

# CITB-ConstructionSkills

Annual Report and Accounts 2005



# **CITB-ConstructionSkills Annual Report and Accounts 2005**

## **To the Secretary of State for Education and Skills**

Laid before Parliament by the Secretary of State for Education and Skills pursuant to s8 (4) of the Industrial Training Act 1982, and, in respect of the accounts, on behalf of the Comptroller and Auditor General pursuant to s12 of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003.

Ordered by the House of Commons to be printed 28 March 2006.

**[www.citb-constructionskills.co.uk](http://www.citb-constructionskills.co.uk)**

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## Foreword

At the beginning of 2005, we published our Sector Skills Agreement (SSA). This arrangement between training providers, employers and Government aims to address the construction industry's current and future skills needs. It covers all aspects of the industry, from craft to professional, and underpinned CITB-ConstructionSkills' activities during the year. The SSA focuses on ensuring that businesses have the right people with the right skills, in the right place at the right time. This is vital if our industry is to meet the burgeoning demand for construction work across the UK over the next decade.

As this report shows (pages 3–5) construction is outperforming the economy as a whole and is projected to grow by 2–3% year-on-year. During 2005, big projects (such as Heathrow Terminal 5 and the Channel Tunnel rail link) were complemented by the start of major regional initiatives such as the Northern Way, Liverpool City of Culture, and the successful bid for the 2012 Olympic Games. Continuing growth in public sector procurement – the value of which is likely to top £16 billion over the next four years – creates further opportunities and skills challenges.

The maintenance of historic buildings (30% of UK housing stock) is just as important. Our partnership with English Heritage in the National Heritage Training Group, which analyses labour and skills needs to address the urgent recruitment and training needs of the built heritage sector, is a key element of the Construction SSA.

Overall, the industry needs over 88,000 new entrants a year and must continually develop existing employees to reach their full potential. During 2005, CITB-ConstructionSkills maintained and enhanced its help to the industry with wide-ranging activities to support key points in the recruitment and training supply chain.

An important development was the launch of the Construction Skills Network, which provides accurate and detailed predictions about the industry's skills needs. The Network is compiling a single set of industry-owned figures to quantify what these are, and whether current education and training provision, learning and qualification frameworks and funding models across the UK are satisfactorily meeting them, or where investment is needed.

Other important activities included the Positive Image recruitment campaign, launched in April. This annual, high profile, marketing campaign aimed to change perceptions of construction as an industry in which to work and attract high-quality new recruits from diverse backgrounds and at all levels. It is just one of the many ways in which we worked to improve the diversity of the workforce – a key requirement of the SSA.

Also in April, we launched 'Inspire Scholarships', a pioneering employer-led initiative sponsoring university students undertaking construction and built environment degree courses. It is jointly funded by employers and CITB-ConstructionSkills. In its first year, the scheme is supporting 37 students studying construction-related degree courses at university. In the next two years, we expect to award more than 200 scholarships, with each scholar receiving up to £9,000 over a typical three year undergraduate course.

The National Construction College has continued offering apprenticeships to people aged 16–25 looking to start a career within construction, and has a 100% employment record for its students.

In July, we launched a pilot scheme called 'Programme Led Pathways', which addresses the current lack of on-site work experience opportunities that prevent young people from completing an NVQ. Then in October, the Government announced support for a National Skills Academy for Construction, which means that, by the launch date of September 2006, there will be at least four site-based training centres and two mobile training units in place around the UK.

Our On-Site Assessment and Training (OSAT) programme goes from strength to strength. Although there are still challenges ahead, more than 800,000 CSCS (Construction Skills Certification Scheme) cards have been issued in the last 10 years, which means we are on course to meet the SSA target that over one million workers should be covered by CSCS and affiliated schemes by 2010.

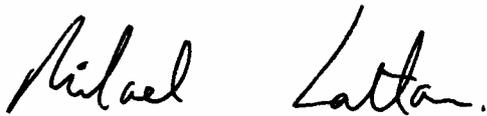
## INTRODUCTION

CITB-ConstructionSkills has undertaken all these activities on the industry's behalf, whilst also supporting individual employers with their training activities. 19,616 of our registered firms claimed grants during 2005, an increase of 5% on 2004. Our total grant expenditure was a record £105 million.

Of course, we cannot manage or deliver all our activities alone, and we work with many partners, such as the Construction Industry Council (CIC) and CITB Northern Ireland, as well as Government, local government, the trades unions, employers, client bodies and training providers. I would like to thank all these stakeholders for their continued support and their enthusiasm for our expanded role as a Sector Skills Council.

Alongside the range of activities I have outlined, we have implemented a significant change programme to make sure that CITB-ConstructionSkills is a truly customer-focused organisation, well-prepared and appropriately structured to deliver its part of the SSA.

I am confident that we can build on our successes in 2005 and look forward to working with our partners to meet the challenges in the year ahead.

A handwritten signature in black ink that reads "Michael Latham". The signature is written in a cursive style with a large initial 'M' and 'L'.

**Sir Michael Latham DL**  
**Chairman**

# The Business and Economic Environment

## Industry Profile

As a major contributor to the nation's economy and infrastructure, construction is unique in having a stake in a wide array of social concerns, from housing, education, health, commerce and industry to leisure and the environment. This analysis of current performance and future prospects concentrates on that part of the sector covered by the legislative framework under which CITB-ConstructionSkills operates. We recognise that there is a wider picture, addressed by the Construction Skills Network.

Underpinning almost all other UK industries and public services, construction employs over two million workers (8% of the total labour force) and generates 8% of the UK's economic output. In the last ten years, the sector has grown by over 30% in output and 20% in workforce. It generates annually an estimated £158 billion of turnover (GDP) and nearly £55 billion of Gross Value Added (GVA).

Construction output remained steady in 2005, despite low growth forecasts in the wider economy. At Quarter 3, output stood at £60 billion, reflecting a broadly similar pattern to the same period in 2004.

Much activity in 2005 appears to have been driven by the Repair and Maintenance market, particularly Public Non-residential (up 7%) and Public Housing (up 2%). New work slowed, falling by 2% compared with the same period in 2004, with less output from Infrastructure (down 14%), Public Housing (down 9%) and Public Non-residential (down 8%). The exception to this downward trend is Industrial (up 5%) and Private Housing (up 4%), the former perhaps indicative of the recent reversal in the decline of manufacturing. The Commercial market remained static, showing no real change at the national level.

