovation and Skills (BIS) which is regarded as a related party. During the year there have been a number of material transactions with other entities for which the Department is regarded as the parent Department, namely the SFA and the UKCES.

In addition, CITB-ConstructionSkills has had various material transactions with other government departments and various central government bodies. Most of these have been with Skills Development Scotland, Welsh Assembly Government and HM Revenue & Customs. At 31 December 2011 there were material debtor balances of £7,032,771 with Skills Funding Agency, £1,458,099 with the Welsh Assembly Government, £498,519 with Skills Development Scotland and material creditor balances of £1,125,129 with Skills Funding Agency, £323,104 with UKCES and £203,108 with HM Revenue & Customs.

Appendix A (on pages 60 and 61) lists the members of the Board and its Committees, also giving the names of their employers. Appendix B (pages 62 and 63) shows the Register of Interests of Board Members. On this basis, in the normal course of business, most Board members are likely to have commercial interests as levy payers and grant claimers which, as they are transacted at arms length, are not considered to be material for either party.

Material cash support payments paid during 2011, including those paid to employers of Board members, are set out in Note 6 (page 44).

During the year, no key manager, employee or other related party has undertaken any material transactions with CITB-ConstructionSkills.

**27. LOSSES AND SPECIAL PAYMENTS**

During the year, no special payments were made and there were no reportable losses over £250,000. Total bad debts written off during the year amounted to £3,118,821 (2010 £4,145,033).

**28. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no events after the balance sheet date requiring an adjustment to the Financial Statements. The Financial Statements were authorised for issue on 14 March 2012 by the Comptroller and Auditor General. Events after this date have not been considered.

# Statistical Information for the Year Ended 31 December 2011

**Table 1: Distribution of employers by 2010 levy assessment band and main activity**

<b>Main activity</b>	<b>Levy value</b>						
	<b>Not assessed</b>	<b>£ Zero</b>	<b>£s 1-99</b>	<b>£s 100-499</b>	<b>£s 500-999</b>	<b>£s 1,000+</b>	<b>Total</b>
Alteration to a building/part of a building	182	366		9	30	144	<b>731</b>
Architectural steelwork installation	18	20			9	39	<b>86</b>
Asbestos removal	22	22		4	11	32	<b>91</b>
Asphalt and tar spraying	32	148	1	17	39	161	<b>398</b>
Bricklaying	165	842	9	7	8	73	<b>1,104</b>
Building and civil engineering	973	2,006	5	32	214	1,374	<b>4,604</b>
Building repair and maintenance	529	2,552	1	58	329	1,134	<b>4,603</b>
Cavity wall insulation or draught proofing	5	13		2	6	45	<b>71</b>
Civil engineering	222	637	1	38	125	799	<b>1,822</b>
Construction labour agencies	49	144	1		2	36	<b>232</b>
Curtain walling/structural glazing	10	19			4	24	<b>57</b>
Damp proofing	9	52		2	11	23	<b>97</b>
Demolition	116	172		6	49	165	<b>508</b>
Developers	219	745		7	41	242	<b>1,254</b>
Diamond drilling	17	67		3	10	29	<b>126</b>
Dry lining or partitioning specialist	87	344	2	4	30	321	<b>788</b>
Erecting/dismantling exhibition stands	8	11		1	3	14	<b>37</b>
Felt roofing	11	128		7	11	81	<b>238</b>
Fire protection	10	16		1	6	36	<b>69</b>
Kitchen/bedroom/bathroom installation	166	516		16	69	181	<b>948</b>
Flat glass glazing	20	113		8	34	41	<b>216</b>
Floor covering	8	107	1	7	21	74	<b>218</b>
Flooring	73	254	1	8	45	187	<b>568</b>
General building	4,288	15,874	9	247	1,392	5,812	<b>27,622</b>
Hard landscaping	44	140		6	6	24	<b>220</b>
House building	248	1,328	2	21	122	856	<b>2,577</b>
Interior fit-out	138	144		2	19	300	<b>603</b>
Joinery & carpentry (mainly site work)	1,013	4,606	6	82	206	626	<b>6,539</b>
Joinery manufacture	195	932	2	92	274	466	<b>1,961</b>
Mastic asphalting	8	30			10	22	<b>70</b>
Mastic sealant application	6	31		1	13	24	<b>75</b>
Painting and decorating	634	3,093	3	80	227	894	<b>4,931</b>
Paving	29	133		6	5	18	<b>191</b>
Piling	2	10		1	3	30	<b>46</b>
Plant hire/repair and/or tool hire	221	979	2	94	260	653	<b>2,209</b>
Plastering and/or artexing	408	1,396	3	22	51	421	<b>2,301</b>
Preparing/fixing stone for building including stonemasonry	61	184		5	28	111	<b>389</b>
Reinforced concrete specialist	19	73	2	1	4	37	<b>136</b>
Roof sheeting and cladding	84	176	1	12	28	250	<b>551</b>
Roofing including slating and tiling	422	1,763	4	67	194	676	<b>3,126</b>
Scaffolding	275	561		58	211	648	<b>1,753</b>
Shop fitting	99	217		11	47	385	<b>759</b>
Site preparation and groundworks	207	728	2	24	97	368	<b>1,426</b>
Steeplejack/lightning conductor engineering	8	28		3	17	37	<b>93</b>
Suspended ceiling installation	64	227	1	4	27	203	<b>526</b>
Swimming pool construction	4	18			10	20	<b>52</b>
Utilities	62	30		1	1	36	<b>130</b>
Wall and floor tiling	128	369	2	18	22	129	<b>668</b>
Other activities	112	152		14	35	153	<b>466</b>
<b>Total</b>	<b>11,730</b>	<b>42,516</b>	<b>61</b>	<b>1,109</b>	<b>4,416</b>	<b>18,454</b>	<b>78,286</b>

