

CITB-ConstructionSkills

Annual Report and Accounts 2006



CITB-ConstructionSkills Annual Report and Accounts 2006

To the Secretary of State for Education and Skills

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Foreword

It is now two years since our Sector Skills Agreement (SSA) was created, during which time we have worked with employers, training providers and Government to move the industry towards meeting demanding targets, and to reach our goal of becoming simpler to deal with, faster to respond and closer to our customers. To reflect our changing business, we have changed the way we describe our activities, so that most of what we do – with the important exception of levy and grant matters – will be badged as ConstructionSkills. In this report, we use CITB-ConstructionSkills to refer to such activities and matters that relate to this organisation alone.

Over the same period, the industry has changed – from the announcement of major projects such as the Olympics, to the growing importance of issues such as affordable and low-carbon housing, and the start of the southwards shift of the highest construction growth areas. Despite this, research tells us that the challenges we identified two years ago remain the same today. These are about ensuring that businesses have the right people, with the right skills, in the right place at the right time. A key aim of the SSA was to intensify and widen the industry's Qualifying the Workforce initiative, and this was a real focus of work in 2006.

At an entry level, the ConstructionSkills Health and Safety Test cemented its position as the industry standard in August, when the one millionth candidate passed. To build on the success of the Test and to make becoming qualified and carded as simple as possible, 2006 also saw the launch of SkillsDirect.

SkillsDirect seeks to make getting an industry record card fast, simple and hassle-free. It pulls together the ConstructionSkills Health and Safety Test, the card application process and a route to qualification if needed. 20,800 cards had been issued by SkillsDirect by the end of November 2006.

Central to this streamlining process was the continuing ability to offer On-Site Assessment and Training (OSAT) for those already in work who want to improve their qualifications – some 18,000 people gained an NVQ/SVQ through OSAT between January and September 2006, and new 2006 developments such as the Experienced Worker Practical Assessment will make qualification through this method even more accessible.

Taking training into real life environments was also progressed to the next stage in 2006 with the launch of the National Skills Academy for Construction.

Using a network of project-based training centres linked to major construction sites around the country, it is expected that more than 30 Academy sites, at projects worth a total of £30bn, will be established by 2010, creating at least 10,000 local jobs via apprenticeships and seeing 100,000 experienced workers gain NVQ/SVQ Levels 2 or 3. This focus on training 'centres of excellence' is not just about new build – 2006 also saw the National Heritage Training Group (a partnership between ConstructionSkills and English Heritage) provide match funding with The Prince's Foundation for the Built Environment to set up a specialist heritage skills training academy.

On a more disappointing note, at the very end of 2006, the National Construction College (NCC) heard that its Planning Appeal in respect of an enabling development to fund the replacement of old and increasingly inadequate accommodation and leisure facilities at Bircham Newton had been rejected. This leaves NCC East in a very difficult position and staff are now reviewing all options in preparation for discussions with the Board and Industry during the early part of 2007.

The second SSA challenge is to secure the future of the industry by recruiting qualified new entrants and improving understanding of career opportunities in construction. As the first report of the Construction Skills Network in June 2006 showed, the industry needs to recruit around 87,000 people every year until 2010, with professionals making up nearly half of these new recruits. That is why activity aimed at young people continues to be so important. Our Positive Image publicity campaign, aimed at educating young people about the huge range of roles within the industry and encouraging applications for apprenticeships and scholarships, ran for the eighth year in 2006. The year also saw the tenth National Construction Week, where over 70,000 young people took part in 300 events across the UK.

The success of our Inspire Scholarships programme, a £1m collaborative employer fund which aims to increase applications to construction and built environment-related degree courses, has also continued. Over 80 employers and 200 Inspire Scholars are currently involved. In 2006, over 750 young people applied to the scheme – and of particular note was the fact that 30% were female. However, just 8% were ethnic minority applicants, reminding us of the real challenge that remains in coming years.

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Nearly 45,000 young people applied to ConstructionSkills' Apprenticeship Scheme in 2006, suggesting that the trend of 2005, which saw a dramatic revival in apprenticeship applicants, is set to continue. We have also seen the framework completion rate improve enormously – it stood at only 31% in 2004, rising to 55% in 2005, but with 6,916 people achieving in 2006, this amounted to a rate of almost 70%.

Our third SSA target was to improve business performance. The Egan Review – Rethinking Construction – concluded that the industry as a whole needed to improve its performance significantly in such areas as safety, productivity, customer satisfaction and supply chain integration.

Boosting the number of companies investing in training is vital to improving business performance. CITB-ConstructionSkills Grants support employers investing in high quality training. For every £1.00 of levy paid in 2006, the industry received £1.90 in total benefits and £113m was paid through the Grants Scheme to almost 20,500 employers.

ConstructionSkills' aim, however, is to offer much more than financial support. Company Development Teams are located in each region and have direct contact with registered employers to give advice on training requirements, and the courses and support available. In 2006, some 4,100 employers either undertook Training and Development Plans, or were recognised as Investors in People (IIP).

We have seen significant developments in the infrastructure supporting the development of targets. One of the first big tasks as a Sector Skills Council (SSC) was to ensure that skills intelligence was the best it could be. The Construction Skills Network, a new cross-industry alliance aimed to revolutionise the planning of construction recruitment and training, is at the heart of the SSC's response. Its first outputs were launched in June 2006 and key stakeholders, such as the Office of Government Commerce (OGC), have already confirmed that they will use its data as the basis for skills planning. Our challenge in 2007 is to further establish this as the authoritative source of skills and training data, underpinning decisions related to the funding of construction training.

Finally, industry was given the chance to shape the framework of construction-related qualifications, through the Construction Qualification Strategy (CQS) review. This is identifying the sector's key needs in respect of qualifications, units, standards development and lifelong learning provision. It will determine how well existing qualifications meet sector needs, identify changes required and ultimately implement the recommendations. Hundreds of employers have contributed views through online surveys, questionnaires and workshops. This is a long process, but a very worthwhile one, and we will continue to seek industry's views on this unique opportunity.

While this over-arching review takes place, ConstructionSkills continues to lead the Steering Group for the GCSE in Construction and the Built Environment (C&BE), currently being piloted in schools and colleges in England and Wales. It also leads the development of the C&BE Diploma, one of the first five Government-driven 'Diplomas' to be introduced by 2008.

To enable it to deliver on these initiatives and more in the future, the organisation has changed. Delivery of the SSA is now its day-to-day activity, and to keep pace with what industry wants, it is cutting bureaucracy and becoming more customer focused.

Of course, we have not delivered or managed these activities alone. Our SSC partners – the Construction Industry Council (CIC) and CITB Northern Ireland – as well as Government, trades unions, employers, client bodies and training providers have all contributed to our work. I would like to thank all those we work with for their continued support in achieving our goals. A special tribute is due to the organisation's dedicated staff, who delivered excellent results in a tough environment. I would particularly like to thank all those associated with the preparation of the Annual Report and Accounts for completing the task so quickly and thoroughly.

There have been many achievements in 2006, but much remains to be done. CITB-ConstructionSkills will continue to work to become 'simpler, faster and closer' in the year ahead.



Sir Michael Latham DL
Chairman

The Business and Economic Environment

Industry Profile

The construction industry is a major sector of the UK economy, which in its wider sense (covering contracting, construction professionals and the building materials sector) created more than 8% of UK Gross Value Added (GVA) in 2006. This contribution was made by 195,000 firms employing over 2.25 million people (source: DTI and SBS).

Official figures from the Department of Trade and Industry (DTI) showed construction output falling in 2005 for the first time since 1994 (the period since then having been the longest continuous period of growth in the industry since the building boom of the 1950s and 1960s). However, the decline was relatively small at just under 1%, and, after stalling in the first half of 2006, output appears to have resumed growth in the third quarter of the year. In the year to September 2006, output rose by 0.4% compared with the same period a year ago.

The modest growth concealed very different trends between the new work and repair and maintenance sectors. While output in the former increased by 4% in the year to September 2006, it fell by 3.6% in the latter over the same period. Activity was particularly weak in the public repair and maintenance sectors, public housing perhaps being affected by a hiatus in the Decent Homes for All programme, and with the much-publicised travails of some NHS Trusts in particular having a negative effect on public non-residential repair and maintenance activity.

Analysis of four-quarter moving totals, which gives a good indication of the trend in output, suggests that growth in the public housing and private commercial sectors has strengthened in recent quarters, and that the extended period of decline in the infrastructure sector may be coming to a close.

Looking forward, it is thought that the public housing and private commercial sectors will fare best in 2007, the former driven by the need for more affordable and key worker housing, and the latter by recovery in the London offices market and more health and education work procured through the PFI/PPP route.

In terms of new work, output figures from the first three quarters of 2006 indicate that there was little change in the workload mix nationally compared with the same period in 2005. The biggest movements were a rise in the share of public and private housing, private commercial and industrial, but a significant fall in the share of the public non-residential sector.

Since the beginning of the decade, the new housing sectors, public non-residential and non-residential repair and maintenance sectors have gained share while the remainder have lost out to a varying extent.

Workforce Profile

According to the Labour Force Survey (LFS), by Winter 2006, some 2.25 million people were employed in construction. This represents about a 2% increase on 2005. Of these, 1.56 million were involved in trade or related activities and over 670,000 were employed in managerial, administrative or non-construction related roles. A further 331,000 were employed in architectural and engineering roles within the Professional Services sector. Employment is expected (based on Construction Skills Network data, excluding the professional service sector) to reach 2.31 million at the end of 2007 and rise to 2.53 million by 2011. This is an increase of 9.3% for 2007–2011, compared with 10.8% growth in construction output, indicating a rise in productivity over the five years.

The sizeable increase in projected employment means that the industry will need to recruit an average of 87,600 new workers each year taking account of growth in demand and natural wastage. Of these, 58,000 will need to be in trade or related activities, over 12,000 will be construction professionals, and over 9,000 will need to be at managerial level.

Research carried out by ConstructionSkills in June 2006 established that finding suitably skilled staff is now second to increasing sales as the most common key business challenge reported by employers. 15% of those employing staff spontaneously cited the former as one of their major challenges.

The most common challenge for employers of getting more work in and increasing sales was mentioned by three in ten overall (30%). This rises to almost two in three among those who undertake a significant amount of civil engineering work and half of those undertaking work for public sector clients, suggesting a slow down in these two sectors.

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The issue of lack of demand has grown consistently since research was first conducted in February 2005, when only a fifth (21%) of employers described this as a challenge. However, the issue of finding staff or suitably skilled staff (the single most common challenge in early 2005) has declined in importance from 25% to 20% in September 2005 falling to 15% in June 2006. Finding suitable staff remains more of an issue for large employers (with two in five of those with 100 plus staff finding this a challenge).

This trend is also reflected in figures from Construction Forecasting and Research at Experian. These show that in the year to November 2006 on average only 8% of companies cited labour shortages as an actual constraint on activity (a decline of 2% on the previous 12 month period) compared to 27% of companies citing lack of demand as a constraint on activity (an increase of 4% compared to the previous 12 month period).

Future Needs and Prospects

Despite the fall in output in 2005, the level of new orders continued to rise throughout the year and crossed the £30bn mark (in 2000 prices) for the first time since 1998. In the year to September 2006 new orders rose by 8% compared with the same period in 2005, with particularly strong rates of growth for public housing (+41%), private industrial (+20%) and private commercial (+39%) orders.

The latest forecasts from the Construction Skills Network are for an annual average construction output growth rate over the 2007–2011 period of 2.6%. For new work, the annual rate is expected to be around 3.4%, considerably higher than for repair and maintenance (1.5%).

Infrastructure output is forecast to be one of the strongest drivers of new work output growth to 2011, as work begins on some significant station expansion and refurbishment projects (for example Victoria and Birmingham New Street), the M25 widening scheme and Heathrow East, big harbour projects in the East of England and Olympics infrastructure work. However, this growth comes after some years of quite sharp decline in the infrastructure sector.

Public housing growth is likely to be strong, driven by demand for key worker and affordable housing, especially in the south of England, and Housing Market Renewal programmes tackling the problems of low demand and market failure elsewhere.

The ongoing recovery in the Central London offices market, by far the biggest in terms of office construction, coupled with more health and education facilities delivered through PFI/PPP procurement routes, are the main drivers of commercial construction output over the period to 2011. Growth in the London office market has compensated for a slowdown in the retail rental sector that follows recent falling levels in consumer confidence and spending indices. From 2009, the sector should receive a further boost from the start of work for the Olympic venues.

In contrast to the strength of growth in many of the new work sectors, repair and maintenance is facing a much more modest outlook, partly as a result of the current focus on the provision of new facilities, whether in the health, education, office, warehouse or residential sectors. A concern remains that any reduction in growth of the repair and maintenance sector potentially has significant implications for the industry if not compensated by a similar rise in new work, primarily because the repair and maintenance sector contributes over two-fifths (43%) of industry output by value of work and employs by far the largest proportion of the construction workforce.

Drivers and Policy Issues

Construction specific drivers will naturally influence and be influenced by wider political, economic and technological change such as demographic pressures, UK immigration policies, wider EU directives, moves toward a more knowledge/service economy, and welfare to work policies. Government may also have a more direct impact on construction skills demand and supply in the future through the extent and form of public procurement.

However, ConstructionSkills considers the top ten skills issues across the construction industry as:

- the current skills profile having a negative impact on industry performance, from craft through to professional, management and leadership occupations
- risks of the industry adopting a 'low skills equilibrium' inhibiting technological change and productivity improvement

- the need to generate effective client-led demand for improvements in quality and business performance – to improve the skills base and levels of competence
- the need to accommodate, understand and provide support for the very different needs of construction's various sectors
- the need positively to respond to the Government's UK Sustainable Development Strategy and make sustainability within construction a reality
- balancing flexibility provided by the industry's large pool of self-employed labour with the disadvantages and problems caused through a lack of investment in skills and qualifications
- the need for effective intelligence to identify and plan for localised shortages that may occur in specific regions or occupations, as the industry continues to operate under conditions approaching full employment at professional, managerial and craft levels
- the need to remove the low demands placed on trainees by Level 1 qualifications that do not meet the minimum requirements the industry expects and to focus limited resources towards Level 2 and 3 courses
- the need to 'Change the Face' of construction by recruiting outside the industry's typical demographic – women and ethnic minorities are significantly under-represented
- the need to get more employers engaged in training and to increase the number of suitable work placements, the lack of which places severe constraints on the ability of colleges to provide new entrants to the standards required by the industry.

Ultimately, the long-term concern across all sectors of the industry and in every region of the UK is to ensure that sufficient people join to meet forecasts of increased demand (in the context of improved productivity) and to replace those who are leaving. So a key demographic issue is the loss of key skills due to retirement, and the addition of new skills through recruitment in the lower age groups.

The age profile of the construction industry for both professionals and contractors alike matches that of many UK industries. It is mature, ageing and has undergone significant change over the past ten years. For professionals, managerial and manual occupations, the workforce has generally been distinguished by a decline in the share of the younger age groups in total employment and a rise in those aged 45 years and over. The industry has an age profile that remains significantly biased towards the 30–39 age band.

Key Skills Challenges

Regional Variation

There are considerable differences in the construction activity of each country and region of the UK. This variation makes effective planning for training difficult.

The two biggest regional construction markets (the South East and Greater London) continued to underperform against the national average in 2005. In Greater London in particular, a 0.5% increase in output in nominal terms suggests quite a sharp decline in real terms, when the effects of inflation are stripped out. The most buoyant parts of Great Britain in that year were the East Midlands (+14%), the East of England (+13%) and Scotland (+9%).

In the first three quarters of 2006, Scottish construction output continued to grow strongly, up by 11% compared to the same period in 2005. However, the East Midlands and the East of England fell back, to be replaced by Greater London and the North East among the strongest regions. In Greater London, the buoyant offices market is leading to increasing levels of speculative development while Scotland is benefiting from a number of big mixed-use developments with large retail content.

Migrant Workers

The use of non-UK workers appears to have minimised labour inflation, keeping overall wage increases in the industry within reasonable limits (keeping the supply of skilled labour aligned with demand) and in line with other industries. In this respect it has provided some relief from any skills shortages that may have existed.

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Ultimately this is not a sustainable solution in terms of encouraging an investment in the UK labour market. There is a need to further understand the flow and degree of dependence on migrant workers. ConstructionSkills is therefore working with recognised experts in the field of international migration to explore the impacts of recent trends on the longer-term sustainability of industry employment structures.

In the case of the Olympics and other major projects throughout the UK the industry faces a key choice: use migrant labour or train the local/indigenous workforce. The focus and intensity of major developments and projects provide valuable work practice opportunities. Given time to plan these can be exploited, enabling local people to acquire building skills at all levels and become employed in the industry. The use of qualified migrant labour is a logical and sensible response to filling peaks in demand on a temporary basis. Given that many migrants return home when these economies grow, there is a significant opportunity to skill up local people and ensure a sustainable future for the industry.

Workforce Mobility

The construction industry is served by a highly mobile workforce due to the project-based nature of the sector. This means that some construction sites – especially large-scale projects – will draw in workers, usually on a sub-contracted basis. These are likely to be from other parts of the country, or abroad. Indeed, with self-employment representing over a third (38%) of the available industry labour, geographic and occupational mobility is high.

The flexibility of such a large pool of self-employed labour offers significant financial advantages to clients. The disadvantage is the lack of investment in skills and qualifications by those who are self-employed. There is a strong tendency for career progression to lead towards self-employment, particularly in the main construction trades, where financial rewards are perceived as being greater. This has obvious implications for the future training of individuals moving to self-employment, and the ability of the industry to provide sufficient opportunities for those wishing to join.

Sustainability

Whilst the industry must continue to deliver build programmes to time and without major cost inflation, the concerns of construction will increasingly and necessarily extend beyond these established considerations. It is now widely accepted that the construction industry has a central role in delivering development that is sustainable.

Probably one of the biggest drivers for change is legislation. Increasing regulations and taxes, coupled with Government action – both in policy and as a major client – and strong financial sector pressures, are placing sustainability at the centre of construction. At the same time, a series of Government and industry-backed initiatives are raising the profile of sustainability in the built environment and the role of skills needed for delivery. The role of clients and those investing in building/infrastructure projects is increasingly seen as crucial to sustainable development. Making sustainability a reality will require everyone in the supply chain to know what their role is and to have the skills and knowledge to do it.

A major challenge for the industry over the next few years is how to address the demand for new build, especially for affordable housing, while decreasing the environmental impact of what is built.

The sustainability agenda in itself is also a driving force for technological change and innovation, including modern methods of construction and the movement of construction processes off-site. The development of new products and processes now take into account environmental impact, durability and performance, in addition to the more established concerns of aesthetics, workability and cost. However, it remains to be seen how the long-term and inevitable rise in modern methods of construction will affect the training requirements of the industry and how far this can be supported by traditional modes of training delivery.

Meeting the Challenges

In taking the initiative, ConstructionSkills has, through an extensive programme of research and development, led the way in developing an understanding of the various training needs of recruits at differing points in their careers and has been instrumental in developing the National Skills Academy for Construction (NSAfC), aiming to take training delivery to the point of need. So ConstructionSkills (and the industry) is contributing not just to the physical wealth of the nation, but through the NSAfC and associated programmes of work, is creating the training and employment opportunities for local people who will provide the construction workforce of the future.

Mission for the Industry

Never has the construction industry been more dynamic, and to fulfil its mission of 'a fully skilled and professional UK construction industry working safely and delivering value', it is essential that ConstructionSkills understands and communicates fully what skills are needed by the industry, where they are needed, when they are needed, and for what they are needed.

There is considerable complexity to overcome. The industry is diverse in terms of the type of work, size of firms and large fluctuations in the nature, scale and volatility of demand locally, regionally and nationally. Different types of project link with these diverse structures and patterns of training supply.

This requires unanimity of understanding amongst stakeholders and partners. It also requires a single set of comprehensive figures that sets out the tasks and targets. The Construction Skills Network is now in a position to answer some of the most fundamental questions relating to skills capacity accurately, robustly and in a meaningful way. In this respect, ConstructionSkills – as a key contributor to the Construction Skills Network – is now the industry leader in analysing and forecasting future employment and skills requirements across the construction industry.

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ConstructionSkills Scorecard 2006

An exceptional performance was delivered in 2006 against an increasingly stretching range of targets, with most results showing improvements and the majority coming in over target (note that Targets 10 and 11 improve with lower scores). Exceptional scores were recorded for both industry outcomes (notably Health and Safety Test passes and STEP into Construction – diverse adult recruitment) and organisational performance (notably NCC and Levy/Grant efficiency). These strong results were tempered by shortfalls in the proportion of grant claimers and in non-levy income generated.

The proportion of employers claiming grant (Target 1) fell short of the aspirations set for this new Scorecard measure. However, 2006 did see encouraging growth in both the number of grant claimers (up by 4.3%) and levy-assessed employers (up by 2.2%) covered by this target.