Such downward movements are not surprising set against a slowing housing market, Government investments delivering near the end of term, and the recession that has blighted the commercial office market. All indications suggest a year-end figure near £80 billion, reflecting a fall in output in 2005 of around half a percent, the first such fall since 1994.

In contrast to lower output in the first half of 2005, new orders continued to rise and were 5% up on the same period of 2004. Infrastructure and industrial sectors were most buoyant, with private housing also showing growth, while slight falls were recorded in the public housing, public non-residential and private commercial sectors.

Growth rates for 2005 were disappointing, but at 2.7%, forecast rates for 2006 to 2010 are slightly above the national average predicted for the same period (2.6%). This presents a good scenario for the industry overall.

Although the Labour Force Survey (LFS) estimate of employment was revised downward in 2004, the 2005 mid-year comparison of labour force data indicates 3% growth in the workforce. Workforce productivity has shown encouraging growth, with GVA per employee increasing by 1.2%.

## Workforce Profile

The age profile – like that of many UK industries – is mature and has undergone significant change over the past ten years. For both manual and non-manuals, it has been distinguished by a sharp decline in the share of younger people in total employment and a rise in those aged 45 years and over. Overall, the profile is significantly biased towards the 30–39 age group. Consequently, a vital demographic issue is the loss of key skills due to retirement – with recent research suggesting an average retirement age in the manual sector of 62 – and the addition of new skills through recruitment in the lower age band.

The self-employed now represent 37% of the workforce. The incidence of self-employment in the construction sector has grown strongly and continually since the late 1990s, more quickly than that of direct employment. Over the five years between 2000 and 2005, self-employment grew by 34% whereas direct employment only increased by 3%. Self-employment in the four main craft trades (wood trades, bricklaying, plastering, and painting and decorating) accounts for 63% of their total employment across the UK.

The under-representation of women and ethnic minorities remains a priority issue for the industry. Labour force statistics show that marginal improvements are being made in recruitment from these non-traditional groups, but compared with the workforce as a whole the sector remains amongst the most gender imbalanced in the UK economy.

## INTRODUCTION

A recent study by CITB-ConstructionSkills established that finding suitably skilled staff is second to increasing sales as the most common key business challenge reported by employers. Indeed, 20% of those employing staff spontaneously cited this as one of their major challenges. However, it is more of an issue for large rather than small firms – 40% of those with 100 plus staff across the UK say finding suitable staff proves challenging compared to 20% among those employing between 2–24 staff. Nonetheless, data from Construction Forecasting and Research at Experian shows that in the year to August 2005 only 10% of companies cited labour shortages as an actual constraint on activity; a decline of 5% on the previous year.

Encouragingly, the level of vacancies in the industry dropped to just 18,400 on a three-month average basis to July 2005, down from 21,400 in the same period of 2004, representing just 1.4 vacancies for every 100 employees in the industry.

### Drivers and Policy Issues

Construction-specific drivers will inevitably influence and be affected by wider political, economic and technological change, such as UK immigration policies, wider EU directives, moves toward a more knowledge/service based economy, and welfare to work policies. Government may also have a more direct impact on construction skills demand and supply in the future through public procurement. CITB-ConstructionSkills considers the most significant current skills issues to be:

- the current skills profile having a negative impact on performance, from craft through to professional, management and leadership occupations
- the under supply and lack of support for intermediate level skills leading to labour market constraints in key areas of the industry
- the 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 – leading to improvements in 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.

Whilst recognising that Government spending may be tight in the short-term, there is a concern that vocational qualifications still do not receive the same levels of support as their academic equivalents. There is the perception that 'vocational' qualifications are primarily concerned with the 'employability' of young people and adults. It is critical to understand and demonstrate that qualifications in construction are about developing competent people.

There is a need to distinguish between youth and adult training requirements in terms of 'full' and 'top-up' provision. The large majority of entrants in the first category tend to be younger recruits, whilst most of those in the second group are among the older experienced or inexperienced construction workers.

CITB-ConstructionSkills is developing robust intelligence that addresses the various training needs of recruits at differing points in their careers.

Whilst the main focus of CITB-ConstructionSkills is on these drivers and issues, which have a direct influence on business planning, it is recognised that the industry is affected by global geopolitical factors, such as conflicts, population and climate change.

### Future Needs and Prospects

The industry appears to face relatively strong demand over the next five to ten years, with prospects underpinned by Government aspirations for health, education, housing, transport and other infrastructure, culminating in flagship projects and structures associated with the 2012 Olympics. A range of regional developments, including major regeneration projects (for example in Stoke-on-Trent and North Staffordshire), coupled with major civil engineering works (such as the M77 and Glasgow Southern Orbital, M74 and Aberdeen Western Peripheral Routes), are expected to translate into sustained growth, albeit with variations across subsectors; large increases in output for public housing, particularly within the Thames Gateway, and public work, balanced by less activity in infrastructure and commercial work.

The long-term concern for the industry is to ensure there are sufficient people joining to replace those who are leaving. The current forecast is that the industry needs to recruit and train 88,000 entrants per annum for the next five years, including 21,000 in the four main trades, 10,500 in Managerial, and 8,000 in Technical and Professional roles.

Although a more stable economy means the near future can be predicted with some accuracy, looking towards 2020 presents significant challenges. Lead times for training development and educational reform mean that policy and spending decisions made today might not come into effect for five years or more.

### **Regional Variation**

There are considerable differences in the construction activity of each country and region of the UK. This makes effective planning for training difficult. Together with its partners in the Sector Skills Council, CITB-ConstructionSkills is pooling research and intelligence with Government and industry bodies regionally and nationally through the innovative Construction Skills Network. Key stakeholders, like the Office for Government Commerce (OGC), Department of Trade and Industry (DTI) and the Learning and Skills Council (LSC), are committed to working with CITB-ConstructionSkills to share data and intelligence to mutual benefit.

### **Migrant Workers**

While the current focus is on UK skills, it will become increasingly more important to consider skills development at a European (and perhaps global) level, especially in sectors where a high degree of labour mobility is already in evidence.

It is vital to better understand the flow and degree of dependence on migrant workers. Like many other sectors, construction has seen an increase in the use of migrant labour to fill skills gaps, a process intensified by the recent expansion of the EU. So the industry must face the challenge of an integrated multi-ethnic workforce, especially on issues of health and safety and comparability of qualifications.

Research indicates that the key reason for pursuing the 'migrant solution' is for their work readiness. However, the continued extensive use of migrant labour could present a significant barrier to promoting a training culture, unless properly managed.

