



Annual Report & Accounts 2006

Engineering Construction Industry Training Board

building
success
on

Engineering Construction Industry Training Board

Report of the Trustees and Accounts for the year ended 31 December 2006

To the Secretary of State for Education and Skills

Laid before Parliament by the Secretary of State for Education and Skills pursuant to section 8(4) of the Industrial Training Act 1982, and in respect of the accounts, on behalf of the Comptroller and Auditor General pursuant to section 12 of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003.

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Chairman's Statement



"We have benchmarked our performance against peer organisations and recognised class leaders in apprentice training."

I am pleased to report that the results achieved in 2006 were very positive. It is particularly encouraging to note how employers through their involvement in both the Main Board and Regional Forums are driving the work of the ECITB. As a result more than 5,000 people were supported in training. This excludes the issue of 50,000 ECITB Safety Passports to industry workers during the year.

Our new approach of securing pledges from employers for apprentices, and also implementation of the exciting TECSkills programme increased the numbers of new trainees during 2006 to almost 1,500.

TECSkills, a brand new complete modular, flexible training system, was launched during the year. Already it has been successfully used to quickly retrain people from the armed forces. The system and its approach are being developed further in order to re-skill existing workers and attract other people to the industry.

Overall the value delivered to employers was £2.19 for every £1 of levy received from industry. The average support per person trained was £3,343. The average levy collected was £170 per person in the industry.

We have benchmarked our performance against peer organisations and recognised class leaders in apprentice training. This has showed that the ECITB is supporting more training per person than any other of its peers.

The mix of training available is also very diverse and highly flexible to suit employer needs. Several new and improved products were launched in safety training, supervisory management, design and drafting, and project control.

This has been a transformational year that has truly resulted in significant improvement. The three-strand strategy, to attract, develop and recognise people across our sector, is working and has been re-endorsed by the employers.

The ECITB's staff has performed well in delivering this strategy.

They are committed to delivering our exciting vision for the future of skills and training for the engineering construction sector as a whole, and for its individual employers.

I am also pleased with the progress each of the ECITB's Regional Forums towards creating their own regional action plans. The challenge of how best to target resources and lever additional investment still remains. I am delighted to report that a new industry forum has been established during the year, which is dedicated to engineering, design and project management skills. This will take an important lead for the sector and shape the products needed to overcome acute skills shortage.

It is important to recognise that there are major changes in the government's approach to supporting training. The ECITB is adapting to these changes and is strategically well positioned to assist employers take advantage of the emerging opportunities.

The Leitch report published in December highlighted the importance of engagement with employers and of giving them a greater say in what training is needed. This model matches exactly the ECITB's approach, with employer engagement individually and via the ECITB forums driving increased training regionally and nationally. The network of Sector Skills Councils has continued to evolve, and we have positive working relationships with those that are more established.

For our part we shall ensure that in-scope engineering construction employers continue to benefit from the high levels of support available from the ECITB and, on their behalf, will continue to broker access to the best possible training and qualifications.

I am pleased with the overall progress in 2006, particularly the response from employers. The challenge is to maintain the momentum we have established.

T M Lazenby FEng Chairman

Chief Executive's Review



“Increasing output and value to the industry have always been the fundamental goals of the organisation.”

A great many positive things happened in 2006, building on the successes of 2005.

It has been a demanding year, and I am grateful for the efforts and response of everyone in the ECITB, the support and guidance from the Board, and officials and Ministers in the Department for Education and Skills.

Increasing output and value to the industry have always been the fundamental goals of the organisation.

Putting the customer at the heart of the process is key. This has been achieved through the new regional governance structure, and our strategies, which balance the long-term skills needs of the sector with the more immediate issues of individual employers.

The range of support available to the industry is the largest and most flexible it has ever been.

We have clustered our products and services closely around our charitable activities. They fall into four main areas: – Apprenticeships (Attracting New Entrants to the Industry), Up-skilling (of Existing Workforce), Technical, Supervisory and Management Programmes and Competence Assurance.

Apprenticeships

A new apprenticeship in project control brings the suite to 17 disciplines including craft and technician roles, engineering design and supervision.

We have also simplified the grant offer to employers and up to £10,000 is now available per apprentice. We increased the numbers recruited in 2006 under the ECITB's managing agency contract and partnered with employers and providers across the country to bring the current apprentice population to almost 1,500.

Looking ahead, we will be partnering with more providers in the regions to further exploit government funding opportunities and increase the apprentice throughput towards the 1,000 per year target.

Up-skilling

Our new TECSkills programme, launched in April, is being well received. It is widely applicable across the skills range and its modular structure allows people and their employer to quickly assess skills needs and do the necessary training, on or off the job.

It will continue to evolve, as new learning material is made available to sharpen and simplify the learning process. In 2007 all ECITB sponsored apprenticeships will fit within the TECSkills framework. This will mean that everyone will be trained to the same common, high standard.

Technical, Supervisory and Management

This area has seen the most growth and change. We were especially delighted when the on-line programme for supervisory development won a National Training Award.

There are now over 60 different programmes available, requested by and designed by the companies with the need. The open market for training is felt by many to be too generic and often does not meet our employer needs closely enough.

With our approach, the quality and relevance of the programmes offered is guaranteed and the delivery can be tailored to meet operational circumstances.

Support is available for 1-day programmes in interpersonal skills, master classes in project delivery, supervisory programmes and an MSc in Project Management.

Competence Assurance

The ECITB provides valuable Awarding Body services for the assessment, verification and certification of over 2,000 National and Scottish Vocational Qualifications per year through its network of over 50 approved centres. ECITB also supports the Client Contractor National Safety Group (CCNSG) in delivering one of the country's leading safety passport schemes through the provision of management and administration services. The ECITB also manages and administers the ACE initiative on behalf of the industry. This initiative validates and recognises the competence of the onsite onshore craft and technical workforce.

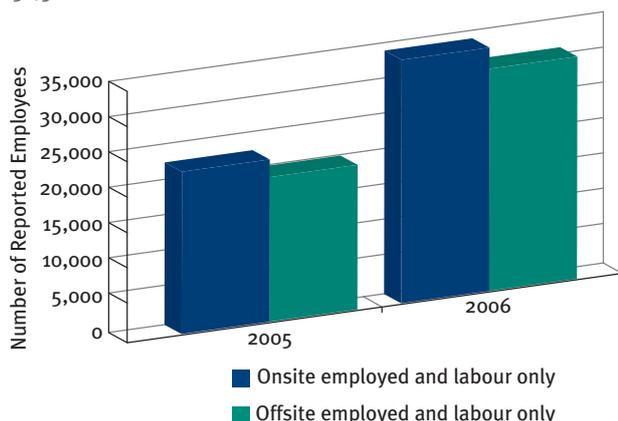
David M Edwards Chief Executive

The industry and economic environment



2006 saw an upturn of work in the engineering construction industry with corresponding increases in the number of people employed and the take-up of ECITB products and services.

Total employment rose by almost 13,000 from 2005 figures, up to almost 66,000, with 34,500 employed onsite and 31,500 offsite.

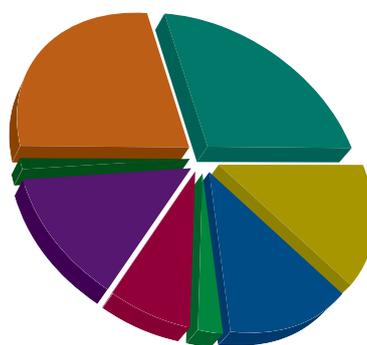


The South East and East region saw the biggest increase, 30% up on 2005, to a total of 18,600 employees, the majority of this increase being in the Offsite sector. This represents the largest section of the industry in employment terms.

Region	2005	2006
Offshore	10,672	12,871
Scotland	5,231	4,913
North East	6,837	8,917
North West	4,070	8,351
Yorkshire and Humberside	4,163	4,286
Midlands	5,734	4,716
South East and East	13,141	18,607
Wales and South West	3,060	3,147
Grand Total	52,908	65,808

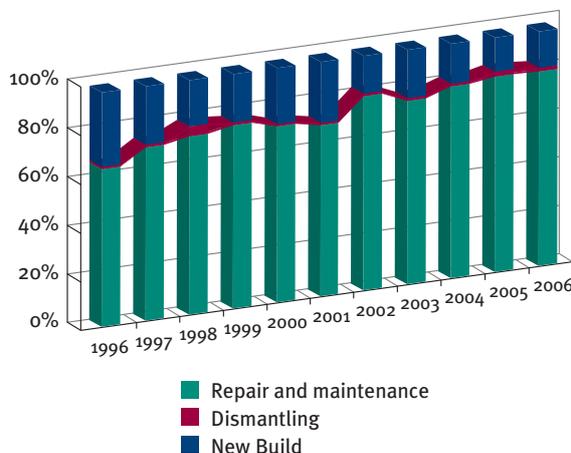
All the regions, except the Midlands, experienced an increase, with significant increases in the North West, North East and Offshore. The Midlands saw an 18% decrease in employees compared to 2005 figures.

25% of employees worked in the Power Sector and 25% in Oil and Gas. These two project categories being the largest in employment terms by some considerable margin.



- Oil and Gas (offshore) (4,618) 25%
- Power (4,632) 25%
- Not Given (44) 0.2%
- Other (2,275) 12%
- Steel Mill/Metal Smelting (1,212) 7%
- Food and Drink (279) 2%
- Downstream Oil and Gas (2,615) 14%
- Chemical and Pharmaceuticals (2,660) 15%

The bulk of the work is still in Repair and Maintenance although 2006 did see an upturn in New Build projects.



The industry and the ECITB



The engineering construction sector plays an important role in the UK economy, directly in terms of export earnings and through the design and construction of much of the industrial processing and energy production facilities that are essential to the country's prosperity and way of life.

It is a specialist sector that is world class in the engineering design, project management, construction and maintenance of all types of processing equipment and facilities. At its heart are oil and gas production, power generation, refining, water treatment and chemical production. It also includes pharmaceutical production, nuclear material processing, cement, brick and metal production, waste processing, glass and bottle production and food and drink production.

The range of disciplines and skill levels involved is wide, from highly experienced project and programme managers, responsible for capital expenditure in hundreds of millions of pounds to skilled craft and technician personnel responsible for the safe construction and installation of individual pieces of equipment.

There has been a significant upturn in activity in 2005 and 2006 with forecasts that work levels will increase by another 25% over the next few years.

The ECITB works in close partnership with employers in the sector and provides significant skills development support to them financially, giving expert advice, information and very importantly assuring competence to nationally recognised standards.

The ECITB is strongly employer-led through a Board and Regional Forum structure that is now fully established. This has resulted in increased focus and cooperation on regional and sector training and skills requirements, resulting in ECITB support for over 5,000 people in 2006.

Over 60,000 people are currently employed in engineering construction, engaged in designing, constructing and maintaining industrial processing facilities in the UK. The skills

mix is diverse, ranging from craft and supervisory skills when working on site, to design and project management that occurs largely off site.