Employers investing in training (Target 2) through Training Plans and liP delivered an excellent result. Building on 2005's strong Training Plan performance, 2006 saw a further 17% increase, counterbalancing a slowing in liP recognitions (half the number recorded in 2005).

Key measures for Qualifying the Existing Workforce showed robust growth in 2006. Despite challenges in driving commitment and take-up for SkillsDirect, NVQ/SVQ achievements through OSAT and EWPA (Target 3) built on 2005's strong result, coming in just short of 2006's target. A concerted effort in Quarter 4 saw over 12,000 achievements recorded in November and December alone. Health and Safety Test passes (Target 4) delivered an excellent result, with October and November the highest two consecutive months since testing began.

In common with 2005, diverse recruitment saw varied degrees of success in 2006. Meeting the aspirational target for recruiting female and ethnic minority trainees (Target 5) was stretching. In September performance was in line with the same point in 2005, but Quarter 4 saw a real boost from Award Holders enabling the 2006 target to be met.

Adult female and ethnic minority entrants through STEP into Construction (Target 8) delivered an exceptional performance in 2006, well over double the outcomes achieved in 2005.

The pilot trialled in the East of England (promoting diversity through major contractors and their supply chains) was rolled out across other regions to good effect.

Framework achievements (Target 6) built on 2005's strong performance with over-target results across England, Scotland and Wales. As well as the traditional apprenticeship route, the new Programme-led Apprenticeship route (Target 7) gathered momentum with over 1,000 students currently in Further Education selected for recruitment in 2007.

Efficiency measures performed well. A marked increase in adult training combined with higher course occupancy produced an excellent result for NCC adult training efficiency (Target 9). Levy/Grant cost efficiency (Target 10) showed a significant reduction in costs associated with handling levy and grant funds. Operating costs overall fell (by 5%) as a percentage of total costs (Target 11), though to a lesser extent than in 2005 (10% fall) reflecting this target's increasingly stretching nature.

Effectiveness in generating non-levy income (Target 12) fell short of expectations. Efforts to secure extra Government funding, increase sales from current activities, and develop and sell new products and services, show promising growth potential for 2007.

An updated employer satisfaction survey (Target 13), benefiting from improved sampling and more robust statistics, showed satisfaction levels holding on target and in line with 2005. Improvements are targeted from 2007 in line with developments in customer relationship management.

Following 2005's fall in Employee Satisfaction (Target 14) due to uncertainty created by major changes in the year, 2006 saw a marked rebound in staff satisfaction. Key contributing areas include greater clarity of vision, understanding of business objectives, and personal contributions required.

Assessing overall performance and reflecting key stakeholder views, the Board recognised the organisation's achievements by returning an 'Above' evaluation. The Board also acknowledged the continuing increase in the level of challenge presented by the Scorecard towards delivering the SSA and achieving ConstructionSkills' vision.

Target		2006 Target	2006 Achieved	2005 Achieved
1	Proportion of employers claiming grant Improving business performance	35.5%	34.6%	33.9%
2	Employers investing in training – Training Plans and IIP Improving business performance	3,400	4,100	3,839
3	NVQ/SVQ achievements through OSAT and EWPA Qualifying the existing workforce	35,000	32,284	29,282
4	Health and Safety Test passes Qualifying the existing workforce	245,000	275,664	220,371
5	Recruit female and ethnic minority trainees Recruiting qualified new entrants	386	387	316
6	Framework achievements Recruiting qualified new entrants	60.0%	67.6%	55.0%
7	Programme-led Apprenticeship starts Recruiting qualified new entrants	1,000	1,058	140
8	STEP into Construction job outcomes Recruiting qualified new entrants	400	1,119	467
9	NCC adult training efficiency Driving efficiency	72.0	77.0	78.2
10	Levy/Grant cost efficiency Driving efficiency	1.48%	1.24%	1.53%
11	Operating costs as percentage of total costs Driving efficiency	18.7%	18.2%	19.2%
12	Non-levy income contribution Maximising effectiveness	7.0%	5.5%	7.0%
13	Employer satisfaction survey Maximising effectiveness	7.4	7.4	7.36
14	Employee satisfaction survey Maximising effectiveness	38	37	26
	Board evaluation Maximising effectiveness	Target	Above	Above

INTRODUCTION

Managing Business Risks Effectively

Risk Management

Risk management is integral to our business planning and performance monitoring processes, and risks are considered not only at corporate and directorate level but also by departments within directorates. The Internal Audit department supports directorates in this and reports principal risks to the Audit Committee formally on a twice-yearly basis. We aim continuously to improve our risk management processes to ensure they are in line with best practice and are fit for purpose in the context of the increasingly challenging environments in which CITB-ConstructionSkills operates.

An annual Control Risk Self-Assessment exercise is conducted to gain further assurance that the organisation is managing its risks effectively. Corporate governance and risk management frameworks and policies are in place and are reviewed to ensure they represent best practice and are in line with HM Treasury guidance and corporate initiatives.

The principal business risks which are considered both within directorates and by the Audit Committee and our external auditors are:

Maintaining Stakeholder Support

CITB-ConstructionSkills must continue to meet industry expectations to ensure support from stakeholder groups. We continue to liaise closely with industry at all levels and an annual survey of employers' attitudes is carried out independently. The results of this are used to gauge industry support for the levy and to inform business planning and longer-term strategies.

We place great importance on ongoing contact with federations, trades unions and educational bodies in order to support strategic reviews of training priorities. Links with Government (for example, the Department for Education and Skills and of Trade and Industry, the Scottish Executive and Welsh Assembly) ensure mutual understanding and alignment of policies and goals.

Principal Partnerships

In order to meet stakeholder expectations, CITB-ConstructionSkills must continue to manage and build its principal business partnerships. Established and well-proven liaison mechanisms are in place to minimise potential risks, such as unexpected transaction volume shortfalls associated with these partnerships.

Core Computer Systems

CITB-ConstructionSkills relies on information technology to deliver high quality customer services and a prolonged loss of core data could undermine stakeholder support and damage business partnerships. Industry-standard measures protect against this, including remote system recovery testing for all core systems, and a regular review is conducted to make sure these measures keep pace with developing technology.

Conflicts of Interest

CITB-ConstructionSkills operates on behalf of industry in a wide range of capacities. In order to ensure that there is no risk of actual or perceived conflicts of interest, the organisation has transparent decision-making processes and structural barriers in place to support such decision making. The directorate structure helps to define these barriers and these are further strengthened through the organisation conducting its operations across a wide range of physical locations.

Case Studies

Qualifying the Existing Workforce

The ConstructionSkills Health and Safety Test is the industry standard, taken by over 300,000 people every year. Designed to ensure everybody working in construction has a minimum level of health and safety awareness, passing the test is an essential part of qualifying for the major card schemes such as CSCS and its affiliates. We've made taking the test as simple and flexible as possible so that it can be taken at more than 150 locations around the UK and, with mobile and internet testing, we can bring the test to sites and company premises.

On-Site Assessment and Training (OSAT) helps experienced workers get qualifications, turning their existing skills and experience into a nationally recognised qualification such as an NVQ or SVQ, which helps qualify them for a CSCS card. 32,284 candidates gained their NVQ/SVQ through OSAT in 2006. The Experienced Worker Practical Assessment (EWPA) is a fast route, available for workers with a minimum of five years experience and who don't need any further training. It involves spending a day having skills and knowledge assessed at an off-site location, normally an NVQ centre. This can sometimes be done at weekends. All the skills needed to pass the NVQ are included in one task, which is observed by an approved assessor.

The SkillsDirect service streamlines the process of getting qualified by pulling together the Health and Safety Test, NVQ/SVQ and card applications. Individuals only have to call one number – 0870 850 5262 – to start the whole process off. In 2006, 34,745 individuals picked up the phone and got qualified through the SkillsDirect route.

The National Skills Academy for Construction, centred on a network of project-based training centres on major construction sites around the country, launched in 2006 following a successful business plan development process. It is expected that more than 30 National Skills Academy sites, at projects worth a total of more than £30bn, will be established by 2010, creating at least 10,000 local jobs via apprenticeships and seeing 100,000 experienced workers gain NVQ Levels 2 or 3.

Recruiting Qualified New Entrants

The Positive Image advertising campaign targets young people making important decisions about their futures, with the aim of informing them about the huge range of professional, technical and craft roles the industry offers and encouraging them to apply for an apprenticeship or Inspire scholarship through the dedicated website www.bconstructive.co.uk.

Using the strapline of 'Make Your Mark', the campaign reached an audience of 20 million and secured over £500k worth of media coverage. As a result, over 700 applications for scholarships and a record number of online apprenticeships applications were achieved. These successes were acknowledged when the campaign won a national marketing award – beating the Army recruitment campaign into second place and winning plaudits for online customer relationship management.

The campaign is supported by an easy-to-use employer toolkit on CD, which reinforces key messages and will help businesses attract recruits. The toolkit includes a copy of the TV advert plus poster and leaflet templates that can be personalised with a company's logo and contacts. The leaflet includes inspirational case studies and an idea about the range of jobs available in construction. There are suggestions about helpful information to include and space for employers to feature details of the training and employment opportunities they offer.

National Construction Week (NCW) is the nationwide campaign designed to promote today's construction industry to young people and to give them the chance to experience the varied and exciting career opportunities in this field. 2006 was the tenth year of NCW and 70,000 young people took part in 300 events across the UK.

Programme-led Apprenticeships (PLAs) have been designed to tackle the challenge of giving full-time college students access to on-site experience. This initiative provides the work practice these young people need to achieve a full Modern Apprenticeship framework, in part by engaging sub-contractors within the supply chains of large projects. In a set of small scale pilots, 150 apprentices will complete or be signed up to a PLA by the end of 2006. In 2007, 1,000 young people will be placed through this route.

BUSINESS ACTIVITIES

Inspire Scholarships is a £1m collaborative employer sponsorship fund launched in 2005 with the aim of increasing applications to construction and built environment-related degree courses. The scheme offers students up to £9,000 towards their studies and provides scholars with on-site experience with top employers, as well as the possibility of a permanent job after graduation. In 2006, 757 young people applied to Inspire, looking to start their first degree, including 527 male, 230 female and 61 ethnic minority applications. 84 employers are currently involved in the scheme taking on 200 Inspire Scholars.

Improving Business Performance

With a target of a threefold increase in the number of companies with a Training and Development Plan and liP, Company Development Teams are located in each region and have direct contact with registered employers to give advice on training requirements, and the courses and support available. In 2006, 3,783 employers undertook Training and Development Plans, and 317 new construction businesses achieved liP recognition.

In 2006, ConstructionSkills published independent research (Build to Last) which explores where we might channel our efforts, and those of others, to help the construction industry make its full contribution to sustainable development. The research explores the sustainable construction skills in the supply chain, the business case for sustainable development and the industry's adoption of it, and finally investigates the top ten things contractors, designers and clients can do to be more sustainable.

Infrastructure to Support Priorities

The Construction Skills Network is a new cross-industry alliance developed by ConstructionSkills to revolutionise the planning of construction recruitment and training. The first outputs of the network were launched in June 2006 and key stakeholders, such as the OCG, have confirmed that they will be using these figures as the basis of their skills planning.

A new GCSE in Construction and the Built Environment is currently being piloted in schools and colleges in England and Wales, with 2006 seeing the end of the first full year and the start of the second. ConstructionSkills is the lead organisation for the GCSE Steering Group. The pilot currently involves 58 centres with 1,500 students and permission was granted in 2006 to expand the pilot to 100 centres. In addition, the C&BE Diploma will be one of the first five 'Specialised Diplomas' to be introduced by 2008. In 2006, a key milestone was reached when the diploma content and guidance document was approved by the Qualification and Curriculum Authority.

The Construction Qualification Strategy (CQS) is identifying the key requirements of the sector in relation to qualifications, units, qualification development and other lifelong learning provision. It will determine how well existing qualifications, units and other learning provision meets the identified sector needs. Finally it will identify changes required and establish a development and implementation plan. Hundreds of employers contributed to the Strategy's development through online surveys and questionnaires distributed through trade and federation press, reaching over 100,000 individuals and 25 employer-focused workshops which included representation from 17 trade federations.

CITB-ConstructionSkills in Scotland

Real construction output in Scotland is set to continue its growth, with 2010 being 8.6% higher than 2005, and 2006 showing 3% growth. New orders for construction rose by 14% in the first nine months of 2006. Private, commercial, and public housing orders were particularly strong, with the former doubling compared with the same period in 2005. Total employment in Scotland's construction industry is forecast to increase by an estimated 16,370 between 2006 and 2010. This has been split into occupations by the Construction Skills Network, with input from the Scottish Observatory Group, to better focus on likely demand and supply of skilled workers.

Shaping up the Industry's Business Performance

The number of companies investing in training continues to grow, with a 20% increase in companies using the Training Plans and liP route. This shows what can be achieved through our partnership with Scottish Enterprise and the support they give to Training Plans.

We are discussing with Highlands and Islands Enterprise the delivery of their Action Plan for a Construction and Building Services strategy. This sector accounts for 7% of total employment in the region and is buoyant, primarily due to public sector investment in new buildings and infrastructure, ranging from schools to hospitals and local authority housing.

Our Training Advisers work at local level addressing the particular needs of business given the differing geographical constraints they face. This includes working with house builders and main contractors on major projects to encourage supply chains to improve their performance. We also continue to support 19 Training Groups throughout Scotland, some of which have their own websites that are self-financing. This has resulted in some 5,000 days of training involving over 500 companies.

Relevant management programmes for new and existing staff are to be developed in partnership with employers. This includes an agreed approach to initial training and Continuing Professional Development (CPD) across the construction sector.

We continue to influence Government through membership of various Boards, Advisory Groups and the Scottish Advisory Committee (SAC). Allan Wilson, Deputy Minister for Industry and Lifelong Learning, attended our August SAC and was impressed with the breadth of industry knowledge and understanding of skills issues displayed.

Brushing up the Industry's Existing Skills

The numbers of SVQs achieved through our On-Site Assessment and Training (OSAT) programme varies from area to area. In the North, demand slowed whereas in the West the highest numbers yet were achieved. Overall, this resulted in a 20% increase as part of our Qualifying the Workforce initiative.

ConstructionSkills leads in Scotland with flexible training piloted to address uniquely Scottish challenges. Solutions such as mobile training rigs and virtual environments respond to local needs.

One of the awards won by ConstructionSkills during the year was the Most Effective Virtual Learning Solution in Scotland at a recent Sector Skills Alliance Scotland (SSAScot) event. The judges considered this to be a fully interactive environment facilitating learning-by-doing and which should genuinely help users develop critical skills in an exciting, stimulating and self-directed fashion.

Expansion of our partnership with LearnDirect which is branded LearnDirect and Build (LD&B) continued during the year. This takes a revolutionary approach to addressing construction skills training by making e-learning available to those not conveniently placed within the Central Belt but live in the Highlands and Islands or other remote locations.

We work closely with heritage bodies such as Historic Scotland to develop training programmes, for example our virtual approach to architectural conservation. We also promote the heritage sector and traditional skills as a career choice in schools. ConstructionSkills continues to adopt modern methods of teaching and learning with pupils among the first to try out the new online heritage game during National Construction Week. This type of advanced computer gaming technology is being used to appeal to young people to illustrate that construction is not just about building.

BUSINESS ACTIVITIES

Stepping up the Quality of New Entrants

2006 has proved to be a record year for new entrants beginning a Modern Apprenticeship. This surpassed the previous year's high performance with 2,425 in 2006 entering the industry. With continued higher retention rates we now have 7,585 apprentices in training. This has added to the pressure on colleges and capacity has now become a critical issue.

Over 20,000 school pupils and 500 teachers and careers advisers have benefited from ConstructionSkills education work in the last academic session. A variety of approaches is taken to increase the awareness of careers in construction among pupils of all ages. As well as presentations on careers in construction at all levels – craft, technician, design and management – ConstructionSkills also runs construction simulations. These are short, competitive teambuilding events where pupils work together on a simulated construction project, using their core skills to complete a task on time and to budget.

ConstructionSkills runs a programme of approximately 12 seminars each year throughout Scotland, to which school teachers, careers advisers, job centre staff, community groups, social inclusion partnerships etc. are invited. ConstructionSkills staff recognise the importance of ensuring that the influencers of young people are well informed of the wide variety of opportunities available within the construction industry. At school, both guidance and subject teachers are targeted as, in practice, careers guidance is not restricted to guidance or pastoral care staff.

The issue of diversity within the construction industry is an important theme in all education and careers work carried out by ConstructionSkills. The importance of allowing young people to make an informed choice about their future career, regardless of their gender, race, disability or religious belief, is emphasised at all times when working with young people and their influencers.

The Construction Ambassadors programme has been running in Scotland for two years. In Scotland, there have been approximately 100 Construction Ambassadors trained since October 2004. The Ambassadors come from a wide range of backgrounds, from the 17 year-old trainee building services engineer to the company director, from technical, human resource, marketing and administrative backgrounds, design, management, finance and craft occupations. Each has their own experience to share with pupils, each giving a different insight into the world of construction work.

CITB-ConstructionSkills in Wales

2006 was an extremely busy and productive year for the construction industry in Wales. In late March, ConstructionSkills Wales held its inaugural 'Built on Success' event, a dinner at which citations were given to industry champions. This will set the foundation for recognising and rewarding people who, in partnership with ConstructionSkills, help develop the industry in Wales.

The day of the event was memorable thanks to a pre-dinner announcement by Jane Davidson AM, Minister for Education, Lifelong Learning and Skills and Andrew Davies AM, Minister for Enterprise, Innovation and Networks. They launched a new co-ordinated strategy for the construction sector in Wales to tie in with the economic strategic framework – 'Wales: A Vibrant Economy'. This will enhance support for the sector through improving planning and creating a vision for economic growth, involving a move towards a more strategic and co-ordinated approach to planning and supplying business support and learning provision that is responsive to the emerging needs of the sector. This process will maximise social and economic opportunities arising from planned investment in construction projects across Wales. What is truly significant about this is that it recognises the huge contribution that construction makes to the economy of Wales. We work in a sector that employs more than 100,000 people and contributes almost £4bn a year to the Welsh economy.

Nonetheless, in spite of our successes we face several challenges. We need to recruit and develop skilled people, ensure that the working environment is welcoming to people of both genders and from all backgrounds, and that the opportunities available are varied and interesting.

Shaping up the Industry's Performance

ConstructionSkills Wales built upon its excellent relationship with the Welsh Assembly Government and remained at the forefront of its strategy. For example, two social charters (Newport Construction Initiative and Heads of the Valley Construction Training Consortium) launched during the year, encourage contractors to sign up to commitments demonstrating business principles of investing in local communities, in people as well as buildings.

We further developed the Construction Skills Network in Wales and have been actively investigating opportunities to develop the capacity of the Observatory on a project level.

Five bilateral agreements, negotiated by ConstructionSkills Wales in partnership with Constructing Excellence Wales, the Welsh Federation of Housing Associations, the Welsh Local Government Association, BRE Wales and Estyn, all have the shared objective of improving the industry's performance. Signed in the presence of Minister for Education, Lifelong Learning and Skills, Jane Davidson AM and Chairman of ConstructionSkills, Sir Michael Latham DL, these aim to increase the number of companies investing in training, company development, and management and leadership skills, with the goal of meeting skills shortages by focusing on local employment and training projects. As a result of the Sector Skills Agreement with the Department for Education, Lifelong Learning and Skills (DELLS), ConstructionSkills gained funding from the Welsh Assembly Government's 'Step Up Sector' to deliver 3,000 OSAT NVQs.

Brushing up the Industry's Existing Skills

Boosting liP accreditations has been difficult this year with the integration of ELWa into the Welsh Assembly Government. Nonetheless, CITB-ConstructionSkills reintroduced the Commitment grant, and through closer working relationships with the Welsh Assembly Government's Human Resource Development advisers and development of the advisory team, we have enough companies working with the standard to carry us into 2007.

Training Plans were up on 2005, at 252, with an increase in plans being renewed. However, OSAT NVQ figures were considerably lower than last year's exceptional performance. Several factors affected this, mainly linked with providers delivering OSAT NVQs in England where Learning and Skills Council (LSC) money was available to support the project. We have now secured funding via the Welsh Assembly Government and look in good shape for 2007. Events have been held with the Major Home Builders Group (MHBG) members' supply chains, with more events already planned for early 2007. These have led directly to NVQ sign-ups.

BUSINESS ACTIVITIES

The team was involved in new areas of work with supply chains/framework agreements in partnership with Construct Wales. We undertook pre-qualification questionnaires in the form of one-to-one advisory sessions with potential contractors for two projects, with more lined up. We helped organise and run 'Meet the Buyer' events, provided presentations and one-to-one support at procurement events, and arranged or delivered awareness-raising workshops.