### **SMEs and Self-Employment**

CITB-ConstructionSkills recognises that smaller companies lead the way in job creation but can overlook training as a longer-term investment.

The rise in self-employment shows little sign of abating. Indeed, recent CITB-ConstructionSkills' research shows that employers generally thought that self-employment would continue to rise, so there is a clear challenge for CITB-ConstructionSkills to attract and engage more micro employers in training.

Whilst the flexibility of such a large pool of self-employed labour is a significant advantage to prime contractors, the disadvantage is the lack of investment in skills and qualifications by many who are self-employed.

This has obvious implications on the future training of both the individuals moving to self-employment, and the ability for the industry to provide sufficient opportunities for those wishing to join the industry.

### **Innovation and Technology**

It is anticipated that continued advances in innovation and technology will, to some degree, offset the decline in the numbers of individuals joining the construction industry, by enabling greater output from lower inputs. However, if the uptake of innovation does not gather sufficient momentum – it is currently quite low within the sector – there are clearly limitations to what can be achieved through such processes.

Consequently, in the short-term, the single largest factor determining whether the industry is able to respond to future demand remains the supply, or not, of skilled labour.

### **Vision for the Industry**

CITB-ConstructionSkills is keen to support research into the longer-term demographic situation, industry competitiveness, and the required improvement in the skills base (skills levels and occupational mix).

The Construction Skills Network will be a powerful mechanism in bringing together existing employment and capacity intelligence as well as developing a first-class forecasting capability, so that Government, regional agencies and companies can plan future skills needs with total confidence. This collaborative approach will drive progress and make a significant contribution to the delivery of the Sector Skills Agreement and CITB-ConstructionSkills' vision of achieving a fully skilled and professional UK construction industry working safely and delivering value.

## INTRODUCTION

# CITB-ConstructionSkills Scorecard 2005

Building on strong 2004 results, performance in 2005 delivered another on-target achievement overall. Against increasingly stretching targets, some exceptional scores were recorded across both industry-focused and organisational performance measures. However, these were tempered by shortfalls in employer and employee survey results, and challenges in recruiting diverse youth trainees and registering competence scheme cardholders.

Meeting the aspirational target for recruiting female and ethnic minority youth trainees (Target 1) has been tough and, unlike 2004 (which came in just on target), 2005's achievement fell short.

In contrast, the STEP into Construction initiative (Target 3) delivered a particularly strong out-turn. With a creditable set of regional results, particularly in the North West and Yorkshire and Humber, the total was significantly boosted by a new pilot in the East promoting diversity within the workforce of major contractors and their supply chains.

The proportion of Managing Agency trainees achieving an apprenticeship framework (Target 2) was well in excess of target. This has been reflected in the 2006–2010 Scorecard profile, which now shows growth to 60% in 2006 and a higher aspiration (80%) by 2009.

NVQ/SVQ achievements through On-Site Assessment and Training (OSAT) (Target 4) needed a concerted push at the year end, but exceeded its target. The profile for 2007–2010 remains stretching (between 45,000–50,000 achievements per annum), critically subject to extra Government funding.

Competence-based scheme cardholders (Target 5) fell short in a difficult year with unhelpful publicity appearing adversely to affect demand for CSCS, the major scheme targeted. Nonetheless, card numbers held up and will continue to be measured by the Business Services Directorate in 2006.

Targets related to Improving Business Performance all showed strong 2005 outcomes. The number of companies involved in training (Target 6) rose by almost a thousand from 2004, while that for companies submitting Training Plans (Target 7) and being recognised as Investors in People (IIP) (Target 8) exceeded expectations.

Efficiency measures also delivered excellent results. From an on-target result in 2004, the National Construction College's (NCC's) number of trainee weeks per staff member (Target 9) has exceeded target, with a particularly strong performance in Adult trainee weeks.

Levy efficiency per staff member (Target 10) improved by almost 10% in 2005. The performance of the Verification Team, an increased number of levy payers, and better debt recovery all contributed to this excellent result.

Corporately, operating costs in relation to total costs (Target 11) have fallen, reflecting increased efficiencies across the business, in line with the drive to make the organisation 'Simpler – to deal with, Faster – to respond to customers, Closer – in understanding their needs'.

In terms of effectiveness in generating non-levy income (net) per staff member (Target 12), lower than anticipated headcount combined with strong adult training performance from the NCC have contributed to an over-target achievement in 2005. This result is lower than 2004, which was significantly higher than the forecast for that year, again due to unanticipated lower headcount.

In contrast to most Scorecard results in 2005, assessments of employer and staff survey feedback have shown below target performance, notably for the latter. While there have been changes to the content and methodology of 2005's employer survey (Target 13), the result is comparable with prior years and suggests that satisfaction levels may have reached a plateau. The Employee Satisfaction Survey (Target 14) has shown a marked downturn due to uncertainty created by a major change programme launched in 2005.

Assessing overall performance and taking into account 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 2006–2010 Scorecard, in contributing towards delivery of the Sector Skills Agreement and achievement of CITB-ConstructionSkills' vision.

<b>Target</b>		<b>2004 Achieved</b>	<b>2005 Achieved</b>	<b>2005 Target</b>
1	Recruit female and ethnic minority apprentices Recruiting qualified new entrants	259	316	322
2	Framework achievements Recruiting qualified new entrants	31%	55%	40%
3	STEP into Construction job outcomes Recruiting qualified new entrants	267	467	220
4	NVQ/SVQ achievements through OSAT Qualifying the existing workforce	17,735	29,282	25,000
5	Competence-based scheme cardholders Qualifying the existing workforce	501,477	582,999	631,000
6	Companies involved in training Improving business performance	18,722	19,616	19,100
7	Companies submitting a training plan Improving business performance	1,734	3,228	2,500
8	New businesses recognised as liP Improving business performance	411	611	400
9	NCC trainee weeks per staff member Driving efficiency	151	156	154
10	Levy efficiency per staff member (£,000) Driving efficiency	387	421	370
11	Operating costs as percentage of total costs Driving efficiency	21.5%	19.2%	21.5%
12	Non-levy income (net) per staff member (£,000) Maximising effectiveness	39,111	37,330	35,000
13	Employer satisfaction survey Maximising effectiveness	7.43	7.36	7.50
14	Employee satisfaction survey Maximising effectiveness	34	26	36
	Board evaluation Maximising effectiveness	Target	Above	Target

## INTRODUCTION

# Managing Business Risks Effectively

### **Risk Management**

Risk management is integral to our activity, with business risks being formally evaluated and the management of strategic and operational risk embedded in business processes. Cost-effective measures are in place to mitigate or minimise the principal business risks, which are:

#### **Maintaining Stakeholder Support**

CITB-ConstructionSkills must continue to meet industry expectations to ensure support from stakeholder groups. All activities are focused on this, with close liaison with industry promoted at all levels. As well as demonstrating support for continuing levy arrangements, an annual survey of employers' attitudes is carried out independently and used to inform business planning.

