



Construction Industry Training Board (CITB-ConstructionSkills)

ANNUAL REPORT AND ACCOUNTS 2010



**Construction Industry Training Board
(CITB-ConstructionSkills)
Annual Report and Accounts 2010**

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

Ordered by the House of Commons to be printed 16 May 2011.

© Construction Industry Training Board (2011)

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Construction Industry Training Board copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this document should be sent to:
Corporate Governance Unit, CITB-ConstructionSkills, Bircham Newton, King's Lynn, Norfolk PE31 6RH

This document is available for download at www.official-documents.gov.uk and from our own website at www.cskills.org/aboutus/ourgovernance/pubs.aspx

ISBN: 978-0-10-297166-8

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2427259 05/11

Printed on paper containing 75% recycled fibre content minimum

Contents

Introduction

Foreword	3
The Business and Economic Environment	4
Key Deliverables 2010	8
Managing Business Risks Effectively	10
Public Benefit	11
Looking after Information	11

Business Activities / Gweithgareddau Busnes

CITB-ConstructionSkills in England	12
CITB-ConstructionSkills in Scotland	16
CITB-ConstructionSkills in Wales	18
CITB-Sgiliau Adeiladu yng Nghymru	20

Annual Accounts

CITB-ConstructionSkills Trustees	22
Financial Report	23
Remuneration Report	34
Statement on Internal Control	36
Certificate and Report of the Comptroller and Auditor General	38
Financial Statements	40

Statistical Information

Statistical Information for the Year Ended 31 December 2010	60
---	----

Appendices

Appendix A: Membership of the Board and its Committees	64
Appendix B: Register of Interests of Board Members	66
Appendix C: Employer Organisations	68
Appendix D: CITB-ConstructionSkills Statutory Basis	69
Appendix E: Breakdown of 2010 Achievements	73
Appendix F: Location of CITB-ConstructionSkills Offices and National Construction College Centres	74
Appendix G: Glossary	76

Foreword

This year we face some big decisions. None is bigger than the future of the levy/grant system, about which there is some debate but which provides our industry with a credibility and sustainability that have never been more important to our reputation, our professionalism and our commercial advantage.

Very few firms in the sector are not feeling the impact of the economic climate and coming to terms with new Government policies on issues from housing to carbon targets. In such tough times, it's understandable that every area of spending comes under the microscope. The risk is that investments bringing lasting benefit will be thrown in with cost-cutting measures to damaging effect.

The levy is an investment in the future of each and every business that pays it, because it flows through the industry – ensuring a foundation of skills and standards without which our collective and individual commercial edge is diminished. The levy allows us a place at the top table in the commercial world and when it comes to making our voices heard by Government, regulators and policy makers. But its strength lies in its collective nature – levy and grants alike. If we fragment this, we risk losing far more than any potential saving from short-term solutions.

To make this case to you, CITB-ConstructionSkills knows that it must be as open to change as any other business. To this end, we have effected successful measures to control costs, ensuring that all the money collected is used efficiently and effectively. You will see such measures documented in this report, ensuring that we are transparent and accountable to you. It is industry that determines our actions and it is our responsibility to work with you to convert that direction into action.

We do this through continuous improvement to deliver value and impact, and by innovating in the ways that we encourage and instil a commitment to training. We are your organisation and we can succeed only by listening to what you want; which is why hundreds of employers are involved with our training groups and decision-making bodies. This ensures that not only do we listen to your voices, but that they are heard at the earliest stages of creating new training tools and support packages. Our approach is embodied in 'Your CITB-ConstructionSkills', aimed at eliciting and implementing feedback and creativity, the better to deliver our return from the levy. Such engagement is vital for us to carry on making a difference to your businesses and our industry in a world that continues to change radically.

This is not just about the relationship between employers and CITB-ConstructionSkills. Real engagement will be a key aspect of commercial success in the next decade. The reasons are plain and simple: the Government will demand greater creativity and innovation in delivering public projects from housing to road building. Private sector clients across the UK and around the world will demand higher standards and more competitive pricing from our industry and we will find that success in this climate increasingly depends on our ability to reach high standards and deliver efficiently.

The levy is key to keeping the UK's construction sector ahead of competition from around the world and competitive for projects across the world. This is relevant to firms of all sizes. A well-trained workforce is the best advertisement our industry can invest in. It instils confidence in our own sector, and in public and private sector clients alike.

In 2011, we launch a new Cut the Carbon award in partnership with *Building* magazine, to encourage and recognise efforts made by firms to reduce their own carbon footprint as part of a contribution to the industry's wider efforts. A greener, cleaner environment is no longer a 'nice to have'; it is a given that we are expected to play our part in sustaining the environment on which we have as a sector such a significant and positive impact. I am backing this because, as with skills and training, I believe that a demonstrable commitment to the environment is not just the right thing but the smart thing to do.

This Annual Report reflects the hard work of a team – here at CITB-ConstructionSkills of course, but also of the dozens from across the sector that have supported, challenged and tested us. Please continue to do so. Such engagement demonstrates the industry's strength and proves that we are stronger when we work together, that we can debate how best to determine our collective future.

CITB-ConstructionSkills' team is here to deliver for you. As our industry comes to terms with an economy and a political climate that will change the way we need to develop and grow, a collective approach makes us stronger and more competitive than if we fragment our talents. I look forward to ongoing engagement with all parts of the industry as we continue to serve and support you.

James Wates
Chairman

The Business and Economic Environment

Industry profile

Our sector experienced mixed fortunes in 2010. In real terms, the UK construction industry is estimated to have grown by 4% to 5% in 2010, with official data from the Office for National Statistics (ONS) suggesting construction rebounded strongly during the year. UK GDP growth exceeded expectations in the second and third quarters, with the biggest contribution coming from construction, which expanded by 9.6% in 2010 Q2 and by a further 4.0% in 2010 Q3.

All this sounds very positive, but in truth the situation remains precarious. Because of reduced work values – with firms completing projects at lower prices than in previous years – data shows that in current prices, there was little change to the industry's output in 2010 compared with 2009. Indeed, this is closer to the profile that industry State of Trade surveys have indicated over the course of the year, most of which showed a slowdown in the rate of decline rather than any rise in workload.

Many of the positive signs simply arise from the lag in work moving through order books and infrastructure work supported by the Government's fiscal stimulus package taking longer than anticipated to get on site. Work was also severely disrupted by poor weather at the start and end of 2010. In that sense, strong growth data merely shows the industry catching up. Similarly, output was fairly slow to respond to the increase in construction orders at the back end of 2009.

The remarkably strong growth seen in Q2 and Q3 of 2010 is unlikely to be repeated or continue into 2011. Indeed, growth in Q4 contracted by 2.5% compared to the previous quarter, and the signs from industry are that the start of 2011 will see a further slowing of output. Construction project starts fell sharply in Q4 as the recovery in work faltered in the face of the Government's fiscal retrenchment and dwindling public spending.

Throughout 2010, the sector was unsure how Government cuts would affect future workflows – especially major programmes. Early indications came in June's Emergency Budget, but the Comprehensive Spending Review (CSR) published in October gave more detail of the cuts affecting construction. Although significant, they were not as severe as some had expected. In the light of the review of key capital spending projects, the CSR made an adjustment to ensure projects of high long-term economic value remain funded.

Although there have been cuts, transport, energy and education fared well compared to social housing and public sector non-housing work, but uncertainty about the wider impact of public sector spending cuts remains. This is not only because capital spending is affected, but because cuts to services will affect individuals' jobs and spending power.

There are signs in the wider economy that things are improving, but so much is tentative. Retail sales have risen and exports are up, which is feeding through to commercial and industrial construction. However, the increase in VAT from 17.5% to 20.0% from January 2011 and higher levels of inflation are significant risks to consumer spending power, which will be a factor in future investment decisions. In the short term, this may be restrictive and lead to retail and related projects being put on hold. It will almost certainly impact on activity in the private housing market in terms of client investment/development, bank lending and personal borrowing.

Continued talk of public spending cuts is unsettling consumers and this is backed by a marked increase in the number of people concerned about their employment prospects. If consumer confidence begins to suffer, and growth in retail sales falters, it could affect the speed and scale of the investment plans of UK plc. This underlines the very mixed picture in the sector and there will only be a marked improvement in construction when the whole economy returns to health.

Workforce profile

Despite the recession, construction remains a key component of the UK economy in terms of output and employment. With the sector employing some 2.2 million people, the combined employment of construction workers and professionals still accounts for 8% of the UK workforce. Nevertheless, the construction workforce has contracted by some 8% since the start of the recession.

Although the sector has not suffered as much in numerical terms as manufacturing or financial services, it has experienced the highest redundancy rate of any UK industrial sector. Whilst the rate has now declined it still remains higher than other similar industry sectors.

In terms of unemployment, findings from ConstructionSkills' Employer Panel published in November 2010 reveal that 36% (compared to 38% in November 2009) of construction firms have laid off staff as a result of the recession.

Redundancies affected all occupational groups from the unskilled to managers and professionals. Against this background, it is of no surprise that few employers are recruiting and vacancies have dropped sharply over the past two to three years. Although there is much seasonal variation in the number of construction vacancies, there were 40% fewer (reported by the ONS Vacancy Survey) in November 2010 (post-recession) compared to November 2007 prior to the start of the recession.

The outlook has been similarly bleak for construction firms, with data on business demography (published by ONS on 01 December 2010) indicating that over 44,000 construction businesses closed in 2009 – the largest number of closures in any sector. However, the number of vacancies has stabilised and is rising, albeit slowly, and 2009 saw the creation of 29,000 new construction businesses. As ConstructionSkills' research indicates, the vast majority of companies are still confident of survival (82%).

The good news is that contractors have striven to retain skilled staff and preserve capacity for the upturn, typically through reduced working hours or underemployment. Consequently, there is now significant excess capacity that must be made up before future growth boosts employment.

Data from the Construction Skills Network (CSN) suggests that employment is likely to pick up more from early 2011, but not to rise substantially until 2014/15. CSN data suggests that over 2011–2015 (in the wider construction industry including professionals) an average of 43,000 workers per year will be needed to replace those leaving.

Industry performance

Industry's performance is customarily characterised by strong geographic and sectoral variation, and in this respect, 2010 was no different from years past.

The most buoyant sectors in 2010 were public housing and public non-housing, with a good deal of work pushed forward before public spending cuts began to bite. The Kickstart Housing Delivery programme boosted both public and private starts, and this, combined with a high level of funding allocations under the National Affordable Housing Programme, drove very strong growth in public housing output. Surviving Building Schools for the Future projects were the main engine of output growth in the public non-housing sector. Infrastructure also performed well during 2010, with growth being driven mainly by large transport projects. Crossrail began in earnest during the year, and ongoing projects include the M74 completion, Thameslink, M25 widening, Manchester Metrolink expansion, and the second Tyne Tunnel.

Private housing saw a moderate recovery on the back of a stronger housing market in the first half of 2010, although it weakened in the second half. The sector also benefitted from Kickstart, designed to restart stalled mixed-tenure developments.

The commercial sector did not experience the second year of sharp decline that was expected. While output is likely to have fallen, the drop was only moderate, at least in constant price terms.

Industry prospects

The suddenness and relative unexpectedness of the recession highlight the limitations inherent in any forecast. Its repercussions are still being felt across the industry, but as the path to recovery takes shape, more accurate analysis of the future supply of skills and employment is possible. Short-term uncertainty aside, what can be said is that construction remains an important industry sector making a vital contribution to social and economic activity in the UK, underpinning growth and ambition.

Recovery, albeit marginal, is expected from the end of 2012. Private housing and the industrial and commercial sectors will be the main drivers over 2011–2015, each contributing more than 4% average annual growth. In contrast, following strong growth in public sector housing and public sector non-housing in 2010, both will decline sharply between 2011 and 2015, posting average annual contractions of 5.6% and 12.4% respectively.

As in previous years, infrastructure work will also play a key role in keeping the industry afloat, as projects such as Crossrail, the M74 in Scotland and the Manchester Metrolink continue. It is expected that energy projects will drive growth later on with security of supply being as big a driver as energy efficiency. An area of growing importance later in the forecast period is likely to be a growing number of 'green' contracts. These include new eco-friendly energy plants and retrofitting buildings with energy-efficient fabric and technology.

Forecasts show that regions such as the East of England, the South East and Greater London will experience higher than the national average annual growth (at rates of 2.4%, 2.2% and 1.8% respectively). Meanwhile, industries in the North West, the North East and Yorkshire and Humber will all shrink by between 0.4% and 0.6%.

Output in Scotland and Wales is forecast to grow at an annual average rate of 1% and 1.2% respectively over the 2011–2015 forecast period – in line with the UK average of 1%.

INTRODUCTION

Key drivers and policy issues

The political climate has shifted over the last year, and after the General Election, the Coalition made a series of firm commitments to cut public expenditure aimed at reducing the budget deficit and high levels of public debt. So far, it has been revealed that social housing funding will be cut and infrastructure funding on the whole maintained, though some projects have been scaled-back or delayed.

Recovery across the sector is still vulnerable to macro-economic factors over the short and longer term, including Government spending cuts. Fears remain that the impact of austerity measures on major projects risks plunging construction back into recession. Certainly, 2011 looks to be a difficult year for the industry and in all probability will see a return to negative growth as early as the first quarter.

Cuts also continue to impact the education sector, with less Higher Education funding potentially meaning fewer university students, and the coming year will see Government skills reviews across the nations, focusing on a range of areas related to vocational qualifications and training.

Government's renewed interest in apprenticeships has resulted in an increased commitment and more investment to support both youth and adult recruitment. An extra £250m a year of Government funding by 2014/15 is targeted at providing 75,000 more adult apprenticeships. Given the importance and relevance of apprenticeships to the sector, this is a welcome boost for occupations that primarily rely on them. The CSR revealed that Train to Gain (which had supported a significant level of training to existing workers) will be abolished and is likely to be replaced by an SME-focused training programme.

Sector Skills Councils (SSCs) have been cited as playing a crucial role and ConstructionSkills remains at the leading edge of development and delivery.

Legislative drivers

Legislation remains a key driver for change across the sector, acting as an agent for regulation and increasingly shaping demand. Government policy aimed at improving employees' working conditions and meeting the challenge of carbon reduction and energy efficiency is changing what industry builds and the way in which it operates.

Within the wider legislative framework, the devolution of powers away from Westminster has resulted in key differences in the legislation of England, Scotland and Wales, which will continue to drive the priorities of each nation and the industry's response.

2011 will see new UK legislation affecting the workplace, notably concerning fraud and bribery, employment, litigation and planning.

The most noteworthy changes relevant to construction are amendments to the Construction Act (Part II of the Housing Grants, Construction and Regeneration Act 1996), coming into effect on 01 April 2011. These will make changes to payment frameworks and adjudication rights. Significant changes in employment law are also being made. Removal of the Default Retirement Age (DRA) will begin in April 2011, with transitional provisions covering compulsory retirements until 01 October 2011 when the DRA will be dropped. 2011 will also see the launch of a scheme for additional paternity leave (APL), permitting fathers and partners of those giving birth or adopting a child to share the maternity or adoption leave and pay, if the mother or adopter returns to work early.

National Insurance contributions for employees, employers and the self-employed will rise by 1% in April 2011 (except for those with low incomes), and the National Minimum Wage is likely to change in October. The Agency Workers Regulations 2010, which implement the 2008 EU Temporary Agency Workers Directive, also come into force. These give all agency workers a right to equal treatment over basic employment and working conditions after 12 weeks in a given job compared with their directly recruited counterparts.

The Bribery Act creates three potential offences for UK-registered organisations: a general one of offering or receiving bribes; a specific one of bribing a foreign public official; and one of failing to prevent bribery. Businesses which do not implement a programme to prevent bribery could be hit with an unlimited fine and serious reputational damage.

The need to meet new and ever more complex legislative requirements is highly likely to lead to a need for greater understanding at all levels of employment and across the majority occupations, both on and off site.

The sector's skill needs

In general, given the need for a healthy economy, raising opportunities for training and learning are still key priorities, and those in power across the nations will be keen to show they are committed to investing in the future of the construction workforce.

Current thinking appears to be that, post-recession, the low carbon agenda will lead to a growth in new 'green' jobs, although this needs to be balanced against the prospect of job reductions as the drive for productivity and efficiency, and the use of different processes and technologies, increases. However, the construction sector of the future will share many features with the industry of today. The specialist skills demanded to meet the high specifications and low energy requirements of future buildings and infrastructure will rely on new levels of expertise in terms of product knowledge and will demand that both professional services and craft trades work to more exacting tolerances. Reflecting on the structure of the industry and the variety of markets, it is certain that this change will not be uniform.

New ways of working will not all need totally new skills or create new jobs, but will often mean an addition to or an amalgam of existing workers' skill-sets. The same skills may vary in their application in different sub-sectors. Overall, it is likely that new knowledge rather than completely new skills will be needed to address low carbon challenges – although the potential volume of work suggests some big opportunities – and demand for workers in the short to medium term. Skills required range from generic ones such as customer/client/tenant services, financial and project management, communication and influencing skills, to the technical knowledge required for the installation of environmental technologies. They also include carbon management, performance assessments, and the skills related to historic and heritage properties.

It is also clear that many small firms are not asked to adopt innovative methods to the same extent. The nature of the markets they serve limits such demand, at least whilst there is large amount of traditionally built stock needing a bespoke site-based approach.

Changes in skills requirements are likely to be of equal if not greater significance in management and professional occupations with several new functions being considered now and others to be identified as we move further into a low carbon economy.

The implications for skills suggest that there will be increasing demand for higher levels across the industry, especially those at Level 4 and above, and skilled trades will remain the dominant grouping for qualifications within the industry, although increased levels of multi-skilling are predicted.

High-quality leadership and management are also critical factors in successful businesses. Good leaders and managers will be needed to identify new market opportunities and recognise the importance of developing the skills and talent of their workforce.

Structural changes, such as the move to off-site production and to whole house retro-fitting and refurbishment, will necessitate an over-arching need to develop the ability to interface with other sectors and their supply chains, and clients at all levels.

Future skills challenges

Looking forward, it is its broad client base, each having different demands and expectations, that present the industry with major opportunities (and challenges). This is nowhere more evident than in responding to carbon reduction and energy efficiency. Carbon reduction is not the only critical issue for the industry, nor is energy efficiency the only measure of sustainability, but a concentration on carbon brings simplicity and rigour, provides a focus for action and a sense of priority.

An important feature to emerge during 2010 was that greater acknowledgement and consideration has to be given to the full range of construction clients and the ability of industry to meet their very different requirements. Put simply, the sector strategically recognises that its clientele extends from the individual home-owner to Government – their views and needs will differ markedly, yet both are vitally important to the long-term health of the industry.

Through legislation and the provision of grants and subsidies, the Government has created a new market for construction in a low carbon economy, particularly in respect of retro-fitting and refurbishment. The skills required to manage large programmes of work and the knowledge to apply new and emerging technologies largely sit with a relatively small number of medium-sized and large contractors, whilst the principal route to market is through the long tail of locally-based small and micro businesses. The challenge now is to establish an effective and cost-efficient means for industry at all levels to access and benefit from this new market.

As well as low carbon retro-fitting and refurbishment, increased demand for private sector housing and commercial premises is a fundamental part of securing recovery in terms of driving future growth as public funding for construction is scaled back. The new-build housing sector also presents clear opportunities to lower the sector's carbon emissions, and help increase sector productivity.

With steady growth predicted over the medium term, the industry must ensure that skills development is firmly embedded within its growth strategies, and CITB-ConstructionSkills' participation must be central to that as a leadership organisation.