Stepping up the Quality of Qualified New Entrants

The Managing Agency had a very good year in terms of improved performance and meeting its business plan targets and objectives. During 2006, its main strategy and focus was to improve the framework completion rate. This came to fruition, with overall rates rising from 40% in 2005 to 70% in 2006.

Whilst quality was at the top of the agenda, recruitment was also buoyant, reaching the record number of 890 apprentices. This reflects the strength of the industry in South East and South West Wales.

The focus on diversity through initiatives by our Education and Careers Team brought dividends with an above target result. However, demographic challenges resulting from a decreasing school leaver population mean that there is much work needed to attract applicants from non-traditional backgrounds.

NVQ achievement rates remained excellent, with over 90% of leavers from our Foundation Modern Apprenticeship and Modern Apprenticeship programmes achieving on time.

All this resulted in an increase in the value of our DELLS contract, maintaining our status as one of the largest work-based learning providers in Wales.

Work continued on the STEP programme, which succeeded in supporting the strategic growth of a UK-wide franchising opportunity for females with a company based in South East Wales. It also worked with a national organisation in North Wales, looking to influence and enrich its diversity strategy and support for new entrants. Combined with close work with construction clubs targeting candidates from non-traditional groups and diversity events, we saw a rise in applicants to the ConstructionSkills Apprenticeship Scheme of 30%.

We also had an opportunity to influence and assist in the development of 14–19 pathways into construction and work with the pilot Level 2 Construction Pathway to support technical and graduate entry into the industry. We also ran development events to support teachers running the Construction and the Built Environment GCSE and the BTEC First Qualification.

Throughout the year, the Education and Careers Team worked closely with the Institution of Civil Engineers (ICE) to support the launch of the ICE Bridge Challenge, at the same time as training a large number of ICE Ambassadors. This led to other opportunities such as working with the Royal Society of Architects in Wales (RSAW) to highlight the work of architects in Wales, and working with the Royal Institution of Chartered Surveyors (RICS) and Asset Skills, as well as local authorities and housing associations in Wales in the development of the Level 2 Construction Pathway project.

The team also worked on events linked to the five National Construction Week key themes, with innovative work being undertaken in North Wales within Heritage and Sustainability. A programme of Careers Wales staff development days began in Gwent and Cardiff, with a large number of advisers being informed about the current and future skills and recruitment needs of the construction industry regionally, in Wales and the UK as a whole.

Building on the work already undertaken with Careers Wales, a Sector Skills Agreement was signed, the aim of which was to assist both organisations to improve advice, guidance and opportunities for young people and adults wishing to enter or return to the industry.

CITB-SgiliauAdeiladu yng Nghymru

Bu 2006 yn flwyddyn brysur a chynhyrchiol iawn i'r diwydiant adeiladu yng Nghymru. Ddiwedd mis Mawrth, cynhaliodd SgiliauAdeiladu Cymru ei ddigwyddiad cyntaf 'Adeiladu ar Lwyddiant', cinio lle cyflwynwyd tystysgrifau i hyrwyddwyr y diwydiant. Bydd hyn yn gosod y sylfaen ar gyfer cydnabod a gwobrwyo pobl sydd, mewn partneriaeth gyda SgiliauAdeiladu, yn helpu i ddatblygu'r diwydiant yng Nghymru.

Roedd diwrnod y digwyddiad yn gofiadwy diolch i gyhoeddiad cyn y cinio gan Jane Davidson AC, Gweinidog Addysg, Dysgu Gydol Oes a Sgiliau ac Andrew Davies AC, Gweinidog Menter, Arloesi a Rhwydweithiau. Fe wnaethant lansio strategaeth newydd gydlynol ar gyfer y sector adeiladu yng Nghymru i gyd-fynd â'r fframwaith strategaeth economaidd – 'Cymru: Economi yn Ffynnu'. Bydd hyn yn hyrwyddo cefnogaeth i'r sector drwy wella cynllunio a chreu gweledigaeth ar gyfer twf economaidd, yn cynnwys symud tuag at ymagwedd fwy strategol a chydlynol at gynllunio a chyflenwi darpariaeth cymorth busnes a dysgu sy'n ymateb i anghenion newydd y sector. Bydd y broses yn mwyhau'r cyfleoedd cymdeithasol ac economaidd yn deillio o'r buddsoddiad arfaethedig mewn prosiectau adeiladu ledled Cymru. Yr hyn sy'n wirioneddol arwyddocaol am hyn yw ei fod yn cydnabod cyfraniad enfawr adeiladu i economi Cymru. Gweithiwn mewn sector sy'n cyflogi mwy na 100,000 o bobl ac sy'n cyfrannu bron £4 biliwn y flwyddyn i economi Cymru.

Serch hynny, er ein llwyddiannau, rydym yn wynebu sawl her. Mae angen i ni recriwtio a datblygu pobl sgilgar, sicrhau fod yr amgylchedd gwaith yn croesawu pobl o'r ddau ryw ac o bob cefndir, a bod y cyfleoedd sydd ar gael yn amrywiol ac yn ddiddorol.

Hybu perfformiad y diwydiant

Adeiladodd SgiliauAdeiladu Cymru ar ei berthynas ardderchog gyda Llywodraeth Cynulliad Cymru a pharhau i arwain y strategaeth. Er enghraifft, lansiodd dwy siarter gymdeithasol (Cynllun Adeiladu Casnewydd a Chonsortiw Hyfforddiant Adeiladu Blaenau'r Cymoedd) yn ystod y flwyddyn, gan annog contractwyr i lofnodi'r ymrwymadau gan arddangos egwyddorion busnes buddsoddi mewn cymunedau lleol, mewn pobl yn ogystal ag adeiladau.

Datblygwyd y Rhwydwaith Sgiliau Adeiladu yng Nghymru ymhellach a buom yn ymchwilio cyfleoedd i ddatblygu darpariaeth yr Arsyllfa ar lefel prosiect.

Mae pum cytundeb dwyochrog, a negodwyd gan SgiliauAdeiladu Cymru mewn partneriaeth gydag Adeiladu Ardderchogrwydd Cymru, Ffederasiwn Cymdeithasau Tai Cymru, Cymdeithas Llywodraeth Leol Cymru, BRE Cymru ac Estyn, oll yn rhannu'r nod o wella perfformiad y diwydiant. Wedi'u llofnodi ym mhresenoldeb Jane Davidson AC, Gweinidog Addysg, Dysgu Gydol Oes a Sgiliau a Syr Michael Latham DL, Cadeirydd SgiliauAdeiladu, eu nod yw cynyddu nifer y cwmnïau sy'n buddsoddi mewn hyfforddiant, datblygiad cwmni a sgiliau rheoli ac arweinyddiaeth, gyda'r nod o ateb prinder sgiliau drwy ganolbwyntio ar brosiectau cyflogaeth a hyfforddiant lleol. Fel canlyniad i'r Cytundeb Sgiliau Sector gyda'r Adran Addysg, Dysgu Gydol Oes a Sgiliau, sicrhodd SgiliauAdeiladu gyllid o 'Sector Step Up' Llywodraeth Cynulliad Cymru i gyflenwi 3,000 o NVQ OSAT.

Gloywi sgiliau presennol y diwydiant

Bu'n anodd hybu achrediaidau Buddsoddwyr mewn Pobl eleni gydag integreiddio ELWa i Lywodraeth Cynulliad Cymru. Serch hynny, ailgyflwynodd CITB-SgiliauAdeiladu'r grant ymrwymiad, a thrwy berthynas waith agosach gyda chynghorwyr Datblygu Adnoddau Dynol Llywodraeth Cynulliad Cymru a datblygu'r tîm ymgynghori, mae gennym ddigon o gwmnïau yn gweithio gyda'r safon i'n cario i 2007.

Bu cynnydd mewn cynlluniau hyfforddiant ers 2005, i fyny i 252, gyda chynnydd yn y cynlluniau a gafodd eu hadnewyddu. Fodd bynnag, roedd ffigurau NVQ OSAT yn sylweddol is na pherfformiad eithriadol y llynedd. Effeithiodd sawl ffactor ar hyn, yn bennaf yn gysylltiedig gyda darparwyr yn cyflenwi NVQ OSAT yn Lloegr, lle'r oedd arian Cyngor Dysgu a Sgiliau ar gael i gefnogi'r prosiect. Rydym yn awr wedi sicrhau cyllid drwy Lywodraeth Cynulliad Cymru ac yn edrych mewn cyflwr da ar gyfer 2007. Cynhaliwyd digwyddiadau gyda chadwyni cyflenwi aelodau'r Grŵp Adeiladwyr Cartrefi Mawr (MHBG), gyda mwy o ddigwyddiadau eisoes ar y gweill ar gyfer dechrau 2007. Mae'r rhain wedi arwain yn uniongyrchol at gofrestru ar gyfer NVQ.

BUSINESS ACTIVITIES

Bu'r tîm yn ymwneud â meysydd newydd o waith gyda chytundebau cadwyni cyflenwi/fframwaith mewn partneriaeth gydag Adeiladu Cymru. Cynhaliwyd holiaduron cyn-cymhwysio ar wedd sesiynau ymgynghorol un-i-un gyda darpar gontractwyr ar gyfer dau brosiect, gyda mwy yn yr arfaeth. Fe wnaethom helpu i drefnu a rhedeg digwyddiadau 'Cwrdd â'r Prynwr', rhoi cyflwyniadau a chefnogaeth un-i-un mewn digwyddiadau caffael, a threfnu neu gyflenwi gweithdai codi ymwybyddiaeth.

Cynyddu ansawdd newydd-ddyfodiaid cymwysedig

Cafodd yr Asiantaeth Reoli flwyddyn dda iawn yn nhermau gwell perfformiad ac ateb targedau ac amcanion y cynllun busnes. Yn ystod 2006, ei brif strategaeth a ffocws oedd gwella cyfradd cwblhau'r fframwaith. Daeth hyn i ffrwyth, gyda'r cyfraddau cyffredinol yn codi o 40% yn 2005 i 70% yn 2006.

Er bod ansawdd ar frig yr agenda, roedd recriwtio hefyd yn gryf, gan gyrraedd y nifer uchaf erioed o 890 o brentisiaid. Mae hyn yn dangos nerth y diwydiant yn Ne Ddwyrain a De Orllewin Cymru.

Bu'ry ffocws ar amrywiaeth drwy gynlluniau gan ein Tîm Addysg a Gyrfaoedd yn dra llwyddiannus gyda chanlyniadau uwch na'r targed. Fodd bynnag, mae heriau demograffig oherwydd gostyngiad yn nifer ymadawyr ysgol yn golygu fod angen llawer o waith i ddenu ymgeiswyr o gefndiroedd heb fod yn draddodiadol.

Parhaodd cyfraddau cyflawni NVQ yn ardderchog, gyda dros 90% o ymadawyr o'n rhaglenni Prentisiaeth Fodern Sylfaen a Phrentisiaethau Modern yn cyflawni ar amser.

Arweiniodd hyn i gyd at gynnydd yng ngwerth ein contract gyda'r Adran Addysg, Dysgu Gydol Oes a Sgiliau, gan gadw ein statws fel un o'r darparwyr hyfforddiant seiliedig yn y gwaith mwyaf yng Nghymru.

Parhaodd gwaith ar y rhaglen STEP, a lwyddodd i gefnogi twf strategol cyfle ffransais DU-gyfan ar gyfer merched gyda chwmni yn seiliedig yn Ne Ddwyrain Cymru. Bu hefyd yn gweithio gyda sefydliad cenedlaethol yng Ngogledd Cymru, gan anelu i ddylanwadu a chyfoethogi ei strategaeth amrywiaeth a chefnogaeth i newydd-ddyfodiaid. Wedi'i gyfuno gyda gwaith agos gyda chlybiau adeiladu yn targedu ymgeiswyr o grwpiau heb fod yn draddodiadol a digwyddiadau amrywiaeth, gwelsom gynnydd o 30% mewn ymgeiswyr i Gynllun Prentisiaeth SgiliauAdeiadu.

Cawsom hefyd gyfle i ddylanwadu a chynorthwyo i ddatblygu llwybrau 14–19 i adeiladu a gweithio gyda chynllun peilot Llwybr Adeiladu Lefel 2 i gefnogi mynediad technegol a graddedigion i'r diwydiant. Buom hefyd yn rhedeg digwyddiadau datblygu i gefnogi athrawon yn rhedeg TGAU Adeiladu a'r Amgylchedd Adeiledig a Chymhwyster Cyntaf BTEC.

Drwy gydol y flwyddyn, bu'r Tîm Addysg a Gyrfaoedd yn gweithio'n agos gyda'r Sefydliad Peirianwyr Sifil (ICE) i gefnogi lansiad yr Her Pont ICE, ar yr un pryd â hyfforddi nifer fawr o Lysgenhadon ICE. Arweiniodd hyn at gyfleoedd eraill megis gweithio gyda Chymdeithas Frenhinol y Penseiri yng Nghymru (RSAW) i amlygu gwaith penseiri yng Nghymru, a gweithio gyda'r Sefydliad Brenhinol Syrfewyr Siartredig (RICS) ac Asset Skills, yn ogystal ag awdurdodau lleol a chymdeithasau tai yng Nghymru i ddatblygu prosiect Llwybr Adeiladu Lefel 2.

Bu'r tîm hefyd yn gweithio ar ddigwyddiadau yn gysylltiedig gyda themâu allweddol yr Wythnos Adeiladu Genedlaethol, gyda gwaith blaengar yn mynd rhagddo ym meysydd treftadaeth a chynaliadwyedd yng Ngogledd Cymru. Dechreuodd rhaglen o ddyddiau datblygu staff Gyrfa Cymru yng Ngwent a Chaerdydd, gyda nifer fawr o gynghorwyr yn cael eu hysbysu am anghenion sgiliau a recriwtio'r diwydiant adeiladu yn rhanbarthol, yng Nghymru ac yn y Deyrnas Unedig yn ei chyfanrwydd.

Gan adeiladu ar y gwaith a wnaethpwyd eisoes gyda Gyrfa Cymru, llofnodwyd Cytundeb Sgiliau Sector gyda'r nod o gynorthwyo'r ddau sefydliad i wella cyngor, arweiniad a chyfleoedd i bobl ifanc ac oedolion sy'n dymuno ymuno â'r diwydiant neu ddychwelyd iddo.

Managing Agency

The Managing Agency's mission is to deliver fully qualified apprentices to meet the demands of the construction industry, through maximising learners' potential, using approved training provision and increasing framework achievements.

As the largest provider in England of construction apprenticeships, it offers extensive training opportunities in close co-operation with employers. By absorbing the National Construction College's youth training contract, it now offers opportunities in 25 different trades for some 16,500 16–25 year-olds.

Creating the Directorate helped all staff focus on improving framework achievements, key targets in the delivery of a £40m LSC contract. These rose from 54% at the end of 2005 to 67% in 2006 (Apprenticeship frameworks growing from 57% to 69% and Advanced Apprenticeships from 52% to 62%). Growth over the last three years amounts to 29 and 34 percentage points respectively. Available evidence positions the Managing Agency ahead – significantly so in many cases – of the average framework achievement rate for Construction in each English region.

Good progress has been made with the new Programme-led Apprenticeships (PLAs) which enable learners from full-time college construction courses to acquire the site-based evidence needed to achieve NVQ Level 2 and so complete a framework. The achievement rate from 58 starts is anticipated to be around 80%, with many moving on to Level 3. Almost 100 in the second cohort continue to progress towards NVQ Level 2 and over 1,000 full-time college students have been identified to join the programme in 2007.

Early in 2006, a new Director, two Regional Managers and a PLA Manager joined the Directorate's Management Team in time to prepare for a major Adult Learning Inspectorate (ALI) inspection in October. Twenty ALI Inspectors spent two weeks interviewing staff, apprentices, employers and training providers across England, before rating provision as 'Good' (Grade 2). Only one other, much smaller, comparable work-based learning provider in construction received this rating last year.

The ALI report highlights Leadership and Management for particular praise as well as arrangements for quality improvements through the use of data, management information systems, the overall success rate, relationships with sub-contracted training providers, good learner support from apprenticeship officers (staff), work placements and employer involvements, and the promotion and delivery of health and safety training.

The National Construction College (NCC) and National Specialist Accredited Centre (NSAC) (included in the inspection for their respective apprenticeship and OSAT provision) each received praise, particularly for the breadth of specialist provision. Key challenges were also identified by inspectors and these are already being addressed in the relevant Quality Improvement Plans.

Although inspectors praised CITB-ConstructionSkills for 'promoting equality and opportunity very well', one specific challenge was 'to develop effective strategies to increase participation of under-represented groups'. Managing Agency staff, working with the Recruitment and Careers team, will engage with employers, Federations and external partners to recruit and place more young women and candidates from black and minority ethnic (BME) communities.

The use of new technology continues to enhance support and advice to learners. Successful piloting of '007' digital pen and paper technology will help mobile staff transfer learner information between building site and management information systems.

All in the Managing Agency are proud of two independent survey results published at the end of the year. The Mystery Shopper survey scored Managing Agency staff highly for politeness and helpfulness while the Employer Tracking survey rated the effectiveness and importance of Managing Agency services very highly. In addition to good framework and ALI inspection results, it is important that our Managing Agency service continues to be regarded well by employers.

In December 2006, the Board approved proposals for restructuring the Managing Agency which would, during 2007, streamline administrative processes and redeploy resources into customer-facing roles.

BUSINESS ACTIVITIES

Field

Working with stakeholder and partners, this team engages individuals, companies and communities to support their development, through services ranging from promotion and recruitment to training and qualification. In 2006, we helped more employers take a planned and structured approach to training (via liP or the Training Plan route), raising outcomes to 4,100.

Another target was 400 job outcomes for Female and Black and Minority Ethnic (BME) candidates, but strategic partnerships with organisations like the Construction Youth Trust and the Housing Forum actually delivered more than 1,119. Our approach will be refined in 2007, aiming to boost numbers further. We also gained £1.8m from the Sector Skills Development Agency (SSDA) to deliver 1,800 outcomes via Women into Work pathways. The first phase of the Housing Forum Demonstration Projects was concluded successfully and the second phase launched in May 2006.

Good progress was made in building support for the Government's 14–16 agenda. Initiatives included Young Apprenticeships and the GCSE pilot in Construction and the Built Environment (C&BE). A key challenge is ensuring employer support for vocational qualifications through work-related learning, resource development and mentoring schools. This will grow in 2007, before the launch of the specialised C&BE Diploma in 2008. Staff will work via strategic partnerships to ensure sustainable support for work-related learning.

The National Specialist Accredited Centre (NSAC) was inspected as part of the Adult Learning Inspectorate (ALI) review of CITB-ConstructionSkills and assessed as a Grade 2 (Good) while its External Verifier grading stayed at B. The number of NVQ Level 2s attracting funding from the LSC rose, with more than 600 achieved. The NSAC currently offers OSAT in 54 occupations and is accredited to deliver Experienced Worker Practical Assessments (EWPAs) in Drylining, Drilling and Sawing, and Contract Flooring.

Specialist apprentice training programmes were extended during 2006 with 11 occupations providing more than 130 candidates. Alternative sources of training (including manufacturers) are used with assessment via OSAT in conjunction with the NSAC, which registered a specialist apprentice assessment centre with the Joint Awarding Body.

The National Heritage Training Group (NHTG) made good progress. Skills research launches in Scotland and Wales are eagerly awaited in early 2007. The 'Training the Trainers' programme began a second run, with 22 lecturers signed up to the three-week programme. This supports interested training organisations around the UK, keen to deliver training in traditional skills, but unaware of the full implications of this. It also supports the regional training consortia developing around England. The first regional partnership of this type (the Cotswold Heritage Academy) was launched in September at Highgrove in an initiative jointly supported by ConstructionSkills and the Prince's Foundation.

Research has been carried out into the impact and effects of innovation on craft, supervisory and professional skills needs. Support was provided to the 'Innovative Construction Skills Forum' (ICSF) in July, which began to develop a medium to long-term strategy for innovation, linking with a range of external partners to achieve this.

Team 2012's aim is to deliver a sustained increase in local people employed in construction in the Thames Gateway, reflecting the diversity of local populations. It has developed partnerships with key stakeholders, including those involved in constructing Olympic venues. Currently, the main contractors for demolition and remediation are working to ensure their supply chains are given the support needed to benefit their own workforce and business as well as the local population.

Work with registered social landlords and training providers created projects to support unemployed adults through training and into employment, using void properties. This has proved especially valuable for recruiting under-represented groups (including women) and expansion is planned. Research carried out by the Construction Skills Network of Observatories means that Team 2012 is able to assess potential skill needs in the Thames Gateway and the impact on training provision. We are working with training providers and contractors to identify appropriate training at the right time and place.

At the Board meeting in December 2006, approval was given to restructure operations in the Field to increase customer focus. Plans will be implemented during 2007.