ECITB offers a comprehensive range of accredited training services and programmes, financial support and the award of valuable qualifications, enabling individuals and employers to increase competitiveness and business performance.

partnership

Activities & mission



The ECITB's Charitable Activities

The ECITB's charitable activities are in four main areas that are set out below. Together these form an integrated approach that enables the ECITB to assist individuals and employers to develop their skills and capabilities.

Pathways to enter the industry are provided for school leavers, the unemployed and graduates. Ongoing support is then available to assist re-skilling, skill enhancement and professional development.

At every step achievement of skills is recognised by the award of qualifications that are recognised and portable.

1. The recruitment of New Entrants to the Industry

This activity is geared towards encouraging people to seek and helping them gain access to worthwhile careers in engineering construction. The main activity in attracting young and new people revolves around the ECITB's apprenticeship programmes. This involves the recruitment of people to apprenticeship programmes with industry employers and accredited training providers.

Evidence shows that young people in particular are showing much more interest in apprenticeships generally than before. The ECITB's aim is to ensure that school students are made aware of the opportunities in the industry. To achieve this and to ensure sufficient quality applicants for apprenticeships the ECITB supports a programme of careers events and marketing to schools and colleges.

2. Up-skilling the Existing Workforce

The ECITB's principal activity in this area is the provision of a range of flexible training programmes, designed to develop or "up-skill" existing industry workers from a wide spectrum, but normally with some existing technical competence.

3. The provision of Technical, Supervisory and Management Programmes

The ECITB offers a comprehensive range of training programmes and courses within technical, supervisory and managerial disciplines, which are principally designed to up-skill professional engineers and the like within the industry.

4. The Competence Assurance of Industry Workers

The ECITB's principal activities in the area of Competence Assurance are:

- Awarding Body: assessing, verifying and awarding National and Scottish Vocational Qualifications
- Accrediting and quality assuring Training Providers
- Assuring Competence in Engineering Construction (ACE)
- Client Contractor National Safety Group (CCNSG) Safety Passport Scheme
- Engineering Construction Industry (ECI) Skills Database Scheme
- Development of products and services, including National Occupational Standards, that contribute to the competence of individuals.

The ECITB's Mission

The ECITB's Mission is:

- To attract and encourage the training and development of sufficient people within the engineering construction industry
- To ensure high levels of competence, safety and environmental awareness
- To increase the capability of the industry to compete in world markets

The ECITB's primary purpose is to initiate, promote, improve and facilitate training, and develop standards for use throughout the engineering construction industry. It places particular emphasis on ensuring an adequately trained workforce, and the establishment and enhancement of national training standards. Furthermore, the ECITB supports companies in attracting new talent to the industry through activities designed to promote job and career opportunities.

The ECITB is committed to three main strategic strands:

- Developing and influencing the supply chain of education and training to attract new entrants to engineering construction.
- Providing direct and indirect support to employers to increase their workforce capacity and capability.
- Assuring the skill and competence of individuals to national standards to increase productivity and safety performance.

The ECITB has continued its policies in respect of its own staff and trainees. The policies relate to equal opportunities, the provision of full information, through consultations with elected staff representatives and other means.

Objectives in 2006



In 2006 the ECITB's objectives in each area of charitable activity were as follows:

New Entrants to the Industry

The ECITB's objective was to recruit only "employed status" apprentices. This meant that the apprentices to be recruited during the year would comprise a mixture of apprentices who were either:

- employed by industry employers at the outset and throughout their apprenticeships, or
- recruited by the ECITB and taken into industry employment immediately following the completion of the initial "off-the-job" training period. Pledges to take such apprentices would be sought from employers.

The original objective was to recruit up to 250 apprentices. However, during the year following consultation with industry representatives the plan was increased to recruit 270 apprentices.

Up-skilling of Existing Workforce

The main objectives were to discontinue the National Skills Development Scheme (NSDS), and to launch its replacement, the TECSkills programme. This emphasis of planned activity was to promote the TECSkills programme as a service to employers and learners, which provided the training tools and frameworks with which to up-skill existing and non-apprentice entrants to the industry.

The ECITB's targets were to register 200 TECSkills learners, and to issue 50 VQs in 2006.

Technical, Supervisory and Management Programmes

The main objectives in 2006 were to:

- consolidate and reorganise the ECITB's 63 programmes in this area of training delivery,
- enhance and develop the supervisory programmes
- introduce an on-line version of the supervisory programmes, specifically for the Offshore industry

Competence Assurance

The primary and most significant objectives in the area of Competence Assurance were:

- To manage and administer the Assuring Competence in Engineering Construction initiative (ACE) on behalf of the industry. This included negotiating and managing funding contracts with various national and devolved administrations.
- To develop and implement the ACE Charter, to introduce new trades and qualifications into the initiative, and the promotion and education of the initiative to all stakeholder groups.
- To monitor and maintain the quality of the delivery of the ECITB's suite of National and Scottish Vocational Qualifications, ensuring that all qualifications were being interpreted objectively and delivered fairly, with no discrimination against any candidates.
- To develop and trial a new on line assessment system, the 'Paperless Portfolio', and to investigate a new IT management system to integrate with it.
- To develop and implement new qualifications in Project Control and structural steelwork.
- To maintain the suite of National Occupational Standards ensuring that they remained fit for purpose and met industry's needs.
- To develop and trial a new suite of programmes for the off site sector of the industry.
- To develop and submit an expression of interest for the establishment of a National Skills Academy.
- To review and revise the Supervisory Management Training and Development programme.

Achievements & performance in 2006



Overview

2006 saw the final stages of the ECITB's programme of change to introduce a new regional model for governance and delivery, with the introduction of new forums for the Midlands region and Offsite sector. The aim of the new regional structure is to ensure the delivery of capacity and capability with greater geographical and sectoral focus.

To complete the programme, Senior Account Managers have been appointed in each region, and a programme of recruitment for Regional Administration Assistants will be completed in early 2007.

To give greater emphasis and focus to the delivery of ECITB services and support, three new Programme Managers have been appointed.

TECSkills, the new craft and technical training programme that replaces NSDS, was launched in April 2006. It has proved to be a tremendous success with higher than expected engagement from companies. 2006 also saw the amalgamation of the onshore and offshore Supervisory Management Training and Development programmes.

2006 was a significant and successful year for the ECITB in terms of measuring the quality of its operations and delivery of its products and services and meeting government compliance standards.

The ECITB was re-accredited against the ISO9001 standard, a mark first achieved in 2005. Investors in People re-accreditation was given in November and the Awarding Body was re-recognised by QCA in the summer, following a rigorous audit of its operations and approved centres.

However, the most significant event was the full inspection by the Adult Learning Inspectorate (ALI) of the apprenticeship programme. A week long inspection, including visits to many training providers, companies and sites, resulted in satisfactory gradings in all areas. This represents a significant improvement over the findings from the last audit in 2002, when the ECITB was criticised in a number of areas. The inspectors acknowledged this improvement and highlighted and reported on a number of areas of good practice.

Together with successful annual audits by SQA, SE, and LSC, this represents a very successful year from a compliance viewpoint.

Review of Significant Activities and Performance in 2006

New Entrants to the Industry

In 2006 ECITB achieved over 3,500 apprenticeship applications and offered places to over 300 new learners, both substantially ahead of target. A further 100 apprenticeships were offered by employers which were supported by the ECITB under its TECSkills programme. This brought the total involved in ECITB apprenticeship programmes during the year to over 1,500. This is the highest level ever achieved by the ECITB.

ECITB also assisted employers to attract and train mature entrants from other industries and markets, caused by redundancy or planned career change, such as from the armed forces.

A modest amount of activity was directed towards undergraduate awareness raising through sponsorship of a magazine targeting engineers.

A particularly successful recruitment initiative involved a series of drama-based presentations to year 10/11 pupils in the South East of England. Pre and post presentation survey results showed a significant positive shift in perception towards the industry by the pupils and their careers teachers.

Up-skilling of Existing Workforce

In 2006 ECITB introduced the TECSkills (Training in Engineering Construction Skills) programme to replace the long-standing National Skills Development Scheme (NSDS) and also to widen the discipline mix available.

Registrations on the NSDS ceased after 31st August 2006, and all learners have until 31st December 2008 to complete their training under the scheme. In 2006 there was an increase in the number of NSDS completion grants claimed, as learners completed their programmes prior to the closure of the scheme.

The interest in TECSkills has exceeded expectations. As a competency and training framework it is absolutely up to date, and is based on the latest occupational standards as the platform for development. It has been taken up by industry learners throughout the UK, but in particular in the Offshore industry where a large cohort of ex-servicemen has been re-trained, and in the Midlands where Doosan Babcock adopted the TECSkills programme for training a large number of new entrants to the industry. In total over 200 learners registered on TECSkills programmes in 2006 and over 50 VQs were completed.

Technical, Supervisory and Management Programmes

In 2006, the ECITB's Technical, Supervisory and Management Programmes were reorganised and brought together under the control of one programme manager. In total the ECITB delivered 63 different programmes in 2006 to over 900 learners.

A new version of the Supervisory, Management and Technical Development (SMTD) programme was successfully launched, together with an on-line version of this programme specifically developed for the offshore industry.

Competence Assurance

2006 saw a tremendous amount of activity in the area of Competence Assurance, much of it associated with:

- compliance with various governmental standards for qualifications,
- competence, and
- the delivery of programmes using public funds.

However, a number of other important activities were undertaken and successfully completed:

The ACE Pilot project in Wales (PACE) was successfully implemented with 48 of the 50 candidates completing. The success of the pilot has led DELLS to offer full financial support for the initiative from April 2007. The Scottish Executive's target figures for ACE were also achieved and an

evaluation of the initiative has led to ongoing discussions on further funding. The Learning and Skills Council's figures were not achieved, although significant numbers did go through the initiative. Over 80 companies became engaged against a target of 64 and new trades were included. The ACE Charter was developed and signed by all the major stakeholders in the industry and a number of new trades and qualifications were included in the initiative, including electricians and maintenance technicians

The various audits of the ECITB's Awarding Body in 2007, demonstrated that the quality of delivery of N/SVQs was being maintained at a high level with the approved centres implementing objectively and fairly. The Paperless Portfolio was created and is now ready for full implementation. The new IT management system was put on hold as part of a wider ECITB review of IT. The Constructional Steelwork Site Operations and the Project Control qualifications were all approved and implemented. A review of the level 2 craft qualification was started and this work is ongoing. All approved centre standardisation meetings were held with very strong attendance.

The suite of National Occupational Standards was successfully updated and revised. The development of the training material for TECSkills was started and this work is ongoing in 2007. The ECITB was successful in winning a National Training Award, but was unsuccessful in its bid for a National Skills Academy, although a further bid will be prepared in 2007. The development of the new suite of offsite training and development programmes was successfully completed and these will be implemented in 2007. The Supervisory Management programmes for on and offshore were successfully combined into one course and again the new programme will be implemented in 2007. The Fellowship programme was closed and the ECITB continues to be involved in the development of the new specialist diploma in Construction and the Built Environment.