Contact with federations, trades unions and educational bodies supports 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 of policies and goals.

#### **Principal Partnerships**

A breakdown in key business partnerships, vital for the delivery of services, would seriously undermine CITB-ConstructionSkills' ability to meet customer expectations. 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 systems 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**

As a business with a wide range of activities and stakeholders, CITB-ConstructionSkills appreciates the need to minimise the risk of conflicts of interest arising. It has effective structural barriers and transparent decision-making processes, enabling rigorous scrutiny by stakeholders. The roles of standard setting and awarding bodies, managing agent, training provider and certifier of skills and experience are all clearly separated by having distinct policy-making processes, management and staff as well as different physical locations.

### **Other Risk Management Structures**

An on-going business planning process is in place, which is fully integrated with financial planning and forecasting processes. Scenario planning is conducted on a regular basis to ensure each Directorate has identified all principal risks and made appropriate contingency arrangements.

A corporate governance framework exists and is subject to ongoing development. A risk management policy is in place. The principal business risk areas are subject to formal periodic review by management at least twice per annum and externally by the organisation's Audit Committee and the National Audit Office. A dedicated Internal Audit unit provides independent assurance in line with Government Internal Audit Standards and the Audit Committee operates in accordance with HM Treasury guidelines. An annual control self-assessment exercise is conducted.

## The Wider Picture 2006–2010

The key driver of CITB-ConstructionSkills' planning is the Sector Skills Agreement (SSA), agreed with stakeholders across Government, industry and education, which aims to achieve the vision of a fully skilled and professional UK construction industry, working safely and delivering value. This covers four skills challenges – Improving Business Performance, Qualifying the Existing Workforce, Recruiting Qualified New Entrants and Infrastructure in Support of these Priorities – each having several key areas.

These directly inform the plans and activities of the seven Directorates, which detail strategies to address them as well as identifying key short-term deliverables, including:

- establishing the Construction Skills Network as the authority on construction capacity, productivity and skills (*Skills Strategy*)
- growing apprenticeships through Programme-Led Pathways and improving completion rates (*Managing Agency*)
- expanding demand for vocational qualifications through Qualifying the Workforce and securing funding for On-Site Assessment and Training (OSAT) (*Business Services*)
- establishing CITB-ConstructionSkills' credentials for graduate recruitment and diversity (*Field*), and for construction management and leadership skills (*Business Services*)
- engaging small enterprises in training by creating a brokerage service (*Business Services*)
- minimising subsidies to CITB-ConstructionSkills' operations, maximising grants to industry, and holding current levy rates (*Corporate Services*)
- transforming College finances by re-engineering Youth training and driving Adult commercial training (*National Construction College*)
- maximising chances to promote the ConstructionSkills brand (*Communications and Marketing*).

CITB-ConstructionSkills' vision for itself is to be the enterprise that people want to work with and for, in order to create a fully qualified and professional UK construction industry. This will be achieved by:

- being the expert on construction capacity, productivity and skills intelligence
- being the key influencer of Government skills, training and education policy and activity to maximise opportunities for the construction industry
- negotiating the most appropriate partnership and funding deals for the industry
- creating an environment that captures industry commitment to new skills and training initiatives
- having the commercial acumen to drive the business
- being a key provider of skills products and services, delivering to time, quality, cost and customer satisfaction
- developing solutions to meet changing industry needs
- turning its resources (people, knowledge, finance, technology and facilities) into assets.

To enable the organisation to deliver its vision, each Directorate has developed strategies to improve efficiency and effectiveness. Driven by an enterprise-wide change programme that began in 2005, 'Simpler, Faster, Closer' is recognised across the business as watchwords for this goal.

While clear accountabilities for delivery are recognised as critical, the vital importance of interdependencies between Directorates is also reflected in each plan. No single Directorate can fully meet any of its accountabilities without the support of at least one other. As such, each plan includes an organisational model to emphasise that 'it will take every one of us working together as one organisation to deliver our SSA and make our vision a reality' (Peter Lobban).

## INTRODUCTION

# Simpler, Faster, Closer

In 2004, with new responsibilities arising from CITB-ConstructionSkills' role within the Sector Skills Council and the delivery of the Sector Skills Agreement, the Executive carried out a full review of CITB-ConstructionSkills' business to ensure the organisation was structured to respond most effectively to customer and stakeholder needs.

The review concluded that a revised structure was essential, together with a programme of culture and behavioural change, and that these should be part of a formal programme. This began in June 2005 and will continue until it is shown that required changes are fully embedded.

The programme is managed by the Executive, which has appointed one of its members as Change Director. In turn, the Change Director is supported by the Managers' Task Group, comprising 15 senior managers who act as champions and mentors, and act as an alternative communications channel.

The programme has two distinct phases. First the 'revolutionary' top-driven structural change completed in 2005, followed from January 2006 with the more 'evolutionary' phase, where change is incremental, implemented gradually through different stages and inter-related activities, and happens at all levels. It will be more planned and proactive, so that the culture of the organisation will always look for change. Embedding new behaviours is expected to take three to four years.

The whole programme is underpinned by three supporting corporate strands:

- people development, with the behaviour/competency workshops being the first initiative completed in 2005
- the changing thinking to improve performance initiative, for which the initial development workshops are complete
- a communication plan to ensure change is always on the agenda.