Notes: Not assessed – Employers in their first year of registration and untraceable employers

Zero – Employers whose payroll and labour-only payments fall below the £80,000 threshold

**Table 2: Levy income by employer size**

<b>Employer size</b>	<b>Number of employers</b>	<b>Number of employees</b>	<b>Levy £'000</b>
Large	250	237,961	46,960
Medium	1,511	143,736	33,199
Small	9,311	183,149	36,935
Micro	55,484	136,575	25,133
Other	11,730	Not known	Nil
<b>Total</b>	<b>78,286</b>	<b>701,421</b>	<b>142,227</b>

**Table 3: Number of employers assessable to levy**

	<b>Number of employers</b>	<b>Number of employees</b>
Assessable to positive levy	24,040	570,033
Assessable to zero levy	42,516	131,388
Not assessed	11,730	Not Known
<b>Total</b>	<b>78,286</b>	<b>701,421</b>

**Table 4: Grant and support by size of employer**

	<b>Number of employers claiming grant and other support</b>	<b>Value of grant and other support payments £'000</b>	<b>Percentage of total grant and other support</b>
Large	245	27,298	25%
Medium	1,340	28,230	26%
Small	4,975	24,061	22%
Micro	8,690	27,611	25%
Other	398	1,840	2%
<b>Total</b>	<b>15,648</b>	<b>109,040</b>	<b>100%</b>

Key to size of employer

Large: 250+ employees

Medium: 50 – 249 employees

Small: 10 – 49 employees

Micro: 0 – 9 employees

Other: Includes new registrations

## STATISTICAL INFORMATION

**Table 5: Number of employers with new entrant trainees**

Number of trainees	Employer size				Total
	Large	Medium	Small	Micro	
1	22	208	1,375	7,395	<b>9,000</b>
2 to 5	32	350	1,431	2,000	<b>3,813</b>
6 to 10	31	140	162	0	<b>333</b>
11 to 15	19	58	23	0	<b>100</b>
16 to 20	11	18	0	0	<b>29</b>
21 to 50	30	14	0	0	<b>44</b>
51 to 100	14	0	0	0	<b>14</b>
101 and over	3	0	0	0	<b>3</b>
<b>Total</b>	<b>162</b>	<b>788</b>	<b>2,991</b>	<b>9,395</b>	<b>13,336</b>

**Table 6: Employers claiming grant by levy band**

Levy banding	Employers claiming grant	Employers not claiming grant
Assessable to positive levy	8,776	11%
Assessable to zero levy	5,972	8%
Other	900	1%
<b>Total</b>	<b>15,648</b>	<b>20%</b>
		15,264 19%
		36,544 47%
		10,830 14%
		62,638 80%

Key to size of employer

Large: 250+ employees

Medium: 50 – 249 employees

Small: 10 – 49 employees

Micro: 0 – 9 employees

Other: Includes new registrations

**Table 7: Number of trainees by size of employer and main activity**

<b>Main activity</b>	<b>Employer size</b>				<b>Total</b>
	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>	
Alteration to a building/part of a building			42	132	<b>174</b>
Architectural steelwork installation			5	2	<b>7</b>
Asphalt & tar spraying	60	5	8	2	<b>75</b>
Bricklaying/pointing		8	32	364	<b>404</b>
Building and civil engineering	1,272	6,924	297	389	<b>8,882</b>
Building repair and maintenance	835	302	464	448	<b>2,049</b>
Civil engineering	425	136	110	34	<b>705</b>
Construction labour agencies	766		2	8	<b>776</b>
Damp proofing			7	9	<b>16</b>
Demolition	2	33	32	6	<b>73</b>
Developers		1	10	62	<b>73</b>
Diamond drilling		2	1	1	<b>4</b>
Dry lining or partitioning specialist		33	97	23	<b>153</b>
Erecting/dismantling exhibition stands			1	3	<b>4</b>
Felt roofing		4	10	15	<b>29</b>
Fire protection		16			<b>16</b>
Fitted kitchen/bedroom/bathroom installation		2	36	139	<b>177</b>
Flat glass glazing		10	7	10	<b>27</b>
Floor covering	25	2	25	26	<b>78</b>
Flooring			45	51	<b>96</b>
General building	1,562	1,497	1,915	4,081	<b>9,055</b>
Hard landscaping		1	4	15	<b>20</b>
Housebuilding	589	889	167	367	<b>2,012</b>
Interior fit-out		31	32	16	<b>79</b>
Joinery and carpentry (mainly site work)	47	57	462	2,046	<b>2,612</b>
Joinery manufacture		106	380	511	<b>997</b>
Mastic asphalting			2	1	<b>3</b>
Painting and decorating	200	264	476	982	<b>1,922</b>
Paving			1	5	<b>6</b>
Plant hire/repair and/or tool hire	420	116	74	94	<b>704</b>
Plastering and/or artexing		12	97	454	<b>563</b>
Preparing/fixing stone for building including stonemasonry		17	58	88	<b>163</b>
Reinforced concrete specialist	3	4	6	3	<b>16</b>
Roof sheeting and cladding	1	4	10	20	<b>35</b>
Roofing including slating and tiling		25	222	240	<b>487</b>
Scaffolding	48	151	292	204	<b>695</b>
Shopfitting	40	85	116	50	<b>291</b>
Site preparation and groundworks	2	17	34	24	<b>77</b>
Steeplejack/lightning conductor engineering		24	23	4	<b>51</b>
Suspended ceiling installation		2	28	15	<b>45</b>
Term maintenance – roads	8		1	1	<b>10</b>
Wall & floor tiling		6	24	99	<b>129</b>
Other activities	34	5	13	27	<b>79</b>
Other (out of scope)	14	23	15	524	<b>576</b>
<b>Total</b>	<b>6,353</b>	<b>10,814</b>	<b>5,683</b>	<b>11,595</b>	<b>34,445</b>