INTRODUCTION

Key Deliverables 2010

Tough economic circumstances continued to impact on our industry with particular implications for the levels of recruitment, training and qualifications. Despite the ongoing uncertainties many employers maintained their investment in developing their workforces, recognising the importance of preserving their skills base as growth gradually returns.

Although some way short of the numbers achieved in the years preceding the downturn, indications are that a corner has been turned in beginning to grow new entrant volumes. In contrast, measures aimed at ensuring a safe and qualified workforce have seen volumes fall back, impacting non-levy income. Employer engagement activity has seen some positive results, with the diagnostic approach to identifying skills needs and signposting solutions exceeding expectations. The steps taken to reduce costs and manage affordability have restored a sustainable financial position ahead of plan.

Pathway routes to apprenticeships (target 1) continue to perform well in Wales though take-up of the pilot in England has been slower than anticipated. Whilst up overall on 2009, the shortfall against target is principally due to the winding down of the Programme Led Apprenticeship route.

New entrant trainee volumes (target 2) in England exceeded target by nearly 20%, offsetting a shortfall in Scotland and showing single digit growth overall following the 35% fall in 2009. The number of Specialist apprenticeship starts doubled in the year, though diverse entrants (target 3) showed only modest growth – a major review of equality and diversity strategy and approach took place in 2010.

The overall percentage of apprentices achieving a framework (target 4) moved up significantly, with England at 82% (73% timely), Scotland at 75% and Wales at 72%. Specialist apprenticeships contributed 51 framework completions to the total.

The number of learners beginning a vocational qualification (target 5) saw a 15% downturn in 2010 with 20% fewer achievements (target 6). Level 2 VQs make up over 80% of the totals and have the greatest influence on these reductions, though Level 3 achievements have seen a slight increase in the year. 1,000 Specialist VQ achievements via the National Specialist Accredited Centre were recorded.

Health and Safety Test volumes (target 7) continued to decline from their peak in 2008, though to a lesser extent (5% down in 2010). An increase is expected in 2011 in line with the renewals cycle.

The new 'Business and Skills Review' diagnostic approach (target 8) was launched with employers in 2010 and has been well received by industry, with a result exceeding expectations. An enhanced version will be launched in 2011 to focus on business planning and the implementation of training and development, in support of employer competitiveness.

The challenging economic climate and public spending cuts have had a major impact on the number of National Skills Academy for Construction projects (target 9). The total number of active projects during 2010 (excluding those suspended or withdrawn) fell short of the original target though still showed significant progress with the national and company-based roll out. Active project performance in meeting or exceeding targeted outcomes was tracking just below target overall at the year end.

Employer and stakeholder surveys (target 10) showed satisfaction levels narrowly missing target in both instances, though these are seen as encouraging results considering the volatile climate and changes made in 2010. Employee satisfaction (target 11) came in on target, notable when set against a backdrop of the organisation-wide changes noted below. This measure will focus on staff engagement from 2011 as a key driver of satisfaction.

2010 saw a number of major change programmes initiated and delivered, including efficiency and effectiveness reviews and technology developments to transform business processes and delivery channels. While the percentage of programme milestones achieved to time came in a fraction below target, all benefits to date were realised (target 12).

As detailed later in this report, the impact of Grants Scheme changes and reduced demand for grants, with lower levels of non-levy income largely offset by cost savings, has resulted in a bottom line surplus (target 13) well ahead of target.

Assessing overall performance, the Board recognised the organisation's efforts in delivering a range of positive results during a year with many challenges and changes, and supported the steps being taken to address areas of shortfall and build on these achievements in 2011.

Key deliverable		2010 Target	2010 Achieved	2009 Achieved
1	Pathway routes to apprenticeships <i>Recruitment – keeping the pipeline of talent flowing</i>	650	454	225
2	New entrant trainees <i>Recruitment – keeping the pipeline of talent flowing</i>	4,950	5,278	4,991
3	Diverse entrants <i>Recruitment – keeping the pipeline of talent flowing</i>	247	194	176
4	Framework achievements <i>Recruitment – keeping the pipeline of talent flowing</i>	70%	79%	73%
5	Vocational qualifications started <i>Productivity – supporting employer and industry competitiveness</i>	92,292	74,833	88,025
6	Vocational qualifications achieved <i>Productivity – supporting employer and industry competitiveness</i>	67,422	66,770	81,875
7	Health and Safety Test bookings / passes (000s) <i>Productivity – supporting employer and industry competitiveness</i>	549 / 395	522 / 404	548 / 422
8	Skills diagnostics delivered with employers <i>Employer engagement – recognising and responding to skills needs</i>	800	1,047	n/a
9	Active National Skills Academy for Construction projects / performance <i>Employer engagement – recognising and responding to skills needs</i>	46% / 80%	40% / 79%	24% / n/a
10	Employer / stakeholder satisfaction survey <i>Developing our customer and stakeholder relationships</i>	75% / 85%	74% / 84%	76% / 85%
11	Employee satisfaction survey <i>Building the capability of our people</i>	43%	43%	40%
12	Change programme performance – milestones achieved / benefits realised <i>Improving our business operations</i>	95% / 100%	94% / 100%	n/a
13	Bottom line surplus/(deficit) £m <i>Managing our finances</i>	5.5	25.1	(11.6)

Managing Business Risks Effectively

Risk management

Risk management is integral to business planning and performance monitoring processes, and risks are considered not just corporately and at directorate level but also by departments within directorates. Corporate Assurance (risk management, assurance and internal audit) supports directorates with this and reports the principal risks facing each directorate and the organisation to the Risk and Audit Committees at their meetings. We aim continuously to improve risk management processes to ensure they are in line with best practice and fit-for-purpose in the increasingly challenging environments in which the business operates. An annual Control Risk Self Declaration exercise conducted by managers gives further assurance that the organisation handles risk effectively. Corporate governance and risk management frameworks and policies are in place. They are reviewed to ensure they reflect best practice and are in line with HM Treasury guidance and corporate initiatives. The principal business risks faced by CITB-ConstructionSkills are:

Economic climate

This presents a range of risks, some generic to many businesses, such as continuing to ensure sound financial control and forecasting, together with managing cash flow and working capital effectively. In addition, the organisation recognises its need to respond flexibly to the risks facing the industry, to help minimise the effect of the economic downturn – for example, by taking a lead in helping apprentices and their employers.

If it is to succeed, CITB-ConstructionSkills must manage these risks, and position the industry so that it is ready to maximise opportunities now and as the economic climate improves.

Principal partnerships

CITB-ConstructionSkills carries out many activities for the benefit of the industry in conjunction with and supported by a range of partners. For example, it works with SSC partners to deliver the SSA, with federations and individual employers to deliver apprenticeships and other training, and it receives funding from bodies such as the Skills Funding Agency (SFA) for delivering specific outcomes.

To meet stakeholder expectations, the organisation must continue to manage and build its principal business partnerships, maximising the benefits for the industry at a time of greater funding pressures.

Maintaining stakeholder support

It is critical that CITB-ConstructionSkills continues to meet industry expectations to ensure ongoing support from stakeholder groups.

We liaise with industry at all levels and an independent survey of employers' attitudes is carried out annually. Results are used 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 in order to support strategic reviews of training priorities. Work with Government (for example, the Departments for Business, Innovation and Skills and for Education, the Scottish Government and Welsh Assembly) ensures mutual understanding and alignment of policies and goals.

Managing 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 will help it attain these goals.

It 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.

It 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 also as a provider of training resources in specialist or other market sectors which are not otherwise supported.

Public Benefit

As its governing document (the Industrial Training Act 1982) sets out, CITB-ConstructionSkills aims to encourage the adequate training of people employed or intending to be employed in construction.

The Board has regard to the Charity Commission's general guidance on Public Benefit when planning activities which will deliver on these aims.

Enhancing the skills and competence of people working in construction benefits the competitiveness of an industry that employs more than 2.2 million people, contributes some 8% of UK GDP, and improves the quality of the built environment. Helping to identify and mitigate skills gaps and shortages and, in times of recession, to maintain 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. Such an aim is regarded as advancing education and so the organisation has been registered as a charity since 1972.

The main ways in which this aim is delivered are through providing financial support for employers engaged in training, offering advice and support to employers in respect of their training needs, developing and maintaining a framework of standards and qualifications in consultation with the industry, and managing schemes for recording achievement. In addition, CITB-ConstructionSkills provides training itself having regard to the existence of market alternatives.

The following pages illustrate how these activities have been delivered during 2010 across England, Scotland and Wales.

More than 23,000 employers received direct financial support from CITB-ConstructionSkills towards their training during 2010. More details of financial performance are on pages 23 to 59. Information about performance against other business targets is given on pages 8 and 9, and analysed by nation and region in Appendix E, page 73.

Looking after Information

To carry out its duties effectively and efficiently, CITB-ConstructionSkills collects and makes use of personal information about individuals, such as employers, employees and applicants for posts, suppliers and apprentices.

It is committed to a policy of protecting the rights and freedoms of individuals with respect to the processing of their personal data, and undertakes to comply with its legal obligations and responsibilities under the Data Protection Act 1998 at all times. It will ensure:

- information is protected from unauthorised access
- integrity of information is maintained
- information is available when needed
- regulatory and legislative requirements are met
- it considers and implements as appropriate any requirements, recommendations and best practice guidance from Government and industry
- Annual Fair Processing Notices are issued inviting employers to update details held on CITB-ConstructionSkills databases and giving them the chance to opt in or opt out of receiving its marketing information

- business continuity plans are produced, maintained and tested
- staff are trained to fulfil their duties and responsibilities with respect to the processing of information and its security
- all breaches of information security are investigated.

CITB-ConstructionSkills follows Cabinet Office guidance in relation to incidents involving protected personal data.

In 2010, there were two reportable incidents. One involved the theft of an encrypted laptop together with some paperwork and the other the return of an individual's record card application form to the wrong person. Prompt action was taken on each occasion to address the potential impact of the events, those parties directly affected were informed and full apologies made. Full and thorough investigations were undertaken, identifying actions to minimise the risk of similar occurrences taking place in future.

Two other encrypted laptops were stolen during the year. In neither case was protected personal data put at risk.

CITB-ConstructionSkills in England

Developing our plans

During 2010, we strengthened our strategic influence, consolidating nine regional skills action plans into one addressing the industry's skills priorities across England. This gave the English National Partnership (ENP) a clear view of regional commonalities and areas where differences were emerging. The work of Regional Construction Skills Groups and the ENP raised awareness of issues facing the sector from 2011 onwards, including productivity and carbon reduction as well as recruitment and employer engagement. These were built into the 2011 Sector Skills Agreement (SSA) priorities.

By engaging with employers, local stakeholders and partners we have been able to articulate the sector's skills needs clearly, and staff continue to engage in discussions about them with key MPs and Government departments. We are fully committed to representing construction locally by sharing our sector Labour Market Information, our area skills action plan priorities, and by showcasing the employment and skills dividend that can be realised to benefit local economic growth and the community.

In December, CITB-ConstructionSkills was awarded the Equality Standard, reflecting our commitment to equality and diversity, evidenced in our Single Equality Scheme (out for consultation with staff, learners and stakeholders at the end of the year). Our future focus will be to prioritise equality and diversity and to champion change accordingly. 2010 also saw good progress on safeguarding. As a result of our handling of some potentially serious issues, we have been recognised as a best practice exemplar by several local safeguarding boards.

During 2010, the Executive agreed to roll out the 18001 Health and Safety and the 14001 Environmental Standards. Although there has been a continuing fall in reportable accidents across the organisation, this remains a key priority for the business.

In 2010, NCC was shortlisted for a British Quality Foundation Award for Partnership. The submission, featuring partnership working with the ODA, LDA, LSC and JCB to deliver a plant training facility at Eton Manor (and then Beckton Park) on the Olympic site, was strong but regrettably we did not win.

In November, NCC took over the running of the Waltham Forest Construction Training Centre – a National Skills Academy for Construction Regional Hub providing specialist training for construction in Waltham Forest.

NCC advised on the design, structure and layout of the centre and will operate it while the London Borough goes through the procurement process for the longer-term running of the centre.

During the year, as part of the transformational change programme, NCC restructured to become product rather than geographically based. This helped cut costs and allowed a more product-centred approach which in turn has enabled further efficiencies to be made and effectiveness to increase.

The National Specialists Team (NST) continued to act as the focal point for contact by Specialist Federations with CITB-ConstructionSkills. During 2010, £1.3m of employer support was delivered to employer members of some 64 specialist bodies, with a further £154,000 supporting the delivery of projects to the sector.

The National Specialists Accredited Centre (NSAC) enabled a total of 1,020 NVQ achievements at Levels 1 to 5 along with 50 Specialist Apprenticeship Programme (SAP) achievements. The Centre currently has 662 candidates following VQ programmes and 199 following SAPs. During 2010, nine new SAPs were introduced for sectors previously having no access to apprenticeship programmes. These attracted £197,000 of external funding with a further £122,000 having been attracted through dealings with the Heritage sector.

Attracting and retaining talent

During 2010, the team in England worked hard to promote construction as a career, engaging with national and regional stakeholders – including employers, schools, federations, government agencies, local authorities and potential applicants – to ensure our sector obtained the volume and quality of candidates required to meet its skills needs.

We actually received 21,981 applications from prospective apprentices in England – a 50% increase on 2009. Particularly successful was our partnership work with the National Apprenticeship Service (NAS) on the joint promotion of vacancies through the Apprenticeships Vacancies On-Line (AVOL) website.

Actual apprenticeship recruitment through the ConstructionSkills managing agency rose by over 25% from the 2009 figure (limited by the number of opportunities available). In a very challenging environment, our dedicated support staff worked with employers and other stakeholders to promote the benefits of apprenticeships to businesses.

Towards the end of 2010, we began work on our Experience Construction programme. This aims to ensure that high quality applicants who applied during the year but have not been placed with an employer or joined a recognised college course are not lost to the industry. The programme is based on a series of work-ready seminars and Ambassador presentations, followed by 2–4 weeks' work experience with registered companies. This will not only give employers the chance to assess potential apprentices in a work environment, but will also provide the applicants with a valuable insight into the sector to help them make an informed decision on their future careers choice.

In England, we saw a significant rise in the number of apprentices achieving their Level 2 standard (82%). This is a positive reflection on the work of our apprenticeship support staff, and better operating procedures and joint working with partner colleges.

Staff are committed to ensuring that every learner reaches their full potential and can progress by continual learning. Almost half of all successful L2 apprentices converted to a L3 programme in 2010 following our promotion of the benefits of higher level apprenticeships.

NCC saw just over 600 new apprentices through its doors during 2010. Success rates grew by 2% overall and by 5% for timely achievement, which now track some 9% above the construction average. Two new apprenticeships were introduced during 2010 – Formwork and Highway Maintenance – and both now have groups going through the College. Lavendon's plant mechanic apprentices returned to NCC after a year elsewhere!

NCC continued to support the Constructionarium for undergraduates with nearly 1,000 students experiencing the programme in the year.

Through the National Skills Academy for Construction, we supported major projects involving 1,207 employers and delivering outcomes including 583 apprenticeship starts, 647 work placements, 350 NVQ Level 2 to Level 4 starts, 751 NVQ Level 2 to Level 5 completions, and 4,056 school, higher and further education visits.

The National Skills Academy for Construction has also supported more specialist areas. Through one project, the need for a Screeding Apprenticeship Framework was identified and by joint working with the NSAC and the employer, options are being investigated to create a Specialist Apprenticeship Programme (SAP). On another project, an employer was seeking to take on several waste operatives as apprentices and

needed to source a suitable framework. Again, through joint working with the NSAC, the development of a suitable SAP is being explored.

We have led on the development of a comprehensive Labour Market Intelligence (LMI) document about opportunities in the sector. This highlights career progression and lifelong learning as well as emerging technologies and skills which are relevant to the future of the sector. It was developed for the launch of the Adult Advancement and Careers Service (AACCS) and covers topics such as career pathways, entry requirements, qualifications, employment and labour market trends, transferable skills and job profiles. A DVD was produced to showcase opportunities for adult entrants in the sector, accompanied by a leaflet and web page.

We also have ensured that the Jobs4U website used by Connexions advisers has been kept up to date with job profiles for the sector.

Earlier in the year, a series of presentations was delivered around England to inform the influencers of young people and adults about career opportunities available across the sector and to help them with the interpretation of information for their client base. Many of the sessions had a major focus on emerging technologies and sustainability, to demonstrate to the influencers the future of the sector as well as the traditional roles associated with it.

In encouraging recruitment from a more diverse pool of talent, CITB-ConstructionSkills held a major event entitled 'Women in Construction and Engineering' in Bedford, attended by over 80 advisers and influencers and 500 female students. A conference was held for careers guidance professionals which enabled advisers to access information about a range of industry topics including the latest LMI, local employment opportunities and higher education progression as well as hearing from employers about the reality of working in the sector. Alongside the conference, a range of informative activities were offered for students. These included surveying, thatching, plumbing, painting and decorating, engineering and stonemasonry.

In the South East, we have also delivered the Work-ready Award which aims to increase the employment potential of students classified as either 'Not in Employment, Education or Training' (NEET), or as potentially falling into the NEET group. The award recognises employability attributes such as regular attendance and punctuality which are valued by employers but not assessed by regular qualifications.

BUSINESS ACTIVITIES

Developing talent

Working with the Oxfordshire Construction Training Group, a qualification has been developed to give tradespeople and general builders retro-fitting domestic homes the skills and knowledge required to fit sustainable equipment. This relies on tradespeople becoming multi-skilled so that the disruption to site performance is minimal. Achieving this qualification will not only enhance current employability skills but will influence any work the self-employed operative may seek from other sources when commissioning, giving them a competitive advantage when submitting tenders.

In providing such units and qualifications, a prime consideration is that legislative change will mean a national skills re-profiling. This qualification will provide the current UK workforce with the skills necessary to retro-fit existing properties to a common standard. This helps expand work in the UK housing market whilst broadening employment opportunities for construction trades. Developing such skills will also affect the supply chain as demand for equipment will increase.

The NCC trained just over 24,000 adults during 2010, most of whom were already employed in the sector. Over 73% of customers rated the training delivered as excellent. Its teacher training programme made good progress; of the 103 teachers in NCC, 78 have achieved a teaching qualification. Of these, 16 gained recognised full teacher qualifications, 41 achieved recognised associate teacher qualifications, and 21 have achieved their entry qualification and are preparing to undertake their associate teacher course.

Despite a difficult market, which saw training budgets cut, NCC won significant new clients including Anglian Water, Stewart Milne, the Library of Birmingham (a project-based approach in partnership with Carillion), the Lavendon Group national NVQ project, local authorities such as Wigan MBC and East Riding Council, Shepherds Construction and the Prince's Trust.

Tailor-made courses are still in demand and NCC has worked with several companies to deliver what is required for the market place. Such partnerships include Costain's practical skills programme, Barratt's first-line management programme and Buxted Construction's bespoke plant training. NCC is also in discussions with Balfour Beatty about mentoring training, with Seddons and Costain regarding a national ILM programme and with BAM Nuttall over equality and diversity programmes.

NCC's Leadership and Management Hub broadened its offering to include a range of management and experiential leadership programmes. These incorporate business development and ILM-accredited leadership courses. In addition, the college received accreditation for its Construction Foundation Degree and is looking to launch the first programme during 2011 in partnership with Anglia Ruskin University.

It continued to develop and deliver new courses in response to demand from the industry, including Lifting with Excavators, Tower Crane Appreciation Health and Safety Audit, a series of six Health modules, Scaffold Inspection Training Scheme (SITS), Safety Inspections for Scaffolds (Overseas), Trailer Towing, Mechanical Lifting, Scaffolding Part A (Overseas), Scaffolding Part B (Overseas).