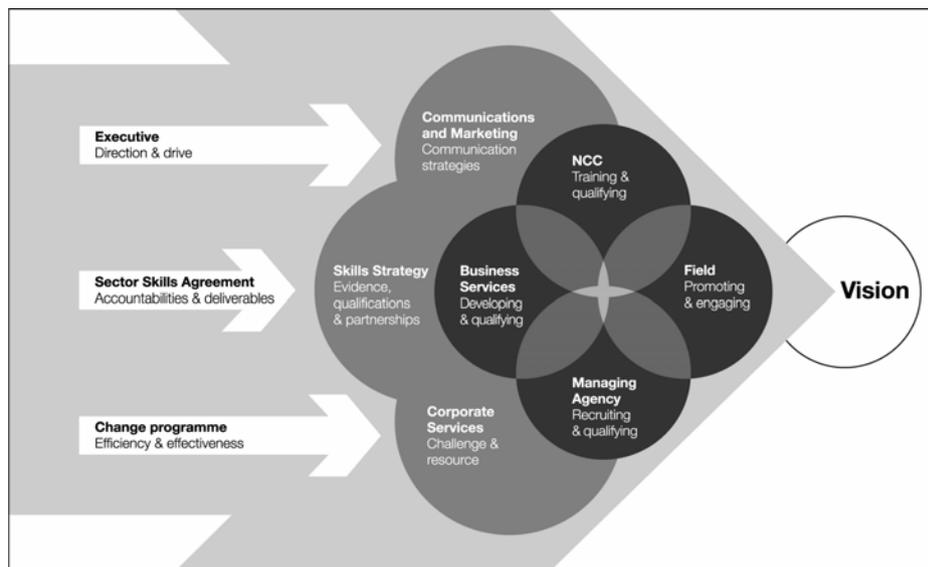
The new Directorate structures are based on businesses with clear accountabilities and defined key interdependencies where another Directorate supports that accountability.

The structures were developed against a set of core principles and tested against the following criteria:

- **simpler** to deal with
- **faster** to respond to customers
- **closer** to understanding their needs.

Interdependencies between the seven Directorates are illustrated below. Four are principally engaged in delivery, while three support and facilitate, driven by the Sector Skills Agreement, our Executive Team's engagement and our change programme.

## Working Together to Achieve Our Vision



## Skills Strategy

This Directorate ensures that the organisation has access to the best possible evidence base, qualifications frameworks and strategic partnerships so that it can secure greater opportunities for training and development for the industry supported by more responsive education and training provision.

These elements are combined in the Sector Skills Agreement negotiated between employers, education and training providers, trades unions and Government departments and agencies to ensure that the industry has the skills it needs to deliver client expectations on quality, time and cost. In 2005, Sector Skills Agreements were signed in England, Scotland and Wales with supporting agreements created in the nine English Regions.

2005 also saw the launch of the Construction Skills Network. This engages key stakeholders around a comprehensive forecasting model for the industry and its customers, analysing capacity, productivity and skills. A combination of national analysis and the bringing together of twelve regional models results in an authoritative, UK-wide dataset, recognising specialist, sectoral and regional differences, to forecast skills needs and likely training requirements. The first full set of figures is due in March 2006 but the value of this work in providing the most authoritative capacity and labour intelligence has already been recognised. It is being used to support planning and delivering the Olympics infrastructure in the context of forecast project workload across the Greater South East.

Acknowledging the importance of delivering expert research, a Deputy Director was appointed to undertake and implement a review of the current research programme across ConstructionSkills and establish the Construction Skills Network as the authoritative source of intelligence.

A review of the impact of the sustainability agenda ('Build to Last') has been completed which, together with consultations with industry, resulted in a Strategic Plan launched in December 2005. ConstructionSkills has led cross-SSC work within the Sustainability Forum to develop a Sustainability Skills Matrix for the Built Environment that will be used to shape skills and provision gap analysis and inform future developments.

In February 2005, ConstructionSkills and QCA agreed to develop a Construction Qualifications Strategy (CQS) for future qualification planning and development in line with industry's skills needs and challenges. This is a major piece of work, shaping and modernising qualifications at all levels. To ensure the outcome (to be published in May 2006) meets its objective, significant consultation has been undertaken involving regional and sectoral briefings and workshops with a wide range of stakeholders.

CITB-ConstructionSkills' Awarding Body function is now integrated into the Business Services Directorate. Its role as a Standards Setting Body – defining the industry's standards and qualification frameworks and carrying out competence assurance across all Awarding Bodies and their accredited centres – remains within Skills Strategy.

In February 2005, Ruth Kelly announced the development of the first five 14–19 Specialised Diplomas (the Built Environment being one). ConstructionSkills is leading a team of SSCs, working with employers, awarding bodies and providers to develop the content and supporting implementation strategies to ensure a successful launch in September 2008.

In September 2005, ConstructionSkills successfully submitted an outline proposal for a National Skills Academy for Construction as a Centre of Excellence for Work Based Learning through a phased programme of establishing a dynamic network of training centres on all major construction projects. The training centres are seen as vital in developing high-performing workplaces contributing to the delivery of the construction project to quality, time and cost by providing site-based relevant, timely and quality-assured education, training and assessment for the lifetime of the project working with the entire supply chain. Work on the Business Plan ahead of the first phase in September 2006 is in hand.

ConstructionSkills' tripartite partnership continues to develop closer working relationships and shared strategies in key areas such as research, standards and qualifications, health and safety, and recruitment and careers. The SSDA's review of performance gave it a full performance award, recognising ConstructionSkills' achievements against the required standard.

## BUSINESS ACTIVITIES

# Business Services

The Business Services 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.

Organisational changes (described on page 10) saw the Directorate expand substantially in 2005 to incorporate Building Engineering Services, On-Site Assessment and Training (OSAT) and Qualifications Development. It now consists of four primary departments, each overseeing a wide range of products and services: Business Development, Certification and Registration, Business Support, and Health, Safety and Environment.

CITB-ConstructionSkills plays a pivotal role in influencing behavioural change throughout the construction industry, helping both employers and the workforce to become more aware of health and safety and the need to develop competence.

In February 2005, CITB-ConstructionSkills supported the HSE's Health and Safety Summit and committed to the 'Respect for People' code of Good Working Practice. We also supported Constructing Better Health to address occupational health and rehabilitation and the HSE's CDM consultation exercise. The Health, Safety and Environment Department continues to focus on guidance for the design community, corporate competence and migrant worker integration.

April 2005 saw the launch of a revised construction Health and Safety Test at a reduced price of £17.50. The testing service has enabled almost 1.2 million Health and Safety Test bookings and in 2005 alone over 220,000 individuals sat and passed the Test. It also offered mobile testing facilities at a reduced cost to the user, and internet testing. The Health and Safety Test question revision book and CD-ROM became more widely available via high street retail outlets throughout the UK, providing some 164,000 sales.