Key to size of employer

Large: 250+ employees

Medium: 50 – 249 employees

Small: 10 – 49 employees

Micro: 0 – 9 employees

Other: Includes new registrations

## APPENDICES

# A: Membership of the Board and its Committees

	<b>TB</b>	<b>FC</b>	<b>TC</b>	<b>AC</b>	<b>RC</b>	<b>VG</b>	<b>HSEC</b>
Harry ADAM, Ian Williams Ltd	■	★		●			
Rob ALLEN, Clee Hill Plant Ltd							■
John ALLOTT, Unite the Union	□						
Robert BALDWIN, Unite the Union						□	
Bruce BARCLAY, Department for Business, Innovation and Skills				◆			
Ian BILLYARD, Leeds College of Building	▲		▲				
Barry BLACKWELL, Department for Business, Innovation and Skills		◆					
Greg BROWN, Construction Industry Council							■
Vaughan BURNARD, CIOB							◆
Duncan CANNEY, Willmott Dixon Holdings Ltd				■			
John CARPENTER, The Joint Board of Moderators							◆
Professor Barry CLARKE, Leeds University	▲						
David COCHRANE, Civil Engineering Contractors Association	■	■			■		
Bob COLLINS, Stokey Plant Hire Limited	■						
Ian DICKERSON, Kier Group Services				■			
Keith DONNELLY, Carillion Training Services			▲				
Andrew DUNCAN, Department for Business, Innovation and Skills	◆						
Richard EASTON, A F Hadley Ltd, T/A Hadley Shopfitters				■			
Derek FIELD, McCarthy & Stone Retirement Lifestyles Ltd	■	■					
Peter FISHER, Costain Ltd							●
Kevin FITZPATRICK, Wates Group Ltd				■			
Trevor GAMBLE, Ramble Containers Ltd			★				
Jim GILMOUR, Regency Building	■						
John HALLAM, Simons Construction Ltd							■
Bob HARPER, Ashstead Plant Hire Co. Ltd				■			
Geoff HOLT, Associated Roofing and Maintenance Ltd	■		■				
Robert HUDSON, National Association of Shopfitters							▼
Chris HUGHES, Welsh Built Environment Forum	◆					★	
Chris JONES, BAM Construct UK Ltd	■		★				
Billy KIRKWOOD, RDK Construction Ltd	■						
Alan KNIGHT, Union of Construction, Allied Trades and Technicians						□	
Richard LATHAM, Persimmon plc				■			
Duncan LAYZELL, Swift Horsman Group Ltd			■				

●	Chairman	▼	Federation Member	<b>TB</b>	The Board
○	Deputy Chairman	★	Member	<b>FC</b>	Finance Committee
■	Employer Member	◆	Client Member	<b>TC</b>	Training Committee
□	Employee Member	◆	Observer	<b>AC</b>	Audit Committee
□	Education Member	★	Ex-officio	<b>RC</b>	Remuneration Committee
				<b>VG</b>	Standards and Qualifications Validation Group
				<b>HSEC</b>	Health, Safety and Environment Committee

	<b>TB</b>	<b>FC</b>	<b>TC</b>	<b>AC</b>	<b>RC</b>	<b>VG</b>	<b>HSEC</b>
Pat LEAVEY, College of North West London						★	
Michael LEVACK, Scottish Building						▼	
Geoff LISTER, Greenwood Estate and Property Maintenance Ltd			✖				
Robert LOCKEY, National House-Building Council						★	
John LORIMER, Manchester City Council	◆						
Judy LOWE, Strategic Consulting Ltd	○	■	●	○			
Simon MANTLE, National House-Building Council						■	
Terry McCOMISKEY, Council for the Curriculum, Examinations and Assessments						◆	
Katrine MCLEOD, Scottish Qualifications Authority						◆	
Hayden MEAD, Dyer and Butler			■				
Giles MEREDITH, Health and Safety Executive						◆	
John NEWMAN, Department for Business, Innovation and Skills			◆				
Peter O'CONNELL, Federation of Master Builders						◆	
Tim PEACH, Lend Lease Construction (EMEA) Ltd	■	■		■			
Martyn PRICE, Consign (Construction Skills Solutions) Ltd	■		■				
Howard PROSSER, CIOB						◆	
Harold RACKHAM, G N Rackham & Sons Ltd	■	■					
Derek ROSS, BAM Nuttall Ltd						■	
Lance SAUNDERS, CIOB						★	
John SCOTT, Morgan Sindall Fit-out (a Division of Morgan Sindall plc)						■	
Amit SHAH, Balfour Beatty plc				■			
Frank SHEPPARD, Unite the Union			□				
Geoff SNOW, OBE, Snows Construction 1976 Ltd			■				
Haydn STEELE, Construction Plant-hire Association						✖	
Billy SWEENEY, Scottish Building			■				
John THOMPSON, Union of Construction Allied Trades and Technicians			□			□	
James WATES, Wates Group Ltd	●			●			
Bob WHINCAP, Rotor Scaffolding Services Ltd			■				
Kevin WILLIAMSON, Unite the Union			□				
Ray WILSON, Carillion Training Services Ltd	■						
Edward WOODS, Taylor Wimpey UK						■	
Graham WREN, National Specialist Contractors Council	■	●					