CPCS is a competence-based card scheme, and one core element is the NVQ requirement. By adopting vocational standards, the scheme gives an individual the chance to attain a nationally recognised qualification, aiding career development at the same time as proving competence in the workplace. Learning is an ongoing process and CPCS believes that it is important to encourage the acquisition of knowledge and skills, fostering the need to improve performance for future success.

Site Safety Plus continued to set the standard for health and safety training in the sector, with a range of courses available (from the one-day Health and Safety Awareness course to the five-day Site Management Safety Training Scheme).

Improving business performance

CITB-ConstructionSkills' Company Development team works with employers of all sizes to provide information and guidance on business solutions and increasing the skills and capacity of the industry. All Company Development Advisers (CDAs) in England have now achieved the Small Firms Enterprise Development Initiative (SFEDI) standard to enable them to offer a broader advisory service and help in the business planning process.

To support employers in difficult market conditions, the number of company visits per CDA increased by more than 25%. A CDA can offer guidance on a number of topics such as health and safety training, business solutions and planning, market information, and apprenticeships, as well as a comprehensive overview of available grant funding.

More than 1,000 companies in England undertook a Business and Skills Review (BSR) with a CDA in 2010. This initiative helps companies develop a structured approach to training and development as well as assisting in the business planning process.

A BSR can help identify skills gaps within an organisation, as well as providing independent advice on training, products and business solutions.

CITB-ConstructionSkills continues to work on the skills requirements for modern methods of construction and refurbishment of existing property. We now lead on this agenda at the National Refurbishment Centre, whose objectives are to pool research and knowledge obtained from exemplar projects. Using such information, the centre works with manufacturers, suppliers, training providers and employers to provide input to developing the right skills, at the right time and place.

CITB-ConstructionSkills will roll out existing courses and any new ones through the National Construction College (NCC) and other providers. These are being developed in conjunction (where possible) with the known requirements of the Government policy objectives, notably the Green Deal.

The Government's Green Deal rationalises existing policies in this field, and a recent report from the Government's Innovation and Growth Team highlighted the need for a joined-up approach to the development of skills to meet industry requirements for the future. It also recommended that the industry should investigate the use of an accredited scheme for companies and installers working in this sector. Consequently, Business Services is participating in the Department for Energy and Climate Change's (DECC) Green Deal Installer, Accreditation and Qualification Forum.

Efficiency and effectiveness

2010 saw the creation of the Contracts, Standards and Training Team. This brought together staff from the Apprenticeships and Commercial Development teams with members for Wales and Scotland to help us deliver a consistent approach to contracts and standards across the three home nations. Our focus remains on providing a corporate approach to accessing external funding and delivering a quality-driven contract model, giving consistent standards across all our externally-funded contracts.

During 2010, we piloted the Customer Engagement Programme and introduced a CRM system to enable us to track the organisation's external funding opportunities. This will benefit the organisation by providing management information to inform our external funding strategy.

We continued to deliver Train to Gain contracts and through our access to this fund, 4,342 learners completed their NVQ last year (01 August 2009 – 31 July 2010). Since 01 August 2010, we funded 920 learners to complete their NVQs. We have four Train to Gain derivatives (regional co-funded contracts) that by the end of December 2010 had enabled us to fund 852 learners to achieve vocational qualifications with a planned 325 to complete in this calendar year. Our Employer Responsive contract has been renewed by the SFA and we are reported to be the largest contract holder with the SFA in England.

In response to an identified business need, a comprehensive programme of safeguarding training took place. Unfortunately, the weather intervened to prevent us completing this as planned, but the last of the training sessions in Scotland was delivered in March 2011. We continue to look at ways to embed quality and an assessment of our readiness to undergo inspection was presented to the Executive in November 2010, demonstrating the progress that had been made during the year.

We worked with several local authorities in 2010 helping them embed apprenticeships, employment and skills into procurement practices. The National Skills Academy for Construction's client-based approach provides guidance to clients procuring construction activity in terms of their employment and skills strategies, procurement process and employment and skills benchmarks. This allows those employers in the sector that are actively engaged in supporting the employment and skills agenda to be recognised for doing so. The guidance also helps clients understand about the realistic apprenticeship, employment and skills benchmarks that are appropriate to differing build types and values.

CITB-ConstructionSkills in Scotland

Attracting and retaining talent

In 2010, we have worked hard to promote our industry as a career choice, highlighting both craft, technical and professional occupations. Throughout the year, over 7,000 young people and influencers have been involved in activities delivered by our education team.

2010 saw major changes in how the curriculum was delivered in schools. The new first year secondary intake of September 2010 is the generation that will sit the new Curriculum for Excellence qualifications. Standard grades are to be replaced in 2013/14, with the current Higher and Advanced Higher replaced in subsequent years with a new generation of National Qualifications. The integration of the new curriculum must provide support and allow for raising awareness of career choices in construction.

We have delivered seminars, courses, construction simulation events and employability skills activities to a targeted audience in primary and secondary schools, as well as in universities, working with primary and secondary pupils, undergraduates and postgraduate students, teachers, guidance and other local authority staff. 73% of education activities delivered had participation from females and/or visible ethnic minorities.

We continue to lobby the Scottish Government and two funded initiatives under the ScotAction Scheme are in place until March 2011. Adopt an Apprentice gives a one-off payment to employers who adopt a redundant apprentice and Safeguard an Apprentice gives a wage subsidy to employers with apprentices under threat of redundancy.

There are still geographical differences in apprenticeship numbers and the placing of redundant apprentices. A total of 554 apprentices were displaced in 2010 with new employers being found for 495. The North of Scotland has been particularly successful with few displaced apprentices left looking for new employers. Staff have had contact with over 75% of employers on our register and also identified employers new to training which will give us momentum once recessionary pressures are gone.

In partnership with the Commonwealth Games Team in Glasgow, ConstructionSkills presented to employers the funding available for the recruitment of a Glasgow school leaver. Funding is available for both a Level 2 programme and a Level 3 programme on top of support from our Grants Scheme.

We are also working in partnership with contractors delivering major projects such as the new Southern General Hospital in Glasgow. We have allocated a member of staff at management level to deliver on recruitment and training whilst also working with the local regeneration organisation.

Developing talent

We continue to work with employers to develop new qualifications to cover the skills needed in the future. Our Level 2 Specialist and Civils qualifications will help industry develop skills to meet emerging needs for renewable, low carbon, heritage and modern methods of construction. Staff attended the Scottish Economic Forum during the year and specific topics covered Scotland's vast potential in wave and tidal energy (160 gigawatts), and world-leading e-technology developments.

Staff have worked with the SQA to develop new generations of National Qualifications as well as Skills for Work national awards. Skills for Work: Construction is once more showing a rise in both the numbers entering and achieving these qualifications. The number of schools and colleges offering the qualifications has again risen throughout Scotland, with many more satellite centres. Students on the courses have provided both our staff and industry a targeted audience of young people to work with. We tracked progression from construction-related pre-vocational subjects like Skills for Work into Modern Apprenticeships for the first time: 20% of apprentices have progressed from a construction subject in school.

We also are working in partnership with Learning and Teaching Scotland to develop video clips promoting construction occupations, highlighting practical uses of core skills in each role, qualifications gained and progression routes. This allows us to access schools through Learning and Teaching Scotland's award-winning schools intranet system, Glow.

We work closely with many Scottish Universities either delivering training modules or developing e-learning initiatives.

We played a leading role in the work of the Scottish Resource Centre for Women in Science, Engineering and Technology, having signed up to the UKRC CEO Charter to demonstrate a visible commitment to women working in science, engineering, technology and the built environment. Working in partnership, the

organisation has developed and delivered equality and diversity awareness workshops to students and apprentices.

Improving business performance

Scotland is at the forefront of the use of digital scanning technology relating to the built heritage. Historic Scotland and the Digital Design Studio of Glasgow School of Art are undertaking scans of all five of Scotland's UNESCO world heritage sites (New Lanark, the Island of St Kilda, Neolithic Orkney, The Old and New Towns of Edinburgh and the Antonine Wall). Five other world heritage sites will also be digitally scanned; recently the American Presidents carved into Mount Rushmore have been recorded.

Scans have already been taken of Stirling Castle and Rosslyn Chapel. Collected data provides a point-cloud (in Rosslyn Chapel, 6 billion points were recorded in two days) which can be rendered in various ways to provide virtual images of what has been scanned; importantly, a very accurate record exists for posterity.

This will have a major impact on construction, whether it is digitally sizing stonework without the need for scaffolding or the ability to record movement in structures over time. The projects will be very useful for future comparison to assess the effects of climate, pollution and human intervention. This practical application has implications for training, qualifications, future skills, and strategy; there will be potential for the methodology to benefit many construction trades and skills areas.

We have worked with federations, professional institutions and employers directly throughout 2010 in delivering construction-related information advice and guidance to a targeted audience. Staff have been working with professional institutions in Scotland to promote technician level occupations jointly through our Modern Apprenticeship technician framework and the professional Associate and Technician membership routes.

Efficiency and effectiveness

The use of construction e-packs has recently received good publicity including an article in the *Times Educational Supplement Scotland* (28 May 2010) entitled 'Where students can work before entering the real world'. This was based on 3D simulation, created

using games technologies, providing cutting-edge skills packages for every college in Scotland.

A programme was established to increase employer involvement in the development of National Occupational Standards (NOS) and Recommended Qualification Structures (RQS), through presentations and development of materials such as NOS employer guides. We also worked to promote the Scottish Credit and Qualifications Framework (SCQF) with employers through development of education material relating to construction.

Under our Memorandum of Understanding with Historic Scotland and SQA, the organisation has been working in partnership towards the publication of a draft audit of traditional skills. This report shows where traditional skills are integrated in accredited qualifications and training programmes whilst also identifying gaps.

We continue to work closely with the Scottish Construction Forum and its operational arm (the Scottish Construction Centre) with which we have a MOU. We work with the Procurement Group and the Planet Group on renewable and energy efficiency matters. We are presently in discussion with Skills Development Scotland (SDS) about a project on energy efficiency funded by a renewables skills fund. A senior ConstructionSkills representative chairs the People Group which looks at the availability of a well trained and skilled workforce.

We continue to work with Government on scenario planning using the Construction Skills Network data. We have a close working relationship with all Government stakeholders and have hosted many meetings at our Inchinnan offices near Glasgow Airport with MSPs and Government officials. This allows us to react positively to recent Cabinet reshuffles and continue our influencing role.

We continue to be represented on major boards and fora such as the Scottish Construction Forum, Learn Direct & Build, Scottish Cross Party Group for Skills, Scottish Cross Party Group for Construction, Scottish Traditional Skills Forum, Built Environment Skills Alliance Group, Learning and Teaching Scotland and the Scottish Resource Centre for Women in Science, Engineering and Technology.

CITB-ConstructionSkills in Wales

Developing our plans

During 2010, we built on our strong relationship with the Welsh Assembly Government (WAG) to maintain support for training. Indeed, WAG's proactive and innovative approach delivered schemes such as ProAct, Shared Apprenticeships and Pathways to Apprenticeships which supported apprenticeship levels, despite the recession.

In contributing to UK SSA targets, we worked closely with WAG on a Skills Action Plan. This sets out how our core minimum specification will be delivered and identifies sector-specific solutions. It also highlights the partners we need to work with. The plan was agreed with core SSA partners including WAG, the Higher Education Funding Council Wales, Job Centre Plus and Careers Wales. Specific activities included the acceptance of two projects linked with the funding and delivery of the Sector Priority Fund Pilot (SPFP): Delivering Low Carbon Skills and Transformational Change. The latter makes the case for efficient and good quality skills provision across Wales.

ConstructionSkills in Wales further developed its strategic and operational influence by setting up three Regional Construction Forums – now recognised as the lead forums for the industry – and linking WAG and client agendas to help our companies meet their customer (procurement) needs. This placed us at the centre of developments on the supply chain, low carbon and sustainability skills, cross-Wales procurement standardisation, business support initiatives and apprenticeship engagement.

The cross-party group on the Welsh Built Environment was created to promote understanding amongst Assembly Members (AMs) and others and to ensure that Wales has a world-class construction industry delivering best value for its clients, a safe environment on its sites and a proper career path and employment prospects for its people.

The group has eight founding AMs plus representation from ConstructionSkills and the Welsh Built Environment Forum and is chaired by Jeff Cuthbert AM. Meetings have covered topics such as public sector procurement and capital investment, sustainability and business support programmes.

Attracting and retaining talent

Despite the sector experiencing (and facing) further contraction, the managing agency in Wales recruited 955 apprentices and achieved an excellent framework achievement rate of 72%.

Apprentice numbers did not fall as far as the industry downturn would imply; peak to trough recruitment only contracted by 15%. This is attributed to targeting repair and maintenance and housing upgrade projects, where apprentices could make a strong contribution. The Shared Apprenticeship pilot was a big success, winning a UK National Training Award for Partnership and Collaboration. This is being mainstreamed for 2011 with new Shared Apprenticeships in North and South Wales and an expanded pilot in West Wales.

The 2010 SkillBuild UK final was held in Coleg Menai, Llangefni. 89 competitors from across the UK took part in categories including bricklaying, cabinet making, carpentry, drywall systems, joinery, painting and decorating, plastering, stonemasonry, roof slating and tiling, and wall and floor tiling. Two Welsh competitors achieved medals in the final and were nominated for the UK team at the next international WorldSkills Competition in London on 05–08 October 2011.

The success of Junior SkillBuild was clear with a more than 100% increase in participation and an improvement in the quality of competitors' work. Junior SkillBuild is funded by WAG and aims to nurture talent and provide competition experience for Welsh trainees. There were four regional heats culminating in a final in March. Because these were so successful, WAG has awarded a contract to ConstructionSkills to run the competitions in 2011.

Developing talent

As well as securing funding for apprenticeships, we help the existing workforce learn new skills. Moving to a low carbon future will challenge the industry and must be managed carefully. So we are working with the Assembly, colleagues from other SSCs and our Future Skills Unit to deliver a WAG-funded SPFP to help the supply side respond. This includes delivering low carbon and renewables skills training to businesses and individuals, developing better research and intelligence to understand the green skills of the future and helping trainers maximise their ability to respond to demands associated with a green economy in Wales.

We also established the Wales Traditional and Sustainability Building Skills Advisory Group, which advises on skills issues and developed a Skills Action Plan showing the range of co-ordinated measures being undertaken to improve delivery of traditional building skills and sustainability.

A 'Professional Services and the Construction Sector in Wales' report was launched by the Deputy Minister for Science, Innovation and Skills, Lesley Griffiths AM. It identified issues facing construction professionals and how best to improve advice and support for them. In response, ConstructionSkills created the Professional Body Forum and the Professional Services Sector Employer Group to work closely with professionals, employers and the Welsh Built Environment Forum. These will help raise the profile of professional services within WAG through the Cross-Party Group on the Welsh Built Environment.

The main strands of the Qualifications and Careers Strategy for Wales include working with DCELLS to support implementation of the Principal Learning and Project Qualifications as part of the Welsh Baccalaureate, with two consortia having begun delivery in September for completion by the summer of 2011. Another eight expressed interest in starting or developing provision from September 2011. Almost half of all Welsh consortia are either considering or have started with the qualification.

By trying to develop a fuller suite of pathway qualifications to recognise the industry's need for higher skills, we developed a flexible Higher Apprenticeship framework designed for employed learners working in more technical emerging occupations. Working with FE colleges, we are encouraging the launch of two pilot Higher Apprenticeship cohorts involving 20 apprentices from September 2011. This builds on work undertaken by other SSCs on Higher Apprenticeships and the pilots being run by ConstructionSkills in England.

National Occupational Standards (NOS) for craft skills including wood and trowel occupations, decorative finishing and industrial painting were produced as part of the Welsh language provision strategy, funded by a WAG grant. An application for funding for translating QCF units related to these NOS is currently being assessed.

Improving business performance

We are hoping to pilot a new approach to business support in North Wales, seeking to co-ordinate and target funding, with CITB-ConstructionSkills playing a central role in undertaking business reviews and organisational needs analyses.

The Future Skills Unit (FSU) was set up in Wales in 2009 to provide a focal point on low carbon, sustainability and innovation. It is building strategic links with partners, helping the sector achieve targets for sustainable development and climate change and respond to the challenges and opportunities afforded by product and process innovation.

One area of focus has been intelligence on future skills needs in Wales. The FSU organised a one-day workshop to contribute to our road mapping research project, which gives a top level overview of where construction is expected to be in the short (1–3 years), medium (3–5 years) and long term (5–10 years), and its resulting skills and training needs.

Efficiency and effectiveness

The FSU in Wales has developed and piloted training modules focusing on climate change, carbon reduction, future change in skills and innovation to inform staff in Wales of the changing needs of employers and to refresh and update the field offer and knowledge. This has been supported through the development of a draft handbook for field staff.

The FSU also supported the implementation of a £1.8m ESF-funded project by the cross-sector Built Environment SSCs. This focused on the craft and technical knowledge and skills needed to deliver a low carbon built environment in Wales.

The FSU has also been working with the Welsh School of Architecture at Cardiff University to initiate a separate ESF project with a value of £18m – this will develop a long-term strategy for professional development. It will also deliver subsidised training to support management and professional occupations around sustainability issues in Wales.

As a culmination of the future skills initiative in Wales in 2010, the FSU and the Welsh office have worked closely with employers, Welsh Assembly officials, AMs and Ministers on the establishment of a Cut the Carbon campaign for Wales, launched with Assembly support on 31 January 2011, led by ConstructionSkills Wales in partnership with the Federation of Master Builders (FMB) and the National Specialist Contractors Council.

In addition to the new devolved Building Regulations, from 2012 onwards, WAG is likely to introduce Site Waste Management Plans to support the industry through these regulatory and contractual changes.

In response, ConstructionSkills Wales is looking to train its Company Development Advisers to deliver Waste Awareness Workshops covering Site Waste Management Plans and the new regulations. We also plan to deliver first stage environmental audits through the Construct Wales project to help companies understand the future changes expected of them and how they will need to adapt.

CITB-SgiliauAdeiladu yng Nghymru

Datblygu ein cynlluniau

Yn ystod 2010, adeiladwyd ar ein perthynas gref gyda Llywodraeth Cynulliad Cymru (LICC) i gadw cefnogaeth ar gyfer hyfforddiant. Yn wir, cyflwynodd dull gweithredu rhagweithiol a blaengar LICC gynlluniau megis ProAct, Prentisiaethau a Rennir a Llwybrau at Brentisiaethau i gefnogi lefelau prentisiaeth, er y dirwasgiad.

Gweithiom yn agos â LICC ar Gynllun Gweithredu Sgiliau wrth gyfrannu at dargedau Ardal Sgiliau Sector (SSA) y DU. Noda hyn sut y cyflenwir ein manyleb ofynnol graidd a dynoda ddatrysiadau penodol i'r sector. Noda hefyd y partneriaid y mae angen i ni weithio â hwy. Cytunwyd ar y cynllun â phartneriaid craidd yr SSA yn cynnwys LLCC, CCAUC, Canolfan Byd Gwaith a Gyrfa Cymru. Cynhwysodd y gweithgareddau penodol dderbyn dau brosiect yn gysylltiedig gydag ariannu a chyflenwi Darparu Sgiliau Carbon Isel a Gweddnewid, Cynllun Peilot y Gronfa Blaenoriaeth Sector. Mae'r prosiect Gweddnewid yn cyflwyno'r achos dros ddarpariaeth sgiliau effeithiol ac ansawdd da ledled Cymru.