Business Services

Business Services saw significant operational and structural changes during 2006. Comprising five primary departments overseeing a range of products and services (Awarding Body for Construction Alliance, Business Development, Competent Worker Schemes, Business Support and Health, Safety and Environment) the Directorate's mission is to 'develop, deliver and support customer-focused products and services and to provide expertise to the organisation in order to maximise its income generating potential'.

The most significant development resulted from the signing of a new contract between CITB-ConstructionSkills and Construction Skills Certification Scheme Ltd, establishing a fresh working relationship. One outcome was clarification that the Construction Plant Competence Scheme (CPCS) was owned by CITB-ConstructionSkills.

In February 2006, following a request from the Major Contractors Group for an improved integrated support system to encourage workers to get qualified and carded as part of the Qualifying the Workforce initiative, SkillsDirect was launched. This enables workers to undertake the Construction Health and Safety Test, complete an application for a CSCS card and enrol on a Vocational Qualification in one booking. It not only helped speed up the process for individuals and employers, but has enabled the business to get much closer to its customers. SkillsDirect evolved quickly to cover the full suite of CSCS cards and more than 8,000 people have passed through the process. It will shortly become available for other schemes.

Health, Safety and Environment continues to play a pivotal role in influencing cultural and behavioural change to improve the industry's health, safety and environmental performance. This was not only recognised in the one millionth Construction Health and Safety Test pass in 2006 and the development with key partners of the Health and Safety Test for Designers and other professionally qualified people, but also by the Health and Safety Commission (HSC) which acknowledged ConstructionSkills' contribution to the most successful industry consultation ever conducted over the revised CDM Regulations. On behalf of CONIAC, ConstructionSkills established and chairs a Working Group to co-ordinate the development of the industry guidance on CDM.

Working with ConstructionSkills partners, significant progress has been made to develop a Health, Safety and Environment vision, mission and strategy for the industry, to be launched later in 2007.

There has been a keen focus on improving facilities for migrant worker integration and the 'Employers' Guide' has been developed to help meet the needs of the industry and will be launched during 2007.

The Business Development and publications teams made significant changes to learning and guidance materials following changes in health and safety legislation. This work (which is continuous) helped achieve an 8% increase on 2005 for publication sales. In particular, the Site Management Safety Training Scheme has been updated to include a wider range of courses at every level with a full suite of support material, some of which has been provided by the Health and Safety Executive. The package is being promoted under the new name of 'Site Safety Plus'.

There has also been much interest from overseas in existing products, and contacts are being established to explore business opportunities.

2006 saw a record number of vocational qualification registrations and achievements for the Awarding Body for Construction. A total of 88,328 registrations, 46,525 NVQ achievement certificates and 55,560 Construction Award Certificates were issued. Despite a number of funding issues, On-Site Assessment and Training (OSAT) for experienced worker NVQ achievements in England for 2006 reached 27,070 – a significant result – with contributions from Wales and Scotland raising the OSAT total to 32,284 for the year. It is anticipated that SkillsDirect and its support network will continue to help improve annual NVQ achievements for 2007.

The Customer Contact Centre handled more than 980,000 calls whilst the Data Management Unit issued, within agreed service standards, some 220,000 cards for CSCS, CPCS and other card schemes. It was a record year for Health and Safety Testing with over 400,000 bookings made. As part of the drive towards a fully qualified workforce, all individuals lacking a card but holding a current Health and Safety Test or NVQ were called. This ConstructionSkills initiative – SkillsDirect Express – reached 150,000 people, and over 23,000 went on to apply for a card.

National Construction College

During 2006, the National Construction College (NCC) ramped up its commercial focus and in the process achieved a number of memorable milestones.

October saw the NCC celebrate its first ever £1m adult income month and immediately followed it up with a second in November. Adult income grew 8% to £8.3m as a result of our commercial focus, new sales structure and high impact marketing activity. At the same time as driving sales, our customer service scores have continued at a high level, with 98% of adults and 95% of apprentices rating our training as good or excellent. Indeed, the excellent rating was given by 71.5% of adults and 50.6% of apprentices.

The NCC has continued to develop its facilities with investment being made at NCC Midlands, NCC Central and NCC South. A new site is being actively sought in Scotland which will enable us to deliver more training with better facilities – a real flagship for the industry – and we are hopeful of a move by the middle of 2007.

Our status as a Centre of Vocational Excellence in Access occupations across England has now been confirmed, with significant benefits accruing including increased influence in the way training and assessment is carried out, capital investment in training resources and confirmation of our position as the industry's lead provider.

The NCC also had its Adult Learning Inspectorate visit in October. The inspection was a success, with the Inspectors remarking on the significant progress made over the last few years and noting that the action plans put in place were already showing improvements.

Undoubtedly we now have a firm base on which to build and deliver a Grade Two at our next inspection – our ultimate ambition is, of course, a Grade One.

NCC East has successfully maintained the new Safety Management System and NCC Scotland has successfully rolled out the Exemplar Project. Good work has started at NCC Midlands and NCC South.

We now have OHSAS 18001 certification, the health and safety standard certified by the British Standards Institute, providing reassurance of our robust health and safety systems.

The quality of our apprentices continues to be strong and once again they won a number of medals at Skillbuild. Eight of the College's apprentices took top honours, achieving a total of three gold, three silver and two bronze medals.

The NCC has also enhanced its support for employer training needs at the management and professional level.

The Constructionarium – based at NCC East – is a great example of effective partnership with higher education and employers. During 2006, it was developed thanks to a £500,000 grant from the East of England Development Agency. Three universities (Imperial College London, Portsmouth and Leeds) used the facility, giving undergraduates the chance to build large-scale models of iconic projects such as the 'winking eye' bridge in Newcastle and the Barcelona communications tower, gaining practical experience to complement their academic learning. Already, seven universities have booked for 2007, showing how much potential for growth there is.

2006 saw the College celebrate 40 years of training at Bircham Newton. Despite a wet and windy day in September there was a fantastic turnout to witness the unveiling of an RAF memorial stone, followed by a fete which raised over £2,500 for charity. A 40th anniversary newsletter was also produced to record the event.

However, at the very end of 2006, NCC East heard that its Planning Appeal in respect of an enabling development to fund the replacement of old and increasingly inadequate accommodation and leisure facilities had been rejected. Although the College and CITB-ConstructionSkills presented a good case at the Planning Inquiry and persuaded the Secretary of State for Communities and Local Government both that there was a need for new college facilities and that the sale of surplus land for development was one way of funding it, on balance, the scale of development proposed could not be supported.

This leaves NCC East in a very difficult position and we now need to review all options in preparation for discussions with the Board and Industry during the early part of 2007.

Skills Strategy

Throughout 2006, the Skills Strategy Directorate ensured that ConstructionSkills had access to the best possible evidence base, qualifications frameworks and strategic partnerships.

A core focus has been on the delivery of the Sector Skills Agreement (SSA) – continuing the alignment of national and regional plans and maintaining stakeholder engagement and commitment. Other key activities during 2006 included:

- research and development – conducting ‘best in class’, capacity, productivity and skills research to support the whole business and industry
- Construction Qualifications Strategy (CQS) – setting the standard for other Sector Skills Councils (SSCs) to follow
- sustainability – delivering and leading ‘Build to Last’ on behalf of industry and Government
- ConstructionSkills Partnership – developing and championing partnership strategies and activity.

Partnerships with other directorates – supporting the delivery of key ConstructionSkills products and services – were a key part of success in 2006:

- partnering with the Field Directorate to strategically inform local employer engagement, stakeholder management and the co-ordination of regional SSAs
- supporting the Business Services Directorate, providing strategic direction for management and leadership, guidance on sustainability plus research and development support for migrant workers programmes
- working closely with the Communications and Marketing Directorate, helping to deliver impact and credibility for key initiatives
- supporting the Managing Agency Directorate, providing the evidence base needed to build its role and grow its business.

A key milestone in 2006 has been the successful launch and publication of the first forecasts from the Construction Skills Network. This represents a radical change in the way information on the future needs of the industry is collected and produced.

It is a unique collaboration between Government, construction companies, education and training providers and SSCs. In 2006 it provided a consensus view of the current and future skills and training needs of the industry.

Skills Strategy launched the Policy Forum in late 2006. This is an innovative model, aiming to facilitate development of top level thinking on new or significant issues that will affect the development of corporate strategy. It comprises a dynamic group of senior staff and experts from across the organisation. Key issues being addressed by the Policy Forum include Innovative Methods of Construction, Migration and the potential impact of the Leitch Review.

The development of the National Skills Academy has been a key activity throughout 2006. This new, site-based approach to construction training was launched in November and represents an innovative, employer-led approach to construction training. The event was attended by Secretary of State for Education and Skills, Alan Johnson and Skills Minister, Phil Hope.

Skills Strategy continued its path-finding work in the development of the CQS during 2006. This initiative will determine what types of qualification are required for the whole sector and the amount of provision required. The work of Skills Strategy during 2006 is being held up by the Sector Skills Development Agency (SSDA) as an exemplar standard for other SSCs to follow.

During 2006, the Standards team led the development partnership and successfully delivered the content for the Specialised Diploma. The team also maintained and delivered the industry framework of National Occupational Standards. New and diverse standards introduced during 2006 included Construction Diving, Cladding Occupations and Sub-structural Occupations.

2006 was also a busy year for the ConstructionSkills Partnership. We were awarded the SSDA High Performance Bonus and a new contract now extends support from SSDA to 2009. We have also been active in the wider Skills for Business network throughout 2006 – leading the field in a number of cross-SSC initiatives. These include migrant workers, the Olympics, and management and leadership. 2006 finished with clearly defined SSAs covering the full footprint of ConstructionSkills and a growing reputation for delivery among our key stakeholders.

Communications and Marketing

The Communications and Marketing Directorate provides ConstructionSkills with an in-house, one-stop-shop for communications and marketing services and expertise. The team plans and implements integrated and creative communication strategies to assist the business to meet its objectives and targets.

In 2006, the Marketing Department worked on a number of high profile campaigns to encourage the uptake of a wide range of products and services. To increase apprenticeship and Inspire scholarship applications, a new award-winning 'Make Your Mark' TV advertisement and online campaign was launched, supported by high profile PR activity. The campaign reached an audience of 20 million and secured over £500k worth of media coverage. As a result, over 700 applications for scholarships and a record number of online apprenticeships applications were achieved.

In addition, new approaches to promote NCC courses and our health and safety publications in 2006 resulted in a notable sales increase whilst the Training Campaign, which encourages SMEs to invest in training, generated over 1,100 sales leads for grant, Training Plans and other products. These successes were due to a combination of more effective customer segmentation (enabling us to target and communicate with different sets of customers according to their needs) and creative concepts that had impact and appeal.

The Customer Relationship Management programme, led by Communications and Marketing, moved on apace this year with work undertaken which allows businesses to improve their market and customer intelligence (what we know about the size and value of different markets and what we know about our customers and how we should develop products and services to meet their needs). This will help us to improve customer satisfaction in the future and improve our bottom line in 2007 through new customer acquisitions, customer retention and the cross-selling and up-selling of products and services.

The Corporate Communications Department secured a number of opportunities to promote the work of ConstructionSkills to key Government stakeholders – providing opportunities to lobby for a better deal for the construction industry. In September, an industry Breakfast Briefing at the Labour Party Conference was chaired by Ed Balls from the Treasury and attended by Skills Minister Phil Hope. The launch of the National Skills Academy for Construction in October was headed up by Secretary of State for Education and Skills, Alan Johnson. Phil Hope also attended, and delivered a keynote address to the ConstructionSkills-hosted 2012 Legacy Workshop and dinner in December. As a result, ConstructionSkills received strong Government endorsement for key Sector Skills Agreement initiatives and was described by Alan Johnson as 'one of our most successful Sector Skills Councils'.

The Press Office also helped to keep construction and ConstructionSkills in the news – maximising positive media coverage and managing the reputation of the organisation when appropriate. In all, over 3,000 pieces of news coverage were generated, 82% of it being positive, 14% neutral and only 2% negative. Highlights included the launch of SkillsDirect service, the publication of the first Construction Skills Network outputs, the tenth anniversary of National Construction Week and Positive Image/Inspire Scholarship coverage focusing on the need to attract a diverse range of recruits to the industry.

Corporate Services

This Directorate challenges plans, processes and performance to improve efficiency and effectiveness, and provides human, financial and information resources enabling the organisation to deliver on business plan commitments.

Further development of business plans and reinforcement of interdependencies, as a Sector Skills Council, corporately and across business activities was achieved in 2006. In addition, successful management conferences facilitated by the Planning team delivered key messages on 'Delivering the Sector Skills Agreement', 'Becoming Simpler, Faster, Closer', and 'Moving to ConstructionSkills'.

The 2006/07 Grants Scheme became effective from 01 August 2006. Its changes, agreed with the employer-led Grants Scheme Working Party, included the broadening of the craft upskilling grant to incorporate adult new entrants, with a greater focus on achievements. A unified training day rate of £80 was introduced for all CPCS plant operator grants and the Training Plan day rate increased to £20. The project to develop online grants made progress, with the first stage (online reporting) going live in December 2006.

During 2006, dialogue continued with DfES officials and Federation representatives over revisions to the statutory process by which industry support for levy proposals is shown. This has resulted in the inclusion of clauses within the Further Education and Training Bill, currently awaiting parliamentary approval.

Wherever possible, appeals against the raising of individual levy assessments are resolved without recourse to a formal Tribunal hearing. In 2006, 86% of cases were settled without such a hearing.

Driving the organisation's capacity for continuous improvement was a focus in 2006. Building on our experience and understanding of the European Foundation for Quality Management (EFQM) Business Excellence model, an initiative entitled 'Changing Thinking to Improve Performance' was launched. Workshops were run throughout the year to develop new thinking and methodology for performance measurement, utilisation of resources, defining success and creating frameworks which define the boundaries within which staff carry out particular activities. Four specific projects were identified to drive the initiative forward in 2007.

In addition, our Change Support team established a centre of expertise in Project and Programme management which, in conjunction with the Corporate Business Change Group, has enabled the planning and delivery of business improvement in a co-ordinated and cost effective manner.

Continuous improvement has also been supported by technology. After a successful pilot, laptop computers were deployed to Managing Agency Officers in England and Wales, and a digital pen pilot in the North East has led to plans to deploy the technology across our Managing Agency in 2007.

Significant progress was made in people-related areas during the year. The competency framework was reviewed and refined to make it easier for managers and staff to use. It is now fully integrated with key human resource processes, including planning and reviewing performance, structured interviewing and testing, and upward feedback for line managers.

Our IIP accreditation was renewed after a rigorous review of learning and development processes against the new standard. Our approach to diversity was also reviewed and improvements identified for action. The staff survey was delivered online for the first time, achieving a very good response, and nearly all measures improved, with the Employee Satisfaction Index hitting an all-time high.

The team continued to provide a range of legal advice and support, working with cross-directorate teams on projects to enable them to deliver relevant legal solutions. Legal education and training was also provided to a significant number of staff. Advice and guidance was given on equality legislation, and on policies and procedures to assist in embedding equality and diversity across the organisation.

Effective stakeholder engagement has been maintained through the network of policy-making and advisory committees which assist the Board. We pay tribute to the commitment and enthusiasm of the scores of volunteers from the industry who participate in this work. We need such 'critical friends' to support and stimulate continuing performance improvement.

Financial Report

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

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

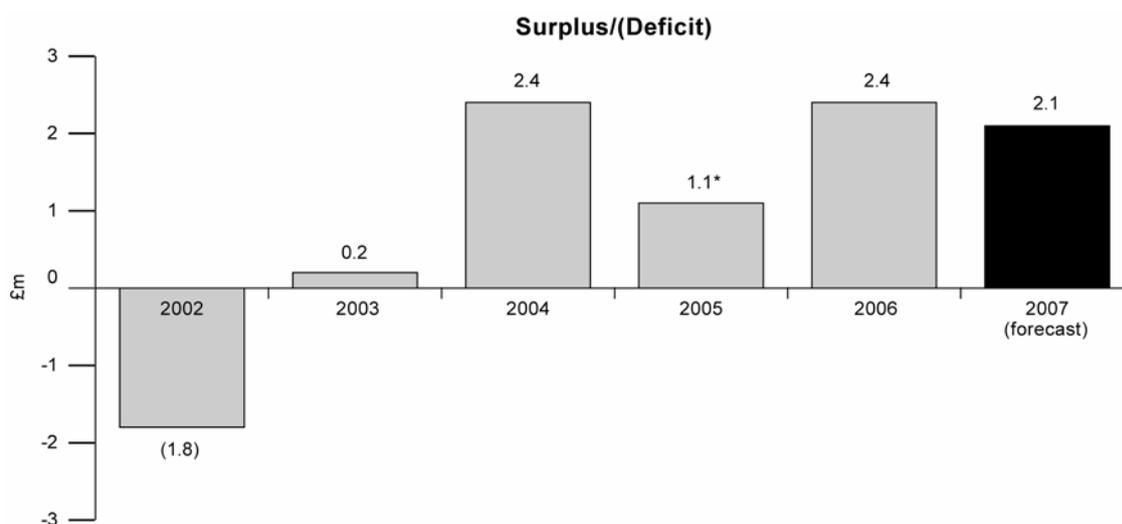
Accounts Direction

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

Result for the Year

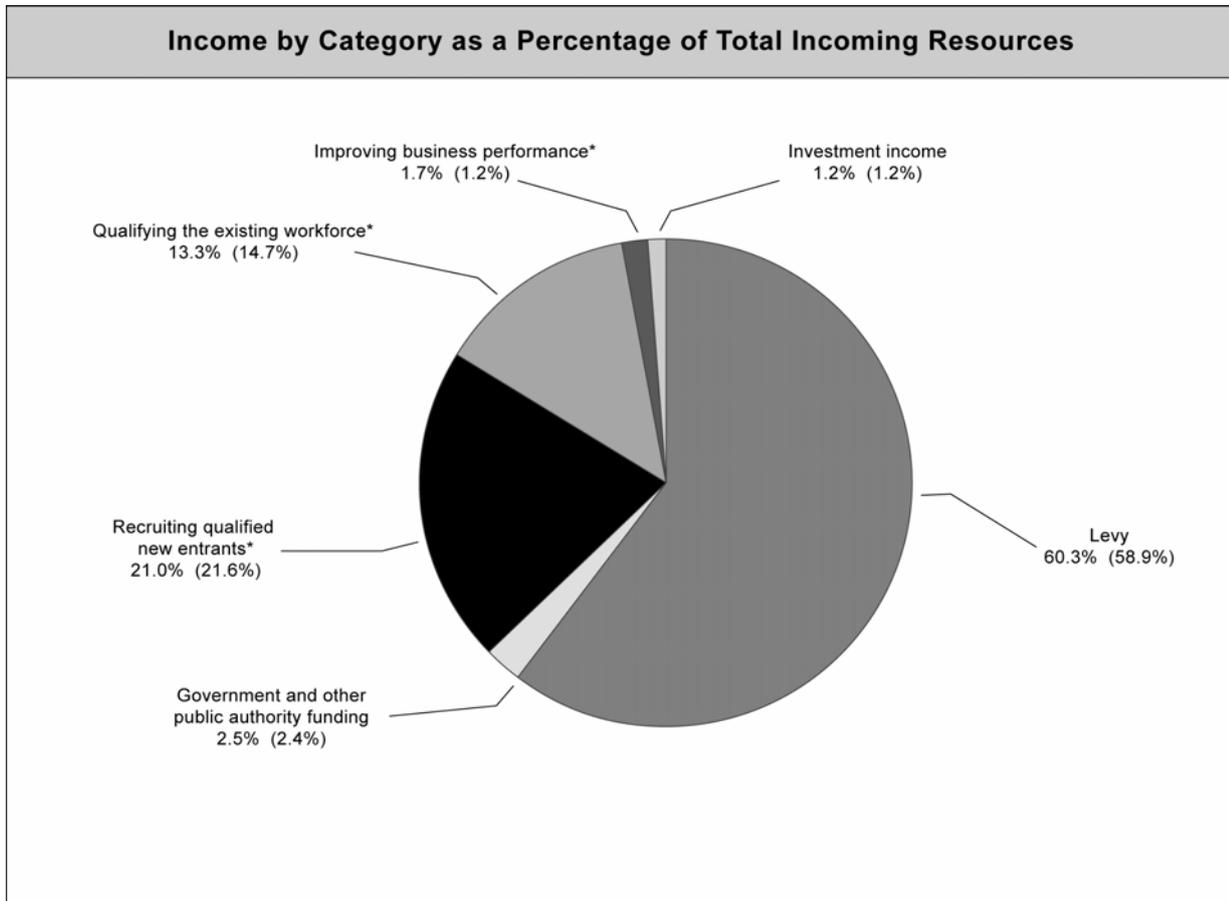
CITB-ConstructionSkills returned a £2.4m surplus for the year to 31 December 2006 (2005 £1.1m, excluding a £3.0m unrealised gain on the revaluation of freehold property), compared with a planned surplus of £0.7m. Actual levy income was £2.0m higher than forecast, which was balanced by an equal rise in grant expenditure. The improved result arose from higher non-levy income and lower operating costs, partially offset by an exceptional charge of £2.7m relating to reorganisation costs (see Note 9 to the Financial Statements).