Approval and monitoring of the training providers used by the ECITB continued, with a range of providers being approved for the first time to deliver the new TECSkills programme. The ECITB's Awarding Body's approved centre network was monitored and a number of sanctions were placed on centres who were not maintaining the required standards. Action plans were put in place and the awarding body worked with these centres to resolve the issues.

Plans for future periods



Overview

The ECITB's goals remain focused on increasing the training output of the sector to meet the skills shortages.

Predictions are subject to uncertainties, however, the best estimates show that the rate of renewal required to balance leavers from the industry is 2,000 to 2,500 people each year. This is the number of qualified people needed each year simply to maintain the current skills pool.

Bearing in mind that many people are in training or development for 3 to 4 years before they are fully competent or qualified, then the number of people in training in any one year could be as high as 7,500 people. This would be a learner to existing worker ratio of 1:6, significantly higher than the current position.

This means that building the capability of employers to train remains almost as important as training new people. The ECITB Regional Forums are important mechanisms for designing and implementing skills action plans to address these issues going forwards.

This applies equally to the two main employer groups in the sector – those that carry out design, project management and procurement activities (offsite) and – those that undertake the site construction and installation activities.

An upsurge in design and engineering work has led to demands for around an additional 2,000 people in 2006/7. This is placing a great deal of pressure on these companies. In parallel, the forecast for site craft and technician personnel shows increased demand and competition for qualified people.

Leading figures in the sector continue to voice concerns about the competence and safety of the people that will be recruited to meet demand, with many likely to come from non-UK markets.

The existing strategic themes will be carried forwards and strenuous efforts made to secure additional skills investment needed to fill the ~£24 million gap between levy income and the likely cost of training the required levels of competent people. ECITB will continue its programmes of cost reduction, lobbying of government with creative proposals, engagement of employers, clients and funding agencies, and innovation of content, style and methods of training.

In future periods the ECITB's objectives in each area of charitable activity are as follows:

New Entrants to the Industry

Looking ahead into 2007 and beyond, the approach will be to continue direct communication with schools and colleges and via the Connexions service. The drama-based recruitment initiative piloted in the South East in 2006 will be delivered nationally in England, Scotland and Wales to school pupils at the point of making subject choices.

ECITB will also extend its relationships with colleges and other training providers to broaden the network of organisations that are able to offer pathways into careers. Working more closely with the education supply chain in a more coordinated way, delivering clearer career messages and attracting and providing training for 3,000 to 5,000 people per year is the key strategic aim.

ECITB plans to increase the number of apprentices recruited in 2007 by up to 600 starters.

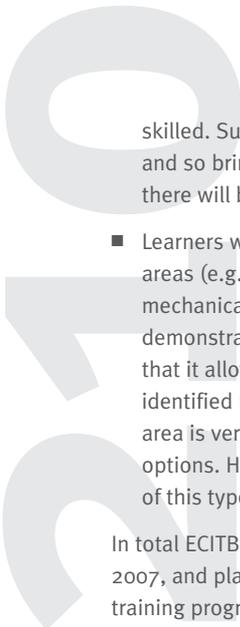
In 2007 a new apprenticeship will be launched in Project Control. In addition the Design and Drafting Apprenticeship currently confined to the London area will be rolled out across all ECITB regions.

Up-skilling of Existing Workforce

The ECITB plans to increase the number of starters on TECSkills programmes by approximately 100% in 2007.

TECSkills entrants will generally fall into one of three categories;

- Learners who are new to the engineering construction industry. They will use the TECSkills framework to complete N/SVQ2 and N/SVQ3 qualifications thereby bringing them to full craft status. It is anticipated that there will be 100 new entrants of this type in 2007.
- Learners who are existing craftspeople from other industries. They will use TECSkills to complete an N/SVQ3 qualification, which will convert qualify them as competent craft-level workers in the engineering construction industry. Alternatively, learners could already in the existing engineering construction industry workforce but part



skilled. Such people could use TECSkills to gain an N/SVQ3 and so bring them to full craft status. It is anticipated that there will be 70 new entrants from this category in 2007.

- Learners who use TECSkills units to up-skill in specific areas (e.g. a pipe fitter gaining welding skills, or a mechanical fitter gaining bolt-tensioning skills). This demonstrates the flexibility of the TECSkills programme in that it allows learners to pick and mix units to suit identified requirements. The number of new entrants in this area is very difficult to gauge since there are so many options. However, ECITB estimates up to 210 new entrants of this type in 2007.

In total ECITB expects up to 380 new TECSkills entrants in 2007, and plans to issue up to 100 N/SVQs from TECSkills training programmes.

Technical, Supervisory and Management Programmes

The goals in 2007 are to increase the number of TS&MP course learners, and to improve continually the content and the delivery processes of this suite of programmes. In 2006, the ECITB brought these 68 programmes together into one defined area. In 2007 greater coherency will be brought to the programmes such that they can be used to achieve defined qualifications.

In 2007 ECITB plans to increase the number of course learners by 10% above the levels achieved in 2006.

Competence Assurance

Activities in 2007 will build upon the work carried out in 2006; including promoting and implementing the new products and services that were developed for the off site sector and the new Supervisory Management programme, and the development of TECSkills will continue with the creation of high quality training materials. However, significant work will be carried out on strengthening the approval and monitoring of the training providers, including developing detailed evaluation tools to measure the effectiveness of the programmes on offer.

Maintaining and monitoring the delivery of N/SVQs will continue through the Awarding Body as on going activity, but the 'Paperless Portfolio' will be further refined and implemented with a number of centres and companies who have expressed an interest. The new qualifications developed in 2006 will also be promoted.

Another significant activity will be to participate in the government's Sector Qualifications Reform Programme, which will include the development of a Sector Qualifications Strategy. This will involve a significant review of the National Occupational Standards and N/SVQs.

The contractual arrangements for the funding of ACE will change in 2007 and these will be managed to ensure the least disruption to the programme and to companies. New database tools will be introduced to assist with the administration of claims and grants.

Finally, a second expression of interest will be submitted to establish a National Skills Academy. This will build upon the first bid and include the various amendments that were suggested by the Learning and Skills Council. The bid will have a focus on Project Management and Continuing Professional Development.

Structure, Governance & Management



ECITB's Statutory Basis and Charitable Status

The Engineering Construction Industry Training Board ("ECITB") is a statutory body governed by the Industrial Training Act 1982 (as amended) ("the Act"). The Industrial Training (Engineering Construction Board) Order 1991 (Statutory Instrument 1991 No. 1305) defines the activities of the Engineering Construction Industry in Schedule No. 1 thereto. Full details on the powers and responsibilities of the ECITB as well as the restrictions placed on it can be found in the Act.

The ECITB has responsibilities to Parliament and to its industry. It was formed in recognition of the engineering construction industry's vital role in the UK economy and the requirements for a statutory body to undertake the responsibilities of delivering the special training needs of an industry where the labour force is highly mobile and where there is less opportunity for individual employers to train.

The ECITB is a registered charity in England and Wales. The ECITB also undertakes charitable activities in Scotland. Information has been lodged with the Office of the Scottish Charities Regulator (OSCR) in accordance with Charities and Investment (Scotland) Act 2005. As yet, the OSCR has yet to determine whether the ECITB will be registered as a charity with OSCR.

The charitable activities of the ECITB are partly funded by the statutory levy established by the Act and confirmed by the annual Levy Order passed by both Houses of Parliament. The most recent levy order is the Industrial Training Levy (Engineering Construction Board) Order 2007 (2007 No. 609), which was enacted on 28th February 2007 and came into force on 1st March 2007.

As the ECITB is funded by a levy applied to all in-scope establishments there is greater equity across companies in the industry in the provision of training. The Secretary of State for Education and Skills appoints trustees.

How decisions are made

Board & Committees

The Board of Trustees

The Board of Trustees (the Main Board) is responsible for ensuring that the ECITB performs within its remit and all applicable legislation. It is also responsible for setting the strategy and overseeing the exercise of these powers. The Board members are also the trustees of the ECITB as a registered charity. As such they will need to take account of any guidance issued by the Charity Commission from time to time.

The following are the main issues that require the support and/or action by the Secretaries of State (England and Wales and Scotland). These all require endorsement and recommendation from the Main Board.

- Recommending to Parliament the raising of a levy
- Laying the Annual Report and Accounts before Parliament
- Endorsement of the Strategic Plan
- Approval of Grant schemes
- Approval of information to be collected from employers
- The delegation of functions to a Committee and approval of any allowances to Committee members for loss of remunerative time.

In addition to approving recommendations to the Secretaries of State set out above, the Main Board has the following responsibilities:

- Appointing the Management Board, agreeing Codes of Practice and recommending any remuneration for the non-executive members
- Recommending the Terms of Reference of and powers delegated to the Management Board and to other Committees
- Setting and Endorsing the Strategic Plan and agreeing the annual Business Plan and Budget, together with appropriate Performance Measures to be used to monitor progress
- Receiving reports from the Management Board on progress against the Business Plan
- Approving the Annual Report and Accounts

- Setting the Risk Management strategy and reviewing its operation
- Appointing the Audit Committee Chair and Members, and the Internal Auditors
- Considering the annual report from Audit Committee supported by reports from the External and Internal Auditors
- Appointing the Qualifications Committee Chair and Members

The Management Board

The Main Board has delegated powers to the Management Board which are set out in sections 5, 10 and 14(5) of the Industrial Training Act 1982. The Management Board's responsibilities are to:-

- Direct the operations of the ECITB
- Ensure that the ECITB operates within the approved budget with power to agree virement between heads of expenditure
- Propose to the Board the rate of levy to be raised
- Monitor performance using agreed KPIs
- Act as the Remuneration Committee of the ECITB, setting overall policies and levels and approving the remuneration of the Directors
- Agree the products and services to be offered to meet the needs of the industry and any charging policies (as defined in Section 5 of the Industrial Training Act 1982 and the appeal function defined in Section 14(5) of the Act)
- Appoint Investment Managers and monitor their performance within the guidelines set by the Secretaries of State and the Charity Commission
- Report to the Board at agreed intervals on performance
- Propose to the Board the annual budget and business plan
- Appoint bankers and agree appropriate mandates
- Agree the powers delegated to staff

The Main Board has delegated responsibility to the Management Board to form the Remuneration Committee.

The Audit Committee

The Main Board taking account of any Treasury guidance and good practice in respect of Audit and Control appoints members of the Audit Committee. Its Terms of Reference are to promote the highest standards of propriety in the operation of the ECITB by maintaining an overview of its financial and other systems to ensure their effectiveness and integrity of operation. The Committee will receive reports from the Board's internal and external auditors as appropriate.