(This table shows the position as at 31 December 2011)

●	Chairman	▼	Federation Member	<b>TB</b>	The Board
○	Deputy Chairman	★	Member	<b>FC</b>	Finance Committee
■	Employer Member	◆	Client Member	<b>TC</b>	Training Committee
□	Employee Member	◆	Observer	<b>AC</b>	Audit Committee
□	Education Member	✖	Ex-officio	<b>RC</b>	Remuneration Committee
				<b>VG</b>	Standards and Qualifications Validation Group
				<b>HSEC</b>	Health, Safety and Environment Committee

# B: Register of Interests of Board Members

### **Related party transactions**

Employer Board members must be concerned in the management of the activities of an employer engaging in the construction industry in order for their appointment by the Secretary of State to be valid. All will therefore have business interests as levy payers or potential recipients that may be perceived to conflict with their responsibilities as Board members.

The following have in addition declared other personal or business interests.

#### **John Allott**

*National Secretary for Construction, Unite the Union*

John is a Director of Construction Skills Certification Scheme Ltd.

#### **Ian Billyard**

*Principal, Leeds College of Building*

Ian is a Governor of the David Young Community Academy, Leeds; a Council member of the City & Guilds of London Institute and a Governor of the City of Leeds High School.

#### **Barry Clarke**

*Professor of Civil Engineering Geotechnics, University of Leeds*

Barry is the Senior Vice President of the Institution of Civil Engineers and a member of Council of that Institution. He is a non-executive member of the Board of Thomas Telford; a member of the Executive of the Construction Industry Council; Chairman of the Engineering Accreditation Board and a member of the Executive Group of the Engineering Professors Council.

#### **Bob Collins**

*Stokey Plant Hire Ltd*

Bob is Current President of the Construction Plant-hire Association and a member of CITB-ConstructionSkills' Construction Plant Competence Scheme Management Committee. He is a shareholder of Stokey Plant Hire Ltd, a company potentially in receipt of grant payments.

#### **Jim Gilmour**

*Director of Regency Building, Regency Finance and ODC Ltd*

Jim is National Vice President and a Director of the Federation of Master Builders. He is also a Director of FMB Training Services Ltd.

#### **Billy Kirkwood**

*Managing Director of RDK Construction Ltd, RobertRyan Timber Engineering Limited and RobertRyan Homes. Director of Constructive Architectural Design.*

Billy is a member and past President of the Scottish Building Federation. He is also a member of Homes for Scotland and a Registered NHBC Builder.

**Judy Lowe**

*Managing Director, Strategic Consulting Ltd*

Judy is unaware of any existing personal or business interests that may conflict with her responsibilities as a Board Member. From time to time, she may undertake corporate strategy assignments in the construction sector, via her company Strategic Consulting Limited or take on further non-executive director (NED) roles. In the event of any of these activities presenting a potential conflict, she will notify the Board Secretary accordingly.

**Martyn Price**

*Chief Executive of Consign (Construction Skills Solutions) Ltd*

Martyn chairs the Skillbuild and Skills Competitions Strategic Board and represents the construction sector on the Apprenticeship Ambassador Network.

**Harold Rackham**

*Company Chairman of G N Rackham & Sons Ltd*

Harold is company Chairman of G N Rackham & Sons Ltd, a family building company. He is a Director of the Federation of Master Builders, serving at regional and national level, chairs its Home Builders Committee and is a member of the External Affairs and Training Committees. Harold represents the Federation of Master Builders on the National House-Building Council and on its Standards Committee. He has also been a long-serving member of the NCC's Advisory Committee (now its Development Group) and East Area Advisory Committee.

**James Wates**

*Deputy Chairman, Wates Group Ltd*

James is Chairman of the UK Contractors Group; Commissioner on the UK Commission for Employment and Skills; Vice Chairman of the CBI Construction Council; Senior Vice President of the British Council for Offices; a Trustee of BRE (the Building Research Establishment) and Immediate Past President of the CIOB.

**Ray Wilson**

*Director and General Manager, Carillion Training Services Ltd*

Ray is a member of the UKCG Training Sub-group, of its Apprenticeship Task Group and of the Cross-industry Construction Apprenticeship Taskforce. He is also a member of the B-Live Construction Careers Board.