CITB-ConstructionSkills is forecasting a surplus of £2.1m for the year to 31 December 2007, required to keep pace with the target level of reserves (see the heading 'Reserves' within Note 1 to the Financial Statements on page 46, which describes the Reserves Accounting Policy), whilst maintaining current levy rates. The forecast is based upon increased contributions from non-levy income to support higher levels of grant payments and deliver the Sector Skills Agreement.



* Excluding £3.0m unrealised gain on the revaluation of freehold property.

Income



* See Industry Skills Challenges on pages 30 and 31.

Levy

Levy income amounted to £152.3m for 2006 (2005 £136.0m), made up of £152.4m (2005 £137.2m) in respect of the current year's assessment less an adjustment of £0.1m (2005 £1.2m) for the reassessment of prior years' charges.

Levy rates remained unchanged at 0.5% on direct labour payments (PAYE) and 1.5% on labour-only sub-contract payments (LOSC). The small firms' exclusion level was raised from £64,000 to £69,000 in line with growth in average pay.

The 12% increase in levy income, compared with 2005, resulted from a number of factors. Industry activity and earnings growth was measured at 9.4% from employers' levy return declarations, partially offset by a small movement from LOSC to the lower rated direct employment. Also, the Levy/Grant Verification Team and the continued effectiveness of the levy collection process made significant contributions to the improvement.

Of the 26,000 employers paying levy, around 12,000 (46%) paid by direct debit instalments, up by 1,800 on last year.

ANNUAL ACCOUNTS

Government and Other Public Authority Funding

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

Government and other public authority funding increased from £5.6m to £6.3m (see Note 2 to the Financial Statements on page 47). European grant funding increased by £0.1m and Sector Skills Development Agency (SSDA) funding increased by £0.6m to £2.2m, including £0.2m for a project to provide information, advice and guidance to other Sector Skills Councils.

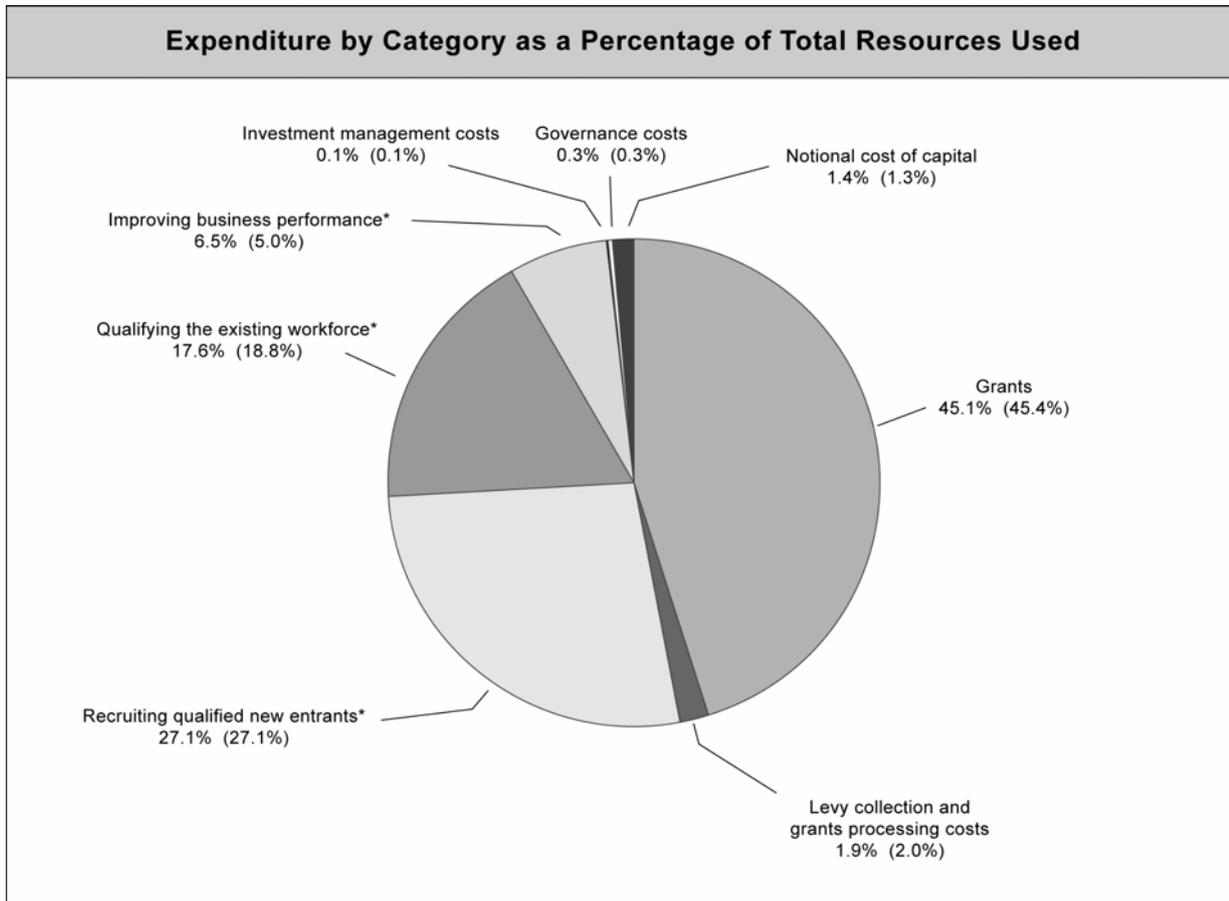
Funding from the SSDA for ConstructionSkills activities rose by £0.2m to £1.8m to match the increased expenditure on specific contracted activities. Following the successful completion of the first three-year contract in September 2006, a new contract commenced on 01 October 2006. This provides for up to £5.6m over three years for ConstructionSkills to deliver four key goals:

- reducing skills gaps and shortages, and anticipating future needs
- improving productivity, business and public service performance
- increasing opportunities to develop and improve the productivity of everyone in the sector's workforce
- improving learning supply.

Investment Income

Income rose by £0.5m (17.5%) to £3.1m in 2006 which resulted from an increase in the average level of investments held throughout 2006 compared with 2005, as well as improved investment returns from cash deposits, offset by lower yields on gilts and bonds. The increase in the average level of investments held was mainly due to the earlier assessment and collection of levy in 2006 compared with 2005.

Expenditure



* See Industry Skills Challenges on pages 30 and 31.

Grants

New Entrant Training (NET) grants were up £2.6m (4.3%) on 2005 at £62.1m (see Note 4 to the Financial Statements on page 47). Attendance grants fell by £1.3m, mainly as result of the reduction in the rate paid for the second year of training for trainees who started between 01 August and 31 December 2005. Achievement grants increased by 37.8% to £13.6m, reflecting improved trainee retention, higher levels of achievement and the full year effect of the increased rate paid for achievement grant from August 2005. Commitment grants rose by just £0.1m to £2.4m.

Other grants rose by £4.9m (10.7%) to £51.0m (see Note 4 to the Financial Statements on page 47) due to an increase in the number of employers claiming grant, particularly Training Plans, and an increase in the daily rate of Training Plan grants. There were however, decreases in grants paid for Health and Safety and liP as a result of rate reductions introduced in August 2005.

Notional Cost of Capital

The notional cost of capital was £3.5m (see Note 8 to the Financial Statements on page 49). This charge, which is added back in the Statement of Financial Activities, is included as a requirement within the Government Financial Reporting Manual. The rate, set by HM Treasury for 2006, was 3.5% (2005 3.5%).

ANNUAL ACCOUNTS

Industry Skills Challenges

CITB-ConstructionSkills' business planning is structured around the three Industry Skills Challenges under the Sector Skills Agreement of:

- Recruiting Qualified New Entrants
- Qualifying the Existing Workforce
- Improving Business Performance.

These challenges provide the context for the organisation's vision, objectives and targets, and the activities of its seven directorates. The resources associated with these activities are allocated against the three challenges accordingly, to show the amount of incoming and expended resources between the three.

Recruiting Qualified New Entrants

The priority areas for action for this challenge are delivered through the key activities of the Field and Managing Agency Directorates. These activities centre on:

- improving understanding of career opportunities in construction (*Field*)
- increasing apprenticeship completions and widening opportunities for on-site practice (*Managing Agency*)
- promoting diversity through local employment and training projects (*Field*)
- increasing quality applications for construction-related degree courses (*Field*).

Income at £52.9m (2005 £49.8m) has increased by £3.1m. As in 2005, this relates to additional Managing Agency funding for New Entrant Training arising from higher numbers of trainees gaining vocational qualifications.

Expenditure at £67.8m (2005 £63.2m) has increased by £4.6m. This is mainly as a result of:

- increased college fees of £4.8m due to an increase in the performance payments to colleges for framework achievements, which were up from 54% in 2005 to 68% in 2006, and higher numbers of funded trainees in learning
- claims for trainee travel and subsistence allowances rising by £0.7m offset by lower project and other expenditure of £0.9m.

Qualifying the Existing Workforce

The priority areas for action for this challenge are delivered through the key activities of the Business Services and Field Directorates. These activities centre on:

- intensifying and widening the industry's Qualifying the Workforce initiative (*Business Services*)
- developing flexible training and qualification structures for specialist occupations (*Field*)
- assisting the effective integration of immigrant workers (*Business Services*).

Income during 2006 fell by £0.5m (1.5%) to £33.5m. The industry initiatives for Qualifying the Workforce through Health and Safety Testing, certification schemes and NVQ/SVQ registrations increased in volume overall, generating additional income. Income from direct training courses delivered by the National Construction College also increased. However, there was a fall in income from Learn Direct as a result of the University for Industry disbanding the hub network.

Expenditure during 2006 increased by £0.4m (1.0%) to £44.1m, mainly due to the costs of the increased volumes flowing from the industry initiatives for Qualifying the Workforce, less the lower costs associated with the reduction in income from Learn Direct.

Improving Business Performance

The priorities driving the activities under this challenge are delivered through the key activities of the Corporate Services, Business Services and Skills Strategy Directorates. These activities centre on:

- increasing the number of employers investing in training (*Corporate Services*)
- developing management and leadership skills (*Business Services*)
- supporting lifelong learning in construction (*Skills Strategy*)
- developing skills for sustainability (*Skills Strategy*).

Income, which includes the sale of Executive Management Programmes, health and safety training courses by NCC and the sale of publications, increased by £1.6m to £4.4m as a result of increased publication sales (£1.4m) and course fee income (£0.2m).

Expenditure increased by £4.6m from £11.6m in 2005 to £16.2m. This includes the costs associated with:

- increased support to the industry for structured training through Training Plans and lIP
- Management and Supervisory programmes
- the sale of Executive Management Programmes and health and safety training courses by NCC
- the sale of publications.

Governance Costs

Governance costs represent the costs of the governance infrastructure (as defined in the SORP 2005) and include the costs of the Board and committees, internal and external audit, business planning and related support costs. Total expenditure for 2006 was £0.8m (2005 £0.8m) (see Note 7 to the Financial Statements on page 49).

ANNUAL ACCOUNTS

Balance Sheet

The balance sheet shows net assets of £53.5m at 31 December 2006 (£51.1m at 31 December 2005); the increase on the previous year reflects the surplus for the year of £2.4m. Working capital (net current assets) rose from £37.5m to £40.3m (see below).

Fixed Assets

The net book value of fixed assets decreased by £0.7m to £13.7m, reflecting additions of £1.4m (2005 £1.6m), less depreciation charges of £2.0m and disposals/write-offs of £0.1m.

There were no additions to properties during the year. All freehold properties, which are held at 31 December 2005 values, were revalued at 31 December 2006. No adjustment has been made in respect of these valuations as the changes in values are not considered to be material.

Expenditure on plant and machinery totalled £0.4m (2005 £0.3m) within a continuing replacement strategy. The major purchase was a crawler crane.

During 2006, there was a net reduction (disposals at cost less additions) in motor vehicles of £0.2m.

The major purchases of computer equipment were £0.2m on the development of customer management software and an upgrade to the email system.

Debtors

Total debtors at 31 December were £25.7m (2005 £34.4m).

Levy debtors fell by £7.9m to £11.6m, despite a £16.3m increase in levy income. This was a direct result of continued improvements in debt collection and the benefit of assessments being raised one month earlier than in 2005, resulting in all ten direct debit instalments being received in the year.

Non-levy debtors fell by £0.9m to £14.0m. Amounts due from Central Government bodies fell by £4.3m to £6.8m mainly because the balance due for Managing Agency funding was £3.9m lower than at the end of 2005, despite increased income during 2006. This reflects the improvements arising from a change made in December 2005 in the basis for payment by the Learning and Skills Council. However, there were increases in other debtors of £2.9m arising from greater activity towards the end of the year.

Creditors

Creditors increased by £10.7m to £52.2m at 31 December 2006. Trade creditors increased by £2.2m reflecting increased college fees offset by a reduction in amounts due to other suppliers. Also included in creditors is the provision of £2.7m for costs relating to the exceptional item covering the reorganisation of the Managing Agency and Field Directorates during 2007 (see Note 9 to the Financial Statements on page 49). New Entrant Training grants and allowances outstanding fell by £0.3m to £5.4m despite the increased volume of claims, reflecting the continuing improvement in grant payment performance. Provisions for outstanding claims for other grants increased by £4.9m in line with the forecast rise in the 2006/07 Grants Scheme expenditure.

Net Current Assets/Reserves

Net current assets, which are taken as a measure of CITB-ConstructionSkills' reserves, increased from £37.5m at 31 December 2005 to £40.3m at 31 December 2006, mainly as a result of the surplus for the year of £2.4m and a net reduction of £0.3m in tangible fixed assets and provisions for liabilities and charges.

The reserves at £40.3m fall within the target range of reserves of £38.7m to £42.7m, as agreed with Government. The target range is calculated using a risk-based formula (see accounting policy in Note 1 to the Financial Statements on page 46).

Provisions

Provisions decreased from £0.8m to £0.5m because of payments made against the provision for rent and other charges in respect of vacated properties surplus to current requirements.

Other Information

Employer Registrations

The number of employers on the Levy/Grant Register increased by 3,029 to 75,188 at 31 December 2006, of which 26,054 (2005 25,966) were due to pay a levy in 2006 – see Statistical Information Tables 1 and 3 on pages 57 and 58. During the year 16,811 employers were added to the register compared with 13,782 deletions resulting from firms going out of business or out of scope to CITB-ConstructionSkills.

Grant Policy

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

Risk Management

The major risks, to which CITB-ConstructionSkills is exposed, as identified by management, have been reviewed and systems have been established to mitigate those risks (see the Statement on Internal Control on pages 38 and 39).

Material Cash Support Payments

The names of the recipients and the aggregate amounts of material grant and support payments are disclosed in Note 5 to the Financial Statements on page 48.

Events Since the End of the Year

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

Charitable Donations

No charitable donations were made during the year.

Auditor

The Comptroller and Auditor General (C&AG) is appointed under statute as CITB-ConstructionSkills' auditor. The audit fee for the 2006 Accounts amounted to £36,000. No other work was performed by the C&AG in respect of the reporting period.

Payment Policy and Performance

CITB-ConstructionSkills' payment policy is to pay all undisputed invoices within 30 days (or the agreed contractual terms if otherwise specified). The aim is to pay 100% of undisputed invoices, and disputed invoices once the dispute has been settled, on time within these terms.

The payment performance for the whole of 2006 was 97.9% (2005 97.2%).

Trade creditors at 31 December 2006 represented 29 days of average purchases during the year (2005 26 days).

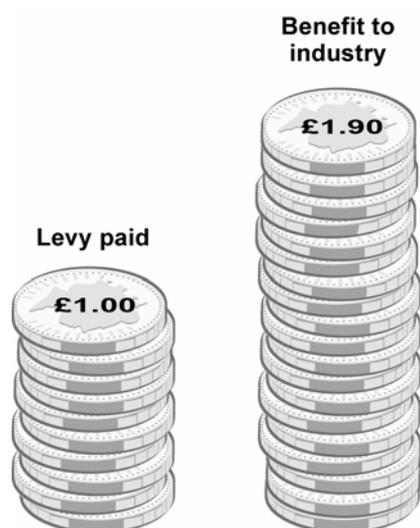
Investment Policy and Performance

CITB-ConstructionSkills invests funds within guidelines set by HM Treasury. Funds invested by CITB-ConstructionSkills staff generated a return of 4.67% for the year compared with a benchmark (Charities Official Investment Fund) rate of 4.47%.

Funds invested by fund managers Singer & Friedlander remained at £15m. They achieved a return of 3.14% for 2006 against a benchmark of 3.04% (Merrill Lynch 1–3 year gilt index).

ANNUAL ACCOUNTS

Value Added by CITB-ConstructionSkills to Levy Payments Made by Employers



In addition to the direct cash benefits paid to employers and trainees, CITB-ConstructionSkills facilitates and delivers construction training, carries out recruitment of apprentices through its Managing Agency, provides advice on training and careers via its field force and develops construction qualification standards.

CITB-ConstructionSkills also leverages additional funds and benefits directly for the industry which do not enter CITB-ConstructionSkills' accounts but are included in the figures shown in the table below.

In 2006, for every £1.00 of levy paid, third party contributions have increased from 23p to 32p. This improvement derived from increased activity such as contributions for college fees in Scotland and further education in England.

Levy income for the year amounted to £152.3m.

Training grants, college fees and other cash disbursements for the direct benefit of employers and trainees amounted to £152.9m, an increase of £13.0m over 2005, which represents 100.4% of levy income. This high ratio of cash support has been made possible because CITB-ConstructionSkills has acted on behalf of the industry to generate income from the Learning and Skills Council, Welsh Assembly Government and Scottish Executive as a contribution towards the cost of the New Entrant Training programme. Further income has been generated from other training activities.

During the year to 31 December 2006, for each £1.00 of levy paid by registered employers, the construction industry received £1.90 (2005 £1.88), as follows:

	2006	2005
	£	£
Per Statutory Accounts		
Grant	0.74	0.78
College fees	0.22	0.21
Trainee allowances	0.04	0.04
Total Direct Benefit	1.00	1.03
Indirect Benefit		
Training centres, recruitment of trainees, development of standards, careers and training advice etc.	0.58	0.62
Third Party Funding	0.32	0.23
Total Benefit	1.90	1.88

Statement of the Board's Responsibilities

The Industrial Training Act 1982 requires the Board to keep proper accounts and other records in relation to the accounts, and to prepare in respect of each of its financial years a statement of account in such form as the Secretary of State may, with the approval of the Treasury, determine. The accounts are prepared on an accruals accounting basis and must show a true and fair view of CITB-ConstructionSkills' state of affairs at the year-end and of its income and expenditure and cash flows for the financial year. In preparing that statement of account, the Board is required to:

- a) select suitable accounting policies and then apply them consistently
- b) make judgements and estimates that are reasonable and prudent
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- d) prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that CITB-ConstructionSkills will continue in business.

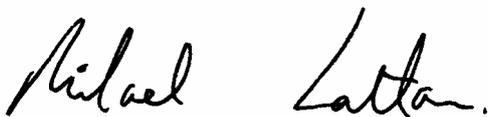
The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of CITB-ConstructionSkills and to enable it to ensure that the Financial Statements comply with the Industrial Training Act 1982. It is also responsible for safeguarding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

Statement of the Accounting Officer's Responsibilities

The Chief Executive of CITB-ConstructionSkills undertakes the role of Accounting Officer. His responsibilities in this capacity, which include ensuring the propriety and regularity of the public finances for which he is answerable, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury, published in Government Accounting by the Stationery Office.

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

Annual Report approved by the Board on 21 February 2007 and signed on its behalf by:



Chairman
Sir Michael Latham DL



Chief Executive
Peter Lobban

Remuneration Report

Membership

The Remuneration Committee is a subcommittee of the Board. Its purpose is to determine general policy on remuneration and individual remuneration packages for Directors. Its membership is made up of the Chairman, Deputy Chairman and two Board members (James Wates and Chris Jones). The Chief Executive, Corporate Services Director and Head of Human Resources provide information to the Committee to inform its decisions.

Policy on the Remuneration of Directors

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

Individual remuneration for directors is reviewed annually with regard to external market changes and an assessment of individual performance evidenced by the performance management process (the range for individual performance payments is 0–5% of basic salary). Along with other staff they participate in the CITB-ConstructionSkills Scorecard bonus based on the achievement of a number of key performance indicators. For 2006, the bonus paid to all staff and directors was 3% (the range for the Scorecard bonus is 0–5%).