The Main Board appoints members of the committee. The aim is to have between 5 and 7 members of whom 2 or 3 are not members of the Main Board. The Chair is a Main Board member and is not the Chair of the ECITB. Representatives of Internal and External Audit are invited to attend all meetings. These representatives will have free and confidential access to the Chair of the Audit Committee if required at each meeting or during the year as appropriate. The Committee normally meets three times per year, although additional meetings may be arranged if necessary. Of these, one meeting will be before the year-end to review plans for the external audit, one after the year-end to review the accounts and reports and consider the internal audit programme for the year. Minutes are taken of the meetings which will record actions to be taken, by whom and when, and, where necessary reporting lines for progress.

The specific duties of the Committee are:

- to review the ECITB's Risk Management Policy and recommend it to the Board for approval. To review and monitor its implementation;
- review the ECITB's financial statements and reports to ensure that they reflect best practice;
- to review the nature and scope of each forthcoming audit and to ensure that the external auditor has the fullest co-operation of staff;

- to consider all relevant reports by the appointed external auditors, including reports on the ECITB's accounts, achievement of value for money and the response to any management letters;
- to ensure that the internal auditors monitor the effectiveness of the ECITB's internal control system established to ensure that the aims, objectives and key performance targets of the ECITB are achieved in the most economic and effective manner;
- to ensure that the ECITB's internal audit service meets, or exceeds, the standards specified in the Government Internal Audit Manual, complies in all other respects with these guidelines and meets agreed levels of service;
- to consider and advise the Board on the ECITB's annual and long-term audit programme;
- to consider any internal audit reports, including value for money reports and the arrangements for their implementation;
- to review the operation of the ECITB's code of practice for Board members and code of conduct for staff;
- to review the operation of the Board's procedures for ensuring the independence and integrity of its systems for awarding qualifications;
- to consider any other matters where requested to do so by the Board;
- to report at least once a year to the Board on the discharge of the above duties.

The Main Board has delegated responsibility to the Audit Committee to form and discharge the duties of the Qualifications Committee.

Regions

Throughout 2006 the ECITB has continued to develop its regional service delivery structure. This was established in 2003 following the recommendations from the Government's Quinquennial Review and the Board's own strategic review of its services and performance. ECITB's delivery of training support and services is driven by the demands of industry on a regional basis. ECITB adopts a customer-focused approach, and delivers its services to match industry requirements in each region. The ECITB has organised its regional structure into nine ECITB "regions," which ensures that the varying requirements of the industry across the UK are represented in the formulation of policy and the delivery of services.

The ECITB "regions" either represent geographical areas where there are high levels of engineering construction activity, or specific and significant industry sectors, which have particular requirements. The regions are as follows:

Scotland
North East England
North West England
Yorkshire and Humberside
Wales and South West England
The Midlands
South East and East England
The Offshore Industry
The Offsite Industry

Each region has a Forum comprising industry employers. The Forum's normally meet three times a year, under the chairmanship of a Main Board member (the Regional Chair). Through this structure ECITB concentrates on identifying and meeting regional skills requirements, and is able to address particular recruitment and training needs. ECITB also works closely with other key regional stakeholders, such as industry clients, Regional Development Agencies, local government agencies, funding bodies, local authorities, training providers, trades unions and the workforce.

In 2006 ECITB reviewed its regional governance model. ECITB's vision is that its regions are empowered and operate as "business units" charged with supporting the achievement of the agreed strategic goals by the development and delivery of regional operating plans.

In broad terms, the Regional Chair leads the region on behalf of the Main Board, ensuring effective governance and the creation of a regional operating plan (targets and outcomes) and budget (financial resources). He/she will also provide support and guidance to the staff of the ECITB. In turn, the staff will be accountable for delivery of the agreed regional operating plan.

Each region, through its Regional Forum and Chair, has the authority and responsibility to devise its own objectives and

plan within the overall ECITB strategic framework in terms of training outcomes on an annual basis. The regional plan will include training targets, mix and methods required to meet its needs together with leveraged funding arrangements. Such targets and objectives may vary between regions. Furthermore, each regional plan will determine the training providers and partners engaged to deliver regional outcomes, subject to satisfying relevant procurement requirements.

An annual regional plan and budget is submitted to the Main Board (via the Management Board) for approval. Once approved, ECITB staff are responsible for the delivery of the regional plan within the agreed budget, and the operational manner in which this occurs.

Management and Staff

The Main and Management Boards have delegated responsibility for the implementation of ECITB's strategic plans, and the management of the organisation to the Chief Executive. The Chief Executive forms part of, and presides over the organisation's executive management team (the Executive Team). This comprises the Chief Executive, the Board Secretary and Director of Finance, the Operations Director and the Development and Quality Director ("the Directors"). The ECITB's management and organisation structure has been divided into the following directorates:

Operations

Finance and Administration (including Levy, Compliance, and Human Resources)

Development and Quality (including Competence Assurance and Awarding Body)

Each director is responsible for ensuring that the activities of each directorate are managed to ensure the achievement of the ECITB's strategic and regional objectives operations are conducted efficiently, to the highest quality standards, and in compliance with the law.

Financial report

Accounting and Reporting Compliance

Statement of Recommended Practice (SORP 2005)

The adoption of the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) applies to all accounting periods beginning on or after 1st April 2005. The accounts for the year ended 31 December 2006 comply with SORP 2005 and all other applicable accounting standards. The results for the year ended 31 December 2005 (which are shown in the 2006 accounts for comparative purposes) have been recast in compliance with SORP 2005.

Statement of the ECITB's and the Accounting Officer's Responsibilities

Under section 8 (1) of the Industrial Training Act 1982, the Engineering Construction Industry Training Board (ECITB) is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the then Secretary of State for Education and Employment, with the consent of the Treasury. The accounts are prepared on an accruals accounting basis and must show a true and fair view of the ECITB's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the ECITB is required to:

- observe the accounts direction issued on 3 June 2004 by the Secretary of State for Education and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation

The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the ECITB 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 the ECITB and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer for the Department for Education and Skills designated the Chief Executive of the ECITB as the Accounting Officer for the ECITB. His relevant responsibilities as accounting officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting by The Stationery Office.

Results for the Year

A financial summary for the period 1 January 2006 to 31 December 2006 (with comparative information for 2005) is shown immediately below. This has been extracted from the audited financial statements which appear in full later in this report.

Summary Statement of Financial Activities	2006 £'000	2005 £'000
Incoming Resources		
Levy	11,167	9,169
Non levy income	4,529	3,906
Total incoming resources	15,696	13,075
Expenditure		
Investment management costs	30	32
Charitable activities	17,701	14,656
Governance costs	143	139
Total outgoing resources before other gains and losses	17,874	14,827
Net outgoing resources before other gains and losses	(2178)	(1752)
Gain on revaluation of fixed assets	148	224
Losses on investment assets	(260)	(56)
Net Movement in Funds (Deficit)	(2,290)	(1,584)
Reconciliation of Funds		
Total funds brought forward at 1st January	12,659	14,243
Total funds carried forward at 31 December	10,369	12,659
Balance Sheet		
Fixed Assets		
Tangible assets	1,643	1,636
Investments	9,913	11,642
	11,556	13,278
Current Assets	1,852	2,077
Creditors	(3,039)	(2,696)
Net current liabilities	(1,187)	(619)
Total Assets less current liabilities	10,369	12,659
Fund		
Unrestricted Fund	10,369	12,659

Commentary on the Results

Incoming Resources

Levy income in 2006 amounted to £11.17m (2005 £9.17m), comprising Site Levy of £9.50m (2005 £9.17) and Offsite levy of £1.66m (2005 £0). Growth in site levy (3.15% year on year) reflected the underlying growth of wage and labour costs in the industry, with the number of site workers engaged in the industry remaining largely constant during the relevant base period (6th April 2004 to 5th April 2005). The assessment of offsite levy was reintroduced in 2006, based on the labour costs and number of offsite personnel engaged by leviable employers in the same base period.

Levy rates remained unchanged at 1.5% on payments (PAYE wages paid to employees and labour-only payments made in respect of non-employed site workers) made in respect of site workers, and 0.18% on payments made in respect of offsite personnel.

The levy exemption levels remained the same in 2006 as in 2005 for site employees. Employers were exempt from paying site levy if the payments made in respect of site workers was less than at £275,000 during the base period. Employers were exempt from paying offsite levy if the payments made in respect of offsite workers was less than at £1.0m during the base period.

Non levy income comprised government and other public authority grant funding, investment income and other operating income.

The ECITB receives government and other public authority grant funding in respect of its Apprenticeship Programmes, where ECITB is the managing agent. The ECITB also receives grant funding for the ACE programme. Grant income and programme support income increased in 2006, mainly due to income for the ACE scheme (2006: £1.60m, 2005: £952,000), with some increase also in respect of Apprenticeship Programmes (2006: £1.8m, 2005: £1.67m).

Investment Income fell by £189,000 (-20%) in 2006. This reflects the policy of the Board to use reserves to fund current activities, and investment performance during the year (in 2006 there were lower investment returns in cash deposits and lower yields on gilts and bonds than achieved in 2005).

Expenditure

In 2006 expenditure on charitable activities increased by £3.04m compared with 2005. Much of the increased expenditure reflected the growing number of learners in Apprenticeship Programmes (2006: 983 learners, 2005 698 learners), Upskilling Programmes (NSDS and TECSkills: 2006: 1790 learners, 2005 2021 learners) and Technical, Supervisory and Management Programmes (2006: 869 learners, 2005 727 learners). The costs of the ACE Programme rose as more industry participants sought and obtained accreditation (2006: 2177 registrants, 2005: 2065 registrants). Expenditure on Competence Assurance activities, including costs of developing new training services and products, rose to meet the demands of the increased numbers in training and the training needs of industry. In addition, off site levy abatement grants amounting to £740,000 were paid to eligible employers who could demonstrate training activity for off site workers.

Balance Sheet

The balance sheet shows net assets of £10.37m (£12.66m at 31st December 2005). The decrease largely reflects the planned deficit for the year, incurred a consequence of the ECITB's strategy to increase the level of training support and services to industry during the year. The level of investments also reflects the same strategy.

Levy debtors fell to £352,000 at 31 December 2006 (£443,000 at 31 December 2005), despite the increase in levy income. This was a direct result of continued improvements in the debt collection processes, including the take-up of payments by BACS.

Creditors rose to £3.04m at 31st December 2006 (£2.7m at 31st December 2005) principally due to increases in grant creditors, other creditors and accruals. The increase in grant creditors to £778,000 at 31st December 2006 (£627,000 at 31st December 2005) reflects the increased levels of learners participating in programmes during 2006. Increases in Other creditors (£445,000 at 31st December 2006 £143,000 at 31st December 2005) and Accruals (£1.13m at 31st December 2006 £1.23m at 31st December 2005) largely represent higher levels of further education costs and training fees incurred in the ECITB's apprenticeship programmes. This reflects the higher numbers of learners in ECITB apprenticeship programmes in 2006.

The Balance Sheet shows net current liabilities, which represent liabilities at 31st December 2006, which fall due for payment during the ensuing 12 months. A proportion of the investment portfolio is used to finance the day to day running of the ECITB.