## **APPENDICES**

# C: Employer Organisations

During 2011, CITB-ConstructionSkills maintained close contact with the following major employer organisations:

- The British Woodworking Federation
- The Civil Engineering Contractors Association
- The Construction Plant-hire Association
- The Federation of Master Builders
- The Hire Association Europe
- The Home Builders Federation
- The National Association of Shopfitters
- The National Federation of Builders
- The National Federation of Demolition Contractors
- The National Specialist Contractors Council
- The Scottish Building Federation
- The Scottish Decorators Federation
- The Scottish Plant Owners' Association
- The UK Contractors Group

CITB-ConstructionSkills also maintains regular contact with the following Trades Unions over skills and training issues:

- Unite the Union (formerly TGWU)
- Union of Construction, Allied Trades and Technicians (UCATT)

## D: CITB-ConstructionSkills' Statutory Basis

As an Industrial Training Board established to promote and improve the standard of training within an industry, the Construction Industry Training Board (CITB) – now more commonly known as CITB-ConstructionSkills – is held to be established for exclusively charitable purposes and so is registered as a charity (Registered Charity Number 264289). Members of the Board, who also act as Trustees of the charity, are identified on page 18.

Its charitable activities are partly funded by the statutory levy established by the Industrial Training Act 1982 and confirmed by Levy Orders passed by both Houses of Parliament. The most recent is the Industrial Training Levy (Construction Industry Training Board) Order 2009 (2009 No. 549) enacted on 3 March 2009 and coming into force on 4 March 2009. Full details of the powers and responsibilities of CITB-ConstructionSkills as well as the restrictions placed on it can be found in the Industrial Training Act 1982 and subsequent amendments.

In 2003, the organisation, operating with the Construction Industry Council and CITB Northern Ireland (another statutory body), was recognised as the SSC for Construction, an entity collectively known as ConstructionSkills. In 2009, after a rigorous review by the National Audit Office, its performance was assessed as Good against the framework established by the UK Commission for Employment and Skills (UKCES) and its licence to operate as an SSC renewed by the Secretary of State on the recommendation of the UKCES.

The SSC is governed by a Panel on which all three partner organisations are represented. This body advises on the development and delivery of a programme of work to give strategic leadership and influence in support of the learning and skills agenda across the construction sector and throughout the UK.

Since 2004, ConstructionSkills has maintained a Sector Skills Agreement (SSA) involving commitments from employers and their trade associations, the Trades Unions, the education sector and Government. It also created a robust forecasting model (the Construction Skills Network (CSN)) for the sector's future skill needs validated by industry locally and nationally. The CSN has developed increasingly sophisticated analysis of data on skills needs and training supply across the UK which is used by governments, local authorities and other stakeholders.

In addition, the National Skills Academy for Construction (NSAfC), based on a project-driven approach to supporting training, helps ensure that provision will be able to meet sector needs in more difficult economic times.

### **CITB-ConstructionSkills' aims and objectives**

CITB-ConstructionSkills exists to help employers ensure that there are, and will continue to be, enough trained people to meet the needs of the construction industry. Its principal activities are designed to achieve this end.

The Industrial Training Act passed in 1964 made possible the establishment of Industrial Training Boards ‘for the purpose of making better provision for the training of persons for employment ... in any activities of industry...’. In that July, the Industrial Training (Construction Board) Order 1964 brought CITB into being. The legislation also provided for the raising of a training levy to fund its activities. Rates of levy (which with the consensus agreement of the industry expressed through employers’ organisations is not based on exemption) are recommended by the Board and subject to affirmative resolution by both Houses of Parliament. For assessments payable in 2009, 2010 and 2011, levy rates were 0.5% of the total of payments made to employees and 1.5% of the payments made under labour-only agreements, offset by 1.5% of labour-only receipts from employers in the construction industry.

The Governance Statement (see page 32) gives more information about how the business is governed, and a list of those who served as trustees during 2011 is on page 18. Board and main committee membership is shown in Appendix A, pages 60 and 61. Members of the senior management team are identified in the Remuneration Report on pages 30 and 31.

CITB-ConstructionSkills is indebted to the employers’ organisations and other bodies that provide valuable support and advice and to the many employers and stakeholders who give of their time freely to help direct the business. A list of the major employers’ and employee organisations with which CITB-ConstructionSkills maintains close contact is shown in Appendix C, page 64.

## **APPENDICES**

### **CITB-ConstructionSkills' structure**

Activities across Great Britain are covered in this report, with separate pages for England, Scotland and Wales (see pages 10–17), reflecting the diversity of national approaches to meeting the needs of employers.

The business aims to become Simpler to deal with, Faster to respond to customers, and Closer to their needs. It has six directorates (Business Services, Employer Services, National Construction College, Skills Strategy, Communications and Change, and Corporate Services), each headed by a Director reporting to the Chief Executive and collectively responsible to the Chairman and Board. A separate Corporate Assurance team reports directly to the Chief Executive. Our five-year rolling activity-based business plan is informed by external industry-focused drivers and internal organisational development drivers. While clear accountabilities for delivery are seen as critical, the vital importance of interdependencies between directorates is also reflected in each activity plan. No single directorate can fully meet any of its accountabilities without the support of at least one other directorate.