All eligible employees, including directors, are members of the 'Old Section' of the ITB Funds pension scheme.

Policy on Contracts, Notice Periods and Termination Payments

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

Non-cash Remuneration

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

Salary and Pension Entitlements (Audited)

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

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Remuneration	Salary	Benefits in kind	Total
	£'000	£'000	£'000
Peter Lobban – <i>Chief Executive</i>	240.2	1.2	241.4
Frazer Clement – <i>Business Services Director</i>	98.9	10.5	109.4
David Boyden – <i>National Construction College Director</i>	73.8	9.4	83.2
Nicola Thompson (from 01 March 2006) – <i>Communications and Marketing Director</i>	81.2	0.7	81.9
Mike Bialyj – <i>Field Director</i>	87.2	8.0	95.2
Max Hamps – <i>Managing Agency Director</i>	80.8	6.1	86.9
Sheila Hoile – <i>Skills Strategy Director</i>	115.7	0.6	116.3
John Cowley (until 25 August 2006) – <i>Corporate Services Director</i>	84.1	0.5	84.6
Howard Maylard (until 30 June 2006) – <i>Change Director</i>	114.9	0.6	115.5

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

Pension Benefits	Real increase in pension at normal retirement date	Total accrued pension at normal retirement date as at 31 Dec 2006	Cash equivalent transfer value at 01 Jan 2006	Real increase in the cash equivalent transfer value during the year
	£'000	£'000	£'000	£'000
Peter Lobban – <i>Chief Executive</i>	5.0 – 7.5	30 – 35	313	110
Frazer Clement – <i>Business Services Director</i>	2.5 – 5.0	45 – 50	459	18
David Boyden – <i>National Construction College Director</i>	0 – 2.5	30 – 34	338	62
Nicola Thompson (from 01 March 2006) – <i>Communications and Marketing Director</i>	0 – 2.5	0 – 5	10	25
Mike Bialyj – <i>Field Director</i>	2.5 – 5.0	10 – 12	44	58
Max Hamps – <i>Managing Agency Director</i>	2.5 – 5.0	5 – 10	43	44
Sheila Hoile – <i>Skills Strategy Director</i>	0 – 2.5	5 – 10	74	35
John Cowley (until 25 August 2006) – <i>Corporate Services Director</i>	0 – 2.5	5 – 10	20	6
Howard Maylard (until 30 June 2006) – <i>Change Director</i>	0 – 2.5	15 – 20	230	7



Sir Michael Latham DL
Chairman of the Remuneration Committee

Statement on Internal Control

Scope of Responsibility

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

The Board is responsible for establishing and monitoring appropriate policies to fulfil the objectives of CITB-ConstructionSkills 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 Sector Skills Council, CITB-ConstructionSkills operates as ConstructionSkills with its partners and is accountable to the Secretary of State for Education and Skills. In addition, as a statutory ITB and non-departmental public body, CITB-ConstructionSkills also reports to the Department for Education and Skills. CITB-ConstructionSkills is established for exclusively charitable purposes and is therefore registered as a charity. The charitable activities of CITB-ConstructionSkills 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 CITB-ConstructionSkills' policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 December 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 CITB-ConstructionSkills. Selection and performance review procedures ensure personnel are trained to manage risk in a way appropriate to their authority and duties. Selected Senior Managers have received training on risk management to ensure they understand the importance of their role in the risk management process and to provide an opportunity to share good practice.

The Risk and Control Framework

CITB-ConstructionSkills aims to adopt best practice in the identification, evaluation and cost-effective management of risk, as an integral part of operational activity. Directors are accountable to the Executive Team for risk management in their respective areas of activity, and report formally at least two times per year. 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.

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. The results of this exercise are reported to the Executive Team at least twice in the year.

Localised risk awareness work is undertaken in conjunction with Directors.

Control self-assessment questionnaires are issued to managers.

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

A dedicated Internal Audit unit 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.

A corporate risk register is maintained for each directorate.

Internal Audit has a functional direct reporting line to the Chief Executive 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 CITB-ConstructionSkills.

The Chief Executive joins the Audit Committee to review CITB-ConstructionSkills management of risk and ensures that advice from members concerning the identification, assessment and management of risk is taken into account.

The Chairman of the Audit Committee is able to attend Finance Committee meetings, as required, to enable a two-way dialogue on matters of mutual interest concerning risk management within CITB-ConstructionSkills.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of executive managers and the internal auditors within CITB-ConstructionSkills, who have responsibility for the development and maintenance of the internal control framework. The Head of Internal Audit's opinion on the control environment is that this is satisfactory.

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 Executive Team, through control self-assessments and also by the Audit Committee. A plan is in place to ensure the continuous improvement of the system.

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

Accounting Officer:



Peter Lobban
Chief Executive
CITB-ConstructionSkills

Acknowledged on behalf of the Board:



James Wates
Chairman of the Audit Committee
CITB-ConstructionSkills

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

I certify that I have audited the Financial Statements of CITB-ConstructionSkills for the year ended 31 December 2006 under the Industrial Training Act 1982. These comprise the Statement of Financial Activities, the Balance Sheet and Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Board, Chief Executive and Auditor

The Board and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the Financial Statements in accordance with the Industrial Training Act 1982 and directions made 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 35 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 and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Training Act 1982 and directions made 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 38 and 39 reflects 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 and the audited part of the Remuneration Report. 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board and Accounting Officer in the preparation of the Financial Statements, and of whether the accounting policies are 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 and the part of the Remuneration Report to be audited.

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 CITB-ConstructionSkills as at 31 December 2006 and of the incoming resources and application of resources for the year then ended;
- the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Training Act 1982 and directions made 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

09 March 2007

Financial Statements

CITB-ConstructionSkills Statement of Financial Activities for the Year Ended 31 December 2006

	Notes	2006 £'000	2005 £'000
INCOMING RESOURCES			
Incoming resources from charitable activities			
Non-levy income			
Recruiting qualified new entrants		52,902	49,844
Qualifying the existing workforce		33,496	33,998
Improving business performance		4,362	2,767
Government and other public authorities	2	6,255	5,577
Total non-levy income		97,015	92,186
Levy	3	152,307	136,020
Incoming resources from generated funds			
Investment income		3,089	2,629
		<u>252,411</u>	<u>230,835</u>
RESOURCES EXPENDED			
Cost of generating funds			
Investment management costs		30	31
Charitable activities			
Grants	4, 5	113,051	105,556
Recruiting qualified new entrants		67,828	63,177
Qualifying the existing workforce		44,114	43,681
Improving business performance		16,243	11,573
Levy collection and grant processing costs		4,861	4,636
Total cost of charitable activities	6	246,097	228,623
Governance costs	7	798	751
Total resources expended		246,925	229,405
Notional cost of capital	8	3,492	3,157
Total resources expended including notional costs		250,417	232,562
Net incoming/(outgoing) resources for the year after charging notional cost of capital		1,994	(1,727)
Notional cost of capital added back	8	3,492	3,157
Net incoming resources before other recognised gains and losses		5,486	1,430
Other recognised gains and losses			
Realised loss on investments		(386)	(122)
Unrealised gain/(loss) on investments		15	(169)
Unrealised gain on revaluation of freehold property		–	2,992
Net movement in funds before exceptional item		5,115	4,131
Exceptional item	9	(2,733)	–
Net movement in funds	10	2,382	4,131
Accumulated unrestricted fund at 01 January		51,087	46,956
Accumulated unrestricted fund at 31 December	16	<u>53,469</u>	<u>51,087</u>

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

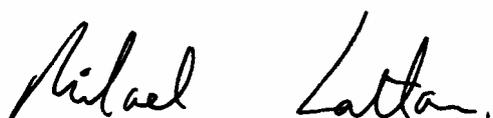
Balance Sheet as at 31 December 2006

	Notes	2006		2005	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	11		13,744		14,409
CURRENT ASSETS					
Debtors	12	25,677		34,394	
Investments	13	65,810		43,846	
Cash at Bank		984		756	
		<u>92,471</u>		<u>78,996</u>	
CREDITORS					
Amounts falling due within one year	14	<u>(52,219)</u>		<u>(41,471)</u>	
Net current assets			<u>40,252</u>		<u>37,525</u>
Total assets less current liabilities			<u>53,996</u>		<u>51,934</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>(527)</u>		<u>(847)</u>
NET ASSETS			<u>53,469</u>		<u>51,087</u>
FINANCED BY					
Accumulated unrestricted fund	16		<u>53,469</u>		<u>51,087</u>

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

Approved by the Board on: 21 February 2007

and signed on its behalf by:



Chairman
Sir Michael Latham DL



Chief Executive
Peter Lobban

ANNUAL ACCOUNTS

Cash Flow Statement for the Year Ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Reconciliation of net resources used to net cash inflow from operating activities			
Net incoming/(outgoing) resources for the year after charging notional cost of capital		1,994	(1,727)
Exceptional item	9	(2,733)	–
Notional cost of capital		3,492	3,157
Interest receivable		(3,089)	(2,629)
Operating deficit		(336)	(1,199)
Depreciation charges		2,007	2,501
Fixed asset write-off		–	3
Profit on sale of tangible fixed assets		(71)	(67)
Realised loss on investments		(386)	(122)
Decrease in debtors		8,945	143
Increase in creditors and provisions		10,459	2,314
Net cash inflow from operating activities		20,618	3,573
CASH FLOW STATEMENT			
Net cash inflow from operating activities		20,618	3,573
Returns on investments and servicing of finance	17	2,861	2,757
Capital expenditure (net)	17	(1,302)	(1,463)
Management of liquid resources	17	(23,581)	(6,523)
Decrease in cash and investments on call		(1,404)	(1,656)
Reconciliation of net cash flow to movement in net funds	18		
Decrease in cash in the period (cash, current accounts, call accounts and money market funds)		(1,404)	(1,656)
Management of liquid resources (term deposits and externally managed funds)		23,581	6,523
Other non-cash movements in the year		15	(169)
Movement in net funds in the year		22,192	4,698
Net funds at 01 January		44,602	39,904
Net funds at 31 December		66,794	44,602
Represented by:			
Investments	13	65,810	43,846
Cash at Bank		984	756
		66,794	44,602

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

Notes to the Financial Statements for the Year Ended 31 December 2006

1. ACCOUNTING POLICIES

Going concern

These accounts are prepared on a going concern basis.

Accounting convention

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985, Government Financial Reporting Manual and applicable Accounting Standards. The accounts are also prepared in accordance with guidance given in Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005).

These accounts are prepared under the historical cost convention as modified to reflect the revaluation of fixed assets and investments.

Incoming Resources

Levy

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

Government and other public authority grants

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

Recruiting qualified new entrants

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

Resources Expended

Grants

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

Recruiting qualified new entrants

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

Leasing

Rentals paid under operating leases are charged in the Statement of Financial Activities on a straight line basis over the lease term.

Allocation of resources expended

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

Cost of generating funds – direct

Charitable activities and governance costs – direct and by staff time

Other Recognised Gains and Losses

Realised on investments

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

Unrealised on investments

The difference between the cost and the year end market value of all investments held at the Balance Sheet date is recognised in the Statement of Financial Activities.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)

1. ACCOUNTING POLICIES (continued)

Assets

Estimation techniques

Levy debtors

Amounts receivable for levy assessments are calculated on the basis of historical results and patterns adjusted for any known changes in circumstances. In particular the calculation includes an adjustment to estimated levies that normally result in being reassessed to a level below that originally estimated.

Tangible fixed assets

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

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

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

Freehold property

Freehold properties are fully revalued every five years.

Investments

Investments are stated at market value at the balance sheet date.

Liabilities

Estimation techniques

Grant and college fees creditors

Amounts payable in relation to grant claims and college fee invoices not yet received are calculated on the basis of historical payment patterns adjusted for any known changes in circumstances.

Other

VAT

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

Pensions

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

Reserves

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

A risk-based formula, as agreed with Government, is used to calculate an appropriate year-end target level of reserves. This should generally equate to 15% of total forecast expenditure for the following year and actual reserves should fall within a range of plus or minus 5% of the target figure.

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)**2. INCOMING RESOURCES FROM GOVERNMENT AND OTHER PUBLIC AUTHORITIES**

	2006	2005
	£'000	£'000
European grants receivable	273	225
Department for Education and Skills, Department for Trade and Industry and Scottish Executive grants receivable	3,755	3,772
	4,028	3,997
Sector Skills Development Agency (SSDA) (see below)	2,227	1,580
	6,255	5,577

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

SSDA income includes funding for the Sector Skills Council of £1,779,000 (2005 £1,580,000) to reimburse expenditure of £1,779,000 (2005 £1,580,000) for specific activities during the year.

3. LEVY

2005 levy assessment receivable in 2006	152,362	137,247
Adjustment to previous years' levy assessments	(55)	(1,227)
	152,307	136,020

4. TRAINING GRANTS

	Grants Scheme		2006	2005
	2006/07	2005/06		
Paid or offset during the year	12,227	96,283	108,510	104,329
Less: Accruals brought forward	–	(20,268)	(20,268)	(19,041)
Add: Accruals for further payments	24,022	787	24,809	20,268
	<u>36,249</u>	<u>76,802</u>	113,051	<u>105,556</u>
 New Entrant Training grants				
Commitment grants			2,467	2,350
Attendance grants			46,017	47,298
Achievement grants			13,581	9,858
			62,065	59,506
 Other grants			50,986	46,050
 Total grants (all claimed as institutional grants)			113,051	<u>105,556</u>

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)

5. MATERIAL CASH SUPPORT PAYMENTS IN RESPECT OF TRAINING

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

Aggregate payments/offsets over £200,000 made during the year:

Recipient	£'000	Recipient	£'000
Carillion* – CITC	£4,957,000	R G Carter	435
– Other	£1,065,000	Seddon	413
Balfour Beatty	1,910	Sir Robert McAlpine	400
Persimmon	1,570	Bell Group	400
Barratt	1,555	Costain	365
George Wimpey	1,411	Miller Group	347
Laing O'Rourke	1,402	H B G Construction	339
Kier	1,153	Mitie	319
Morgan	1,033	Alfred Bagnall	305
AWG	1,004	Ainscough	300
Taylor Woodrow	916	Aggregate Industries	290
Interserve	791	SGB Services	287
Amec	748	A D Bly Construction	286
Edmund Nuttall	724	Skanska	286
Rok	704	Shepherd	273
Ringway	675	Wilson Bowden	269
Bramall Construction	663	W J Harte Construction	245
Bellway	643	H S S Hire Service Group Ltd	242
Galliford Try	619	Inspace	241
H B Civil and Building Services *	563	Beattie Bros	224
(all CITC)			
Alfred McAlpine	548	Redrow	216
Bovis Lend Lease	494	Clancy	211
Hewden Stuart	490	May Gurney	209
Wates Group	446	W A Developments	208
			33,194
		Other recipients	113,754
		Total payments	146,948

* In addition to normal training activities, these employers operate managing agencies for the Construction Industry Training Centres (CITC) and therefore had access to higher levels of New Entrant Training grants.

The number of employers claiming grant increased from 19,616 in 2005 to 20,465 in 2006 (+4.3%).

Reconciliation with charges:	Accruals B/F £'000	Payments £'000	Accruals C/F £'000	Charges £'000
Grants (Note 4)	(20,268)	108,510	24,809	113,051
Trainee allowances	(300)	5,836	375	5,911
College fees	(8,654)	32,602	9,972	33,920
	(29,222)	146,948	35,156	152,882

College fees and trainee allowances are included within expenditure attributed to Recruiting Qualified New Entrants in the Statement of Financial Activities (page 42).

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)**6. CHARITABLE ACTIVITIES**

Activity	Activities undertaken directly	Support costs (Note 10)	Total	Grant making	2006 Total including grants	2005 Total including grants
	£'000	£'000	£'000	£'000	£'000	£'000
Grants	113,051	–	113,051	(113,051)	–	–
Recruiting qualified new entrants	65,146	2,682	67,828	62,065	129,893	117,644
Qualifying the existing workforce	41,506	2,608	44,114	22,409	66,523	68,633
Improving business performance	15,405	838	16,243	28,577	44,820	37,710
Levy collection and grant processing costs	–	4,861	4,861	–	4,861	4,636
	<u>235,108</u>	<u>10,989</u>	<u>246,097</u>	<u>–</u>	<u>246,097</u>	<u>228,623</u>

liP grants have been recategorised from Qualifying the Workforce to Improving Business Performance. The 2005 comparative figures have been adjusted respectively by £5,237,000.

7. GOVERNANCE COSTS

	2006 £'000	2005 £'000
Board and committee costs	232	212
Internal audit	321	309
External audit	36	36
Other	209	194
	<u>798</u>	<u>751</u>

8. NOTIONAL COST OF CAPITAL

In accordance with HM Treasury Guidance, the accounts include a notional charge representing the cost of capital, which is based on the average capital employed (equivalent to net assets) at a rate prescribed by HM Treasury of 3.5% (2005 3.5%). The charge has been included after the heading 'total resources expended'. As the charge is notional, it is removed from the Statement of Financial Activities before identifying net incoming resources for the year.

9. EXCEPTIONAL ITEM

The exceptional item relates to the provision of costs for staff redundancies and office closures associated with the reorganisation of the Managing Agency and Field Directorates during 2007, as agreed by the Board on 14 December 2006, designed to streamline administrative processes and redeploy resources into customer-facing roles.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)

10. NET MOVEMENT IN FUNDS

	2006 £'000	2005 £'000
The net movement in funds for the year of £2,382,000 was arrived at after (crediting)/charging:		
Profit on sale of fixed assets	(71)	(67)
Exceptional item (see Note 9)	2,733	–
Unrealised gain on revaluation of freehold property	–	(2,992)
Rentals received under operating leases		
• Properties	(7)	(67)
Board members' remuneration (see Note 21)	42	42
Rentals paid under operating leases		
• Hire of plant and machinery	68	120
• Other operating leases	1,061	1,022
Auditors' remuneration		
• Audit fee	36	36
Depreciation		
• Owned assets	2,007	2,501
Fixed asset write-off	–	3
Sector Skills Council activities (see Note 2)	1,779	1,580
Indemnity insurance	10	10
Support costs (see below)	<u>10,989</u>	<u>10,267</u>

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

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

Support cost	Levy collection and grant processing	Recruiting qualified new entrants	Qualifying the existing workforce	Improving business performance	Total
	£'000	£'000	£'000	£'000	£'000
Levy and grant	4,037	–	–	–	4,037
Management	70	303	289	97	759
Finance	195	365	347	117	1,024
Information technology	311	1,454	1,439	444	3,648
Human resources	64	374	355	120	913
Purchasing	14	80	77	26	197
Legal	170	106	101	34	411
2006	<u>4,861</u>	<u>2,682</u>	<u>2,608</u>	<u>838</u>	<u>10,989</u>
2005	<u>4,636</u>	<u>2,399</u>	<u>2,787</u>	<u>445</u>	<u>10,267</u>

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)**11. TANGIBLE FIXED ASSETS**

	Freehold property	Plant and machinery	Motor vehicles	Office and computer equipment	Total
(a) Summary	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
01 January 2006	7,893	7,303	3,474	6,725	25,395
Additions	–	386	425	602	1,413
Disposals	–	(127)	(561)	–	(688)
Write-off	–	–	(16)	(346)	(362)
31 December 2006	7,893	7,562	3,322	6,981	25,758
Valuation 2005	7,893	–	–	–	7,893
Cost	–	7,562	3,322	6,981	17,865
	<u>7,893</u>	<u>7,562</u>	<u>3,322</u>	<u>6,981</u>	<u>25,758</u>
Depreciation					
01 January 2006	–	3,537	1,908	5,541	10,986
Charges for the year	95	667	665	580	2,007
Disposals	–	(127)	(490)	–	(617)
Write-off	–	–	(16)	(346)	(362)
31 December 2006	95	4,077	2,067	5,775	12,014
Net book value					
31 December 2006	7,798	3,485	1,255	1,206	13,744
31 December 2005	7,893	3,766	1,566	1,184	14,409

At 31 December 2006, CITB-ConstructionSkills received professional valuations of its freehold property. FDP Savills undertook the valuation of the property at Bircham Newton, valuing the training centre and head office on an existing use basis and the agricultural land at market value. Lambert Smith Hampton carried out the valuations of all other freehold property on an existing use basis. These valuations were made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. No adjustment has been made in respect of these valuations as the changes in values are not considered to be material. Consequently, freehold property continues to be held at the 31 December 2005 valuations.

(b) Historical cost information	2006 £'000	2005 £'000
If the valuations had not been included then freehold property would have been included at the following amounts:		
Cost	10,600	10,600
Accumulated depreciation	(3,171)	(3,076)
	<u>7,429</u>	<u>7,524</u>

(c) Freehold property

Included in freehold property is an amount of £3,132,000 (2005 £3,132,000) relating to freehold land.