Investments may be converted to cash within a very short period, typically 2 weeks. However the ECITB's policy is to only convert investments to cash which are sufficient to meet liabilities that are due in the immediate future (up to 6 weeks ahead). Accordingly, the balance sheet reveals net current liabilities because the ECITB has not converted investments to cash sufficient to meet all current liabilities.

Reserves Policy

The current level of reserves (defined as the unrestricted fund) at 31st December 2006 stands at £10.37m.

The ECITB retains reserves required to cover run-out costs (i.e. the costs of completing training programmes and meeting closure costs in the event that the ECITB ceases to operate). In previous reviews of reserves policy, £9m was considered to be an adequate level of reserves, and urgent action was not considered necessary until reserves fell to £6 – 7m.

The Main Board and Audit Committee have reviewed Reserves Policy in the light of recent decisions concerning new apprenticeship models and the introduction of the new TECSkills grant-funded programmes. This is because the apprenticeship and TECSkills programmes carry forward significant financial commitments. It was concluded that approximately £8m in reserves should be held for the purpose described above. ECITB plans to reduce reserves to this level over the next 3 years. This will occur through the controlled use of reserves to meet training expenditure until this level is achieved. Thereafter, annual budgets will be balanced to ensure income and expenditure are matched.

The Audit Committee reviews the Reserves Policy annually, to ensure that adequate reserves are held to meet the requirements of the organisation over the ensuing three year period. Its conclusions and recommendations are reported to the Main and Management Boards, which confirm the Reserves Policy annually.

Investment Policy and Performance

The specific investment powers of the ECITB are within the scope of HM Treasury guidelines. Management of investments is contracted to Schroder & Company, which is required to operate within guidelines approved by the Secretary of State. These broadly allow investment in a range of high quality interest bearing instruments. Investment in equities is not permitted.

Performance is measured against a benchmark, namely the Citigroup UK Government Bond 1-5 Year Index. In the period

from 14 September 2004 (when Schroder took over the portfolio) to 31st December 2006, performance after deduction of management fees was 6.93% compared to the benchmark 5.54%.

Performance is reported to and monitored by the Management Board and Audit Committee.

Employer Registrations

The number of employers registered as being in-scope to the ECITB at 31st December 2006 was 367 (349 at 31st December 2005), of which 215 were due to pay a levy in 2007.

Grant Payment Policy

Levy paying companies are eligible to receive grants for training activities. Details of the grant schemes and criteria for award are approved by the Secretary of State and are set out in the ECITB's Guide to Grants and Training Programmes, which is published annually.

Material Cash Support Payments

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

Post Year End Events

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

Charitable Donation

No charitable donations were made during the year.

Payment Policy & Performance

The ECITB observes the principles of the Government's Better Payment Practice Code. In doing so payment terms are agreed at the outset of relationships with suppliers and, wherever possible, amounts due are settled promptly within these terms except in cases of dispute. In 2006, on average, payment was made within 25 days of invoice date.

Auditors

The ECITB's external auditor is the Comptroller and Auditor General who is appointed under Section 2 of the Industrial

Training Act 1982 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003, and who sub contracts the work to Baker Tilly UK Audit LLP. The cost of external audit services for 2006 was £20,500.

As provided by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003, the financial statements are audited by the Comptroller and Auditor General.

Statement as to Disclosure of Information to the Auditors

The Trustees who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Trustees has confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

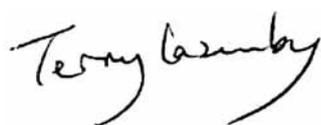
Remuneration Report

Decisions on remuneration are delegated to the Management Board, which determines general policy on remuneration and the individual remuneration packages for the Executive Team (comprising the Chief Executive, the Board Secretary and Director of Finance, the Operations Director and the Development Director).

The contracts of employment of the Executive Team are, in all material respects, in line with those of other staff of the ECITB. The only exception is a notice period of 3 months (6 months notice for the Chief Executive) rather than the normal 1 month. They are entitled to membership of the ITB pension fund, which is a contributory final salary scheme.

At its meetings held in January and March 2006 the Management Board reviewed the salaries and performance of the Chief Executive and Executive team, drawing on its extensive knowledge of business affairs and taking account of comparable remuneration packages within the industry.

Details of the individual remuneration packages and benefits are set out in the notes to the financial statements.



T M Lazenby FREng
Chairman

Statement on Internal Control & Risk Management

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 the ECITB's 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 Government Accounting. The Board is responsible for establishing and monitoring appropriate policies to fulfil the objectives of the ECITB as a statutory Industrial Training Board (ITB). As Chief Executive and Accounting Officer, I am responsible for managing the implementation of agreed policies and am accountable to the Board. As a statutory ITB and non-departmental public body, the ECITB reports to the Department for Education and Skills. The ECITB is established for exclusively charitable purposes and is therefore registered as a charity. The charitable activities of the ECITB are partly funded by a statutory levy, which is confirmed by an annual 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 the ECITB's 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 2006 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to Handle Risk

The management of strategic and operational risk is embedded in business processes. The Executive Team and Senior Managers provide high level leadership to the risk management process. These groups of staff have a good understanding of the key risks facing the ECITB. Selection and

performance review procedures ensure personnel are trained to manage risk in a way appropriate to their authority and duties. The Directors and Senior Managers understand the importance of their role in the risk management process.

The Risk and Control Framework

The ECITB aims to adopt best practice in the identification, evaluation and cost-effective management of risks, as an integral part of operational activity. Directors are accountable for risk management in their respective areas of activity and regularly report to the Chief Executive and Accounting Officer. Risk is assessed in these reviews and, more importantly, within the established business and financial planning process. Implicit in this approach is encouragement and support to the achievement of business objectives, anticipating and responding to changing social, environmental and legislative requirements, optimisation of control to achieve operational efficiencies and ensuring legal compliance as a minimum standard. A corporate risk register is maintained for each Directorate. The Chief Executive and Accounting Officer reports to the Audit Committee formally on these matters at least two times per year.

Policy and Responsibility

- A risk management policy has been established and communicated to all relevant parties.
- Responsibility for risk management is assigned to the Directors and their respective managers, to reflect actual responsibilities.
- All Directors are responsible for evaluating risk and taking measures to mitigate or minimise identified risk within their respective areas of operations and responsibility. The results of this exercise are reported to the Chief Executive and Accounting Officer at least twice in the year.
- Localised risk awareness work is undertaken in conjunction with Directors.
- Numerous other risk management activities take place as part of normal operations, such as system development risk analysis and progress reports for major projects.

Internal Audit

- Deloitte & Touche Public Sector Internal Audit Ltd served as the ECITB's internal auditor throughout 2006. The internal auditor operates to standards defined by HM Treasury, which include the submission of an independent opinion on the adequacy and effectiveness of the system of internal control.
- Reports are submitted to the Audit Committee concerning audits undertaken, implementation of recommendations, post capital expenditure reviews and other ad hoc reports, as required.
- The internal auditor has a direct reporting line to 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 makes formal reports to the Board concerning risk management and the status of internal control within the ECITB.
- The Chief Executive joins the Audit Committee to review ECITB management of risk and ensures that advice from members concerning the identification, assessment and management of risk is taken into account.

Review of Effectiveness

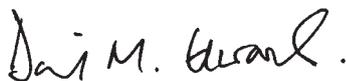
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Directors and executive managers (who have responsibility for the development and maintenance of the internal control framework) within the ECITB, and the internal auditor. The internal auditor's opinion on the control environment is that the ECITB has adequate and effective systems over risk, control and governance which provide reasonable assurance regarding effective and efficient achievement of ECITB's objectives.

Comments made by the external auditors in their management letter 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 on the effectiveness of the system of internal control by the Directors and the Audit Committee.

Significant Internal Control Problems

No significant problems were encountered in 2006 and none are known to exist at the year end.

Acknowledged on behalf of the Board



David Edwards, Chief Executive, ECITB

Accounting Officer



Mike Beaumont, Chairman of the Audit Committee, ECITB

The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament and the Board of the ECITB

I certify that I have audited the financial statements of the Engineering Construction Industry Training Board for the year ended 31 December 2006 under the Industrial Training Act 1982. These comprise the Statement of Financial Activities, the Balance Sheet and Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Board, Chief Executive and auditor

The Board and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report and the financial statements in accordance with the Industrial Training Act 1982 and directions made by the Secretary of State for Education and Skills and approved by HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out on page 16 in the Statement of the Board's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements 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 have been properly prepared in accordance with the Industrial Training Act 1982 and directions made by the Secretary of State for Education and Skills and approved by HM Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Board 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 pages 20, 21 and 22 reflect the Board's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Board's 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 other information comprises the content of the Annual Report other than the financial statements. 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 opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. 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 appropriate to the Board's 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 are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income 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.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Industrial Training Act 1982 and directions made by the Secretary of State for Education and Skills and approved by HM Treasury, of the state of affairs of the Engineering Construction Industry Training Board as at 31 December 2006 and of the incoming resources and application of resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial Training Act 1982 and directions made by the Secretary of State for Education and Skills and approved by HM Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn

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

23 May 2007

Financial Accounts

for the year ended 31 december 2006

Statement of Financial Activities for the Year Ended 31 December 2006

A financial summary for the period 1 January 2006 to 31 December 2006 (with comparative information for 2005) is shown immediately below. This has been extracted from the audited financial statements which appear in full later in this report.

Incoming Resources	Note	2006 £'000	2005 £'000 (As restated)
Incoming resources from generated funds			
- Investment income	4	718	907
Incoming resources from charitable activities			
Non levy income			
- Recruiting and developing new entrants		1,860	1,759
- Re-skilling and skill enhancement of existing workers		4	114
- Supervisory, leadership, management and project management training		1,893	1,087
- Competence assurance			
Total non-levy income	3	3,804	2,990
Levy	2	11,167	9,169
Other incoming resources	5	7	9
Total incoming resources		15,696	13,075
Resources Expended			
Cost of generating funds			
- Investment management costs		30	32
Charitable activities			
- Recruitment and developing new entrants		10,313	9,741
- Re-skilling and skill enhancement of existing workers		2,850	2,135
- Supervisory, leadership, management and project management training		1,840	775
- Competence assurance		2,660	1,926
- Levy collection costs		38	79
Total costs of charitable activities	6 & 7	17,701	14,656
Governance costs		143	139
Total resources expended		17,874	14,827
- Notional cost of capital		591	617

Total resources expended including notional costs		18,465	15,444
Net outgoing resources for year after charging notional cost of capital		(2,769)	(2,369)
- Notional cost of capital added back		591	617
Net outgoing resources for the year before other recognised gains and losses		(2,178)	(1,752)
Other recognised gains and losses			
- Gains on revaluation of fixed assets for own use	8	148	224
- Losses on investment assets	9	(260)	(56)
Net movement in funds		(2,290)	(1,584)
Reconciliation of Funds			
Total funds brought forward	12	12,659	14,243
Total funds carried forward	12	10,369	12,659

The statement of financial activities reflects all gains and losses during the year to 31 December 2006. All activities are continuing. All funds are unrestricted. The notional cost of capital has been calculated in accordance with HM Treasury's Financial Reporting Manual.