The transfer of OSAT into Business Services has resulted in a closer integration of departments, which will provide greater efficiency and ability to react and adapt more promptly as changes are made to schemes and qualifications.

OSAT NVQ achievements in England for 2005 reached 21,931 with an improvement in the registration to achievement conversion ratio. Discussions have continued regarding securing LSC funding with additional places being issued through the networks in England until August 2006 with funding then being directed through the 'Train to Gain' brokerage arrangement.

Negotiations leading to a new alliance agreement between City & Guilds and CITB-ConstructionSkills began, with a view to strengthening our position as market leader in construction-based qualifications.

Following extensive consultation with industry, 2005 saw the commencement of the rollout of the new suite of Magenta NVQ qualifications complete with support material, replacing the 2000 Grey series.

The introduction of the new Experienced Worker Practical Assessed Route (EWPARG), which began in 2005, has provided greater flexibility for appropriate individuals to achieve their vocational qualifications faster than ever before. As these are rolled out across industry throughout 2006 in the major key trades, Business Services expects to see a greater take-up and achievement of NVQs/SVQs to support the Qualifying the Workforce initiative.

The Customer Contact Centre and Data Management Unit retained their ISO 9001 accreditation. Improvements in customer service meant that more than 850,000 calls were handled within agreed service standards and approximately 200,000 cards were issued for CSCS, CPCS and other card schemes as well as in excess of 88,000 first-time NVQ registrations.

Publications sales within Business Development realised over £2.4 million worth of income. More than 250,000 products were sold, best sellers being Construction Site Safety (GE 700) and the Health and Safety Test question revision book and CD-ROM. Safe Start and Site Safety Simplified were relaunched and new products included a site induction CD-ROM, Kick Start, suitable for migrant workers, and Health and Safety Test question revision books in ten languages.

## Managing Agency

The Managing Agency Directorate handles CITB-ConstructionSkills' apprenticeship arrangements in England, with apprenticeships in Scotland and Wales handled and reported separately, reflecting the different national funding arrangements.

In 2005, the Managing Agency improved framework achievements significantly (see table below). Recently introduced strategies brought major success, with Apprentice framework completions (Level 2) leaping from 31% at end of 2004 to 56% in December 2005 and Advanced Apprentice frameworks (Level 3) from 16% to 52%. These improvements were evident across all areas of the country, so that Managing Agency framework achievements are now higher than the national sector average.

To buttress this, the Managing Agency has worked with key stakeholders such as the Awarding Body and Association of Colleges in developing key support materials. In September 2005, standardised work-based evidence diaries and guidelines for construction apprenticeships were introduced across a range of occupations as well as best practice guides for sub-contractors to understand the framework claiming process.

Diversity remains a high priority and challenging recruitment targets were set for 2005. Despite considerable staff commitment, the target was narrowly missed. We believe that initiatives begun during 2005 will enhance prospects for non-traditional recruits.

During 2005, a pilot was launched, testing process and funding models that enable leavers from full-time College construction courses to acquire the site-based evidence needed to achieve NVQ2 and so complete a framework.

The first cohort of 61 apprentices has started and further cohorts are being identified to demonstrate benefits to Major Home Builders Group, Major Contractors Group and funding agencies.

New technology introduced in 2005 to improve performance included the successful deployment of laptops to all mobile staff. Later in the year, a pilot began to assess the benefits of using digitised paper and pens to capture data for direct transfer to CITB-ConstructionSkills' systems.

During 2004, a quality monitoring inspection was carried out as part of the follow-up from the 2003 inspection by the Adult Learning Inspectorate (ALI). This confirmed that the quality of provision has improved.

A self-assessment process and best practice sharing continued during 2005 with a mock inspection of the Managing Agency using trained ALI consultants.

As part of the ongoing development of the Directorate, work was carried out with the LSC to confirm arrangements were in place to manage sub-contractor provision effectively. This established that the Managing Agency is making good progress in driving change and its recommendations have been used to inform the self-assessment process.

The team was saddened, at the end of the year, by the unexpected death of its newly appointed director, Paul Beatham. Paul had enthusiastically taken on the role of driving CITB-ConstructionSkills' apprenticeship delivery to new heights and his loss, at the early age of 49, has been a hard blow for all those who knew him.

Apprentice Programme Region	Apprenticeship Framework	Advanced Framework	All Programmes Framework
North East	60.71%	46.76%	58.09%
North West	55.18%	57.67%	55.26%
Yorkshire and Humber	66.67%	61.17%	62.63%
Midlands	55.29%	55.06%	54.59%
East	48.79%	42.45%	46.96%
Greater London	48.95%	41.48%	41.92%
South West	56.68%	60.00%	57.22%
Southern Counties	48.17%	45.45%	47.44%
<b>Average Framework Completion Rate – England</b>	<b>56.79%</b>	<b>52.39%</b>	<b>54.48%</b>

## BUSINESS ACTIVITIES

### Field

In 2005, the Directorate delivered substantial outcomes, in partnership with industry, across all areas of its business.

As part of the restructuring process, described on page 10, a modest realignment of Area boundaries to coincide with Regional Development Agencies was undertaken. This will help staff work more effectively with partner organisations to meet the objectives set out in the Sector Skills Agreement.

Stimulating investment in training continues to have a high priority. Since training plan grants were introduced in 2001, the number of companies taking this route has grown from 104 to 3,228. In addition, 611 employers sought to improve business performance through the Investors in People framework in 2005, while the STEP into Construction programme (which helps employers recruit more women and people from ethnic minority communities) had its most successful year. This included a pilot in the East region with major contractors and their supply chains which helped deliver an out-turn of 473 jobs. These three objectives were well above the target levels set for the Directorate in the Business Plan.

Support for the specialist sector remained strong with NVQ/SVQ assessment, training development, the rollout of specialist programmes to support relevant NVQs/SVQs, and continuing help for traditional craft skills being the focus. The National Specialist Accredited Centre (NSAC) delivered 3,000 registered candidates and 450 NVQ/SVQ achievements. Around £300,000 of LSC funding helped offset verification costs and supplemented assessor commitment.

Discretionary funding allowed specialist sectors to continue developing material to support vocational qualification achievements. Adult training programmes now exist in eight occupations thanks to our partnerships with specialist federations. In addition, more flexible delivery routes – including mobile training rigs – have been developed in conjunction with the National Construction College. This has been well received by industry with formal rollout planned for 2006.