Datblygodd SgiliauAdeiladu yng Nghymru ei ddyllanwad strategol a gweithredol ymhellach drwy sefydlu tri Fforwm Adeiladu Rhanbarthol – a gaiff bellach eu cydnabod yn fforymau arweiniol ar gyfer y diwydiant – a chysylltu agendâu LLCC a chleientiaid i helpu ein cwmnïau i gyflawni eu hanghenion cwsmeriaid (caffaeliad). Rhoddodd hyn ni yng nghanol datblygiadau ar y gadwyn gyflenwi, sgiliau carbon isel a chynaliadwyedd, safoni caffaeliad ar draws cymru, cynlluniau cymorth busnes a phrentisiaethau.

Crëwyd y grŵp trawsbleidiol ar Amgylchedd Adeiledig Cymru i hyrwyddo dealltwriaeth ymysg Aelodau Cynulliad ac eraill a sicrhau fod gan Gymru ddiwydiant adeiladu gyda'r gorau yn y byd yn cyflenwi gwerth gorau i'w gleientiaid, amgylchedd diogel ar ei safleoedd a llwybr gyrfa iawn a rhagolygon cyflogaeth ar gyfer ei phobl.

Mae'r grŵp, dan gadeiryddiaeth Jeff Cuthbert AC, yn cynnwys wyth Aelod Cynulliad a chynrychiolwyr o SgiliauAdeiladu a Fforwm Amgylchedd Adeiledig Cymru. Mae cyfarfodydd wedi trafod pynciau megis caffaeliad sector cyhoeddus a buddsoddiad cyfalaf, cynaliadwyedd a rhaglenni cymorth busnes.

Denu a chadw talent

Er bod y sector wedi profi (ac yn wynebu) crebachu pellach, recriwtiodd yr asiantaeth rheoli yng Nghymru 955 o brentisiaid a sicrhau cyfradd cyflawni fframwaith ardderchog o 72%.

Ni wnaeth nifer prentisiaid ostwng gymaint ag yr awgrymai'r dirywiad yn y diwydiant, gan ostwng ond 15% rhwng yr uchafbwynt a'r isafbwynt. Priodolir hyn i dargedu prosiectau atgyweirio a chynnal a chadw ac uwchraddio tai, lle medrai prentisiaid wneud cyfraniad cryf. Bu'r cynllun peilot Prentisiaethau a Rennir yn llwyddiannus iawn, gan ennill Gwobr Hyfforddiant Cenedlaethol y DU am Bartneriaeth a Chydweithio. Bydd hyn yn y brif ffrwd ar gyfer 2011 gyda Phrentisiaethau a Rennir newydd yn y Gogledd a'r De a chynllun peilot estynedig yn y Gorllewin.

Cynhaliwyd rownd derfynol y DU o Adeiladu Sgiliau 2010 yng Ngholeg Menai, Llangefni. Cymerodd 89 o gystadleuwyr o bob rhan o'r DU ran mewn categorïau yn cynnwys gosod brics, gwneud dodrefn, gwaith saer, systemau wal sych, gwaith asiedydd, peintio ac addurno, plastro, gwaith saer maen, a thoi gyda llechi a theils. Enillodd dau gystadleuydd o Gymru fedalau yn y rownd derfynol a'u henwebu ar gyfer tîm y DU yng nghystadleuaeth ryngwladol nesaf WorldSkills yn Llundain ar 5–8 Hydref 2011.

Roedd llwyddiant Adeiladu Sgiliau lau yn amlwg gyda chynnydd o fwy na 100% yn y nifer a gymerodd ran a gwelliant yn ansawdd gwaith cystadleuwyr. Fe'i hariannir gan LLCC a'r nod yw meithrin talent a hyrwyddo profiad cystadlu ar gyfer hyfforddeion o Gymru. Cynhaliwyd pedair rownd ranbarthol gyda rownd derfynol ym mis Mawrth. Oherwydd iddynt fod mor llwyddiannus, dyfarnodd LLCC gontract i SgiliauAdeiladu i gynnal y cystadlaethau yn 2011.

Datblygu talent

Yn ogystal â sicrhau cyllid ar gyfer prentisiaethau, helpwn y gweithlu presennol i ddysgu sgiliau newydd. Bydd symud i ddyfodol carbon isel yn her i'r diwydiant a rhaid ei reoli'n ofalus. Rydym felly'n gweithio gyda'r Cynulliad, cydweithwyr o GSSau eraill a'n Huned Sgiliau'r Dyfodol i gyflenwi Peilot CBS a ariannir gan LLCC i helpu'r ochr cyflenwi i ymateb. Mae hyn yn cynnwys darparu hyfforddiant sgiliau carbon isel ac ynni adnewyddadwy i fusnesau ac unigolion, datblygu gwell ymchwil a gwybodaeth i ddeall sgiliau gwyrdd y dyfodol a helpu hyfforddwyr i gynyddu eu gallu i'r eithaf i ymateb i'r gofynion sy'n gysylltiedig gydag economi gwyrdd yng Nghymru.

Fe wnaethom hefyd sefydlu Grŵp Ymgynghori Sgiliau Adeiladu Traddodiadol a Chynaliadwy Cymru, sy'n cynghori ar faterion sgiliau ac a ddatblygodd Gynllun Gweithredu Sgiliau yn dangos ystod o fesurau cydlynol i wella cyflenwi sgiliau adeiladu traddodiadol a chynaliadwyedd.

Lansiodd Lesley Griffiths, Dirprwy Weinidog Gwyddoniaeth, Arloesedd a Sgiliau, adroddiad 'Gwasanaethau Proffesiynol a'r Sector Adeiladu yng Nghymru'. Mae'n dynodi materion sy'n wynebu gweithwyr adeiladu proffesiynol a'r ffordd orau i wella cyngor a chefnogaeth iddynt. Mewn ymateb, sefydlodd Sgiliau Adeiladu y Fforwm Corff Proffesiynol a Grŵp Cyflogwyr Sector Gwasanaethau Proffesiynol i weithio'n agos gyda gweithwyr proffesiynol, cyflogwyr a Fforwm Amgylchedd Adeiledig Cymru. Bydd hyn yn helpu i godi proffil gwasanaethau proffesiynol o fewn LLCC drwy Grŵp Trawsbleidiol ar Amgylchedd Adeiledig Cymru.

Mae prif feysydd Strategaeth Cymwysterau a Gyrfaoedd Cymru yn cynnwys gweithio gydag APADGOS i gefnogi gweithredu Prif Ddysgu a Chymwysterau Prosiect fel rhan o Fagloriaeth Cymru, gyda dau gonsortium wedi dechrau cyflenwi ym mis Medi i gwblhau erbyn haf 2011. Mynegodd wyth arall ddi-ddordeb mewn cychwyn neu ddatblygu darpariaeth o fis Medi 2011. Mae bron hanner holl gonsortia Cymru un ai'n ystyried neu wedi cychwyn ar y cymhwyster.

Drwy geisio datblygu cyfres lawnach o gymwysterau llwybr i gydnabod angen y diwydiant am sgiliau uwch, datblygom fframwaith Prentisiaeth Uwch hyblyg ar gyfer dysgwyr mewn cyflogaeth mewn swyddi newydd mwy technegol. Gan weithio gyda cholegau AB, rydym yn annog lansio dau gohort peilot Prentisiaeth Uwch yn cynnwys 20 o brentisiaid o fis Medi 2011. Mae hyn yn adeiladu ar waith CSSau eraill ar Brentisiaethau Uwch a'r cynlluniau peilot a redir gan Sgiliau Adeiladu yn Lloegr.

Cynhyrchwyd Safonau Galwedigaethol Cenedlaethol (NOS) ar gyfer sgiliau crefft yn cynnwys swyddi gwaith coed a thrywel, gorffeniad addurnol a pheintio diwydiannol fel rhan o strategaeth ddarpariaeth yn y Gymraeg a ariannwyd gan grant gan LLCC. Mae cais am gyllid i gyfieithu unedau FfCCh yn gysylltiedig â'r NOS yn cael ei asesu ar hyn o bryd.

Gwella perfformiad busnes

Gobeithiwn dreialu dull newydd o gymorth busnes yn y Gogledd, gan geisio cydlynu a thargedu cyllid, gyda CITB-Sgiliau Adeiladu â rôl ganolog mewn cynnal adolygiadau busnes a dadansoddiadau anghenion trefniadol.

Sefydlwyd Uned Sgiliau'r Dyfodol yng Nghymru yn 2009 i ganolbwyntio ar garbon isel, cynaliadwyedd ac arloesedd. Mae'n adeiladu cysylltiadau strategol gyda phartneriaid, gan helpu'r sector i gyflawni targedau ar gyfer datblygu cynaliadwy a newid yn yr hinsawdd ac ymateb i'r heriau a chyfleoedd arloesi mewn cynnyrch a phrosesau.

Un maes ffocws fu gwybodaeth ar anghenion sgiliau'r dyfodol yng Nghymru. Trefnodd yr FSU weithdy undydd i gyfrannu at ein prosiect ymchwil mapio ffyrdd, sy'n rhoi trosolwg lefel uchaf o le disgwylir i adeiladu fod yn y tymor byr (1–3 mlynedd), canol (3–5 mlynedd) a hir (5–10 mlynedd), a'i anghenion sgiliau a hyfforddiant dilynol.

Effeithlonrwydd ac effeithiolrwydd

Mae Uned Sgiliau'r Dyfodol yng Nghymru wedi datblygu a pheilotu modiwlau hyfforddi yn canolbwyntio ar newid yn yr hinsawdd, gostwng carbon, newid mewn sgiliau ac arloesedd i hysbysu staff yng Nghymru am y newid yn anghenion cyflogwyr a diweddarau'r cynnig a gwybodaeth maes. Cefnogwyd hyn drwy ddatblygu llawlyfr drafft ar gyfer staff maes.

Cefnogodd yr Uned hefyd brosiect £1.8m a ariennir gan Gronfa Gymdeithasol Ewrop ac sy'n cael ei weithredu gan GSSau traws-sector yr amgylchedd adeiledig. Canolbwyntiodd ar y grefft a'r wybodaeth a sgiliau technegol sydd eu hangen i gyflenwi amgylchedd adeiledig carbon isel yng Nghymru.

Bu'r Uned hefyd yn gweithio gydag Ysgol Bensaerniaeth Cymru ym Mhrifysgol Caerdydd i gychwyn prosiect £18m ar wahân gan Gronfa Gymdeithasol Ewrop fydd yn datblygu strategaeth hirdymor ar gyfer datblygu proffesiynol. Bydd hefyd yn cyflenwi hyfforddiant sy'n derbyn cymhorthdal i gefnogi swyddi rheoli a phroffesiynol yn ymwneud â materion cynaliadwyedd yng Nghymru.

Fel penllanw'r cynllun sgiliau dyfodol yng Nghymru yn 2010, bu'r Uned a Swyddfa Cymru'n gweithio'n agos gyda chyflogwyr, swyddogion LLCC, ACau a Gweinidogion i sefydlu ymgyrch Cwtogi'r Carbon yng Nghymru, a lanswyd gyda chefnogaeth y Cynulliad ar 31 Ionawr 2011, dan arweiniad Sgiliau Adeiladu yng Nghymru mewn partneriaeth â Ffederaliwn y Meistr Adeiladwyr a Chyngor Cenedlaethol Contractwyr Arbenigol.

Yn ogystal â rheoliadau adeiladu newydd fydd wedi'u datganoli o 2012 ymlaen, mae LLCC yn debygol o gyflwyno Cynlluniau Rheoli Gwastraff Safleoedd i gefnogi'r diwydiant drwy'r newidiadau rheoleiddio a chontractiol hyn.

Mewn ymateb, mae Sgiliau Adeiladu yng Nghymru'n ystyried hyfforddi ei Gyngorwyr Datblygu Cwmnïau i gyflwyno Gweithdai Ymwybyddiaeth Gwastraff, yn rhoi sylw i Gynlluniau Rheoli Gwastraff Safle a'r rheoliadau newydd. Bwriadwn hefyd gyflwyno archwiliadau amgylcheddol cam cyntaf drwy brosiect Adeiladu Cymru i helpu cwmnïau i ddeall y newidiadau a ddisgwylir ganddynt yn y dyfodol a sut y bydd angen iddynt newid.

ANNUAL ACCOUNTS

CITB-ConstructionSkills Trustees

The names of those serving as charitable Trustees of CITB-ConstructionSkills on 23 February 2011 are shown below, together with the names of those who stepped down during 2010.

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 advertising of any 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 ongoing support from the Secretariat. 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 64 and 65). These non-executive bodies are also supported by other volunteers from the industry.

Current and former Trustees (2010/11)

Sir Michael Latham, DL, MA, Dip Ed, FRSA – Chairman (until 31 March 2010)

James Wates, FCIoB, FRSA – Chairman (from 01 April 2010)

Judith Ann Lowe, BA, FCIL, FRSA, FIOD – Deputy Chairman

Harry Adam

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

Ian Billyard

Billy Kirkwood

Bob Blackman, MBE, MIOSH (until 30 April 2010)

Geoff Lister, FCIoB

Jason Campbell (from 12 October 2010)

Tim Peach

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

Martyn Price, FIOC

Dave Cochrane

Harold Rackham

Peter Cunningham (until 18 March 2010)

Alan Ritchie

Derek Field, FCIoB

James Wates, FCIoB, FRSA (until 31 March 2010)

Trevor Gamble

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 Recommendation 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 £25.1m surplus for the year to 31 December 2010 (2009 £11.6m deficit) compared with a forecast surplus of £5.5m.

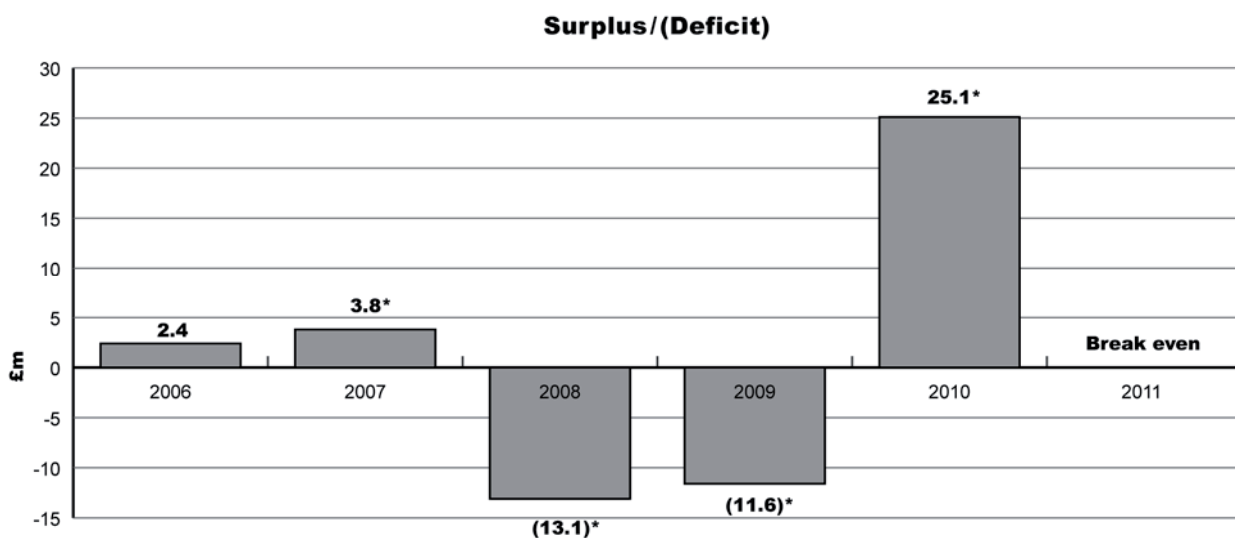
Working capital at the end of 2009 had fallen £23.2m below the minimum level agreed with Government (see the section 'Reserves' within Note 1 to the Financial Statements on page 45). This position arose following two years of deficits (2008 and 2009) arising from unexpectedly high demand for grants.

As part of a Four Point Plan, the key focus for the period from 2010 to 2012 was to manage the return on levy and drive down costs throughout the organisation, to restore working capital to the minimum levels required by the end of 2011. This was actually achieved by the end of 2010.

Levy income in the year was £6.5m below expectations, reflecting the impact of difficult economic conditions on the construction industry. Against this, grants paid to employers were £26.1m less than forecast because of fewer claims and the cuts in grant rates introduced at 01 January (expected to produce £10m of savings as part of managing the return on levy and not included in the original forecast, referred to above) and 01 August 2010. Despite lower levy income and reduced grants, CITB-ConstructionSkills returned 127% of levy (£207.5m) in benefits to the industry (see page 32).

Non-levy income fell by 15%, reflecting continuing difficulties in the economy and cuts in Government spending. Expenditure (excluding grants) fell by £17.3m (11.1%) because of lower volumes and cost-saving initiatives.

The plan for 2011 is to break even, which reflects the challenges facing the construction industry as a result of continuing economic uncertainty.



* 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 £10,000 in 2010. The results for 2009 also include an exceptional write-off of £1.3m.

ANNUAL ACCOUNTS

Income

Levy

Levy income in 2010 amounted to £167.4m (2009 £185.7m) comprising £168.2m (£2009 £188.6m) in respect of the current year's assessment less an adjustment of £0.8m (2009 £2.9m) 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 drop in levy income compared to 2009 was largely due to a fall in industry activity and earnings of 3.3% (measured from levy returns covering the year to 05 April 2009) and a 7.5% shift (in terms of the balance between direct and indirect employment costs) towards PAYE from the higher rated LOSC. Bad debts written off or provided for write-off remained at 6% of the current year's assessment income, whereas provision for future reassessments increased from 2% in 2009 to 4% in 2010 to reflect the experience of movements in the previous year's assessment.

The prior year's reassessment adjustment resulted from a reduction in the 31 December 2009 value of estimated levy assessments, partially offset by a reduction in the anticipated level of bad debts.

Almost 15,900 levy payers signed up to pay their levy by direct debit instalments, an increase of around 400 employers on 2009.

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 decreased from £20.4m to £10.6m (see Note 3 to the Financial Statements on page 47).

Income from central Government departments, the Scottish Government and Welsh Assembly Government fell from £16.5m to £7.9m. This was primarily due to reduced income of £8.8m from the SFA in England relating to the Train to Gain contract.

Income from the UK Commission for Employment and Skills (UKCES) fell by £1.1m to £2.8m. Funding for SSC core contract activities from UKCES was £2.3m, (2009 £2.4m) to match expenditure on specific contracted activities. Following an extension of the 2006 contract, a new contract with UKCES started on 01 April 2010, providing up to £6.1m 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 £1.0m to £0.5m because fewer projects were undertaken. The major project expenditure was £0.2m for Women into Work (which sought to increase the opportunities for and recruitment of women into construction).