The notes on pages 28 to 38 form part of these financial statements.

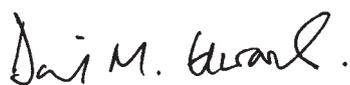
Balance Sheet at 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
- Tangible assets	8		1,643		1,636
- Investments	9		9,913		11,642
			11,556		13,278
Current assets					
- Debtors	10	1,004		1,386	
- Investments	9	68		0	
- Cash at bank and in hand		780		691	
		1,852		2,077	
Creditors					
- Amounts falling due within one year	11	(3,039)		(2,696)	
Net current liabilities			(1,187)		(619)
Total assets less current liabilities			10,369		12,659
Fund					
- Unrestricted fund	12		10,369		12,659

The accounts were approved by the Board on 24th April 2007.



T M Lazenby FREng
Chairman



D M Edwards
Chief Executive Officer

Cash Flow Statement for the Year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Net cash outflow from operating activities	14	(1,669)	(1,815)
Returns on investments and servicing of finance			
- Investment income	4	718	907
- Losses on investment assets	9	(260)	(56)
Capital expenditure			
- Purchase of tangible fixed assets		(145)	(274)
- Disposal of tangible fixed assets		44	64
Management of investments			
- Purchase of investments		(1,016)	(6,174)
- Disposal of investments		2,406	6,486
- Cash invested		11	671
Increase/(Decrease) in cash	16	89	(191)

The notes on pages 28 to 38 form part of these financial statements.

Notes forming part of the Accounts for the Year ended 31 December 2006

1) Accounting Policies

Accounting Convention

These accounts have been prepared in accordance with the 1982 Act and an accounts direction issued by the Secretary of State that requires ECITB to apply relevant accounting standards and also comply with the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" dated March 2005.

The accounts are prepared under the historical cost convention as modified by the revaluation of Land and Buildings and Investments.

Certain of the comparative figures have been re analysed and re stated in order to comply with SORP 2005. This has not resulted in a change to the 31 December 2005 net financial reserves.

A proportion of the investment portfolio is used to finance the day to day running of the ECITB. Investments may be converted to cash within a very short period, typically 2 weeks. Current liabilities represent liabilities which fall due for payment between the balance sheet date and up to 12 months beyond then. However the ECITB's policy is to convert investments to cash which are sufficient to meet liabilities that are due in the immediate future (up to 6 weeks ahead). Thus the balance sheet reveals net current liabilities as the ECITB has not converted investments to cash or cash equivalents sufficient to meet all current liabilities shown in the balance sheet.

Levy Income

Levy income is recognised on an annual cycle in the year in which it is raised together with adjustments in respect of previous levies raised. The levy receivable relating to the base period ended 5 April 2005 is ordinarily raised in January 2006 and recognised as income in that year. In certain cases an estimated levy notice is raised in advance of the year end and this income is treated as deferred.

Grants Receivable

There are two streams of grants, which are received from Government sources (such as the Learning and Skills Council), as follows:

- Grants for Apprentice Training (Charitable Activity: "Recruiting & Developing New Entrants")
- Assuring Competence in Engineering (ACE) (Charitable Activity: "Competence Assurance")

Grants are recognised when the SORP 2005 criteria of entitlement, certainty and measurement have been satisfied. Such grants are repayable in the event that the activities to which the grant relates do not occur.

This grant income is not an agreed annual cash allowance to meet the ECITB's financial cash outgoings for the year. It does not represent grant in aid. Consequently it is treated in the accounts as income.

Grants Payable

Grants are recognised as a liability when the claim for the grant has been admitted by the ECITB.

Investment Management Costs

Investment management costs are recognised on an accruals basis.

Charitable Expenditure

Charitable expenditure includes all expenditure incurred on the charitable activities described below in pursuance of the ECITB's objectives.

- Recruitment and developing new entrants
- Re-skilling and skill enhancement of existing workers
- Supervisory, leadership, management and project management training
- Competence assurance
- Levy collection costs

Other Categories of Income

All other categories of income (e.g. sales, sponsorship and investment income) are recognised on an accruals basis.

Support Costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of the resources e.g. staff time.

Governance Costs

Governance costs include those incurred in the governance of the ECITB and its assets and are primarily associated with constitutional and statutory requirements.

Notional Cost of Capital

Notional cost of capital is calculated at 3.5%.

Revaluation of Land and Buildings

FRS 15 requires fixed assets which are carried at re-valued amounts to be shown at their current value at the balance sheet date. To achieve this freehold land and buildings are subject to a full external valuation every 5 years. In the intervening years the modified historical cost accounting basis is considered and adjusted where material. Having reviewed the movement in the market since the last valuation the ECITB believes that a current value for the building would be around £1,230,000 and therefore the property value is stated at this figure in the Balance Sheet.

Capitalisation

Fixed assets costing below £500 are not capitalised.

Depreciation

Depreciation on fixed assets other than freehold land is provided on cost or valuation in equal annual installments by class of asset over the estimated lives of each class, from the date on which the assets are brought into use. The rates of depreciation are as follows:

Freehold buildings	-	depreciable over 40 years
Plant and machinery	-	10% to 25%
Office furniture and equipment	-	10% to 33.3%

No depreciation is provided on freehold land.

Investments

Investments are carried at market value. Realised and unrealised gains and losses are reflected in the statement of financial activities.

Pensions

The ECITB is a participating employer in the ITB Pension Funds, which are constituted as defined benefit schemes. Pension contributions are charged to the statement of financial activities as incurred.

Corporation Tax

ECITB as a registered charity number 264506 is exempt from Corporation Tax on its primary purpose activities. As such there is no Corporation Tax to pay.

Fund

The ECITB's fund is available to the Trustees to apply for the general purposes of the Charity as governed by the Industrial Act 1982 (as amended) and related regulations. As such the fund is "unregulated" because the Trustees are free to use it for any of the Charity's purposes. Income generated from assets held in the fund is unrestricted income.

2) Levy Receivable

The total number of firms paying levy was 207 and the number of firms excluded was 149.

3) Non Levy Income

	2006 £'000	2005 £'000
From LSC's/Scottish Enterprise	3,313	2,408
Other government bodies	89	154
ESF (European Social Funds)	58	203
From sales and sponsorships	344	225
	3,804	2,990

4) Investment Income

Income from quoted investments	550	720
Income from cash deposits	168	187
	718	907

5) Other Operating Income

Other income	7	9
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6) Charitable Activities

	Grant funding £'000	Direct costs £'000	Support costs £'000	Total 2006 £'000	Total 2005 £'000
Recruiting and developing new entrants	157	9,296	860	10,313	9,741
Re-skilling and skill enhancement of existing workers	1,754	1,013	83	2,850	2,135
Supervisory, leadership, management and project management training	841	952	47	1,840	775
Competence assurance	1,643	728	289	2,660	1,926
Levy collection costs	-	38	-	38	79
	4,395	12,027	1,279	17,701	14,656

6) Charitable Activities (cont'd)

The following companies have been awarded grants in 2006. The list is limited to the largest 50 in terms of grant values.

Mitsui Babcock Energy Services Ltd	992,220	Offshore Contractors Association	38,000
Thermal Energy Construction Ltd	186,100	Saipem UK Ltd	37,482
Fabricom Contracting Ltd	154,350	Main Port Engineering (1990) Ltd	34,950
AK Business Partner	144,150	Corus Teesside Cast Products	34,400
CB&I John Brown	139,382	Laker Vent Engineering Ltd	30,025
Heerema Hartlepool Ltd	135,567	Marske Site Services Ltd	29,000
AMEC Group Ltd	133,655	EI.WHS	27,132
Kellogg Brown & Root Ltd	105,258	VAI Industries (UK) Ltd	25,995
Fluor Ltd	102,228	Haycock & Hague (Pipework) Ltd	25,600
Shaw Group (UK) Ltd	102,189	Interserve Industrial Services Ltd	25,300
KBR	101,220	Aker Kvaerner Offshore Partner Ltd	24,421
Pruce Newman Pipework Ltd	95,255	TEI Limited	24,420
Fast Track Site Services	92,600	Air Products plc	21,871
M W Kellogg Ltd	92,439	Interserve Industrial Services Ltd	21,264
Foster Wheeler Energy Ltd	91,662	C & A Pumps Ltd	20,943
AMEC Upstream Oil & Gas Ltd	80,612	Whitland Engineering Ltd	20,900
Watson Steel Structures Ltd	67,063	Steel Erecting Services Ltd	20,600
SLP Engineering Ltd	62,400	Grayton Engineering Ltd	20,109
Wood Group Engineering (North Sea) Ltd	58,276	Performing Teams UK	20,000
L E S Engineering Ltd	58,048	O'Hare Engineering Ltd	19,513
Petrofac Facilities Management Ltd	46,643	The Arkwright Scholarships	19,200
Ledwood Mechanical Engineering Ltd	44,625	Caterpillar UK Ltd	18,200
Cordell Group Ltd	44,246	G R Carr (Essex) Ltd	17,800
Siemens Power Generation	43,000	Alstom Power Ltd	17,795
AKD Engineering Ltd	38,200	Chemical Services Ltd	17,450
Total			3,823,758

7) Support Costs

	Charitable activities £'000	Cost of generating funds £'000	Governance costs £'000
Wages and salaries	1,693		
Social security costs	154		
Pension costs	211		
Other personnel costs	49		
Staff travel	295		
Premises costs	82		
Office expenses	474		
Staff recruitment and training	177		
Professional charges	87		
Depreciation	262		
(Profit)/loss on disposals	(20)		
Direct re-charges attributable to grants and programmes	(2,222)		
Research costs	37		
Investment management costs - Schroder & Co. fees		30	
Board and Committee costs			81
Director's and Officer's Liability insurance			1
External and Internal Auditor's remuneration			38
Cost of producing Annual Report			23
	1,279	30	143

	2006 £'000	2005 £'000
Wages and salaries	1,693	1,673
Social security costs	154	163
Pension costs	211	172
Other personnel costs	49	21
	2,107	2,029

The Chairman of the Board, Mr T M Lazenby, in accordance with his appointment by the Secretary of State for Education and Skills is entitled to remuneration as Chairman of the Board, and received £16,368 (2005 - £2,763). Two independent trustee Directors have been appointed and have, with agreement from The Charity Commission, been paid. Mr N Davis received £12,000 directly. Mr M Beaumont's company received £12,000 for his services.

Twenty-seven Trustees (2005 – Twenty Five) had expenses totalling £16,420 reimbursed with regard to travel, accommodation, subsistence and telephone charges (2005 - £10,949).

The Salary and pension entitlements of senior managers are as follows:

Name	Salary	Benefits in kind	Real increase in pension	Total accrued pension	CETV at 1 January 2006	CETV at 31 December 2006	Employer funded real increase in CETV
D M Edwards	94,122	7,358	1,843	13,388	81,970	135,767	8,565
P J Johnston	35,047	1,228	612	13,327	192,520	185,936	2,865
P C Hill	42,256	481	633	633	-	5,288	3,388
N Spencer	61,500	5,651	1,514	5,049	23,074	40,096	9,650
A M Featherstone	74,813	6,744	1,189	1,745	4,292	16,066	7,026

Benefits represent company car and private health insurance.