(d) Modified historic cost accounting

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

(e) Capital commitments

There were capital commitments of £227,000 at 31 December 2006 (2005 £49,000).

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Levy debtors	11,636	19,497
Trade/other debtors	4,895	1,969
Prepayments and accrued interest	2,056	1,444
	<u>18,587</u>	<u>22,910</u>
Intra-Government balances:		
Central Government bodies	6,826	11,086
Public corporations	264	398
	<u>7,090</u>	<u>11,484</u>
	<u>25,677</u>	<u>34,394</u>

13. INVESTMENTS

Listed securities managed by fund managers	15,467	15,297
Deposits with banks and building societies	50,343	28,549
	<u>65,810</u>	<u>43,846</u>

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

Investments

5.0% Treasury Stock 2008		2,894
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Term deposits

Alliance & Leicester	10,000	
Bank of Scotland	10,000	
Bradford & Bingley	9,000	9,000
Dexia Banque Luxembourg	5,000	
Nationwide	5,000	
Barclays Bank	4,900	4,500
Bank of Ireland		5,000
NordDeutsche Landesbank		5,000

Money market funds

Barclays Global Investors Liquidity Fund		2,693
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14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	20,058	17,891
Exceptional item (see Note 9)	2,733	–
Other creditors	1,185	1,123
Taxation and social security	1,436	1,089
Accruals:		
New Entrant Training grants and allowances payable to 31 December	5,402	5,732
Other grants payable to 31 December	19,782	14,836
	<u>50,596</u>	<u>40,671</u>
Intra-Government balances:		
Central Government bodies	889	–
Public corporations	717	800
Local authorities	17	–
	<u>1,623</u>	<u>800</u>
	<u>52,219</u>	<u>41,471</u>

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	Vacated office costs	Leasehold property dilapidations	Total
	£'000	£'000	£'000
Balance as at 01 January 2006	447	400	847
Utilised	(116)	–	(116)
Released	(204)	–	(204)
Balance as at 31 December 2006	127	400	527

16. ACCUMULATED UNRESTRICTED FUND

	General reserve	Fixed asset revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 01 January 2006	50,718	369	51,087
Net movement in funds	2,382	–	2,382
Balance as at 31 December 2006	53,100	369	53,469

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

The general fund includes £2,103,000 arising from the sale of property, in 2003, held by the National Construction College. It is intended to use this surplus for future development of the training and recreational facilities of the National Construction College.

17. GROSS CASH FLOWS

	2006 £'000	2005 £'000
Returns on investments and servicing of finance		
Interest received on investments	2,861	2,757
Capital expenditure		
Payments to acquire tangible fixed assets	(1,444)	(1,596)
Receipts from sales of tangible fixed assets	142	133
	(1,302)	(1,463)
Management of liquid resources		
Purchase of term deposits and externally managed funds	(650,842)	(800,609)
Sale of term deposits and externally managed funds	627,261	794,086
	(23,581)	(6,523)

18. ANALYSIS OF CHANGES IN NET FUNDS

	At 01/01/06	Cash flows	Other non-cash movements	At 31/12/06
	£'000	£'000	£'000	£'000
Cash at Bank	756	228	–	984
Current asset investments on call	5,075	(1,632)	–	3,443
	5,831	(1,404)	–	4,427
Other current asset investments	38,771	23,581	15	62,367
	44,602	22,177	15	66,794

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)

19. ITB PENSION FUND

CITB-ConstructionSkills is a participating employer in the ITB Pension Funds Scheme, which is a defined benefit scheme. The most recent triennial valuation of the scheme was performed as at 31 March 2004.

The principal future assumptions used are that gross investment yield would be 7%, earnings would average 5.5% per annum and that price inflation would be 4% per annum.

The most recent actuarial valuation of the scheme, dated 31 March 2004, showed that the market value of the Open Fund was £466.1m and that the actuarial value of those assets exceeded 120% of the benefits that had accrued to members. It is not possible to identify separately the proportion of assets and funding level attributable to CITB-ConstructionSkills, therefore in accordance with the provisions of FRS 17 relating to multi-employer schemes, the scheme has been accounted for as a defined contribution scheme.

CITB-ConstructionSkills' contribution rate has been adjusted to take into account the surplus disclosed by the valuation. Contributions recommenced on 01 January 2005 at 5% and increased to 8% from 01 January 2006. Payments made in 2006 are shown in Note 23.

20. LEASE COMMITMENTS

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

	2006		2005	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases				
Leases expiring within one year	65	32	100	42
Leases expiring in the second to fifth years	364	70	305	70
Leases expiring after five years	203	–	246	–
	<u>632</u>	<u>102</u>	<u>651</u>	<u>112</u>

21. BOARD MEMBERS' REMUNERATION

Remuneration of the Board Members was as follows:

	2006	2005
	£	£
Chairman – Sir Michael Latham	21,675	21,420
Deputy Chairman – Peter Rogerson	20,566	20,124

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

No other Board Members received any emoluments from CITB-ConstructionSkills during the year.

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

Expenses paid to Board and other Committee Members during the year amounted to £22,183 (£23,304 in 2005) in respect of accommodation, travel and subsistence. The total number of recipients was 18 (18 in 2005).

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)**22. PERFORMANCE SCORECARD**

CITB-ConstructionSkills measures achievement against a number of key performance indicators and fourteen of these are used to form an annual Scorecard. All eligible staff receive a bonus based on performance against the Scorecard targets. For 2006, the overall score achieved was 'Target' and the bonus fixed by the Board was 3%.

Details of achievements against the key performance indicators and Scorecard are shown on page 9.

23. PARTICULARS OF STAFF

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

	2006 Number	2005 Number
Training	1,034	1,070
Other activities	389	331
	<u>1,423</u>	<u>1,401</u>

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

	2006 £'000	2005 £'000
Salaries of directly employed staff	39,568	37,420
Redundancy costs	139	365
Social security	3,017	2,891
Other pension costs (see Note 19)	2,485	1,462
	<u>45,209</u>	<u>42,138</u>

Salaries include Scorecard bonuses (see Note 22) payable to directly employed staff amounting to £1,183,980 (£1,123,000 in 2005).

The remuneration, pension entitlements and pension transfer values of the most senior members of CITB-ConstructionSkills' staff can be found in the Remuneration Report on pages 36 and 37.

The emoluments, including benefits in kind but excluding pension contributions, of employees earning more than £60,000, other than those stated in the Remuneration Report (pages 36 and 37), fell within the ranges shown below:

	Number of employees	
	2006	2005
£60,001 – £70,000	15	13
£70,001 – £80,000	6	3
£80,001 – £90,000	1	–

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2006 (continued)

24. TAXATION

As a registered charity, CITB-ConstructionSkills is exempt from corporation tax under section 505 of the Income and Corporation Taxes Act 1988.

25. LIQUIDITY RISKS

CITB-ConstructionSkills has no borrowings and relies mainly on statutory levy income for its cash requirements and is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in Sterling so there is no exposure to interest rate risk or currency risk.

26. RELATED PARTY TRANSACTIONS

Appendix B (on pages 62 and 63) lists the members of the Board and its Committees, also giving the names of their employers. Appendix C (pages 64 and 65) shows the Register of Interests of Board Members. On this basis, in the normal course of business, most Board members are likely to have commercial interests as levy payers and grant claimers which, as they are transacted at arms length, are not considered to be material for either party.

27. LOSSES AND SPECIAL PAYMENTS

There were no reportable losses or special payments made during the year other than the write-off of bad debts which amounted to £2,354,688 (2005 £1,907,499). There were no individual debts written off which were greater than £150,000.

28. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the Balance Sheet date requiring an adjustment to the Financial Statements. The Financial Statements were authorised for issue on 26 February 2007 by Peter Lobban (Accounting Officer).

Statistical Information

For the Year Ended 31 December 2006

Levy and Grant

Table 1: Distribution of Number of Employers by 2005 Levy Assessment Band and Main Activity

Main activity	Levy value						Total
	Not assessed	£ Zero	£s 1-99	£s 100-499	£s 500-999	£s 1,000+	
Alteration to a building/part of a building	234	70	-	4	4	49	361
Asbestos removal	13	11	-	5	10	40	79
Asphalt and tar spraying	27	178	-	35	52	173	465
Bricklaying/pointing	302	562	5	3	8	31	911
Building and civil engineering	1,648	967	8	69	233	1,495	4,420
Building repair and maintenance	634	2,676	2	147	434	1322	5,215
Cavity wall insulation or draught proofing	6	15	-	4	5	29	59
Civil engineering	267	508	1	56	154	845	1,831
Construction labour agencies	63	130	-	3	5	19	220
Damp proofing	16	31	-	3	8	10	68
Demolition	73	141	-	25	43	200	482
Developers	603	271	1	6	30	183	1,094
Diamond drilling	12	41	-	4	9	26	92
Dry lining or partition specialist	96	195	1	7	32	314	645
Erecting/dismantling exhibition stands	11	26	-	1	4	15	57
Felt roofing	4	191	-	15	19	79	308
Flat glass glazing	25	144	-	21	38	61	289
Floorcovering	12	133	-	13	27	88	273
Flooring	104	277	1	23	67	214	686
Fitted kitchen/bedroom/bathroom installation	177	445	1	23	79	197	922
General building	5,946	12,671	19	412	1,618	6,155	26,821
Hard landscaping	52	119	-	6	9	24	210
House building	451	1,033	2	21	167	1,235	2,909
Interior fit-out	127	64	1	5	13	133	343
Joiner and carpenter – site	1,031	3,514	9	104	170	467	5,295
Joinery manufacture	159	1,017	-	154	294	507	2,131
Mastic asphalt	3	28	-	5	17	29	82
Mastic sealant application	14	22	-	2	8	17	63
Painting and decorating	591	2,768	4	126	296	1,053	4,838
Partitioning	33	20	-	-	1	11	65
Paving	53	141	1	7	10	17	229
Plant hire/repair and/or tool hire	305	890	1	149	241	689	2,275
Plastering and/or artexing	404	1,043	8	35	64	417	1,971
Preparing/fixing stone for building including stonemasonry	50	149	-	12	22	99	332
Reinforced concrete specialist	19	62	1	3	9	53	147
Roof sheeting and cladding	50	168	-	9	25	265	517
Roofing including slating and tiling	468	1,462	2	90	178	682	2,882
Scaffolding	236	477	-	75	195	650	1,633
Shopfitting	127	199	-	13	59	437	835
Site preparation and groundworks	317	513	3	41	88	352	1,314
Steeplejack/lightning conductor engineering	11	28	-	11	16	29	95
Suspended ceiling installation	91	230	1	9	29	282	642
Swimming pool construction	7	31	-	6	9	26	79
Wall and floor tiling	87	299	-	15	26	165	592
Other	125	90	1	8	31	156	411
Total	15,084	34,050	73	1,785	4,856	19,340	75,188

Note: Not assessed – Employers in their first year of registration and untraceable employers
 Zero – Employers whose payroll payments fall below the £69,000 threshold

STATISTICAL INFORMATION

Statistical Information for the Year Ended 31 December 2006 (continued)

Table 2: Levy Income by Employer Size			
Employer size	Number of employers	Number of employees	Levy £'000
Large	266	199,828	43,587
Medium	1,766	168,787	38,928
Small	10,965	215,225	43,229
Micro	47,107	123,509	26,618
Other	15,084	Not known	Nil
Total	75,188	707,349	152,362

Table 3: Employers and Employees		
	Number of employers	Number of employees
Assessable to positive levy	26,054	614,711
Assessable to zero levy	34,050	92,638
Not assessed	15,084	Not known
Total	75,188	707,349

Table 4: Grant and Support by Size of Employer			
	Number of employers claiming grant and other support	Value of grant and other support payments £'000	Percentage of total grant and other support
Large	259	32,991	22%
Medium	1,577	39,505	27%
Small	6,327	34,929	24%
Micro	10,966	32,516	22%
Other	1,336	7,007	5%
Total	20,465	146,948	100%

Key to size of employer:

Large: 250+ employees

Medium: 50–249 employees

Small: 10–49 employees

Micro: 0–9 employees

Other: Includes new registrations

Statistical Information for the Year Ended 31 December 2006 (continued)

Table 5: Number of Employers with New Entrant Trainees					
Number of trainees	Employer size				Total
	Large	Medium	Small	Micro	
1	25	197	1,518	8,091	9,831
2 to 5	41	356	2,052	2,500	4,949
6 to 10	25	225	403	–	653
11 to 15	20	103	73	–	196
16 to 20	15	91	–	–	106
21 to 50	35	73	–	–	108
51 to 100	14	7	–	–	21
101 and over	19	–	–	–	19
Total	194	1,052	4,046	10,591	15,883

Table 6: Employers Claiming Grant by Levy Band				
Levy banding	Employers claiming grant		Employers not claiming grant	
Assessable to a positive levy	10,462	14%	14,482	19%
Assessable to zero levy	8,210	11%	31,053	42%
Other	1,793	2%	9,188	12%
Total	20,465	27%	54,723	73%

Key to size of employer:

Large: 250+ employees

Medium: 50–249 employees

Small: 10–49 employees

Micro: 0–9 employees

Other: Includes new registrations

STATISTICAL INFORMATION

Statistical Information for the Year Ended 31 December 2006 (continued)

Main activity	Employer size				Total
	Large	Medium	Small	Micro	
Alteration to a building/part of a building	–	–	12	37	49
Asbestos removal	–	1	–	–	1
Asphalt and tar spraying	–	4	6	1	11
Bricklaying/pointing	–	16	61	413	490
Building and civil engineering	627	4,589	802	785	6,803
Building repair and maintenance	152	357	762	695	1,966
Cavity wall insulation or draught proofing	–	–	2	3	5
Civil engineering	324	131	120	44	619
Construction labour agencies	593	–	26	15	634
Damp proofing	–	–	1	3	4
Demolition	–	13	17	2	32
Developers	–	1	22	40	63
Diamond drilling	–	–	1	3	4
Dry lining or partition specialist	–	24	95	37	156
Erecting/dismantling exhibition stands	–	–	2	4	6
Felt roofing	–	8	46	27	81
Flat glass glazing	–	15	28	49	92
Floor covering	–	8	59	45	112
Flooring	19	16	53	85	173
Fitted kitchen/bedroom/bathroom installation	–	3	35	141	179
General building	701	2,336	3,455	5,908	12,400
Hard landscaping	–	–	1	9	10
House building	829	1,233	474	527	3,063
Interior fit-out	–	12	46	14	72
Joiner and carpenter – site	–	288	835	2,864	3,987
Joinery manufacture	1	204	816	794	1,815
Mastic asphalt	–	1	15	2	18
Painting and decorating	127	535	1,021	1,393	3,076
Paving	–	–	2	5	7
Plant hire/repair and/or tool hire	121	140	104	368	733
Plastering and/or artexing	–	73	247	537	857
Preparing/fixing stone for building including stonemasonry	–	20	102	93	215
Reinforced concrete specialist	–	4	14	5	23
Roof sheeting and cladding	–	15	46	26	87
Roofing including slating and tiling	–	103	402	390	895
Scaffolding	76	187	400	222	885
Shop fitting	29	279	243	118	669
Site preparation and groundworks	6	25	18	36	85
Steeplejack/lightning conductor engineering	–	11	65	19	95
Suspended ceiling installation	–	6	110	32	148
Swimming pool construction	–	–	3	3	6
Wall and floor tiling	–	61	77	155	293
Other activities	23	7	3	240	273
Other (out of scope)	16	19	34	282	351
Total	3,644	10,745	10,683	16,471	41,543

Key to size of employer:

Large: 250+ employees
Medium: 50–249 employees

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

A: CITB-ConstructionSkills' Trustees

The names of those serving as charitable Trustees of CITB-ConstructionSkills on 21 February 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 five years, following a public appointment process. Nominations of candidates from the industry's employers are sought from the principal trade associations, while those for employees are made by the Trades Unions. Candidates from the Education Sector are appointed after consultation with the Ministers concerned with education in England, Scotland and Wales.

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

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

Current and Former Trustees (2006/07)

Sir Michael Latham, DL, MA, Dip Ed, FRSA – Chairman

Peter Rogerson, OBE, FloR – Deputy Chairman

David Adamson, MA, DipHM, FICE, CEng

Steven Lidgate, FCIM (until 31 July 2006)

Howard Baggaley

Geoff Lister, MCIoB

Bob Blackman, MIOSH

John Milne

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

Ian Miller (from 15 May 2006)

Nancy Cookson, BA (Econ), Cert Ed, M Ed

Martyn Price (from 15 May 2006)

Maurice Denyer, MBE, FAIA (until 31 March 2006)

Harold Rackham (from 15 May 2006)

George Fraser, ARICS

Alan Ritchie

Trevor Gamble

Geoff Snow (until 31 March 2006)

Geoff Holt (from 15 May 2006)

Stewart Tilley, LLB, FRICS, FCIArb, FInstCES

Brian Houston (until 31 March 2006)

James Wates, ACIoB

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

Graham Wren, BSc, CEng, MICE

APPENDICES

B: Membership of the Board and its Committees

	TB	FC	TC	CC	AC	HSEC
David ADAMSON, Office of Government Commerce	+					
Howard BAGGALEY, Herbert Baggaley Construction Ltd	■	■				
Richard BIGGS, Construction Industry Council				▲		
Bob BLACKMAN, Transport and General Workers Union	□					●
Gemma BLOOMFIELD, City & Guilds of London Institute				◇		
Greg BROWN, Construction Industry Council						▼
Duncan CANNEY, Willmott Dixon Ltd					■	
John CARPENTER, The Joint Board of Moderators						▲
Phil CHATFIELD, The Environment Agency						◆
Vaughan CHOPPING, Hills of Shoeburyness Ltd						▼
Professor Barry CLARKE, Newcastle University	▲					
Nancy COOKSON, Accrington and Rossendale College	▲					
David COOPER, CITB Northern Ireland				★		
Tom CORRIGAN, Hewden Stuart plc						■
Vince COYLE, John Sisk & Son Ltd						■
Neil CRUICKSHANK, JTL				▲		
Sally CURRIN, Carillion plc					■	
David DEWHURST, Blackpool and The Fylde College			▲			
Colin DOBSON, British Association of Construction Heads						▲
Keith DONNELLY, Carillion Construction Training			▲			
George FRASER, Tulloch Group	■	■				
Trevor GAMBLE, F L Gamble & Sons Ltd	■		⊗			
Michael HAGUE, Transport and General Workers Union			□	□		
Roger HALL, Simons Construction						■
Christine HARDY, Hewden Stuart plc			■			
David HARRIS, Cowlin Construction Ltd, Cardiff	◆					
Simon HART, Baker Tilly						■
Geoff HOLT, Associated Roofing and Maintenance Ltd	■		■			
Peter HORNSBY, Health and Safety Executive						◆
Ray HORWOOD, National Federation of Roofing Contractors				▼		
Robert HUDSON, National Association of Shopfitters						▼
Chris JONES, HBG UK Ltd	■	■				
Alan KNIGHT, Union of Construction, Allied Trades and Technicians				□		
Terry LALLY, Union of Construction Allied Trades and Technicians			□			
Sir Michael LATHAM, DL, Willmott Dixon Ltd	●	●				
Brian LAW, Association of Planning Supervisors						▼
Ben LEGG, Skanska Integrated Projects						■
Michael LEVACK, Scottish Building				▼		
Miriam LEWIS, Skanska				■		
Geoff LISTER, Greenwood Estate and Property Maintenance Ltd	■		■			
Mike LONG, National Specialist Contractors Council						▼
Mike LOWE, Alpha Construction Ltd				■		
Jonathan MACKEY, Department for Education and Skills	◆					
Simon MANTLE, National House-Building Council						▼
Jim MARTIN, CIOB						▼
Steve MASSARA, Wates Group Ltd			■			
Drew McNEICE, Scottish Qualifications Authority				★		
Ian MILLER, SkyBlue	■				■	
John MILNE, Daly (Painting Contractors) Ltd	■					

APPENDICES

	TB	FC	TC	CC	AC	HSEC
Paul MONROE, York College				▲		
Erica NICHOLLS, National Audit Office					⊕	
Sandy PALMER, Network Construction Services Ltd			⊗	●		⊗
John PETERS, Construction Confederation				▼		
David PIERRE, Hire Association Europe						▼
Martyn PRICE, Carpentry Management Contracting (CMC) Ltd	■		■			
Jim PURDIE, Scottish Water Solutions						■
Harold RACKHAM, G N Rackham & Sons Ltd	■	■				
Alan RITCHIE, Union of Construction, Allied Trades and Technicians	□	□				
Elizabeth ROBSON, Robson Builders (Hexham) Ltd						■
Peter ROGERSON, OBE, The Rogerson Group Ltd	○	■	●			■
Derek ROSS, Edmund Nuttall Ltd						■
Duncan RUSSELL, National Audit Office					⊕	
Phil RUSSELL, Russell Building Services						■
John SCOTT, Morgan Sindall						■
Paul SEALY, Kier Group			■			
Amit SHAH, Balfour Beatty plc					■	
John SLAUGHTER, The House Builders Federation				▼		
Andy SNEDDON, Construction Confederation						▼
Geoff SNOW, Snows Construction Ltd			■			
Julie SPARGO, ACCAC (Qualifications, Curriculum and Assessment Authority for Wales)				★		
Gill STEELE, AMEC Capital Projects Ltd			■			
Haydn STEELE, Construction Plant-hire Association				▼		⊗
Billy SWEENEY, Tulloch Ltd			■			
John THOMPSON, Union of Construction Allied Trades and Technicians			□			□
Stewart TILLEY, Kier Regional Ltd	■		⊗			
Lesley WALLIS, CITB (Northern Ireland)	◆					
James WATES, Wates Group Ltd	■	⊗			●	
Tony WHEEL, Construction Confederation						▼
Bob WHINCAP, Rotor Scaffolding Services Ltd			■			
Edward WOODS, George Wimpey UK Ltd						■
Grant WOOLARD, Scottish Qualifications Authority				★		
Graham WREN, Stent	■	■				
Clive YOUNG, Department of Trade and Industry	◆		◆			

(This table shows the position as at 31 December 2006)

● Chairman	★ Member	TB The Board
○ Deputy Chairman	◆ Client Member	FC Finance Committee
■ Employer Member	⊕ External Auditor	TC Training Committee
□ Employee Member	◇ Joint Awarding Body Member	CC Co-ordinating Committee for National Vocational Qualifications
▲ Education Member	◆ Government Observer	AC Audit Committee
▼ Federation Member	⊗ Ex-officio	HSEC Health, Safety and Environment Committee

APPENDICES

C: Register of Interests of Board Members

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

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

David Adamson

David Adamson is currently on secondment to the Office of Government Commerce.