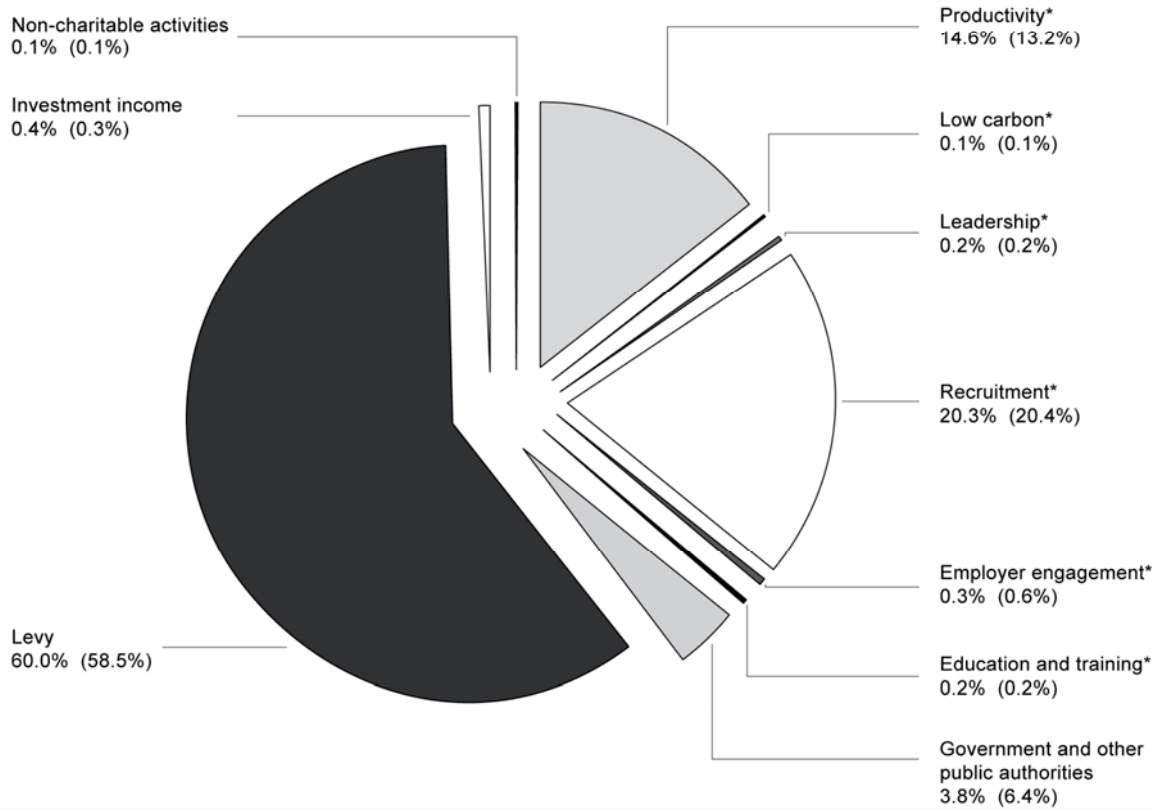
Other income

Other income totalled £99.8m, down from £110.2m in 2009, due to the reasons outlined in the section 'Industry skills challenges' on pages 28 and 29.

Investment income

Investment income at £1.0m rose by 6.4% over 2009, with a rise in the average level of cash deposits and investments held during the year outweighing the impact of lower interest rates. Average investment returns fell to 0.72% (2009 1.21%).

Income by category as a percentage of total incoming resources



* see Industry skills challenges on pages 28 and 29

ANNUAL ACCOUNTS

Expenditure

Grants

Grant expenditure amounted to £113.2m in 2010 (2009 £169.4m), helping to support 20,207 apprentices (including 9,755 framework achievements), 6,666 training and development plans, 39,183 VQ achievements and 26,656 plant tests.

Following a £24m grant overspend (compared with planned expenditure) in 2008 and 2009, the Board decided to cut grant rates with effect from 01 January 2010 to bring grant expenditure back under control and to rebuild levels of working capital diminished by funding the overspend.

A full strategic review of the Grants Scheme, involving wide industry consultation, was completed in early 2010 and changes made to implement the agreed principles and priorities with effect from 01 August 2010. These included measures to streamline the Scheme, e.g. the setting of single attendance and achievement rates. Further rate cuts were also necessary at this time to secure the future affordability of the Scheme, with levy income predicted to fall significantly in 2011 and demand for grant predicted to rise sharply as the industry pulls out of recession (projected in 2013).

Analysis shows that the reduction in grant expenditure can be split equally between the impact of the cut in grant rates and a decrease in training activity within the industry. The latter was most pronounced in apprentice numbers, On-Site Assessment and Training (OSAT) achievements and management training courses.

Apprentice grants accounted for £60.2m (down 16% on 2009) and all other grants accounted for £53.0m (down 45% on 2009).

The total number of employers claiming grant in 2010 was 19,058 (2009 22,637).

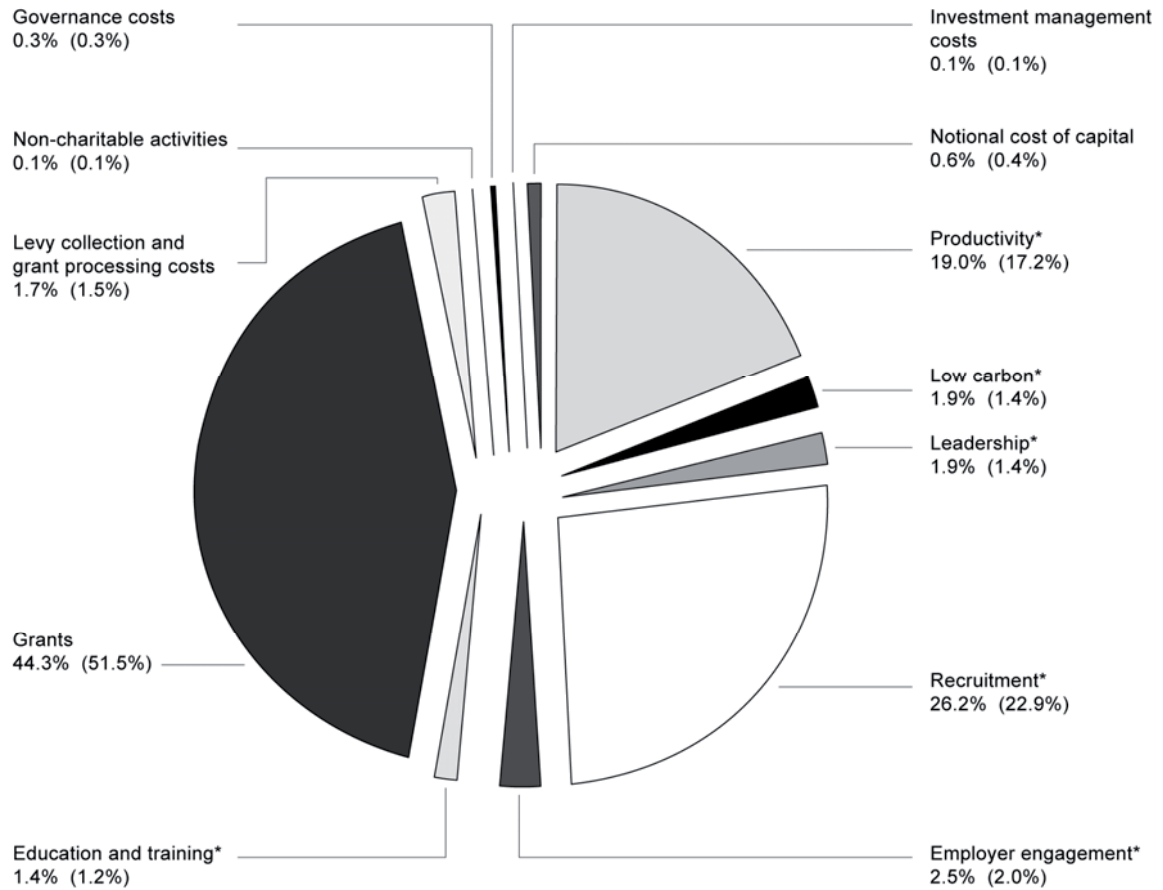
Governance costs

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 2010 was £0.9m (2009 £0.9m) (see Notes 1 and 9 to the Financial Statements on pages 43 and 49 respectively).

Notional cost of capital

The notional cost of capital was £1.6m (see Note 10 to the Financial Statements on page 49). This charge, which is added back in the Statement of Financial Activities, is included as a requirement within the Government Financial Reporting Manual. The rate, set by HM Treasury for 2010, was 3.5% (2009 3.5%).

Expenditure by category as a percentage of total resources used



* see Industry skills challenges on pages 28 and 29

ANNUAL ACCOUNTS

Industry skills challenges

The SSA is key to delivering our commitments as an SSC. This has recently been updated to ensure that the activities we undertake, and those that we look to other stakeholders to deliver, address the most immediate skills priorities and training needs. As a result, the Statement of Financial Activities (see page 40) reports income and expenditure against six industry skills challenges:

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

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 reduced by £1.2m (2.9%) to £40.9m resulting from reduced vocational training delivery in the NCC in line with the depressed market conditions and the cessation of direct funding from the SFA for National Skills Academies for Construction.

Expenditure at £48.4m (2009 £56.7m) also dropped, because of efficiency savings driven by transformational change and reduced volumes. The latter is primarily due to lower activity in respect of the Train to Gain contract, for which the income effect is reflected in reduced funding from Government and other public authorities (see Statement of Financial Activities on page 40).

Expenditure also includes £0.8m to support 40 National Skills Academies projects (2009 – £0.5m, 24 projects).

The lower level of spending when compared to 2009 reflects the current challenging economic climate in the face of public spending cuts.

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 2010 and 2009 (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 Future Skills development, publications, research and marketing, increased by £0.3m (6.9%) to £4.9m largely on activities to raise awareness of the low carbon challenges facing the industry across the three home nations.

Expenditure also includes £2.0m on the Management and Supervisory Development Programme (M&SDP) fund which has supported approximately 80 applications in 2010 spread across the three nations. Funding has varied regionally, but 40% was spent on projects focusing on innovation and sustainability.

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 and direct SSC funds, remained static at £0.6m but expenditure rose by £0.3m (6.5%) to £5.0m, through increased marketing activity.

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, SDS and Welsh Assembly 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 £56.9m was £8.0m down on 2009. Whilst apprentice volumes were up, the later start of apprentices in the year resulted in lower income of £6.6m and a reduction of £0.7m in training income. Expenditure of £66.9m also reduced, by £8.3m, primarily as a result of lower volumes and efficiency savings arising from the transformation agenda. However, there was increased expenditure of £1.0m on training activities for 14- to 19-year-olds.

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 £0.8m compares with £1.9m for 2009, the reduction resulting from reduced income for the National Specialist's team. Expenditure of £6.5m was in line with 2009, with efficiency savings in respect of national specialists (£0.8m), offset by increased NCC training costs (£0.4m) and increased development activity in Scotland and Wales (£0.3m).

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, training plans and Investors in People. 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 less funding available in 2010 to meet the costs of this work (down £0.1m at £0.5m), although income from the SSC core funding from the UKCES has supported the development of standards and qualifications. Expenditure was down by £0.6m, (14.7%) at £3.5m, as NCC maintained the level of training provision open to the industry, but through efficiency measures reduced the relative cost of delivery.

ANNUAL ACCOUNTS

Balance sheet

The balance sheet shows net assets of £57.7m at 31 December 2010 (£32.6m at 31 December 2009). The increase over the previous year reflects the surplus for the year of £25.1m. Working capital (net current assets) improved by £26.3m to £45.3m (see below).

Fixed assets

The net book value of fixed assets reduced by £1.2m to £12.8m, reflecting net additions of £0.5m less depreciation charges of £1.7m.

All freehold properties were revalued at 31 December 2010, giving rise to an unrealised reduction in value of £50,000 (see Note 13 on page 51).

During 2010, fixed asset additions were £0.7m, with the focus primarily on the commencement of an IT improvement programme. Major expenditure included £0.1m in respect of the Customer Engagement programme, £0.2m on a new data warehouse and £0.2m on software to streamline and automate business workflow processes.

Debtors

Total debtors at 31 December 2010 were £18.0m (2009 £32.1m).

Levy debtors fell from £24.1m to £7.0m. This was mainly due to all ten direct debit instalments falling due within the 2010 financial year compared with only nine out of ten falling due in 2009, resulting from the levy assessments being raised one month earlier. The collection of levy debts in 2010 was proportionately similar to 2009. Whilst the level of bad debt write-offs was lower than anticipated, the provision for bad debts at the end of 2010 was increased to reflect known current difficulties and a financially challenging year ahead for the industry. Another factor affecting levy debtors is that a more prudent approach to the provision for reassessments was taken at 31 December 2010, based on recent experience of the ultimate value of estimated assessments.

Non-levy debtors increased by £2.9m to £11.0m. Amounts due from intra-Government bodies increased by £3.5m at 31 December 2010 (SFA £2.4m and Department for Education £0.9m) offset by a reduction in other trade debtors (see Note 14 on page 52) of £0.7m, reflecting lower activity in a challenging market. Prepayments and accrued interest increased by £0.1m.

Creditors

Creditors fell by £0.8m to £53.3m at 31 December 2010.

Apprentice grants and allowances outstanding at the year end decreased by £0.7m to £3.6m, as a result of the withdrawal of the apprentice registration grant in 2010 and lower volumes. Accruals for other grants increased by £0.3m, reflecting a change in the grant rules in 2010 whereby grant is withheld from employers until their Levy Return has been submitted (the submission deadline has been extended from 31 December 2010 to 31 March 2011).

Amounts owing to intra-Government bodies fell by £1.8m to £4.0m, mainly due to a reduction in amounts owing to the SFA.

Other trade creditors (see Note 17 on page 53) increased by £1.5m, reflecting accrued reorganisation expenses partly offset by reduced activity and ongoing cost-saving initiatives implemented as part of the Four Point Plan (see 'Result for the year' on page 23).

Net current assets/reserves

Net current assets, which are taken as a measure of CITB-ConstructionSkills' reserves, increased from £19.0m at 31 December 2009 to £45.3m at 31 December 2010, mainly as a result of the surplus for the year of £25.1m and a reduction of £1.2m in the level of tangible fixed assets.

Reserves at £45.3m were above the year-end target level of £36.1m, 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 45).

Provisions

The level of provisions remained constant at £0.4m and represents provision for future leasehold property dilapidations (see Note 19 to the Financial Statements on page 55). The lease on the vacated property provided for in 2009 expired in November 2010.

Other information

Employer registrations

The number of employers on the Levy and Grant Register increased by 66 to 80,337 at 31 December 2010 of which 25,150 (2009 26,324) were due to pay a levy in 2010 – see Statistical Information Table 3 on page 61. During the year, 7,688 employers were added to the register compared with 7,622 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 Statement on Internal Control on pages 36 and 37).

Material cash support payments

The names of the recipients and the aggregate amounts of material grant and support payments are disclosed in Note 7 to the Financial Statements on page 48.

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 2010 amounted to £47,000 (2009: £47,000).

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 2010 was 98% compared with 95.3% in 2009.

Trade creditors at 31 December 2010 represented 22 days of average purchases during the year (2009 19 days).

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 0.72% for the year compared with a benchmark (Charities Official Investment Fund) rate of 0.52%.

ANNUAL ACCOUNTS

What the industry gets back

In 2010, CITB-ConstructionSkills collected £163.1m in levy after deducting the costs (£4.3m) of collecting levy and processing grants and generated £110.4m in self-funded commercial activity, which enabled the organisation to return £207.5m in benefits (see table below).

Financial benefits statement £m	Total	Training grants	Employer support	Industry support	Other support	Third party funding
Apprentices	127.0	60.2	18.9	1.9	33.1	12.9
Training courses	27.4	26.0		0.1		1.3
Graduates/undergraduates	10.3	9.5	0.4	0.3	0.1	
National Skills Academies for Construction	9.4		1.1		0.2	8.1
VQ achievements (non-apprentice) and Qualifying the Workforce support	9.2	8.5	0.7			
Plant and other grants	9.0	9.0				
Advice	4.8		2.4	0.8	1.6	
Consultancy and research, Cut the Carbon campaign and Future Skills	3.2			0.6	0.6	2.0
Training groups	2.9		2.4		0.5	
Specialist support	2.2		1.7		0.5	
Management and Supervisory Development Programme	2.1		2.0		0.1	
Total benefits	207.5⁽¹⁾	113.2	29.6	3.7	36.7	24.3
Net levy	163.1⁽²⁾					
Percentage return on levy	127%					

Training grants represent Grants Scheme payments (see Note 6 to the Financial Statements on page 47).

Employer support represents direct payments made on behalf of employers including £18.9m on the following – apprentice subsidy for 19-year-olds and over (£7.5m), NCC apprentice support (£7.3m), apprentice travel and lodging allowances (£3.6m) and Programme Led Apprentices (£0.5m).

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

Other support represents college fees paid on behalf of employers (£31.7m), 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 40) as:

	£m
Levy income	167.4
Less: levy collection/grant processing costs	(4.3)
⁽²⁾ Net levy	163.1
⁽¹⁾ Total benefits	207.5
Less: third party funding	(24.3)
Add: direct and other operating costs	69.4
Total cost of charitable activities	252.6

Statement of the Board's responsibilities

The Industrial Training Act 1982 requires the Board to keep proper accounts and other records in relation to the accounts, and to prepare in respect of each of its financial years a statement of account in such form as the Secretary of State may, with the approval of the Treasury, determine. 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:

- a) select suitable accounting policies and then apply them consistently
- b) make judgements and estimates that are reasonable and prudent
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained 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 business.

The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of CITB-ConstructionSkills and to enable it to ensure that the Financial Statements comply with the Industrial Training Act 1982. It is also responsible for safeguarding the assets of CITB-ConstructionSkills and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual Report approved by the Board on 23 February 2011 and signed on its behalf by:

Chairman
James Wates

Chief Executive
Mark Farrar

Statement of the Accounting Officer's responsibilities

The Chief Executive of CITB-ConstructionSkills undertakes the role of Accounting Officer. His responsibilities in this capacity, which include ensuring the propriety and regularity of the public finances for which he is answerable, are set out in the Accounting Officer Memorandum, issued by HM Treasury, and published as Chapter 3 of *Managing Public Money*, which is available on the Treasury website, www.hm-treasury.gov.uk.

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.

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 James Wates served throughout the year. Ian Miller was replaced during the year by Tim Peach).

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 (the range of individual performance payments is 0–3% of basic salary). However, in addition to a freeze on general pay, no performance payments were made to any employees in 2010.

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 25 (page 58) provides more information about this.

Notes – Remuneration and Pension benefits tables (opposite)

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

Steve Geary was appointed (from 03 September 2007) as Skills Strategy Director on a secondment from the Department for Children, Schools and Families (DCSF), during which time he was not a member of the ITB Pension Fund. However, CITB-ConstructionSkills made payments directly to the DCSF to cover his pension contributions which in 2010 totalled £15,063. The secondment ended on 16 September 2010 when he became a permanent member of CITB-ConstructionSkills' staff and a member of the ITB Pension Fund.

Max Hamps left the organisation at 30 April 2010 as a result of redundancy, for which he received a payment of £95,499 under the standard CITB-ConstructionSkills redundancy rules.

ANNUAL ACCOUNTS

Remuneration	Salary	Benefits in kind	2010 Total	2009 Total
	£'000	£'000	£'000	£'000
Mark Farrar – <i>Chief Executive</i>	222.0	1.1	223.1	223.0
Mike Bialyj – <i>Employer Services Director</i>	99.3	10.8	110.1	110.0
Colin Evans – <i>Business Services Director</i> (commenced 01 January 2010)	112.2	3.6	115.8	–
Steve Geary – <i>Skills Strategy Director</i>	105.0	10.1	115.1	114.3
Erika Stoddart – <i>Corporate Services Director</i> (commenced 05 January 2009)	117.2	0.9	118.1	117.0
Nicola Thompson – <i>Communications and Change Director</i>	102.2	1.1	103.3	102.3
Andy Walder – <i>NCC Director</i>	98.1	1.2	99.3	98.1
Frazer Clement – <i>Business Services Director</i> (left 26 February 2010)	21.3	1.6	22.9	124.4
Max Hamps – <i>Director (left 30 April 2010)</i>	32.4	4.7	37.1	110.9

Pension benefits	Real increase/ (decrease) in pension at normal retirement date £'000	Total accrued pension at normal retirement date as at 31 Dec 2010 £'000	Cash equivalent transfer value at 01 Jan 2010 £'000	Real increase/ (decrease) in the cash equivalent transfer value during the year £'000	Cash equivalent transfer value at 31 Dec 2010 £'000
Mark Farrar	2.5 – 5	10 – 15	123	38	167
Mike Bialyj	0 – 2.5	20 – 25	233	9	253
Colin Evans (from 01 January 2010)	0 – 2.5	0 – 5	–	18	18
Steve Geary (from 16 September 2010)	0 – 2.5	0 – 5	–	5	5
Erika Stoddart	0 – 2.5	0 – 5	15	17	32
Nicola Thompson	0 – 2.5	10 – 15	115	11	131
Andy Walder	0 – 2.5	10 – 15	151	13	171
Frazer Clement	(0 – 2.5)	* 55 – 60	914	(2)	* 912
Max Hamps	0 – 2.5	† 10 – 15	238	1	† 240

* as at 26 February 2010

† as at 30 April 2010

James Wates
Chairman of the Remuneration Committee
23 February 2011

Statement on Internal Control

Scope of responsibility

As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of CITB-ConstructionSkills' policies, aims and objectives, whilst safeguarding the funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The Board is responsible for establishing and monitoring appropriate policies to fulfil the objectives of CITB-ConstructionSkills as a statutory ITB. As Chief Executive and Accounting Officer, I am responsible for managing the implementation of agreed policies and am accountable to the Board.