The contract with the Chief Executive – Mr D M Edwards - is dated 1 July 1999 and the terms include:

- notice period six months
- annual leave thirty working days
- annual review of salary

Apart from private health insurance, all other terms and conditions, including ITB Pension Fund membership, are in line with those of other staff members.

The number of employees earning over £60,000 per annum including benefits in kind, excluding pension contributions was:

	2006 Number	2005 Number
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
£90,001 - £100,000	-	-
£100,001 - £110,000	1	1

The average number of employees, by function, was:

Recruiting and developing new entrants		
Re-skilling and enhancement for existing workers		
Supervisory, leadership, management and project management training	30	29
Competence Assurance	8	8
Administration	14	12
Research and development	4	4
	56	53

The above includes fixed term contract personnel.

The ECITB will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. There were no disabled persons employed by the ECITB during the year.

The ECITB recognises the Amicus/MSF union as representing employee interests and meets with them to discuss health, safety and welfare issues.

8) Tangible Assets

	Freehold land & buildings £'000	Motor vehicles & equipment £'000	Office furniture & equipment £'000	Total £'000
Cost or valuation				
At 1 January 2006	1,112	630	871	2,613
Revaluation	116	-	-	116
Additions	2	143	-	145
Disposals	-	(134)	(35)	(169)
At 31 December 2006	1,230	639	836	2,705
Depreciation				
At 1 January 2006	-	275	702	977
Revaluation adjustment	(32)	-	-	(32)
Provided for the year	32	136	94	262
Disposals	-	(110)	(35)	(145)
At 31 December 2006	-	301	761	1,062
Net book value at 31 December 2006	1,230	338	75	1,643
Net book value at 31 December 2005	1,112	355	169	1,636

Land and buildings comprise a freehold property including land of £330,000 which will not be depreciated (2005 £300,000).

The freehold land and buildings were valued on the basis of existing use value in accordance with the RICS Appraisal and Valuation Manual as at 13 September 2002 by Drivers Jonas, a firm of Chartered Surveyors, at £950,000. Having reviewed the movement in the market since the last valuation the ECITB believes that a current value for the building would be around £1,230,000 and therefore the property value is stated at this figure in the Balance Sheet. The historic cost of the land and buildings is £1,300,000.

The cost and accumulated depreciation at 31 December 2006 includes fully depreciated assets at historical cost of £718,156 (31 December 2005 - £613,735).

Commitments at 31 December 2006 amounted to £nil (31 December 2005 - £nil).

9) Investments

	2006 £'000	2005 £'000
Quoted Investments		
Listed investments		
Market value at 1 January 2006	11,642	12,681
Purchases	1,016	6,174
Sales	(2,406)	(6,486)
Net loss	(260)	(56)
Market value at 31 December	9,992	12,313
Bank and cash investments	(11)	(671)
Total market value at 31 December	9,981	11,642
Fixed asset investments	9,913	11,642
Current asset investments	68	0
	9,981	11,642
Historical cost at 31 December	10,240	11,603

The investment portfolio is managed by Schroder & Company as discharged by the Trustees. Details of material investments are as follows:

	% Value of Portfolio
Granite Mortgages Plc FRN 20.1.43	5.8%
HBOS Treasury Services Plc 17.12.08	8.5%
European Investment Bank Bonds 7.12.09	19.2%
European Investment Bank Bonds 7.12.11	9.7%
Network Rail Finance PLC 6.3.09	19.0%
Kredit FuerWieder Bonds 7.12.08	9.5%
LCR Finance guaranteed Bonds 31.12.10	23.6%
Bank and cash	4.7%

As an NDPB, ECITB has no borrowings and relies primarily on levy income for its cash requirements and is therefore not exposed to liquidity risks. All assets are held in sterling so there is no exchange risk.

10) Debtors

	2006 £'000	2005 £'000 (As restated)
Levy raised but uncollected		
Prepayments and accrued income		
- Learning & Skills Council	352	443
- Job Centre Plus	142	215
- National Training Providers	-	9
- Other	21	511
Other debtors	4	208
	246	
	1,004	1,386

11) Creditors - Amounts falling due within one year

	2006 £'000	2005 £'000
Grants payable	778	627
Taxes and social security	11	11
Other creditors	445	143
Accruals	1,132	1,228
Deferred income	6673	687
	3,039	2,696

12) Unrestricted fund

	2006 £'000	2005 £'000
Balance at 1 January	12,659	14,243
Deficit for the year	(2,290)	(1,584)
Balance at 31 December	10,369	12,659

13) Pensions

The ECITB is a participating employer in the ITB Pension Funds, which are constituted as defined benefit schemes. The assets of the schemes are held separately from those of the charity in an independently administered fund. During the period, employer's contributions at a rate of 10.5% of pensionable salaries for the Old Section, and 11% for the New Section (as determined by the Trustees acting on the advice of the Funds' Actuaries) have been made in respect of all employees who are members of the Funds. The pension cost charge of £210,905 (year to 31 December 2005 - £172,115) represents contributions payable by the charity to the scheme.

The scheme comprises two funds:

The Open Fund The Open Fund is valued triennially by an independent qualified actuary. The valuation reported was at 31 March 2004, which showed the market value of the assets was £466 million and the actuarial value of those assets represented 111% of the benefits that had accrued to the members. For the purpose of that valuation the actuary assumed investment returns would be 7%, increases in total pensionable earnings would be 5% and that future pensions in payment would increase by 4% per annum.

The Closed Fund The Closed Fund is valued triennially by an independent qualified actuary. The last formal valuation was at 31 March 2003, which showed the market value of the assets was £195.6 million. For the purposes of that valuation the actuary assumed investment returns would be 8% (and that future pensions in payment would increase by 6% per annum). The Pension Fund has advised that a valuation of the Closed Fund was carried out at the 31 March 2006. However they cannot confirm the valuation until all Employers have approved the new legal requirement of a Statement of Funding Principle. The ECITB has approved this but other employers have yet to respond.

Early Retirement In the event of an individual, of at least 50 years of age, who has completed not less than five years pensionable service, being required by the ECITB to take early retirement before reaching pensionable age, ECITB must pay into the ITB Pension Funds a sum to secure enhanced pension rights. At 31 December 2006 the relevant contingent liability amounted to approximately £628,827 (31 December 2005 - £532,275).

Financial Reporting Standard 17 "Retirement Benefits" (FRS 17)

As the ITB Pension Funds is a multi-employer scheme and the Board is unable to identify its share of the underlying assets and liabilities the Board is required to account for contributions to the scheme as if it were a defined contribution scheme. As a result the impact of FRS 17 on the financial statements will not be significant.

14) Reconciliation of net outgoing resources to net cash outflow from operating activities

	2006 £'000	2005 £'000
Net outgoing resources	(2,178)	(1,752)
Depreciation	262	295
Investment income	(718)	(907)
Losses on investment assets	260	56
(Profit) on disposal of fixed assets	(20)	(32)
Decrease/(Increase) in debtors	382	(467)
Increase in creditors	342	992
Net cash outflow from operating activities	(1,669)	(1,815)

15) Reconciliation of changes in cash to net fund

	2006 £'000	2005 £'000
Change in cash	89	(191)
Balance at 1 January	691	882
Balance at 31 December	780	691

16) Analysis of changes in net fund

	At 01/01/06 £'000	Cash flows £'000	At 31/12/06 £'000
Cash at bank	691	89	780
Bank overdraft	-	-	-
	691	89	780

17) Contingent Liabilities

Other than the issue referred to in Note 13 Pensions, there are no contingent liabilities at the balance sheet date.

18) Related Party Transactions

Some members of the Board of Trustees also hold positions with and/or are employees of organisations with which the ECITB has transacted during the year. These transactions have included the receipt of levy, payment of grants, provision of training, award of qualifications and procurement of training. All of the transactions were under normal terms and carried out at arms length. The total sums involved were:

	2006 £'000	2005 £'000
Levy paid to ECITB	4,981	4,296
Payment of Grants	1,792	1,111
Provision of Apprentices	568	4,142
Purchase of Training Services by ECITB	361	282

Appendices

Appendix A

Principal Office and other Offices, Charity Registration details and general information

Head Office and Principal Address

Blue Court, Church Lane, Kings Langley, Herts, WD4 8JP.

Other Offices

ECITB Resource Centre, Warwickshire College, Rugby Centre, Lower Hillmorton Road, Rugby, Warks, CV21 3QS

ECITB Resource Centre, Prestige Training Ltd, Unit 3, Pembrokeshire Skills Park, Great Honeyborough, Neyland, SA73 1SE

ECITB Resource Centre, The Innovation Centre, Vienna Court, Kirkleatham Business Park, Redcar, Cleveland, TS10 5SH

ECITB Resource Centre, Humberside Client/Contractor Training Association, Kiln Lane, Stallingborough, North East Lincolnshire, DN41 8TH

ECITB Resource Centre, Unit 3, Riverview Business Centre, Centurion Court, North Esplanade West, Aberdeen, AB11 5QH

Charity Registration Details

Registered as a charity in England & Wales with the Charity Commission No 264506.

General Information

ECITB's Equal Opportunities Policy

We are committed to being an equal opportunities employer. We aim to develop all staff to enable them to make a full contribution to meeting the Board's objectives and to fulfil their own potential on merit. We will promote and support our policy to ensure that no job applicant, employee or customer receives less favourable treatment than any other on the grounds of sex, marital status, race, colour, nationality, ethnic or national origin, religion, age, disability or sexual orientation.

"Service First" and Open Government

The Board fully supports and applies the principles of the Government's new Charter programme "Service First", which has replaced the Citizen's Charter. The aims of the Charter are to raise the standards of public service and make them more responsive to the wishes of the users. The Board also complies with the Government's Code of Practice on Access to Government Information. The Code of Practice supports the Charter principle of extending access to official information and responding to reasonable requests for information.

The Board has developed and adopted its own Code of Best Practice for Board Members, based on a model produced by HM Treasury. The Code of Best Practice complies with the recommendations of the Nolan Committee on Standards in Public Life.

The ECITB is continuing to develop its web site as a source of information about its activities.

Complaints

Any complaint concerning conduct of the ECITB should be addressed in the first instance to the Chief Executive.

Appendix B

Trustees

The names of those serving as charitable trustees of the ECITB on 24th April 2007 are shown below, together with the names of those who stepped down during 2006.

As specified in Schedule 1 of the Industrial Training Act 1982, Trustees are appointed by the Secretary of State for Education and Skills, normally for three to five years, following a public appointment process. Nominations of candidates from the industry's employers are sought from employers which participate in the ECITB's Regional Forums, and from the principal trade associations. Nominations 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 the ECITB's work through an induction meeting with the Chief Executive Officer 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 the ECITB's policies, business and financial plans, delegating operational decision-making to the Executive Team. In addition to serving on the Board, some will also take part in policy making as members of the Management Board and the Audit Committee (both sub-committees of the Board) as shown in Appendix C. The Audit Committee is also supported by other volunteers from the industry.