### **CITB-ConstructionSkills' principal activities**

CITB-ConstructionSkills delivers its objectives primarily by giving financial help to employers engaged in training, offering advice about and support for their training needs, developing and maintaining a framework of standards and qualifications in consultation with the industry, and managing schemes for recording achievement. It provides training itself where there is no satisfactory market alternative. Delivery plans are published in its Business Plan and updated annually. These include key performance indicators and targets for the forthcoming year and beyond. Information about progress against those plans in 2011 is given on pages 10–17.

### **Research and development**

CITB-ConstructionSkills maintains an on-going programme of research on matters relevant to training in construction. The CSN provides an authoritative basis for forecasting capacity, productivity and skills across the sector, which helps the organisation and industry plan for the impact of future trends on the workforce. Outputs from this and other research work are reported widely and available from our website, [www.cskills.org](http://www.cskills.org). CITB-ConstructionSkills undertakes a regular review of national occupational standards, ensuring that they match current industry needs. This involves consultation and research with employers and trade associations across the four home countries. The development of appropriate training and other support material is undertaken separately.

### **CITB-ConstructionSkills and public service**

In 2009, CITB-ConstructionSkills reviewed its Mission and Vision statements (see below) to reflect more closely its wider role as part of the SSC for Construction. Furthermore, as a non-departmental public body, CITB-ConstructionSkills is expected continually to raise its standards of public service and to become more responsive to the wishes of users. As this report shows, CITB-ConstructionSkills constantly seeks to ensure that its policies accord with industry's needs and that it operates cost-effectively in the interests of the levy payer.

In particular, CITB-ConstructionSkills believes that transparency of decision-making and rigorous scrutiny by stakeholders will help it attain these goals. Since December 2002, when it received the approval of the Information Commissioner for a Publication Scheme compliant with the Freedom of Information Act 2000, a range of material produced by CITB-ConstructionSkills, including Board (and since 2006, the Training Committee and ConstructionSkills Council) agendas, minutes and papers, has been made available through the website, [www.cskills.org/aboutus/ourstructure/papers](http://www.cskills.org/aboutus/ourstructure/papers).

Further requests for information can be addressed to the Corporate Governance Unit, CITB-ConstructionSkills, Bircham Newton, King's Lynn, Norfolk PE31 6RH (email [robert.dale@cskills.org](mailto:robert.dale@cskills.org)).

In 2009, the Board approved a revised Code of Best Practice for its members, based on that published by HM Treasury. A Code of Employee Conduct based on guidance issued by the Cabinet Office has been in place for more than a decade and is kept under regular review.

### **Fairness, Inclusion and Respect**

In early 2011, we were awarded the Equality Standard by Equality North East recognising the work completed across the organisation in raising the profile of Fairness, Inclusion and Respect issues and opportunities. During the year, the Board signed-off our Single Equality Scheme (statement, strategy and action plan), staff training has been completed, impact assessments put in place, information correlated in one central location, a communications plan has been delivered and both the Executive and the Board receive regular reports from the Leadership Group which continues to meet monthly. Towards the end of the year, the Equality and Human

Rights Commission handed over the ownership of the industry agenda on Fairness, Inclusion and Respect to CITB-ConstructionSkills and we will now lead this.

In December 2011, CITB-ConstructionSkills employed 27 people (2010: 27) who considered themselves as having a disability as set out in the Disability Discrimination Act 1995.

### **Safeguarding**

Progress on safeguarding has gone extremely well in the past two years. Initial policies, procedures and processes that were developed are becoming more embedded. These have been tested and benchmarked through Local Safeguarding Children Boards (LSCB) in England where feedback has ranged from 'very good' to 'excellent' and 'best practice'. Indeed, Newham asked that we join their Olympic Safeguarding Policy development team. In Wales, Estyn recently completed its inspection of learner provision; safeguarding was deemed to be very good. A more recent inspection in Scotland also concluded that safeguarding was well provided for.

### **Health, Safety and Welfare**

In 2011, there were 146 reported incidents across the organisation. Most (125) were reported by NCC, which is not unexpected given the nature of its activities and numbers involved. Corporate Services reported 14 incidents and the other Directorates none or very few. Of these, two were reportable to the HSE, while all others were classed as minor. Near misses are being reported, including four at 'medium level', but numbers are low, which suggests some under-reporting is likely. Reporting cards will be rolled out in 2012 to make it easier to report near misses. We expect this to increase the number of near misses recorded but reduce the number of minor incidents.

### **Employee relations**

CITB-ConstructionSkills recognises Unite the Union and the GMB. The procedural agreement provides for negotiation, consultation and communication and the Joint Consultation Committee meets monthly in addition to joint working parties set up to tackle constructively issues and concerns. Union representatives sit on the Health & Safety and Fairness, Inclusion and Respect Steering Groups.

During 2011, there was substantial constructive dialogue involving both the Trades Unions and a management group about the organisation's Total Rewards Framework proposals, to be implemented with employee support in 2012. These concern a reward package for staff which is compliant with current legislation and more sustainable for the business.

A number of mechanisms are used to inform and get feedback from staff such as monthly team meetings, video briefings from the Chief Executive, focus groups and webcasts. In addition, regular staff forums have been set up to facilitate on-going dialogue in Directorates.