As an SSC, CITB-ConstructionSkills operates as ConstructionSkills with its partners and is accountable to the Secretary of State for Business, Innovation and Skills. It also reports to the Department for Business, Innovation and Skills as a statutory ITB and non-departmental public body.

CITB-ConstructionSkills is established for exclusively charitable purposes and so is registered as a charity. Its charitable activities are partly funded by a statutory levy, which is confirmed by a three-year Levy Order passed by both Houses of Parliament.

The 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. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of CITB-ConstructionSkills' 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 2010 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

The management of strategic and operational risk is embedded in business processes. This is led by the

Executive Team, which formally considers key organisational risks on a regular basis.

Directors manage directorate risks with their senior teams within their formal business processes. Risk identification, management and mitigation steps are also undertaken informally as part of day-to-day business management. In addition, risk is formally considered in our business planning process, programme and project management, financial planning and legal contracting arrangements.

The risk and control framework

CITB-ConstructionSkills places great importance on the risk management and control framework. During 2010, we rolled out an updated Risk Management Policy, Strategy and Objectives, together with an Assurance Framework process to enhance our approach and equip managers with more sophisticated tools to build on their existing skills. The risk management policy, strategy, appetite and objectives are reviewed periodically and CITB-ConstructionSkills aims to apply best practice in the identification, evaluation and cost-effective management of risk as an integral part of operational activity. Directors are accountable to the Executive Team for risk management in their areas of activity, with top directorate risks reviewed monthly as part of performance monitoring and operational scrutiny and oversight provided by the internal Risk Committee, which I chair. Implicit in this approach is support and encouragement to the achievement of business objectives, anticipating and responding to changing social, environmental and legislative requirements, optimisation of control to achieve operational efficiencies and the ensuring of legal compliance as a minimum standard. Control risk self-declarations are completed by the management population annually to validate awareness and understanding, and confirm the implementation of the risk and control framework within their area of responsibility.

Management of risks to information

We routinely review systems and processes for handling data securely and undertook a thorough, in depth review of systems, access and information security processes and procedure in the light of the revised Government guidelines and to ensure we continue to meet latest best practice. The Information Management Group, consisting of senior staff from across the business, meets regularly to consider how information is managed and controlled and reports each quarter to the Executive Team.

Conflicts of interest

In fulfilling its statutory aims, CITB-ConstructionSkills operates in a range of capacities for the benefit of the sector, acting as an integrator of training policy, ensuring there is the best available fit between employer needs and provision to meet such needs. Consequently, it is sensitive to situations where there is the potential for conflicts of interest to arise. It believes that transparency of decision making and rigorous scrutiny by stakeholders, combined with well maintained information and other structural barriers, are effective in mitigating any impact arising from perceived or actual conflicts of interest.

Internal audit

Corporate Assurance is the dedicated risk management, assurance and internal audit unit working within CITB-ConstructionSkills to standards defined by HM Treasury and in accordance with professional guidelines. Audit coverage and planning is informed by risk and consideration of strategic objectives. Audit work is carried out to support managers in improving business management, giving recommendations and guidance on compliance, governance and risk management. The overarching objective of all audit work is to provide an independent opinion on the adequacy and effectiveness of the system of internal control.

Reports are submitted to the Audit Committee about audits undertaken, the implementation of recommendations, risk management (including the annual Control Risk Self Declaration process), governance and other matters as required. The Head of Corporate Assurance has a direct reporting line to the Chief Executive and has access to the Chairman of the Audit Committee to ensure independence.

Audit Committee

A formally constituted Audit Committee operates in accordance with best commercial practice and HM Treasury guidelines. The Chairman of the Audit Committee reports formally to the Board about risk management and the status of internal control within CITB-ConstructionSkills. The Chief Executive joins the Audit Committee to review the organisation's management of risk and ensures that members' advice about the identification, assessment and management of risk is taken into account. The Chairman of the Audit Committee is an ex-officio member of the Finance Committee, to enable dialogue on matters of mutual interest relating to risk management within CITB-ConstructionSkills.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of CITB-ConstructionSkills' internal auditors and executive managers, who are responsible for developing and maintaining the internal control framework. The Head of Corporate Assurance's opinion on the overall adequacy of the effectiveness of risk management, controls and governance processes is that they are satisfactory. This means that adequate and effective systems are in place but that there is some risk that business targets may not be achieved. In addition, the matters previously identified relating to financial and contractual management of a schedule on one externally funded contract have been sufficiently addressed during the year and will remain subject to regular review by the Corporate Assurance team.

Where weaknesses have been identified, I am satisfied that specific actions are in place to manage the associated risks. I do not consider these issues indicate a significant weakness in the system of internal control which would warrant further disclosure. Comments made by the external auditors in their final audit report and other reports also inform my review of the effectiveness of the system of internal control. As part of my review, I have been informed of the effectiveness of the system of internal control by the Executive Team, through control self-declarations, and by Corporate Assurance and the Audit Committee. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to ensure continuous improvement of the system is in place.

Accounting Officer:

Mark Farrar
Chief Executive
23 February 2011

Acknowledged on behalf of the Board:

Harry Adam
Chairman of the Audit Committee
23 February 2011

Certificate and Report of 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 2010 under the Industrial Training Act 1982. These comprise the Statement of Financial Activities, the Balance Sheet and 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

The Board and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Business, Innovation and Skills and for ensuring the regularity of financial transactions. These responsibilities are set out on page 33 in the Statements of the Board's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited 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. I report to you whether, in my opinion, the information which comprises the Key Deliverables 2010, the Financial Report, CITB-ConstructionSkills Trustees and Appendix B: Register of Interests of Board Members, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition I report to you if CITB-ConstructionSkills has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects CITB-ConstructionSkills' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of CITB-ConstructionSkills' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the Introduction (excluding Key Deliverables 2010) and Business Activities and Statistical Information sections, the unaudited parts of the Remuneration Report and other Appendices. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the

Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to CITB-ConstructionSkills' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Business, Innovation and Skills, of the state of affairs of CITB-ConstructionSkills as at 31 December 2010 and of its incoming resources and application of resources for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited 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; and
- information which comprises the sections headed Financial Report, Key Deliverables 2010, CITB-ConstructionSkills Trustees and Appendix B: Register of Interests of Board Members, included within the Annual Report, is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General

18 March 2011

National Audit Office
157 Buckingham Palace Road
Victoria
London SW1W 9SP

Financial Statements

Statement of Financial Activities for the Year Ended 31 December 2010

	Notes	2010 £'000	2009 £'000
INCOMING RESOURCES			
Incoming resources from charitable activities			
Non-levy income			
Skills challenges			
Productivity		40,874	42,094
Low carbon		56	20
Leadership		636	667
Recruitment		56,870	64,862
Employer engagement		779	1,874
Education and training		546	687
Government and other public authorities	3	10,640	20,432
Total non-levy income		110,401	130,636
Levy	4	167,434	185,693
Incoming resources from generated funds			
Investment income		1,030	968
Incoming resources from non charitable activities	5	147	151
		<u>279,012</u>	<u>317,448</u>
RESOURCES EXPENDED			
Cost of generating funds			
Investment management costs		21	29
Charitable activities			
Grants	6, 7	113,208	169,395
Skills challenges			
Productivity		48,371	56,714
Low carbon		4,941	4,620
Leadership		4,956	4,652
Recruitment		66,850	75,198
Employer engagement		6,450	6,418
Education and training		3,493	4,097
Levy collection and grant processing costs		4,343	5,110
Total cost of charitable activities	8	252,612	326,204
Non charitable activities	5	132	132
Governance costs	9	915	920
Total resources expended		253,680	327,285
Notional cost of capital	10	1,558	1,425
Total resources expended including notional costs		255,238	328,710
Net incoming/(outgoing) resources for the year after charging notional cost of capital		23,774	(11,262)
Notional cost of capital added back	10	1,558	1,425
Net incoming/(outgoing) resources before other recognised gains and losses		25,332	(9,837)
Other recognised gains and losses			
Realised (loss)/gain on investments		(115)	10
Unrealised loss on investments		(106)	(56)
Realised loss on sale of freehold properties		–	(108)
Unrealised loss on revaluation of freehold properties		(10)	(306)
Net movement in funds before exceptional item	11	25,101	(10,297)
Exceptional item	12	–	(1,302)
Net movement in funds		25,101	(11,599)
Accumulated unrestricted fund at 01 January		32,577	44,176
Accumulated unrestricted fund at 31 December	20	57,678	32,577

The above results include all recognised gains and losses and are derived from continuing activities. Notes 1–30 form an integral part of these accounts. The format of the Statement has been revised to reflect the changes in the industry skills challenges (described in more detail on pages 28 and 29) and accordingly the figures for 2009 have been restated (see Note 2).

Balance Sheet as at 31 December 2010

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	13		12,821		13,974
CURRENT ASSETS					
Debtors	14, 18	17,952		32,093	
Properties held for sale	15	790		750	
Investments	16, 18	78,222		38,724	
Cash at bank	18, 22	1,627		1,554	
		98,591		<u>73,121</u>	
CREDITORS					
Amounts falling due within one year	17, 18	(53,291)		<u>(54,113)</u>	
Net current assets			45,300		<u>19,008</u>
Total assets less current liabilities			58,121		<u>32,982</u>
PROVISIONS FOR LIABILITIES AND CHARGES	19		(443)		<u>(405)</u>
NET ASSETS			57,678		<u>32,577</u>
FINANCED BY					
Accumulated fund	20		57,678		<u>32,577</u>

Notes 1–30 form an integral part of these accounts.

Approved by the Board on 23 February 2011

and signed on its behalf by:

Chairman
James Wates

Chief Executive
Mark Farrar

ANNUAL ACCOUNTS

Cash Flow Statement for the Year Ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Reconciliation of net resources used to net cash inflow from operating activities			
Net incoming/(outgoing) resources for the year after charging notional cost of capital		23,774	(11,262)
Exceptional item	12	–	(844)
Notional cost of capital		1,558	1,425
Interest receivable		(1,030)	(968)
Operating surplus/(deficit)		24,302	(11,649)
Depreciation charges		1,688	1,941
Fixed asset write-off		–	51
Profit on sale of tangible fixed assets		(24)	(21)
Realised (loss)/gain on investments		(115)	10
Realised loss on sale of property		–	(108)
Decrease in debtors		14,365	8,598
Decrease in creditors and provisions		(1,059)	(824)
Net cash inflow/(outflow) from operating activities		39,157	(2,002)
CASH FLOW STATEMENT			
Net cash inflow/(outflow) from operating activities		39,157	(2,002)
Returns on investments and servicing of finance	21	807	1,003
Capital expenditure (net)	21	(287)	(965)
Management of liquid resources (call accounts, term deposits, money market and externally managed funds)	21	(39,604)	(63)
Increase/(Decrease) in cash at bank	22	73	(2,027)
Reconciliation of net cash flow to movement in net funds			
Increase /(Decrease) in cash at bank in the period		73	(2,027)
Management of liquid resources (call accounts, term deposits, money market and externally managed funds)		39,604	63
Other non-cash movements in the year		(106)	(56)
Movement in net funds in the year		39,571	(2,020)
Net funds at 01 January		40,278	42,298
Net funds at 31 December		79,849	40,278
Represented by:			
Investments	16	78,222	38,724
Cash at bank		1,627	1,554
		79,849	40,278

Notes 1–30 form an integral part of these accounts.

Notes to the Financial Statements for the Year Ended 31 December 2010

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 2009–10 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 Statement of Financial Activities 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 Statement of Financial Activities 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 Statement of Financial Activities 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 Statement of Financial Activities 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.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

1. ACCOUNTING POLICIES (continued)

Other recognised gains and losses

Realised on investments

The Statement of Financial Activities 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 Statement of Financial Activities.

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.

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)**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 Statement of Financial Activities.

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.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

2. RESTATEMENT OF PRIOR YEAR'S INCOMING RESOURCES AND RESOURCES EXPENDED FOR CHARITABLE ACTIVITIES

The activities that CITB-ConstructionSkills undertakes in support of the industry have been redefined around six skills challenges following consultation with industry, and income and expenditure have been restated to reflect these as shown below. The new challenges are explained in detail on pages 28 and 29.

	2009 Accounts	Grants	Productivity	Low carbon	Leadership	Recruitment	Employer engagement	Education and training	Government and other	Levy and grant costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Incoming resources										
Recruiting qualified new entrants	60,813		(78)			60,891				
Qualifying the existing workforce	44,362		37,768	24	345	3,994	1,868	363		
Improving business performance	5,029		4,404	(4)	322	(23)	6	324		
Government and other	<u>20,432</u>								<u>20,432</u>	
2009 as restated	<u>130,636</u>		<u>42,094</u>	<u>20</u>	<u>667</u>	<u>64,862</u>	<u>1,874</u>	<u>687</u>	<u>20,432</u>	
Resources expended										
Grants	169,395	169,395								
Recruiting qualified new entrants	70,001		2,908	672	865	64,777	687	92		
Qualifying the existing workforce	65,935		48,169	1,112	1,842	8,542	3,582	2,688		
Improving business performance	15,763		5,637	2,836	1,945	1,879	2,149	1,317		
Levy and grant costs	<u>5,110</u>									<u>5,110</u>
2009 as restated	<u>326,204</u>	<u>169,395</u>	<u>56,714</u>	<u>4,620</u>	<u>4,652</u>	<u>75,198</u>	<u>6,418</u>	<u>4,097</u>		<u>5,110</u>

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)**3. INCOMING RESOURCES FROM GOVERNMENT AND OTHER PUBLIC AUTHORITIES**

	2010 £'000	2009 £'000
European grants receivable	1,697	727
Government departments and Scottish Executive	<u>6,175</u>	<u>15,809</u>
	7,872	16,536
UK Commission for Employment and Skills (UKCES) (see below)	<u>2,768</u>	<u>3,896</u>
	<u><u>10,640</u></u>	<u><u>20,432</u></u>

No grant-in-aid is receivable by CITB-ConstructionSkills

UKCES income includes funding for the SSC core contract of £2,318,000 (2009 £2,390,000) to reimburse expenditure of £2,318,000 (2009 £2,390,000) for specific activities during the year.

4. LEVY

2009 levy assessment receivable in 2010	168,220	188,611
Adjustment to previous year's levy assessments	<u>(786)</u>	<u>(2,918)</u>
	<u><u>167,434</u></u>	<u><u>185,693</u></u>

5. NON-CHARITABLE ACTIVITIES

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

6. TRAINING GRANTS

Paid or offset during the year	113,604	169,574
Less: Accruals brought forward	<u>(28,207)</u>	<u>(28,386)</u>
Add: Accruals for further payments	<u>27,811</u>	<u>28,207</u>
	<u><u>113,208</u></u>	<u><u>169,395</u></u>
Apprenticeship grants		
Commitment grants	375	1,339
Attendance grants	25,730	30,589
Achievement grants	<u>34,093</u>	<u>40,112</u>
	<u>60,198</u>	<u>72,040</u>
Other grants	<u>53,010</u>	<u>97,355</u>
Total grants (all claimed as institutional grants)	<u><u>113,208</u></u>	<u><u>169,395</u></u>

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

7. 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 £160,000 made during the year:

Recipient	£'000	Recipient	£'000
Carillion* – CITC £7,353,577		R G Carter	306
– other £1,204,021	8,558	Alfred Bagnall	305
Laing O'Rourke	2,770	Bowmer & Kirkland	283
Balfour Beatty	2,397	Ashleigh	271
Morgan	1,908	Royal Volker Wessels	270
BAM	1,649	CCG	266
Kier	1,468	Cruden	258
H B Civil & Building Services	1,157	Lend Lease	258
Vinci	1,076	Mears	251
Barratt	969	Enterprise	242
Keepmoat	808	J N Bentley	230
Skanska	768	Ian Williams	223
Rok	767	E W Beard	221
Taylor Wimpey	733	Interior Services	211
Costain	694	South West Highways	210
Willmott Dixon	689	SIG	210
Connaught	676	Gap	206
Interserve	615	F M Conway	206
Galliford Try	608	Aggregate Industries	206
Seddon	570	John Sisk & Son	199
Ashtead Plant Hire	493	Muirfield	192
Sir Robert McAlpine	492	Redrow	186
Morrison Utility Services	476	Shepherd	184
Bell	459	Miller	178
Insight Solutions	446	Hewden Stuart	178
Mitie	434	Shire Precast Erection	175
May Gurney	433	AWG	167
Wates	402	Lavendon	161
Cape	394		<u>40,484</u>
Persimmon	345		
Speedy Hire	334		
Hewlett Construction	326		
Bouygues	317	Other recipients	111,086
		Total payments	<u>151,570</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 22,637 in 2009 to 19,058 in 2010 (-15.8%).

Reconciliation with charges:	Accruals B/F £'000	Payments £'000	Accruals C/F £'000	Charges £'000
Training grants (Note 6)	(28,207)	113,604	27,811	113,208
Trainee allowances	(375)	4,561	375	4,561
College fees	(8,536)	33,405	6,819	31,688
	<u>(37,118)</u>	<u>151,570</u>	<u>35,005</u>	<u>149,457</u>

College fees and trainee allowances are included within expenditure attributed to Recruitment in the Statement of Financial Activities (page 40).

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)**8. CHARITABLE ACTIVITIES**

Activity	Activities undertaken directly	Support costs (Note 11)	Total	Grant making	2010 Total including grants	2009 Total including grants
	£'000	£'000	£'000	£'000	£'000	£'000
Grants	113,208	–	113,208	(113,208)	–	–
Productivity	45,702	2,669	48,371	40,128	88,499	117,564
Low carbon	4,884	57	4,941	–	4,941	4,620
Leadership	4,737	219	4,956	2,550	7,506	8,439
Recruitment	63,080	3,770	66,850	69,697	136,547	178,719
Employer engagement	6,323	127	6,450	833	7,283	7,655
Education and training	3,397	96	3,493	–	3,493	4,097
Levy collection and grant processing costs	–	4,343	4,343	–	4,343	5,110
	<u>241,331</u>	<u>11,281</u>	<u>252,612</u>	<u>–</u>	<u>252,612</u>	<u>326,204</u>

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 28 and 29.