Current and Former Trustees (2006)

Mr T M Lazenby - Chairman		Mr M Hockey	
Mr C Barnes		Mr J Hornby	
Mr G Beattie		Mr M Jex	
Mr D Billington	Appointed January 2006	Mr J Jones	Appointed April 2007
Mr M Beaumont		Mr T Jones	Appointed January 2007
Mr M Bretherick		Mr R Leamon	
Mr B Buchan		Mr S Lee	Resigned May 2006
Mr J Collings	Resigned August 2006	Mrs T McDougall	
Mr N Davis		Mr J Mellon	Appointed January 2006
Mrs L Ferguson		Mr W Murray	
Mr M Fletcher	Appointed April 2007	Mr B Rogan	
Miss C Forbes		Mr S Scrimshaw	Appointed August 2006
Mr P Gotts		Mr S Smith	Resigned January 2007
Mr T Hardacre		Mrs A Thom	Retired November 2006
Mr K Hazlewood		Mr P Whitaker	Retired November 2006
		Mr N Winkley	Retired December 2006

Appendix C

Membership of Board and Committees

Trustee = •		Main Board	Management Board	Audit Committee
Mr T Lazenby	ECITB Chairman	• CHAIR	CHAIR	■
EMPLOYER REPRESENTATIVES				
Mr C Barnes	Consultant	• ■		
Mr D Billington	Managing Director, TEI Limited	• ■		
Mr B Buchan	Operations Support Manager, Doosan Babcock Energy Ltd	• ■		
Mrs L Ferguson	Head of Learning & Development, Petrofac Operations Services	• ■		■
Miss C Forbes	Human Resources Manager, Wood Group Engineering (North Sea) Ltd	• ■		
Mrs T McDougall	HR Manager, Washington E & C Limited	• ■		
Mr B Rogan	Assistant Managing Director, Cleveland Bridge UK Limited	• ■		
Mr M Gordon	Director of Finance, Siemens Power Generation (a division of Siemens Plc)			■
Mr G Richards	Projects & Planning Manager, E.ON UK plc			■
REGIONAL CHAIRS				
Mr G Beattie	Assignment Manager, Production Services Network	Offshore • ■		
Mr J Hornby	Mgr. of Construction & Completion, Aker Kvaerner E&C Europe	North East • ■		
Mr M Jex	Managing Director, L E S Engineering Ltd	Yorks & Humber • ■		
Mr M Fletcher	Deputy Ops Support Manager, Doosan Babcock Energy Ltd	Midlands • ■		
Mr J Mellon	INEOS Manufacturing Scotland Ltd	Scotland • ■		
Mr J Jones	Group SHE/HR Manage, Power Units (1953) Ltd	Wales & Sth West • ■		
Mr T Jones	Divisional Director, Interserve Industrial Services Limited	North West • ■		
EMPLOYER ASSOCIATION REPRESENTATIVES				
Mr W Murray	Chief Executive, Offshore Contractor's Association	• ■	■	■
Mr M Hockey	Managing Director, ECIA	• ■	■	■
Mr R Leamon	BCECA Representative, Foster Wheeler Energy Ltd (also Offsite Forum Chair)	• ■		
Mr S Scrimshaw	Managing Director, Siemens Power Generation (a division of Siemens Plc) (President, ECIA)	• ■		
TRADE UNION REPRESENTATIVES				
Mr K Hazlewood	National Secretary, GMB	• ■		
Mr T Hardacre	National Officer, Amicus	• ■	■	
CLIENT REPRESENTATIVES				
Mr P Gotts	Consultant, North East Process Industries Cluster	• ■	■	
NON-EXECUTIVE DIRECTORS				
Mr M Beaumont	Managing Director, Operations, Foster Wheeler Energy Ltd	• ■	■	CHAIR
Mr N Davis	Managing Director, Crawford Hafa Ltd	• ■	■	
EDUCATIONALIST				
Mr M Bretherick	Vice Principal & Deputy Chief Executive, Hartlepool College of Further Education	• ■		

Appendix D

Register of interests of Trustees

Trustees are appointed by the Secretary of State because of their positions in the industry. Apart from these positions, the following Board members have declared the following other interests:

Mr C Barnes	Self Employed, Moby Ltd – consultant to levy paying ECI companies
Mr G Beattie	Assignment Manager, Production Services Network Chairman of the Oil Chaplaincy Trust
Mr M Beaumont	Directorships of Foster Wheeler subordinate/affiliate companies
Mr D Billington	Managing Director of TEI Limited Director of Asbestos Surveys & Management UK Ltd Vice President of Engineering Construction Industry Association
Mr M Bretherick	Vice-Principal and Deputy Chief Executive of Hartlepool College of Further Education
Mr B Buchan	Director, Operations Support, Doosan Babcock (supplying services to the ECITB)
Mr N Davis	Managing Director, Crawford Hafa Limited
Ms L Ferguson	Head of Learning & Development of Petrofac Training Limited Contract with ECITB for National Assessment Service Offshore
Mr M Fletcher	Governor, Fair Oak Business & Enterprise College, Rugeley
Miss C Forbes	Human Resources Manager, Wood Group Engineering (North Sea) Limited
Mr P Gotts	Chairman, Teesside Clients Construction Group Chairman, Teesside CCNSG Safety Passport Steering Committee Executive member Tees Valley Engineering Partnership Member – North East Regional Steering Group for ACE Member – North East SHE Partnership Member – Construction Projects Client's Group (CPCG)
Mr T Hardacre	Member of Joint Industry Board for Electrical Contracting Member of NAECI Member of National Board for the Heating and Ventilation Agreement Other Industry Pension Trustee's Boards
Mr K Hazlewood	National Secretary, GMB Trade Union Member of NAECI NJC Trade Union NECC Chairman
Mr M Hockey	Chief Executive, Engineering Construction Industry Association Member ACE Steering Group
Mr J Hornby	Chairman, NETA Training Chairman, Tees Valley Engineering Partnership Chairman, Sellafield Contractors Group Parent Governor, Conyers School, Yarm
Mr M Jex	Board member of Impress Board member of Humber Chemical Focus
Mr J Jones	Group SHE/HR Manager, Power Units (1953) Ltd

Mr T Jones	Divisional Director, Interserve Industrial Services Limited
Mr T Lazenby	Chairman, Portsmouth Water Ltd Chairman, Occupational Standards Council for Engineering Executive Board member, European Construction Institute Non-Executive Director, Expro International Group plc Non-Executive Director, MTL Instruments plc Lt Colonel – Engineering & Logistics Staff Corps
Mr R Leamon	Manager – Information Management, Foster Wheeler British Chemical Engineering Contractors' Association Council member
Mrs T McDougall	HR Manager, Washington E&C Ltd
Mr J Mellon	Industrial Relations & Competence Manager, Interserve Industrial Services
Mr W Murray	Director & Company Secretary- Offshore Contractors Association Company Secretary – Enviro-Resource Ltd
Mr B Rogan	Member of BCSA National Steelwork Contractors Group Member of BCSA Bridgeworks Committee
Mr S Scrimshaw	Managing Director, Siemens Power Generation

Appendix E

Chief Executive Officer and Senior Staff

The ECITB's Executive Team comprises:

Chief Executive Officer	David Edwards	E-mail: DavidEdwards@ecitb.org.uk Direct Tel: 01923 402121
Board Secretary and Director of Finance	Peter Hill	E-mail: PeterHill@ecitb.org.uk Direct Tel: 01923 402123
Operations Director	Tony Featherstone	E-mail: TonyFeatherstone@ecitb.org.uk Direct Tel: 01923 402133
Development and Quality Director	Nigel Spencer	E-mail: NigelSpencer@ecitb.org.uk Direct Tel: 01923 402132

The Executive Team can be contacted by post at:

Blue Court
1 Church Lane
Kings Langley
Hertfordshire
WD4 8JP

Appendix F

Employer, Employee, Industry, Educational and Governmental Organisations

ECITB maintains close contact with the following associations and bodies concerning skills and training issues:-

Employer Organisations

British Chemical Engineering Contractors Association (BCECA)

Engineering Construction Industry Association (ECIA)

National Joint Council (NJC)

Offshore Contractors Association (OCA)

Trade Unions

Amicus

GMB

Industry Bodies & Associations

European Construction Institute

Offshore Petroleum Industry Training Organization (OPITO)

North East Process Industries Chemical Cluster

Skillweld Industrial Leadership Team

Tees Valley Engineering Partnership

Yorkshire Forward Chemical Alliance

Educational Organisations and Training Providers

Adept Knowledge Management

ASET (Aberdeen Skills and Enterprise Training) Ltd
/Aberdeen College

Careers Wales

Cranfield University

EAGIT Ltd

GENII

Grimsby Institute of Further and Higher Education (GIFHE)

Humberside Engineering Training Association (HETA)

Laird Foundation

Met-Tech

Neath Port Talbot College

NETA Training Group

Peak Performance

Pembrokeshire College

Petrofac Training

Phoenix Training Solutions

Prestige Training

Southern Engineering Training Association (SETA)

Training 2000

tte (New Horizons)

TTE Ltd

Tullos Training

Warwickshire College

Governmental Bodies & Agencies

Asset Skills

CITB – Construction Skills

Department for Education Skills (DfES)

Department of Trade and Industry (DTI)

European Social Funding (ESF)

Education and Learning Wales (ELWa)

Highlands and Islands Enterprise (HIE)

Learning and Skills Council (LSC)

Proskills UK

Qualifications and Curriculum Authority (QCA)

Scottish Enterprise

Scottish Qualifications Authority (SQA)

Sector Skills Alliance Scotland (SSAScot)

Sector Skills Council for Science, Engineering and
Manufacturing Technologies (SEMTA)

Sector Skills Council for Oil & Gas Extraction (Cogent)

Sector Skills Development Agency (SSDA)

Skills for Business Network (SfBN)

SummitSkills

Appendix G

Other relevant Organisations and persons

External Auditors

Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, Victoria, London, SW1W 9SP.

Contracted External Auditors: Baler Tilly UK Audit LLP, City Plaza, Temple Row, Birmingham, B2 5AF.

Internal Auditors

Deloitte & Touche Public Sector Internal Audit Ltd, 3 Victoria Square, Victoria Street, St Albans, Hertfordshire AL1 3TF.

Bankers

Barclays Bank Plc, 32 Clarendon Road, Watford, WD1 1LD.

Investment Managers

Schroder & Company, 100 Wood Street, London, EC2V 7ER.

Solicitors

KSB Law, 1st Floor, 28-32 Britannia Street, London, WC1X 8JF.

SA Law, 60 London Road, St Albans, Hertfordshire AL1 1NG.

Maxwell Maclaurin, 100 West Regent Street, Glasgow, G2 2QB.

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