Howard Baggaley

Executive Chairman, Herbert Baggaley Construction Ltd

Mr Baggaley is Chairman of Baggaley Group Limited and a Governor of West Nottinghamshire College and Portland College. He is an active member of the National Federation of Builders representing the interests of medium-sized contractors on the General Contractors Group at regional and national level. Mr Baggaley is the Chair of the East Midlands Skills Group and a member of the East Midlands Regional Council of the CBI.

Barry Clarke

Professor of Geotechnical Engineering, Newcastle University

Professor Clarke is Chairman of the Construction Industry Council North East. He is a member of the Joint Board of Moderators for the Institution of Civil Engineers, the Institution of Structural Engineers and the Institution of Highway Engineers. He is a member of the Steering Group of IGNITE, the Centre for Excellence in Sustainable Communities in the North East and a member of the Executive Group of the Engineering Professors Council.

Nancy Cookson

Principal, Accrington and Rossendale College

Mrs Cookson is a Non Executive Director of the LSC and a Director/Trustee of NCFE (a National Awarding Body).

George Fraser

Deputy Chairman, Tulloch Group

Following the acquisition of Tulloch Construction by Rok Plc in October 2006, George Fraser is now Managing Director of Rok's Scottish operations. He is also President of Scottish Building and a Board member of Inverness Caledonian Thistle FC.

Trevor Gamble

F L Gamble & Sons Ltd

Mr Gamble is Director of Operations, F L Gamble & Sons Ltd. He is a Director and Committee member of the Rail Plant Association Ltd, and a member of the General Council of the Construction Plant-hire Association (CPA). He is Chairman of the Construction Plant Certification Scheme (CPCS) Management Committee.

David Harris

Regional Managing Director of Cowlin Construction Ltd

Mr Harris is Chairman of the 'Strategic Forum for the Built Environment in Wales', a Welsh Assembly Government initiative.

Sir Michael Latham

Deputy Chairman – Willmott Dixon Ltd

Sir Michael is Chairman of the Collaborative Working Centre (UK) Ltd, Chairman of the Joint Major Contractors Group of the Electrical Contractors Association and the Heating and Ventilating Contractors Association, Chairman of the Joint Industry Board for the Electrical Contracting Industry and Chairman of the Major Projects Agreement Forum. He is a member of the Strategic Forum for Construction, Adviser for The Builder Group Ltd and a member of the Editorial Advisory Panel of Building magazine. He is President of the Flat Roofing Alliance and Chairman of the Roofing Industry Alliance. He is President of the Construction Accredited Performance Standard Scheme, and of the European Construction Institute and Chairman of EC Harris Public Sector Executive. He chaired the joint Government/industry review of the Construction Act in 2004. He is consultant on partnering and best practice, Inspace plc, Visiting Professor of the University of Central England and a regular speaker on construction issues.

Geoff H Lister

Director – Greenwood Estate and Property Maintenance Ltd

Mr Lister is National President and Director of the Federation of Master Builders and a Member of Corporation at Leeds College of Building.

Ian Miller

General Manager, SkyBlue

Mr Miller is the General Manager of SkyBlue (a subsidiary of Carillion plc) which is a labour and recruitment business.

John Milne

Managing Director, Daly (Painting Contractors) Ltd

Mr Milne is a Council Member of the Painting and Decorating Association.

Martyn Price

Managing Director of Carpentry Management Contracting (CMC) Ltd

CMC operates as a carpentry sub-contractor working throughout the eastern region of England. The company has been acknowledged for its contribution to training and workforce development through a host of awards and is one of a small number of IIP Champion organisations. Mr Price also represents the construction sector on the Apprenticeship Ambassador Network and chairs the CITB-ConstructionSkills/BACH Senate amongst other national and regional roles.

Harold Rackham

Company Chairman of G N Rackham & Sons Ltd

Mr Rackham is company Chairman of G N Rackham & Sons Ltd, a family building company which pays levy and receives grants from CITB-ConstructionSkills. He is a Director of the Federation of Master Builders, serving at regional and national level as Chairman of the Home Builders Committee and member of the Management, External Affairs and Training Committees. Mr Rackham represents the Federation of Master Builders on the National House-Building Council and on its Standards Committee. He has also been a long-serving member of the National Construction College Advisory Committee and East Area Advisory Committee.

Alan Ritchie

General Secretary, Union of Construction, Allied Trades and Technicians

Mr Ritchie is a Director of Building and Civil Engineering Holidays Scheme Management Ltd and Building and Civil Engineering Benefits Scheme Trustee Ltd.

Peter G Rogerson

Chairman, Rogerson Group Properties

Mr Rogerson is also Chairman of Geoff Neal (Roofing) Ltd and Equiphire (Northern) Ltd. He is a Past President of the National Federation of Roofing Contractors (NFRC) and a Director of NFRC Ltd and its subsidiaries. He is a Director of the National Association of Specialist Contractors (NASC) and its subsidiaries and a Director of the Yorkshire Group Roofing Training Association. He is also a member of the Board of Independent Construction Adjudicators, an Ambassador for the Prince's Trust (North Yorkshire Region) and Chairman of the Trustees of the ITB Pension Funds.

Stewart Tilley

Managing Director, Kier Regional Ltd

Mr Tilley is a Director of Kier Regional Ltd.

James Wates

Deputy Chairman of the Wates Group Ltd

Mr Wates is a Member of the London Regional Council of the CBI, Chairman of the Construction Confederation, Chairman of the Strategic Forum, member of the Public Sector Construction Clients Forum and a member of the London Skills and Employment Board.

APPENDICES

D: Employer Organisations

CITB-ConstructionSkills maintains close contact with the following major employer organisations:

Construction Plant-hire Association
Federation of Master Builders
The Hire Association Europe
The Home Builders Federation
National Association of Shopfitters
National Federation of Demolition Contractors
National Specialist Contractors Council
Scottish Decorators Federation
Scottish Plant Owners' Association

and the following constituent federations of the Construction Confederation:

British Woodworking Federation
The Civil Engineering Contractors Association
The Major Contractors Group
The National Contractors Federation
The National Federation of Builders
Scottish Building

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

Transport and General Workers Union (TGWU)
Union of Construction, Allied Trades and Technicians (UCATT)

E: CITB-ConstructionSkills' Statutory Basis

As an industrial training board established to promote and improve the standard of training within an industry, CITB-ConstructionSkills is held to be established for exclusively charitable purposes and is therefore registered as a charity (Registered Charity Number 264289). Members of the Board, who also act as Trustees of the charity, are identified in Appendix A, page 61.

The charitable activities of CITB-ConstructionSkills are partly funded by the statutory levy established by the Industrial Training Act 1982 and confirmed by the annual Levy Orders passed by both Houses of Parliament. The most recent order is the Industrial Training Levy (Construction Industry Training Board) Order 2007 (2007 No. 607) which was enacted on 28 February 2007 and came into force on 01 March 2007. Full details of the powers and responsibilities of CITB-ConstructionSkills as well as the restrictions placed on it can be found in the Industrial Training Act 1982 and subsequent amendments.

In 2003, CITB, operating in partnership with the Construction Industry Council and CITB Northern Ireland (another statutory body), was recognised as the Sector Skills Council for Construction, collectively known as ConstructionSkills. This body is governed by a Council on which all three organisations are represented. The Council plans, directs and manages a programme of work to provide strategic leadership and influence in support of the learning and skills agenda across the construction sector and throughout the UK. In 2004, ConstructionSkills created a Sector Skills Agreement (SSA), involving commitments from employers and their trade associations, the trades unions, the education sector and Government. During 2005, the first steps towards delivery of this SSA were taken with the launch of the Construction Skills Network – an authoritative source of construction industry data and analysis – and the expansion of training provision to meet continued growth in the sector.

CITB-ConstructionSkills' Aims and Objectives

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

CITB was formed in 1964. The Industrial Training Act passed in that year provided for the establishment of industrial training boards 'for the purpose of making better provision for the training of persons for employment ... in any activities of industry...'. In that July, the Industrial Training (Construction Board) Order 1964 brought the Construction Industry Training Board (CITB) into being. The legislation also provided for the raising of a training levy to fund its activities. The rates of levy, which with the consensus agreement of the industry expressed through employers' organisations is not based on exemption, are recommended each year by the Board and are subject to approval by Parliament. In 2006, the levy rates were 0.5% of the total of payments made to employees and 1.5% of the payments made under labour-only agreements, offset by 1.5% of labour-only receipts from employers in the construction industry.

Policies for delivering the SSA are formulated and developed in consultation with industry through its committee structure. The Council, Board and other committees meet regularly, to ensure adequate consultation between industry representatives and staff. A further network of advisory committees provides local consultation on training needs. The Council, Board and other committees determine policy, and agree the business and financial plans which sustain delivery. They also monitor and review performance. Operational decisions are taken by executive staff within the policy framework laid down by the Board, and members of the senior management team are identified within the Remuneration Report on page 37.

The membership of the Board and its main committees is shown in Appendix B, pages 62 and 63. CITB-ConstructionSkills is indebted to all the relevant employers' organisations and other bodies that provide valuable support and advice. A list of the major employers and employee organisations with which CITB-ConstructionSkills maintains close contact is in Appendix D, page 66.

APPENDICES

CITB-ConstructionSkills' Structure

In this report, CITB-ConstructionSkills' seven directorates describe their performance during 2006 on pages 19 to 25. A continuing objective for each business is to become *Simpler* to deal with, *Faster* to respond to customers, and *Closer* to their needs. The seven directorates (Business Services, Skills Strategy, Field, Managing Agency, National Construction College, Communications and Marketing, and Corporate Services) are each headed by a Director reporting to the Chief Executive and collectively responsible to the Chairman and Board.

A separate Internal Audit team reports directly to the Chief Executive.

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

Principal Activities

CITB-ConstructionSkills' main activities encompass the provision of advice and support to employers in respect of training needs, the development and maintenance of frameworks of standards and qualifications in consultation with the industry, and the management of schemes for recording achievement. In addition, CITB-ConstructionSkills provides training itself where there is no satisfactory market alternative. These activities are managed by directorates whose plans are published in CITB-ConstructionSkills' Business Plan and updated annually. These plans include key performance indicators and identify targets for the forthcoming year and beyond. Information about their progress in 2006 is given on pages 19–25.

Research and Development

CITB-ConstructionSkills has maintained an ongoing programme of research on matters relevant to training in construction. The Construction Skills Network, a cross-industry alliance developed by ConstructionSkills to revolutionise construction recruitment and training, has developed the industry's most comprehensive model for forecasting capacity, productivity and skills across the construction industry, and to plan for the impact of future trends on the construction workforce. Outputs from this and other research work are reported widely and are available from CITB-ConstructionSkills' website (www.citb-constructionskills.co.uk).

CITB-ConstructionSkills' undertakes a regular review of national occupational standards, ensuring that they match current industry needs. This involves a significant programme of consultation and research with employers and trade associations across the four home countries. The development of appropriate training and other support material is undertaken separately.

CITB-ConstructionSkills and Public Service

In 2004, CITB-ConstructionSkills reviewed its Mission and Vision statements (see below) to reflect more closely its wider role as part of the Sector Skills Council for Construction. Furthermore, as a non-departmental public body, CITB-ConstructionSkills is expected continually to raise its standards of public service and to become more responsive to the wishes of users. As this Report shows, CITB-ConstructionSkills constantly seeks to ensure that its policies accord with industry's needs and that it operates cost-effectively in the interests of the levy payer.

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

Further requests for information can be addressed to Mark Brookes at the Secretariat, CITB-ConstructionSkills, Bircham Newton, King's Lynn, Norfolk PE31 6RH (email mark.brookes@citb.co.uk).

In July 1995, the Board approved a Code of Best Practice for its members, based on HM Treasury Code of Practice published in 1994. This was amended in July 1997 following the Government's response to the Second Report of the Nolan Committee on Standards in Public Life. In July 1997, the Board also agreed the introduction of a Code of Employee Conduct based on guidance issued by the Cabinet Office.

Financial Redress in Cases of Maladministration

As part of its commitment to public service principles, CITB-ConstructionSkills offers financial recompense in cases of maladministration. In 2006, no payments were made under the terms of this policy.

CITB-ConstructionSkills' Equal Opportunities Policy

CITB-ConstructionSkills has continued to support its equal opportunities policy, which aims to ensure that no job applicant, employee or client receives less favourable treatment than any other on the grounds of gender, race, colour, nationality, ethnic origin, religion, age, marital status, sexuality, political belief, offending background or disability.

CITB-ConstructionSkills' Commitment to Employee Involvement and Communication

CITB-ConstructionSkills recognises the following unions for the purposes of collective bargaining: Amicus (AEEU and MSF Sections), GMB, T&GWU and UCATT. Procedural agreements provide for communication and consultation. A team briefing system allows two-way communication with staff, and an intranet and employee newsletter keeps them informed of CITB-ConstructionSkills initiatives.

Our Mission for the Industry

CITB-ConstructionSkills aims to achieve a fully skilled and professional UK construction industry working safely and delivering value.

Our Vision for the Organisation

To be the enterprise that people want to work with and for, in order to create a fully qualified and professional UK construction industry.

Addresses and telephone numbers of ConstructionSkills offices and National Construction College centres can be found in Appendix G (pages 72 and 73).

F: Breakdown of 2006 Achievements

Area	Grant claimers / Levy-assessed employers	Proportion of employers claiming Grant	Employers submitting a Training Plan	New employers recognised as liP
North East	1,049 / 2,074	50.7%	234	31
North West	2,528 / 6,678	37.9%	455	35
Yorkshire and Humber	1,927 / 5,094	37.8%	395	36
Midlands	2,855 / 9,174	31.2%	545	43
East	1,649 / 6,049	27.3%	333	75
South West	2,122 / 6,830	31.0%	325	19
Southern Counties	2,375 / 8,763	27.1%	444	38
Greater London	782 / 4,366	17.9%	186	7
National Construction College	–	–	–	–
Wales	1,707 / 3,849	44.4%	293	9
Scotland	3,471 / 6,326	55.0%	573	24
Other (Partners)	–	–	–	–
Great Britain	20,465 / 59,203	34.6%	3,783	317

NVQ/SVQ achievements through OSAT and EWPA	Recruit female and ethnic minority trainees	Framework achievements	Programme-led Apprenticeship starts	STEP into Construction job outcomes
3,064	33	734 (72.6%)	179	43
3,794	52	623 (62.7%)	91	69
2,902	51	774 (69.3%)	95	83
4,611	45	730 (72.0%)	151	46
3,531	15	536 (67.5%)	90	115
2,059	18	690 (69.3%)	136	44
4,312	38	697 (67.1%)	169	64
2,797	38	192 (51.6%)	147	18
–	35	188 (51.5%)	–	–
1,859	24	710 (70.2%)	–	41
3,355	38	1,042 (68.7%)	–	38
–	–	–	–	558
32,284	387	6,916 (67.6%)	1,058	1,119

APPENDICES

G: Location of Construction Skills Offices and National Construction College Centres

Head Office

Bircham Newton
King's Lynn
Norfolk PE31 6RH
Tel: 01485 577577
Fax: 01485 577689
Email: information.centre@citb.co.uk

London Office

Carthusian Court
12 Carthusian Street
London EC1M 6EZ
Tel: 0207 600 7700
Fax: 0207 367 9800

Scottish Office

4 Edison Street
Hillington
Glasgow G52 4XN
Tel: 0141 810 3044
Fax: 0141 810 5632

Welsh Office

Units 4 & 5, Bridgend Business Centre
David Street, Bridgend Industrial Estate
Bridgend CF31 3SH
Tel: 01656 655226
Fax: 01656 655232

FIELD AREA OFFICES – ENGLAND

North East

2nd Floor, Tower House
St Catherine's Court
Sunderland Enterprise Park
Sunderland
Tyne and Wear SR5 3XJ
Tel: 0191 516 3900
Fax: 0191 516 9978

North West

8 Waterside Court
St Helens Technology Campus
Pocket Nook Street
St Helens
Merseyside WA9 1UA
Tel: 01744 616004
Fax: 01744 617003

Yorkshire and Humber

Milton House
Queen Street, Morley
Leeds LS27 9EL
Tel: 0113 252 1966
Fax: 0113 238 0185

Midlands

20 Prince William Road
Belton Road Industrial Estate
Loughborough
Leicestershire LE11 5TB
Tel: 01509 610266
Fax: 01509 210241

South West

7 Kew Court, Pynes Hill
Rydon Lane, Exeter
Devon EX2 5AZ
Tel: 01392 444900
Fax: 01392 445044

Southern Counties

1st Floor, Eastleigh House
Upper Market Street, Eastleigh
Hampshire SO50 9FD
Tel: 023 8062 0505
Fax: 023 8061 2056

Greater London and East

1a Peel Street
Luton
Bedfordshire LU1 2QR
Tel: 01582 727462
Fax: 01582 456318

National Specialist and Education Departments

Charnwood Wing, Holywell Park
Ashby Road
Loughborough
Leicester LE11 3GJ
Tel: 01509 282857
Fax: 01509 283162

FIELD AREA OFFICES – SCOTLAND

Scotland (North)

Marr House
Beechwood Park
Inverness IV2 3JJ
Tel: 01463 222893
Fax: 01463 230868

Scotland (West)

4 Edison Street, Hillington
Glasgow G52 4XN
Tel: 0141 810 3044
Fax: 0141 882 1100

Scotland (East)

Pritchard House,
32 Inglis Green Road
Edinburgh EH14 2ER
Tel: 0131 443 8893
Fax: 0131 443 1820

NATIONAL CONSTRUCTION COLLEGE

National Construction College East

Bircham Newton
King's Lynn
Norfolk PE31 6RH
Tel: 01485 577775
Fax: 01485 577997

National Construction College Midlands

83 Lifford Lane, King's Norton
Birmingham B30 3JH
Tel: 0121 459 8000
Fax: 0121 459 8330

National Construction College Central

Ladyhole Lane
Ashbourne
Derbyshire DE6 1LR
Tel: 0121 459 8000
Fax: 0121 459 8330

Executive Management Programmes

Bircham Newton
King's Lynn
Norfolk PE31 6RH
Tel: 01485 577775
Fax: 01485 577997

National Construction College South

Manor Road
Erith
Kent DA8 2AD
Tel: 01322 349638
Fax: 01322 332358

National Construction College Scotland

2 Edison Street, Hillington
Glasgow G52 4XN
Tel: 0141 882 6455
Fax: 0141 810 3197

Health, Safety and Supervisory

Bircham Newton
King's Lynn
Norfolk PE31 6RH
Tel: 01485 577775
Fax: 01485 578549

All NCC Course Enquiries

Tel: 0870 416 6222

OTHER

CITB-ConstructionSkills' Bankers

Barclays Bank plc
17 Market Place
Fakenham
Norfolk NR21 9BE

CITB-ConstructionSkills' Investment Advisers

Singer & Friedlander Investment Management Ltd
21 New Street
Bishopsgate
London EC2M 4HR

CITB-ConstructionSkills' Auditors

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

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