9. GOVERNANCE COSTS

	2010 £'000	2009 £'000
Board and committee costs	209	193
Corporate Assurance	356	384
Business Planning	121	112
Legal	74	74
Finance	56	53
External audit	49	49
Other	50	55
	<u>915</u>	<u>920</u>

10. NOTIONAL COST OF CAPITAL

In accordance with HM Treasury Guidance, the accounts include a notional charge representing the cost of capital, which is based on the average capital employed (equivalent to net assets) at a rate prescribed by HM Treasury of 3.5% (2009 3.5%). The charge has been included after the heading 'total resources expended'. As the charge is notional, it is removed from the Statement of Financial Activities before identifying net incoming/outgoing resources for the year.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

11. NET MOVEMENT IN FUNDS

	2010 £'000	2009 £'000
The net movement in funds for the year of £25,101,000 was arrived at after (crediting)/charging:		
Profit on sale of fixed assets	(23)	(21)
Exceptional item (see Note 12)	–	1,302
Unrealised loss on revaluation of freehold property	10	306
Board members' remuneration (see Note 25)	27	44
Rentals paid under operating leases		
• Hire of plant and machinery	100	79
• Other operating leases	789	695
Auditors' remuneration		
• Audit fees	49	49
Depreciation		
• Owned assets	1,688	1,941
SSC activities (see Note 3)	2,318	2,390
Indemnity insurance	13	13
Support costs (see below)	11,281	12,026

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	3,464	–	–	–	–	–	–	3,464
Management	78	168	53	189	218	99	55	860
Finance	180	374	1	4	543	4	4	1,110
Information technology	364	1,583	2	18	2,267	17	27	4,278
Human resources	68	396	1	6	486	6	6	969
Legal	189	148	–	2	256	1	4	600
2010	4,343	2,669	57	219	3,770	127	96	11,281
2009	5,110	2,650	58	231	3,753	127	97	12,026

12. EXCEPTIONAL ITEM

The exceptional item for 2009 represented the development costs of building new college facilities at NCC East written off because Government funds were no longer available to complete the project as planned.

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)**13. TANGIBLE FIXED ASSETS**

	Freehold property	Plant and machinery	Motor vehicles	Office and computer equipment	Total
(a) Summary	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
01 January 2010	9,275	7,886	3,224	7,718	28,103
Additions	–	–	–	731	731
Disposals	–	–	(553)	(24)	(577)
Write-off	–	(1,887)	(27)	(4,221)	(6,135)
Revaluation (see below)	(50)	–	–	–	(50)
31 December 2010	9,225	5,999	2,644	4,204	22,072
Valuation 2010	8,665	–	–	–	8,665
Cost	560	5,999	2,644	4,204	13,407
	<u>9,225</u>	<u>5,999</u>	<u>2,644</u>	<u>4,204</u>	<u>22,072</u>
Depreciation					
01 January 2010	51	5,693	2,126	6,259	14,129
Charges for the year	28	655	301	704	1,688
Disposals	–	–	(413)	(18)	(431)
Write-off	–	(1,887)	(27)	(4,221)	(6,135)
31 December 2010	79	4,461	1,987	2,724	9,251
Net book value					
31 December 2010	9,146	1,538	657	1,480	12,821
31 December 2009	9,224	2,193	1,098	1,459	13,974

At 31 December 2010, 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 £50,000.

	2010 £'000	2009 £'000
(b) Historical cost information		
If the valuations had not been included then freehold property would have been included at the following amounts:		
Cost	9,225	13,226
Accumulated depreciation	(3,679)	(3,546)
	<u>5,546</u>	<u>9,680</u>

(c) Freehold property

Included in freehold property is an amount of £3,910,000 (2009 £3,790,000) relating to freehold land.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

13. 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 £73,000 at 31 December 2010 (2009 £5,917) for 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 £800,000 (2009 £1,000,000).

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Levy debtors	6,956	24,060
Trade/other debtors (see below)	9,172	6,339
Prepayments and accrued interest	1,824	1,694
	<u>17,952</u>	<u>32,093</u>
Trade/other debtors includes:		
Intra-Government balances:		
Central Government bodies	4,767	1,350
Public corporations	374	284
Local authorities	79	39
	<u>5,220</u>	<u>1,673</u>
Other trade debtors	3,952	4,666
	<u>9,172</u>	<u>6,339</u>

15. 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 2010.

16. INVESTMENTS

Analysis of movement of investments	2010 £'000	2009 £'000
Carrying value (market value) at beginning of year	38,724	38,717
Additions to investments at cost	302,693	351,216
Disposals at carrying value	(262,974)	(351,163)
Net loss on revaluation	(221)	(46)
Carrying value (market value) at end of year	<u>78,222</u>	<u>38,724</u>
Listed securities managed by fund managers	20,542	12,092
Deposits with banks and building societies	57,680	26,632
	<u>78,222</u>	<u>38,724</u>

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)**16. INVESTMENTS** (continued)

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

Investments	2010	2009
	£'000	£'000
2.875% Euro Inv Bank 2013	5,147	–
4.875% Kreditanst Für Wie 2013	5,072	–
5% Euro Inv Bank 2012	–	5,333
5.5% Euro Inv Bank 2011	–	2,145
4.25% Euro Inv Bank 2010	–	2,063
Term deposits		
Bank of Scotland	10,000	–
Royal Bank of Scotland	10,000	–
Clydesdale Bank	10,000	–
Nationwide	5,000	5,000
Santander	5,000	–
Money market funds		
Barclays Business Premium	6,144	9,059
Abbey Business Reserve	5,015	7,762
Aviva Liquidity Funds	4,204	–

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£'000	£'000
Trade creditors (see below)	23,958	24,321
Taxation and social security	1,148	1,210
Accruals:		
New Entrant Training grants and allowances payable to 31 December	3,597	4,314
Other grants payable to 31 December	24,588	24,268
	53,291	54,113
Trade creditors includes:		
Intra-Government balances:		
Central Government bodies	3,349	5,520
Public corporations	609	259
Local authorities	2	2
	3,960	5,781
Other trade creditors	19,998	18,540
	23,958	24,321

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

18. 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 2010, together with any associated gains and losses.

	Loans and receivables	Available for sale	Other financial liabilities	Total
	£'000	£'000	£'000	£'000
Debtors excluding prepayments	16,128	–	–	16,128
Investments	–	78,222	–	78,222
Cash at bank	1,627	–	–	1,627
Creditors	–	–	(53,291)	(53,291)
2010	17,755	78,222	(53,291)	42,686
2009	31,953	38,724	(54,113)	16,564

Investment losses

Loss on disposal of investments	(115)
Net movement in fair value of available-for-sale investments	(106)
2010	(221)
2009	(46)

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 2010.

Credit risk

CITB-ConstructionSkills is exposed to credit risk of £3,952,000 (2009 £4,666,000) in other trade debtors (see Note 14 on page 52). However, this is not considered to be significant as major customers are familiar and loss experience has been small. 94% 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 2010, 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 2010 (2009 nil) in relation to cash held by bankers.

Liquidity risk

60.0% of CITB-ConstructionSkills' income in 2010 was derived from the statutory levy (2009 58.5%), 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 43 to 45). CITB-ConstructionSkills believes that the level of unrestricted reserves at the end of 2010, 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 2010 (continued)**18. 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 16 on pages 52 and 53.

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

Interest income for the year made up 0.4% (2009 0.3%) 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 2010 would have been approximately £1,400,000 (2009 £500,000).

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.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Vacated office costs £'000	Leasehold property dilapidations £'000	Total £'000
Balance as at 01 January 2010	65	340	405
Utilised	(22)	(62)	(84)
Transfer	(43)	43	–
Additional provisions	–	122	122
Balance as at 31 December 2010	–	443	443

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; £147,000 of this provision is in respect of 2011 and the remainder relates to future years.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

20. ACCUMULATED UNRESTRICTED FUND

	General reserve £'000	Fixed asset revaluation reserve £'000	Total £'000
Balance at 01 January 2010	31,794	783	32,577
Net movement in funds	25,151	(50)	25,101
Balance at 31 December 2010	56,945	733	57,678

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. It is intended to use this surplus for future development of the training and recreational facilities of the NCC.

21. GROSS CASH FLOWS

	2010 £'000	2009 £'000
Returns on investments and servicing of finance		
Interest received on investments	807	1,003
Capital expenditure		
Payments to acquire tangible fixed assets	(456)	(1,095)
Receipts from sales of tangible fixed assets	169	130
	(287)	(965)
Management of liquid resources		
Placed on deposit and purchase of externally managed investments	(302,693)	(351,216)
Deposit withdrawals and sale of externally managed investments	263,089	351,153
	(39,604)	(63)

22. ANALYSIS OF CHANGES IN NET FUNDS

	At 01/01/10 £'000	Cash flows £'000	Other non-cash movements £'000	At 31/12/10 £'000
Current asset investments on call	20,632	(2,952)	–	17,680
Other current asset investments	18,092	42,556	(106)	60,542
	38,724	39,604	(106)	78,222
Cash at bank	1,554	73	–	1,627
	40,278	39,677	(106)	79,849

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)**23. 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 final draft of the valuation document awaits approval from the Scheme Trustees.

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 draft valuation indicated that the actuarial value of the assets held by the total Scheme fund showed a deficit of circa £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.

Staff joining the ITB Pension Funds Scheme after 01 April 2008 were entered into a 'New Section' of the ITB Pension Funds Scheme, receiving a reduced level of benefits compared to the 'Old Section' provisions. With effect from 01 April 2009, staff who were members of the 'Old Section' had the opportunity to transfer to the 'New Section' if they wished to do so, which required a lower level of contributions from both the employee and employer. Employee contribution rates for Old Section members increased in April 2009 from 5% to 6.8% and to 7.8% with effect from April 2010. The employer contribution rates from April 2010 were increased to 16% for the Old Section (2009 12%) and 11.1% for the New Section (2009 10.1%).

All CITB-ConstructionSkills staff in the ITB Pension Funds Scheme at 01 January 2011 will be transferred into the 2007 section. Employee and employer contribution rates in 2011 for the 2007 section will be 6% and 7.6% respectively. Total employer contribution payments to the ITB Pension Funds scheme will increase to 18% per annum over the next three years to include deficit payments and future contributions.

Payments made in 2010 are shown in Note 26 on page 58.

24. LEASE COMMITMENTS

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

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases				
Leases expiring within one year	145	96	79	54
Leases expiring in the second to fifth years	265	358	120	410
Leases expiring after five years	156	—	261	—
	<u>566</u>	<u>454</u>	<u>460</u>	<u>464</u>

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)

25. BOARD MEMBERS' REMUNERATION

Remuneration of the Board members was as follows:

	2010 £	2009 £
Chairman – James Wates (<i>appointed 01 April 2010</i>)	–	–
Chairman – Sir Michael Latham (<i>retired 31 March 2010</i>)	5,609	22,438
Deputy Chairman – Judy Lowe (<i>appointed 01 October 2009</i>)	21,501	5,375
Deputy Chairman – Peter Rogerson (<i>retired 30 September 2009</i>)	–	16,126

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 £33,557 (£33,432 in 2009) in respect of accommodation, travel and subsistence. The total number of recipients was 15 (11 in 2009).

26. 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	2010 number	2009 Number
Training	890	72	962	1,109
Other activities	411	16	427	441
	<u>1,301</u>	<u>88</u>	<u>1,389</u>	<u>1,550*</u>

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

	2010 £'000	2009* £'000
Salaries of directly employed staff	38,161	43,826
Temporary staff costs	3,504	5,241
Redundancy costs	7,195	853
Social security costs	3,114	3,419
Other pension costs (see Note 23)	4,636	4,124
	<u>56,610</u>	<u>57,463*</u>

* Staff numbers and costs for 2009 have been restated from 1,415 and £52,222,000 respectively because of a change in reporting to include temporary staff.

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 34 and 35.

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 34 and 35), fell within the ranges shown below:

	Number of employees	
	2010	2009
£60,001 – £70,000	18	23
£70,001 – £80,000	14	12
£80,001 – £90,000	4	6
£90,001 – £100,000	1	2

Notes to the Financial Statements for the Year Ended 31 December 2010 (continued)**27. 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 £15,000 (2009 £19,000). This has given rise to a potential corporation tax liability of £3,200 (2009 £4,000), provision for which is included under taxation in creditors (Note 17 on page 53).

28. 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 2010 there were material debtor balances of £2,675,959 with Skills Funding Agency, £2,038,968 with Welsh Assembly Government and material creditor balances of £2,791,856 with Skills Funding Agency, £263,429 with HM Revenue & Customs and £257,793 with Welsh Assembly Government.

Appendix A (on pages 64 and 65) lists the members of the Board and its Committees, also giving the names of their employers. Appendix B (pages 66 and 67) 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 2010, including those paid to employers of Board members, are set out in Note 7 (page 48).

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

29. LOSSES AND SPECIAL PAYMENTS

During the year, no special payments were made and there was one reportable loss over £250,000. The loss relates to a levy debt write-off totalling £459,760, as a result of the company going into administration. Total bad debts written off during the year amounted to £4,145,033 (2009 £4,195,820).

30. 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 18 March 2011 by Mark Farrar (Accounting Officer). Events after this date have not been considered.

Statistical Information for the Year Ended 31 December 2010

Table 1: Distribution of number of employers by 2009 levy assessment band and main activity							
Main activity	Levy value						Total
	Not assessed	£ Zero	£s 1-99	£s 100-499	£s 500-999	£s 1,000+	
Alteration to a building/part of a building	211	332	0	11	27	125	706
Architectural steelwork installation	30	18	0	1	10	31	90
Asbestos removal	26	18	0	6	9	35	94
Asphalt and tar spraying	24	150	0	17	45	167	403
Bricklaying	207	827	5	11	8	60	1,118
Building and civil engineering	1,217	1,963	8	38	197	1,482	4,905
Building repair and maintenance	580	2,547	0	58	323	1,206	4,714
Cavity wall insulation or draught proofing	10	14	0	1	8	45	78
Civil engineering	184	668	6	29	128	844	1,859
Construction labour agencies	100	132	0	0	3	30	265
Curtain walling/structural glazing	12	17	0	2	4	21	56
Damp proofing	14	52	0	4	10	20	100
Demolition	108	174	0	8	46	185	521
Developers	329	692	0	4	42	291	1,358
Diamond drilling	15	70	1	2	9	29	126
Dry lining or partition specialist	136	330	1	12	18	353	850
Erecting/dismantling exhibition stands	8	15	0	1	6	6	36
Felt roofing	14	127	0	12	16	80	249
Fire protection	9	12	0	2	4	43	70
Fitted kitchen/bedroom/bathroom installation	165	531	1	14	66	192	969
Flat glass glazing	19	110	0	10	35	48	222
Floor covering	12	108	1	8	21	75	225
Flooring	69	278	1	11	48	201	608
General building	5,289	15,151	22	262	1,454	6,119	28,297
Hard landscaping	55	142	0	6	12	24	239
House building	289	1,243	2	16	148	976	2,674
Interior fit-out	175	127	1	6	19	267	595
Joinery and carpentry (mainly site work)	1,227	4,488	4	78	241	566	6,604
Joinery manufacture	229	960	0	84	290	486	2,049
Mastic asphalt	7	25	0	4	8	27	71
Mastic sealant application	7	32	0	3	13	22	77
Painting and decorating	811	2,964	6	89	227	977	5,074
Paving	36	135	0	9	5	16	201
Piling	6	9	0	1	2	27	45
Plant hire/repair and/or tool hire	211	988	2	84	262	724	2,271
Plastering and/or artexing	546	1,321	2	24	50	442	2,385
Preparing/fixing stone (including stonemasonry)	60	177	0	11	27	107	382
Reinforced concrete specialist	19	74	1	4	3	41	142
Roof sheeting and cladding	93	174	1	6	30	268	572
Roofing including slating and tiling	624	1,622	1	60	183	713	3,203
Scaffolding	240	525	1	61	207	679	1,713
Shopfitting	131	211	0	5	45	404	796
Site preparation and groundworks	194	754	7	25	89	382	1,451
Steeplejack/lightning conductor engineering	8	23	0	5	19	38	93
Suspended ceiling installation	68	218	1	6	22	239	554
Swimming pool construction	10	20	0	0	13	17	60
Utilities	30	25	0	0	0	31	86
Wall and floor tiling	126	373	2	7	27	153	688
Other activities	102	129	1	10	31	120	393
Total	14,092	41,095	78	1,128	4,510	19,434	80,337

Note: Not assessed – Employers in their first year of registration and untraceable employers
 Zero – Employers whose payroll payments fall below the £80,000 threshold

Statistical Information for the Year Ended 31 December 2010 (continued)

Table 2: Levy income by employer size			
Employer size	Number of employers	Number of employees	Levy £'000
Large	292	255,008	54,204
Medium	1,745	166,381	41,781
Small	10,158	201,217	44,152
Micro	54,050	136,178	28,083
Other	14,092	Not known	0
Total	80,337	758,784	168,220

Table 3: Number of employers assessable to levy		
Levy banding	Number of employers	Number of employees
Assessable to positive levy	25,150	632,205
Assessable to zero levy	41,095	126,579
Not assessed	14,092	Not known
Total	80,337	758,784

Table 4: Grant and support by size of employer			
Employer size	Number of employers claiming grant and other support	Value of grant and other support payments £'000	Percentage of total grant and other support
Large	295	48,488	32%
Medium	1,628	37,342	25%
Small	6,075	32,563	21%
Micro	10,490	30,752	20%
Other	570	2,425	2%
Total	19,058	151,570	100%

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

Statistical Information for the Year Ended 31 December 2010 (continued)

Table 5: Number of employers with new entrant trainees					
Number of trainees	Employer size				Total
	Large	Medium	Small	Micro	
1	24	217	1,607	7,784	9,632
2 to 5	46	420	1,596	2,171	4,233
6 to 10	34	172	170	0	376
11 to 15	16	67	36	0	119
16 to 20	14	28	0	0	42
21 to 50	35	17	0	0	52
51 to 100	12	1	0	0	13
101 and over	19	0	0	0	19
Total	200	922	3,409	9,955	14,486

Table 6: Employers claiming grant by levy band				
Levy banding	Employers claiming grant		Employers not claiming grant	
	Assessable to a positive levy	11,028	14%	14,122
Assessable to zero levy	7,078	9%	34,017	42%
Other	952	1%	13,140	16%
Total	19,058	24%	61,279	76%

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

Statistical Information for the Year Ended 31 December 2010 (continued)

Table 7: Number of trainees by size of employer and main activity					
Main activity	Employer size				Total
	Large	Medium	Small	Micro	
Alteration to a building/part of a building	0	2	64	159	225
Architectural steelwork installation	0	0	5	1	6
Asphalt and tar spraying	43	4	6	1	54
Bricklaying/pointing	0	10	70	471	551
Building and civil engineering	755	4,969	583	242	6,549
Building repair and maintenance	418	279	616	538	1,851
Civil engineering	204	128	71	30	433
Construction labour agencies	701	2	5	4	712
Damp proofing	0	0	14	14	28
Demolition	2	38	34	12	86
Developers	0	6	10	95	111
Diamond drilling	0	3	9	4	16
Dry lining or partition specialist	0	40	108	23	171
Erecting/dismantling exhibition stands	0	0	2	5	7
Felt roofing	0	9	27	10	46
Fire protection	0	8	2	0	10
Fitted kitchen/bedroom/bathroom installation	0	3	54	165	222
Flat glass glazing	0	3	5	17	25
Floor covering	17	10	23	18	68
Flooring	0	2	64	62	128
General building	825	1,526	2,990	4,849	10,190
Hard landscaping	0	1	5	19	25
House building	315	672	239	375	1,601
Interior fit-out	0	26	53	23	102
Joinery and carpentry (mainly site work)	28	137	679	2,789	3,633
Joinery manufacture	0	137	553	704	1,394
Mastic asphalt	0	0	8	2	10
Painting and decorating	131	384	669	1,142	2,326
Paving	0	0	1	8	9
Plant hire/repair and/or tool hire	260	110	93	85	548
Plastering and/or artexing	0	17	128	530	675
Preparing/fixing stone (including stonemasonry)	0	17	100	96	213
Reinforced concrete specialist	3	3	10	2	18
Roof sheeting and cladding	0	9	21	27	57
Roofing including slating and tiling	0	32	289	320	641
Scaffolding	32	215	361	198	806
Shopfitting	31	155	155	78	419
Site preparation and groundworks	2	18	34	47	101
Steeplejack/lightning conductor engineering	0	20	45	1	66
Suspended ceiling installation	0	19	45	20	84
Term maintenance – buildings	8	0	8	1	17
Wall and floor tiling	0	22	43	119	184
Other activities	12	4	24	32	72
Other (out of scope)	23	34	22	381	460
Total	3,810	9,074	8,347	13,719	34,950