Traditional craft skills were also a major focus during the year. The launch of the English Traditional Skills Research, in partnership with English Heritage and the National Heritage Training Group (NHTG), along with the development of a Training the Trainers programme, gained national recognition. Similar research began in late 2005 in Scotland (in partnership with Historic Scotland) and in Wales (with Cadw) with the final report due for publication in early 2006.

The planned regeneration of the Thames Gateway and the success of the London Olympic bid will see a massive increase in investment in construction in the region and exceptional needs and opportunities. To meet these challenges, CITB-ConstructionSkills set up the Constructing London 2012 Team to help ensure that the construction programme to build world-leading facilities and infrastructure for the Olympic and Paralympic Games, and the wider Thames Gateway, delivers a lasting legacy. The Team will focus its efforts on engaging key partners and develop programmes for sustainable training for sustainable communities to maximise the engagement and training of local people within the Olympic and Gateway area.

In 2005, the new GCSE for Construction and the Built Environment was launched with some 60 schools being approved to run the new qualification.

Diversity remains integral to all recruitment activity and staff have worked closely with schools and employers to provide a positive experience of construction for young people and their influencers.

One of the significant new initiatives for 2005 was the successful launch of the Inspire Scholarship scheme. Undergraduates beginning their studies in 2005 could claim scholarships of up to £3,000 per annum for the duration of their course. By the end of the year, over 50 students had begun to benefit, while the target for 2006 will be 200 Inspire scholars.

# National Construction College

In 2005, the National Construction College (NCC) further improved its overall performance on previous years, including in the process the achievement of the British Safety Council's Five Star Award and their Sword of Honour, which is only awarded to 40 companies internationally each year and recognises the college's commitment to the management of its own health and safety standards.

We secured this recognition as a direct result of the Exemplar project, developed by NCC in 2004 as a comprehensive approach to health and safety management.

The volume of training delivered rose to over 35,000 trainee weeks; Adult trainee weeks exceeded the target with 19,497 weeks being delivered; Youth New Entrant achieved the target of 16,070 trainee weeks and 151 apprentices achieved their frameworks.

The College has continued to develop its resources this year, most notably when, in partnership with JCB, it opened NCC Central, a new plant training facility at Ashbourne in Derbyshire.

In March 2005, the Construction Industry Learning Network (CILN) Learndirect Hub was transferred into the College. The Hub receives approximately £1.5 million of Government funding from the University for Industry (Ufi) per year and uses this to contract with training providers around the country to deliver Learndirect training for construction employers and construction-related individuals.

The CILN delivers learning through a network of ten Learndirect centres offering a large range of e-learning courses, many of which are funded. In line with Government targets there is an emphasis on Skills for Life (literacy and numeracy).

The funding allocation for the Hub is inadequate for the needs of the industry and the CILN is continuously lobbying for further funding and subsequent management fees.

In March 2005, the College had an inspection by the Adult Learning Inspectorate (ALI) with positive results. The report confirms that significant factors in the improving framework completion rates and the improvement of learner reviews are the effective management of Key Skills and the fact that NCC now ensures that reviews are carried out by occupationally qualified staff.

Once again the College's apprentices won a remarkable array of Gold, Silver and Bronze medals at Skillbuild. A college apprentice represented the UK and won a Bronze medal at the IFD World Championships in Cape Town.

The three main areas of marketing activity for 2005 were proactive selling, using the Course Bookings Team to carry out telesales activity to help fill courses, an advertising programme in several key sector publications to promote the health and safety training courses and other areas of college training, and mailshot activity – both national and local – to drive up course occupancy, which rose from 81% to 88% in 2005.

The Staff Conference was held in January 2005, and attracted very positive feedback from staff with 80% rating it as 'good' or 'very good'. The key focus was on celebrating success and taking up the challenge to meet our future targets.

The College held successful Awards Ceremonies at all four campuses and, in total, over 16,000 people attended to celebrate the success of our apprentices. All these events received very positive feedback from employers, parents and the apprentices themselves.

## BUSINESS ACTIVITIES

# Communications and Marketing

The Communications and Marketing Directorate provides CITB-ConstructionSkills and 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 help the business meet its objectives and targets.

In 2005, the Corporate Communications Department helped to keep construction training in the news – maximising positive media coverage around the launch of Sector Skills Agreements, the skills strategy for the heritage sector, the impact of winning the Olympic Games, the need to attract a more diverse construction workforce and the launch of new products such as Inspire Scholarships. The team also managed the reputation of the organisation and provided opportunities to engage Government and other relevant stakeholders with CITB-ConstructionSkills' initiatives.

During the year, the organisation's internet presence was significantly improved when the new look e-portal ([www.citb-constructionskills.co.uk](http://www.citb-constructionskills.co.uk)) went live in April. The site informs customers and stakeholders about the wide range of services and products we offer and also allows customers to undertake business transactions, such as paying levy online or purchasing books from the online bookshop. Visits to the site have increased 10% since the launch of the revised version.

The ConstructionSkills website ([www.constructionskills.net](http://www.constructionskills.net)) also benefited from a major revamp and has been successfully used to canvass industry views on issues such as the Construction Qualifications Strategy.

The careers website ([www.bconstructive.co.uk](http://www.bconstructive.co.uk)) has also been recognised as 'best in class' by being short-listed for an e-government award. 90,000 young people visited the site in April and May of last year alone – resulting in 20,000 online applications for apprenticeships and over 200 applications for Inspire Scholarships.

The Marketing Department worked on a number of high profile advertising and PR campaigns in 2005. In response to the continued need to attract a more diverse construction workforce, some aspects of the annual Positive Image campaign were tailored to inform young women about construction careers – including airing 'The Brick' TV advertisement on cable channels that appeal to young women and using posters in the changing rooms of women's fashion retailers.

Independent research with young people shows that the campaign is making a difference – young people, including women, are more informed about the job roles on offer in the industry and construction is becoming more appealing as a career choice.

Successful campaigns have also been aimed at employer audiences. In August, the Training Campaign encouraged SMEs to invest in training by promoting grants, training plans, Investors in People, card schemes and routes to qualifications for experienced workers. Using a football theme, the campaign involved mailings, press advertising, regional PR and partnerships with intermediaries such as high street banks.

The response to the campaign exceeded the targets set. For example, 2005 saw a five-fold increase in employers requesting information about grants on the previous year, and over 1,000 and 1,700 requests for more information about Training and Development Plans and card schemes respectively.