As this suggests, we continue to develop ways to measure staff engagement, as well as staff satisfaction. The principal way of doing this has been through a regular assessment of staff views. The overall response to the 2011 survey was slightly down on the previous year at 68% (2010: 75%). Conducted at the end of the year, the results reflected the tough conditions experienced over these 12 months. Major changes, including consultation over changes to Pension and Rewards, were undertaken and work to stimulate and support training in the industry had to be carried out in a challenging environment. Nonetheless, staff continue to view CITB-ConstructionSkills as a good place to work and strongly support its charitable objectives.

We regularly monitor levels of absence. In 2011, the sickness absence rate was 2.93% (2010: 3.14%), equivalent to 7.71 working days per head (2010: 7.86). This compares with the latest report from the CIPD (relating to 2010) of a public sector average absence rate of 9.1 working days and a private sector average of 7.1 working days.

### **Financial redress in cases of maladministration**

As part of its commitment to public service principles, CITB-ConstructionSkills offers financial recompense in cases of maladministration. In 2011, no payments were made under the terms of this policy.

### **Our mission for the industry**

Ensuring the construction industry has the right skills in the right place at the right time.

### **Our vision for the organisation**

To be the leadership organisation for the UK construction industry's skills and training needs.

## APPENDICES

# E: Breakdown of 2011 Achievements

Area	Pathway routes to apprenticeships	New entrant trainees	Framework achievements	Diverse entrants	Business & Skills Reviews delivered	Employer visits
North East	35	269	244 (73%)	2	64	1,070
North West	26	545	544 (78%)	24	107	1,923
Yorkshire and Humber	21	485	482 (81%)	26	113	2,029
Midlands	14	405	432 (80%)	15	209	2,530
East	1	550	519 (83%)	16	129	1,952
South West	9	439	467 (81%)	15	157	1,889
South East	4	444	338 (78%)	21	229	1,933
Greater London	1	268	233 (70%)	62	85	1,138
<b>England</b>	<b>111</b>	<b>3,405</b>	<b>3,259 (79%)</b>	<b>181</b>	<b>1,093</b>	<b>14,464</b>
<b>Scotland</b>	-	<b>1,109</b>	<b>1,618 (75%)</b>	<b>15</b>	<b>100</b>	<b>1,735</b>
<b>Wales</b>	<b>319</b>	<b>669</b>	<b>667 (79%)</b>	<b>20</b>	-	<b>1,829</b>
Other	-	194 (Specialist)	62 (61%) (Specialist)			
<b>Great Britain</b>	<b>430</b>	<b>5,377</b>	<b>5,606 (78%)</b>	<b>216</b>	<b>1,193</b>	<b>18,028</b>

# F: Location of ConstructionSkills Offices and National Construction College Centres

## **Head Office**

Bircham Newton  
King's Lynn  
Norfolk PE31 6RH  
Tel: 0300 456 7577

## **Scottish Office**

4 Fountain Avenue  
Inchinnan Business Park  
Inchinnan  
Renfrewshire PA4 9RQ  
Tel: 0344 994 8800

## **London Office**

Carthusian Court  
12 Carthusian Street  
London EC1M 6EZ  
Tel: 0300 456 7700

## **Welsh Office**

Units 4 & 5, Bridgend Business Centre  
David Street, Bridgend Industrial Estate  
Bridgend CF31 3SH  
Tel: 01656 655226  
email: wales.office@cskills.org

## **HUB OFFICES – ENGLAND**

### **Morley**

(North East, North West, Yorkshire and Humber)  
Milton House  
Queen Street  
Morley  
Leeds LS27 9EL  
Tel: 0844 844 0046  
email: northeast.office@cskills.org  
email: northwest.office@cskills.org  
email: yorkshire.humber@cskills.org

### **Eastleigh**

(South East, South West and Greater London)  
Eastleigh House  
1st Floor, Upper Market Street  
Eastleigh  
Hants SO50 9FD  
Tel: 0844 844 0046  
email: southeast.office@cskills.org  
email: southwest.office@cskills.org  
email: london.office@cskills.org

### **Thurmaston**

(East Midlands, West Midlands and East)  
Suites 1 & 2  
1st Floor, Bridge Business Park  
674 Melton Road  
Thurmaston  
Leicestershire  
LE4 8BB  
Tel: 0844 844 0046  
email: midlands.office@cskills.org  
email: east.office@cskills.org

## **Satellite Offices – England**

### **South West**

2 Kew Court, Pynes Hill  
Rydon Lane, Exeter  
Devon EX2 5AZ

### **Greater London**

Carthusian Court  
12 Carthusian Street  
London EC1M 6EZ

### **East**

Compass House, Cambridge Vision Park  
Chivers Way, Histon  
Cambridge CB24 9AD

### **West Midlands**

The Regus Group  
Birmingham Blythe Valley Park  
Central Boulevard, Blythe Valley Business Park  
Solihull B90 8AG

## APPENDICES

### FIELD AREA OFFICES – SCOTLAND

#### **Scotland (North)**

Marr House  
Beechwood Park  
Inverness IV2 3JJ  
Tel: 0300 456 5260  
email: scotland.north@cskills.org

#### **Scotland (South)**

4 Fountain Avenue  
Inchinnan Business Park  
Inchinnan  
Renfrewshire PA4 9RQ  
Tel: 0344 994 8800  
email: scotland.south@cskills.org