Key to size of employer:

Large: 250+ employees
Medium: 50–249 employees

Small: 10–49 employees
Micro: 0–9 employees

APPENDICES

A: Membership of the Board and its Committees

	TB	FC	TC	AC	RC	VG	HSEC
Harry ADAM, Ian Williams Ltd	■	⊗		●			
Rob ALLEN, Clee Hill Plant Ltd							■
Allan ASHWORTH, University of Salford						▲	
Robert BALDWIN, Unite the Union						□	
Bruce BARCLAY, Department for Business, Innovation and Skills				◆			
Ian BILLYARD, Leeds College of Building	▲		▲				
Greg BROWN, Construction Industry Council							◆
Jason CAMPBELL, SkyBlue	■						
Duncan CANNEY, Willmott Dixon Holdings Ltd				■			
John CARPENTER, The Joint Board of Moderators							◆
Professor Barry CLARKE, Leeds University	▲						
David COCHRANE, Sir Robert McAlpine Ltd	■	■			■		
Keith DONNELLY, Carillion Training Services			▲				
Andrew DUNCAN, Department for Business, Innovation and Skills	◆						
Richard EASTON, A F Hadley Ltd, T/A Hadley Shopfitters			■				
Neil ETCHELLES, Syntonic Construction Ltd							■
Derek FIELD, McCarthy & Stone Retirement Lifestyles Ltd	■	■					
Peter FISHER, Costain Ltd							●
Kevin FITZPATRICK, Wates Group Ltd				■			
Martin FODOR, The Environment Agency							
Trevor GAMBLE, Ramble Containers Ltd	■		⊗				
Michael HAGUE, Unite the Union			□				
John HALLAM, Simons Construction Ltd							■
Geoff HOLT, Associated Roofing and Maintenance Ltd	■		■				
Frank HORAN, College of North West London						★	
Robert HUDSON, National Association of Shopfitters							▼
Chris HUGHES, Welsh Built Environment Forum	◆					★	
Chris JONES, BAM Construct UK Ltd	■		⊗				
David JONES, Classic Excel Ltd			■				
Billy KIRKWOOD, RDK Construction Ltd	■						
Alan KNIGHT, Union of Construction, Allied Trades and Technicians						□	
Richard LATHAM, Persimmon plc			■				
Michael LEVACK, Scottish Building						▼	
Geoff LISTER, Greenwood Estate and Property Maintenance Ltd	■		⊗				
Robert LOCKEY, National House-Building Council						★	
Judy LOWE, Strategic Consulting Ltd	○	■	●		○		

Key:

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

	TB	FC	TC	AC	RC	VG	HSEC
Simon MANTLE, National House-Building Council							◆
Terry McCOMISKEY, Council for the Curriculum, Examinations and Assessments						◆	
Katrine McLEOD, Scottish Qualifications Authority						◆	
Giles MEREDITH, Health and Safety Executive							◆
John NEWMAN, Department for Business, Innovation and Skills			◆				
Peter O'CONNELL, Federation of Master Builders							◆
Tim PEACH, Bovis Lend Lease	■	■			■		
Martyn PRICE, Carpentry Management Contracting (CMC) Ltd	■		■				
Howard PROSSER, CIOB							◆
Jim PURDIE, Hochtief PPP Solutions							■
Harold RACKHAM, G N Rackham & Sons Ltd	■	■					
Alan RITCHIE, Union of Construction, Allied Trades and Technicians	□	□					
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				■			
Geoff SNOW, OBE, Snows Construction 1976 Ltd			■				
Haydn STEELE, Construction Plant-hire Association							⊗
Billy SWEENEY, ROK Group			■				
John THOMPSON, Union of Construction, Allied Trades and Technicians			□				□
James WATES, Wates Group Ltd	●				●		
Bob WHINCAP, Rotor Scaffolding Services Ltd			■				
Briony WICKENDEN, Skanska UK			■				
Edward WOODS, Taylor Wimpey UK							■
Graham WREN, Balfour Beatty Ground Engineering	■	●					

(This table shows the position as at 31 December 2010)

Key:

● Chairman	▼ Federation Member	TB The Board
○ Deputy Chairman	★ Member	FC Finance Committee
■ Employer Member	✦ Client Member	TC Training Committee
□ Employee Member	◆ Observer	AC Audit Committee
▲ Education Member	⊗ Ex-officio	RC Remuneration Committee
		VG Standards and Qualifications Validation Group
		HSEC 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.

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 Vice-President of the Institution of Civil Engineers. He is a member of the Joint Board of Moderators for the Institution of Civil Engineers, the Institution of Structural Engineers and the Institution of Highway Engineers. He is a member of the Board of Thomas Telford, a member of the Construction Industry Council Executive and a member of the Executive Group of the Engineering Professors Council.

Trevor Gamble

formerly General Manager, Ramble Containers Ltd

Trevor is a member of the General Council of the Construction Plant-hire Association. He chairs the Construction Plant Competence Scheme (CPCS) Management Committee.

Geoff Holt

Managing Director of Associated Roofing and Maintenance Ltd (South West) and ARM Roofing Maintenance Ltd, Newport, South Wales

Geoff is a member of the NSCC Training Committee, Chair of the Roofing Industry Alliance (RIA) National Training Council, and of the National Federation of Roofing Contractors (NFRC) Technical Advisory and National Flat and Waterproof Membranes Groups. He represents the South West Region on the NFRC Board and is a member of the Code of Practice Committee. He is the UK representative for Flat and Waterproof Membranes to the International Federation, represents the NFRC at the Flat Roofing Alliance (FRA)/Single Ply Roofing Association (SPRA) Technical Meeting and is a Board member of the Institute of Roofing.

Geoff Lister

Director, Greenwood Estate and Property Management Ltd

Geoff is a Director of the Federation of Master Builders, a Member of Search Committee of Leeds College of Building, a Director of B&CE Benefit Schemes and chairs the Cross-industry Construction Apprenticeship Task Force, a joint FMB and CITB-ConstructionSkills working group.

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 NED roles. In the event of any of these activities presenting a potential conflict, she will notify the Board Secretary accordingly.

Martyn Price

Managing Director of Carpentry Management Contracting (CMC) Ltd

Martyn is a Director of VUK Ltd and Innovation on Site Ltd, both of which are registered employers and grant claimers. He is Chief Executive of Consign (Construction Skills Solutions) Ltd which has been in receipt of grant and other funded support from CITB-ConstructionSkills. He chairs Skills4Site Ltd, which is in receipt of funds from CITB-ConstructionSkills. He also 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.

Alan Ritchie

General Secretary, UCATT

Alan is a Director of Construction Skills Certification Scheme Ltd.

James Wates

Deputy Chairman, Wates Group Ltd

James is Chairman of the UK Contractors Group, President of the Chartered Institute of Building, Commissioner on the UK Commission for Employment and Skills, Vice Chairman of the CBI Construction Council, Junior Vice President of the British Council for Offices, and a Trustee of BRE (the Building Research Establishment).

APPENDICES

C: Employer Organisations

During 2010, 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:

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

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 is therefore registered as a charity (Registered Charity Number 264289). Members of the Board, who also act as Trustees of the charity, are identified on page 22.

Its charitable activities are partly funded by the statutory levy established by the Industrial Training Act 1982 and confirmed by the 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 03 March 2009 and coming into force on 04 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-ConstructionSkills 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 when assessed against the framework established by the UK Commission for Employment and Skills (UKCES) and its licence to operate as an SSC was renewed by the Secretary of State on the recommendation of the UKCES.

The SSC is governed by a Council on which all three partner organisations are represented. The Council plans, directs and manages 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.

In 2004, ConstructionSkills created a Sector Skills Agreement (SSA) which has been kept up-to-date since then, involving commitments from employers and their trade associations, the trades unions, the education sector and Government. It also developed a robust forecasting model (the Construction Skills Network [CSN]) for the sector's future skill needs validated by the industry at local and national levels.

Over the past five years, the CSN has developed an increasingly sophisticated analysis of sector data on skills needs and training supply across the UK used by governments, local authorities and other stakeholders. In addition, the launch of 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 are 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.

Policies for delivering the SSA (referred to above) are formulated through the committee structure. The Council, Board and other bodies meet regularly, to ensure adequate debate between industry representatives and staff. A further network of advisory committees supports local consultation. The Council, Board and other committees determine policy, and agree the business and financial plans which sustain delivery. They also monitor and review performance. Operational decisions are taken by executive staff within the policy framework laid down by the Board. Members of the senior management team are identified in the Remuneration Report on pages 34 and 35.

APPENDICES

The membership of the Board and its main committees is shown in Appendix A, pages 64 and 65. CITB-ConstructionSkills is indebted to all the relevant employers' organisations and other bodies that provide valuable support and advice and to the many employers and other stakeholders who give of their time freely to help direct the business. A list of the major employer organisations and trades unions with which CITB-ConstructionSkills maintains close contact is in Appendix C, page 68.

CITB-ConstructionSkills' structure

Activities across Great Britain are covered in this report, with separate pages for England, Scotland and Wales (on pages 12–21), reflecting the diversity of national approaches to meeting the needs of employers.

The organisation continues to seek 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.

Directorate planning is undertaken on a five-year rolling basis, informed by external industry-focused drivers and internal organisational development drivers. While clear accountabilities for delivery are recognised as critical, the vital importance of interdependencies between the directorates is also reflected in each directorate plan. No single directorate can fully meet any of its accountabilities without the support of at least one other directorate.

CITB-ConstructionSkills' principal activities

The principal ways in which CITB-ConstructionSkills delivers its objectives are by giving financial support to employers engaged in training, offering advice and support in respect of their training needs, developing and maintaining a framework of standards and qualifications in consultation with the industry, and managing schemes for recording achievement. In addition, CITB-ConstructionSkills provides training itself where there is no satisfactory market alternative. Delivery plans are published in CITB-ConstructionSkills' Business Plan and updated annually. These include key performance indicators and identify targets for the forthcoming year and beyond. Information about progress against those plans in 2010 is given on pages 8–21.

Research and development

CITB-ConstructionSkills maintains an ongoing 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. 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 page 72) 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.

Further requests for information can be addressed to Mark Brookes at the Corporate Governance Unit, CITB-ConstructionSkills, Bircham Newton, King's Lynn, Norfolk PE31 6RH (email mark_brookes@cskills.org).

In 2009, the Board approved a revised Code of Best Practice for its members, based on that published by HM Treasury. In July 1997, the Board also agreed the introduction of a Code of Employee Conduct based on guidance issued by the Cabinet Office.

Corporate responsibility

Pursuing corporate responsibility (CR) goals is a must for any business in the UK today but also makes good business sense and, in 2010, we began work in earnest on a CR vision and strategy. CITB-ConstructionSkills understands that it must be accountable for the impacts of its activities on society and the environment, and behave in a transparent and ethical manner when dealing with customers and stakeholders.

CITB-ConstructionSkills' business activities are designed to improve the UK's built environment and to encourage and support the development of skills. These will be key in supporting the Government's low carbon strategy, improving social inclusion (having better skills improves employability and self-esteem), and enhancing knowledge and understanding of the environment and health and safety issues. In 2010, we launched a Cut the Carbon campaign to help SME businesses operating in our industry understand the demands of the low carbon agenda.

During 2011, as part of our strategy and business planning, we will be working to reduce our dependence on natural resources. We have identified energy use and business travel as our major contributors to CO₂ emissions and we have set targets in order to measure and drive reductions. Our targets also include a cut in paper use and the amount of waste we produce. We will report on these in detail in the 2011 Annual Report and Accounts.

CITB-ConstructionSkills' staff are encouraged and helped to undertake supportive roles in their local communities (for example as special constables, school governors, Scout and other youth leaders). As a registered charity, CITB-ConstructionSkills is constrained from making corporate donations, but we enable staff to do so for a range of national and local charities, and to participate in a range of charitable activities.

We believe that good safety and environmental management is good business, and place great emphasis on the safety of all those who work for or are linked with the business, and on protecting the environment from harm caused by our activities. During 2011, we will introduce an award to encourage staff to become more involved in cutting carbon and to raise awareness of environmental issues. The OHSAS 18001 health and safety management system is already well established in the NCC and will be implemented across the organisation during 2011. CITB-ConstructionSkills was successful in achieving certification for the Environmental Management System ISO 14001 for NCC East at the first attempt. This is also now being rolled out across the organisation as an Integrated Management System with OHSAS 18001.

During 2009, a major review of safeguarding vulnerable young persons and adults was undertaken. This identified improvements to our safeguarding policies and procedures, aimed at ensuring they met best practice. This is a major step forward in protecting our learners as well as making staff aware of the issues relating to abuse and knowing what to do if such a case arose.

APPENDICES

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 2010, no payments were made under the terms of this policy.

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 steering groups for both Health and Safety, and Equality and Diversity.

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

We are developing ways of measuring staff engagement, as well as staff satisfaction. The overall response to the 2010 survey remained relatively high at 75% (2009 85%). 2010 was a year of considerable change for us with a number of Efficiency and Effectiveness Reviews affecting staff. Despite this, the Employee Satisfaction Index was higher than in 2009.

We regularly monitor levels of absence. In 2010, the sickness absence rate was 3.14% (2009: 2.92%), equivalent to 7.86 working days per head (2009: 7.3). This compares with the latest figures reported by the CIPD (relating to 2009) of a public sector average absence rate of 4.3% and a private sector average of 2.8%.

We recently achieved Equality Standard accreditation with Equality North East by demonstrating that we aim to lead by example in all aspects of Equality and Diversity including a business commitment to equality, evidenced by policies and procedures that actively promote equality and the promotion of a diverse culture. We have consulted with staff, learners, employers and other key stakeholders on the development of our Single Equality Scheme and Single Equality Action Plan (2011–2014).

In December 2010, CITB-ConstructionSkills employed 27 people (2009: 24) who considered themselves as having a disability as set out in the Disability Discrimination Act 1995.

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.

E: Breakdown of 2010 Achievements

Area	Pathway routes to apprenticeships	New entrant trainees	Framework achievements	Diverse entrants	Business and skills reviews delivered	Active NSAfC projects
North East	45	266	367 (80.1%)	7	–	1
North West	42	480	818 (81.6%)	12	–	6
Yorkshire and Humber	21	460	712 (83.2%)	21	–	3
Midlands	19	481	584 (81.0%)	16	–	4
East	19	391	551 (82.6%)	26	–	1
South West	5	478	711 (83.0%)	9	–	2
South East	15	483	630 (82.2%)	20	–	3
Greater London	2	227	204 (71.8%)	41	–	16
England	168	3,266	4,577 (81.6%)	152	950	36
Scotland	–	1,180	1,656 (74.9%)	25	97	–
Wales	286	670	701 (72.4%)	15	–	–
Other	–	162 (Specialist)	51 (Specialist)	2 (Specialist)	–	4
Great Britain	454	5,278	6,985 (78.7%)	194	1,047	40

APPENDICES

F: Location of CITB-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

Wales 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 9RD
Tel: 0844 844 0046
email: southeast.office@cskills.org
email: southwest.office@cskills.org
email: london.office@cskills.org

Loughborough

(East Midlands, West Midlands and East)
Belton Road Industrial Estate
20 Prince William Road
Loughborough
Leicestershire LE11 5TB
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

East

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

Greater London

Carthusian Court
12 Carthusian Street
London EC1M 6EZ

West Midlands

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

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

All NCC Course Enquiries

Tel: 0844 844 0466

National Construction College East

Bircham Newton
King's Lynn
Norfolk PE31 6RH
Tel: 01485 577577

National Construction College Midlands

83 Lifford Lane, Kings Norton
Birmingham B30 3JH
Tel: 0121 459 8000

National Construction College 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

**National Construction College East London
(Thames House)**

Royal Docks Campus
Gate 14, Woolwich Manor Way
London E16 2QY

**National Construction College East London
(Beckton Park)**

Beckton Park (off Royal Albert Way)
Millman Road
East London E16 2FG

National Construction College South

Manor Road
Erith
Kent DA8 2AD
Tel: 01322 349638

National Construction College 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: 01485 577464

OTHER

CITB-ConstructionSkills' Bankers

Barclays Bank plc
17 Market Place
Fakenham
Norfolk NR21 9BE

CITB-ConstructionSkills' Auditors

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

CITB-ConstructionSkills' Investment Advisers

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

CITB-ConstructionSkills Legal Adviser

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

APPENDICES

G: Glossary

AEEU	Amalgamated Engineering and Electrical Union	MSF	Manufacturing, Science and Finance
AM	Assembly Member	MSP	Member of the Scottish Parliament
BACH	British Association of Construction Heads	NAO	National Audit Office
BIS	Department for Business, Innovation and Skills	NCC	National Construction College
BME	Black and Minority Ethnic	NDPB	Non-Departmental Public Body
BRE	Building Research Establishment	NFRC	National Federation of Roofing Contractors
BSF	Building Schools for the Future	NOS	National Occupational Standards
C&AG	Comptroller and Auditor General	NSAfC	National Skills Academy for Construction
CBI	Confederation of British Industry	NSCC	National Specialist Contractors Council
CCATF	Cross Industry Construction Apprenticeship Taskforce	NVQ	National Vocational Qualification
CIPS	Chartered Institute of Purchasing and Supply	OSAT	On-Site Assessment and Training
CPCS	Construction Plant Competence Scheme	OSCR	Office of the Scottish Charities Regulator
CQS	Construction Qualification Strategy	PLA	Programme Led Apprenticeship
CSCS	Construction Skills Certification Scheme	R&M	Repair and Maintenance
CSN	Construction Skills Network	RIA	Roofing Industry Alliance
FE	Further Education	RTPI	Royal Town Planning Institute
FMB	Federation of Master Builders	SDS	Skills Development Scotland
FRA	Flat Roofing Alliance	SFA	Skills Funding Agency
GDP	Gross Domestic Product	SME	Small and Medium-sized Enterprises
HE	Higher Education	SMSTS	Site Management Safety Training Scheme
HMSO	Her Majesty's Stationery Office	SPRA	Single Ply Roofing Association
HRD	Human Resource Development	SQA	Scottish Qualifications Authority
ICE	Institution of Civil Engineers	SSA	Sector Skills Agreement
IiP	Investors in People	SSC	Sector Skills Council
ITB	Industrial Training Board	SVQ	Scottish Vocational Qualification
LDA	London Development Agency	TGWU	Transport and General Workers Union
LFS	Labour Force Survey	UCATT	Union of Construction, Allied Trades and Technicians
LSC	Learning and Skills Council	UKCES	UK Commission for Employment and Skills
		UKCG	UK Contractors Group
		WAG	Welsh Assembly Government



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, telephone, fax and email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/general enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call: 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,
London SW1A 2JX

Telephone orders/general enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other accredited agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Telephone orders/general enquiries: 028 9023 8451

Fax orders: 028 9023 5401

www.cskills.org

ISBN 978-0-10-297166-8



9 780102 971668 >

11/099/002 (05/11)



CITB-ConstructionSkills, CIC and CITB-ConstructionSkills Northern Ireland are working as ConstructionSkills, the Sector Skills Council for Construction
(CITB-ConstructionSkills Registered Charity number 264289)