### NATIONAL CONSTRUCTION COLLEGE

#### **NCC East**

Bircham Newton  
King's Lynn  
Norfolk PE31 6RH  
Tel: 0344 994 4433

#### **NCC Midlands**

83 Lifford Lane, Kings Norton  
Birmingham B30 3JH  
Tel: 0300 456 5620

#### **NCC Central**

Ladyhole Lane, Ashbourne  
Derbyshire DE6 1LR  
Tel/Fax: 01335 346738

#### **Executive Management Programmes**

Bircham Newton  
King's Lynn  
Norfolk PE31 6RH  
Tel: 0844 844 0466

#### **NCC East London (Thames House)**

Royal Docks Campus  
Gate 14, Woolwich Manor Way  
London E16 2QY  
Tel: 0207 511 9221

#### **NCC East London (Beckton Park)**

Beckton Park (off Royal Albert Way)  
Millman Rd, East London E16 2FG  
Tel: 0207 476 3828

#### **NCC Waltham Forest/Cathall Road**

Waltham Forest Construction Training Centre  
Hollydown Way, Leytonstone  
London E11 4DD  
Tel: 0208 539 8729

#### **NCC South**

Manor Road, Erith  
Kent DA8 2AD  
Tel: 0300 456 5333

#### **NCC Scotland**

4 Fountain Avenue  
Inchinnan Business Park  
Inchinnan  
Renfrewshire PA4 9RQ  
Tel: 0344 994 8800

#### **Health, Safety and Supervisory**

Bircham Newton  
King's Lynn  
Norfolk PE31 6RH  
Tel: 0844 844 0466

#### **College Office (Apprentice Contact)**

Bircham Newton  
King's Lynn  
Norfolk PE31 6RH  
Tel: 0344 994 4300

#### **All NCC Course Enquiries**

Tel: 0844 844 0466

### OTHER

#### **CITB-ConstructionSkills' Bankers**

Barclays Bank plc  
17 Market Place  
Fakenham  
Norfolk NR21 9BE

#### **CITB-ConstructionSkills' Investment Advisers**

Williams de Broe Ltd  
21 New Street  
Bishopsgate  
London EC2M 4HR

#### **CITB-ConstructionSkills' Auditors**

Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
London SW1W 9SP

#### **CITB-ConstructionSkills Legal Adviser**

Claire Shopland  
Head of Legal  
Bircham Newton  
King's Lynn  
Norfolk PE31 6RH

# G: Glossary

AM	Assembly Member	HMSO	Her Majesty's Stationery Office
BETS	Business Enterprise Technology and Science	HRD	Human Resource Development
BIS	Department for Business, Innovation and Skills	ICE	Institution of Civil Engineers
BRE	Building Research Establishment	ILM	Institute of Leadership and Management
BSR	Business and Skills Review	ITB	Industrial Training Board
C&AG	Comptroller and Auditor General	M&SDP	Management and Supervisory Development Programme
CBI	Confederation of British Industry	MSP	Member of the Scottish Parliament
CCATF	Cross-Industry Construction Apprenticeship Task Force	NAO	National Audit Office
CIAG	Careers Information, Advice and Guidance	NCC	National Construction College
CIPD	Chartered Institute of Personnel and Development	NDPB	Non-Departmental Public Body
CPA	Construction Plant-hire Association	NFRC	National Federation of Roofing Contractors
CPCS	Construction Plant Competence Scheme	NOS	National Occupational Standards
CR	Corporate Responsibility	NSAC	National Specialist Accredited Centre
CSCS	Construction Skills Certification Scheme	NSAfC	National Skills Academy for Construction
CSN	Construction Skills Network	NSCC	National Specialist Contractors Council
DfES	Department for Education and Skills (Welsh Government)	NST	National Specialist Team
ELMS	Enhancing Leadership and Management Skills	NVQ	National Vocational Qualification
ESF	European Social Fund	OCPA	Office of the Commissioner for Public Appointments
FE	Further Education	OSAT	On-Site Assessment and Training
FMB	Federation of Master Builders	OSCR	Office of the Scottish Charities Regulator
FTE	Full-time Equivalent	PTA	Pathways to Apprenticeship
GDP	Gross Domestic Product	RIA	Roofing Industry Alliance
HE	Higher Education	RTPI	Royal Town Planning Institute
HMRC	Her Majesty's Revenue and Customs	SASE	Standard Apprenticeship Specifications England

## **APPENDICES**

SASW	Standard Apprenticeship Specifications Wales
SBATC	Scottish Building Apprenticeship Council
SCQF	Scottish Credit and Qualifications Framework
SDS	Skills Development Scotland
SFA	Skills Funding Agency
SME	Small and Medium-sized Enterprises
SMSTS	Site Management Safety Training Scheme
SNP	Scottish National Party
SOFA	Statement of Financial Activities
SORP	Statement of Recommended Practice
SPADAC	Scottish Painting and Decorating Apprenticeship Council
SPFP	Sector Priorities Fund Pilot
SQA	Scottish Qualifications Authority
SSA	Sector Skills Agreement
SSC	Sector Skills Council
SVQ	Scottish Vocational Qualification
TGWU	Transport and General Workers Union
UCATT	Union of Construction, Allied Trades and Technicians
UKCES	United Kingdom Commission for Employment and Skills
UKCG	United Kingdom Contractors Group
VQ	Vocational Qualification
WAG	Welsh Assembly Government
WCSG	Wales Construction Skills Group



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