In line with the recent organisational change, Communications and Marketing is leading the Customer Relationship Management programme to ensure that the business is Simpler, Faster and Closer in dealings with customers. In 2005, work got underway to review data handling and customer intelligence. This programme will continue into 2006.

## 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. Although newly identified as a Directorate, its functions – including financial and business planning, stimulating organisational development, and dealing with risk management and good corporate governance – have always been vital in supporting other teams. A core activity remains the handling of levy and grant.

In July 2005, the latest Grants Scheme was launched on CITB-ConstructionSkills' website in a more employer-friendly format. Its changes, agreed with the employer-led Grants Scheme Working Party, centred on a shift in emphasis from attendance to achievement. Later in 2005, a project to develop online grant claim submission and viewing of levy and grant statements was launched. These facilities should become available in 2006.

During the year, the levy and grant sections were integrated to form combined processing, systems, customer service and verification teams. The aim is to make more effective and efficient use of resources, giving a better service to employers.

Developing the organisation's capabilities – using external benchmarking – has been a high priority for some time. CITB-ConstructionSkills has used the Business Excellence model to help drive performance improvements, championed by Corporate Services. In 2005, the team supported an independent assessment of CITB-ConstructionSkills' Bircham Newton site, helping the organisation reach the finals of the East of England Excellence Awards.

The planning team has been closely associated with developing and implementing change. The need for a radical response to challenges posed by the SSA has driven this process and has led to changes in the 2006–2010 Scorecard, now better aligned with the SSA, and including more comparative measures. During 2005, management information, reporting and the use of rolling forecasts to enhance review of performance were further developed. 2006 will see new intranet-based reporting, and additional refinements to key performance indicators and the Scorecard.

Internally-managed funds outperformed the investment return benchmark by 0.2%.

Change also informed infrastructural development. After a successful pilot, mobile workers were equipped with broadband connections to improve their access to systems on the move. This complemented the replacement of the Wide Area Network, providing a stable and flexible data communications platform across the organisation.

Structural and process changes were supported by the human resources team and implemented to a tight timescale. A major investment was made to develop and train staff in the organisation's key behavioural competencies and embed these in key processes, such as recruitment and upward feedback.

The Employee Self-Service system was also successfully deployed. This enables employees to process routine personnel transactions (such as absence, holidays or personal detail changes) online, saving time and paper and demonstrating 'Simpler, Faster, Closer' in action.

The legal department has continued to provide advice on all aspects of CITB-ConstructionSkills' operations. 2005 saw greater involvement by its staff in cross-Directorate teams, ensuring that practical legal advice is at the heart of business decisions. Its capabilities were further strengthened when the Equal Opportunities and Diversity Adviser joined the team at the end of the year.

This team continues to handle the process which may lead to a legal decision on an individual employer's liability to statutory levy provisions. In 2005, approximately 84% of cases submitted were resolved without recourse to a Tribunal hearing.

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.

# CITB-ConstructionSkills in Scotland

### Recruiting Qualified New Entrants

Surpassing 2004's performance, 2,365 young people began a Modern Apprenticeship in 2005, highlighting the strong support Scottish employers give to training. This is an 18% increase in investment in future skills by the industry over the last two years. As well as advanced craft apprentices, there are now more than 5,000 students at Scotland's further education colleges. This strong performance brings pressure on capacity in some areas which we will be seeking Government help to address.

We have continued to increase participation in On-Site Assessment and Training (OSAT) to meet Qualifying the Existing Workforce targets, with some 3,000 people gaining an SVQ/NVQ under the OSAT programme. Since 95% of Scotland's construction companies employ fewer than 50 employees, reaching this figure is a commendable achievement.

The number of companies involved in training has risen by almost 60% year-on-year, partly as a result of growth in the number of employers developing Training Plans. The resultant structured approach allows proper evaluation of all activities undertaken.

The 14 training groups in Scotland continue to flourish, carrying out in excess of 4,000 person days of training in any six-month period.

The important work of the education team has continued, promoting the whole construction industry to young people and those who influence their career decisions. During 2005, pupils from over 300 schools were involved in construction-related activities, in schools, colleges, universities and construction sites across the country. Over 17,000 pupils from age five to eighteen learned more about the challenges and rewards of a career in construction.

Responding to the many requests from schools is only possible with the help of Construction Ambassadors, aided by support from their employers, for which we are extremely grateful. This year, the team trained 32 more Ambassadors, whose contributions have been especially valued at SkillCity and Make it in Scotland roadshows, where thousands of S2 pupils took part in a construction experience.

In 2005, we entered into a partnership agreement with Careers Scotland which seeks to:

- enhance the career planning process through the provision of careers and labour market information for parents, teachers, careers advisers, and Continuing Professional Development (CPD) opportunities for careers advisers and teachers
- ensure jobseekers are aware of the variety of opportunities within the sector and the employability skills required by employers
- encourage employer commitment to, and participation in, the delivery of Careers Scotland and CITB-ConstructionSkills' services.

The second Young Women in Construction conference took place in 2005, with more than 100 delegates taking part in a series of activities, supported by female role models from industry, the Equal Opportunities Commission and construction employers. The first ever construction debating competition for schools also took place, giving pupils the opportunity to review a range of construction-related topics. The national final was held in the Scottish Parliament building, supporting the motion that 'A Woman's Place is in Construction'.

Many initiatives are being successfully completed throughout Scotland, such as the apprenticeship initiative in Dundee. S3 and S4 school pupils attend the local college on half a day each week, following progression awards. This continues to be successful with 83% of those completing the programme entering an apprenticeship.

Safety and health awareness days have also been organised throughout Scotland. These events bring together employers, contractors, safety professionals, suppliers, professional bodies, local authorities, and the Health and Safety Executive to raise the awareness of the key health and safety issues facing the construction industry. More than 580 organisations attended and it is planned to continue these events in 2006.

### **Qualifying the Existing Workforce**

We continue to develop our virtual learning environment to deliver e-learning and blended innovative learning. This will encourage individual construction companies, including small and medium enterprises and micro businesses, to develop competitiveness, sustainability and growth. The Strategic Forum for the virtual environment incorporates experts in the field of e-learning and has brought together various projects such as e-transformation to add value and avoid duplication. We are in discussion with universities to embed the health and safety package as part of a Built Environment degree module.

The development of the virtual environment has also impacted on the specialist sector. We have developed a pilot stonemasonry programme aimed at stonemasonry apprentices, pre-vocational students, and individuals studying or engaged in architectural conservation.

### **Improving Business Performance**

In September 2005, the ConstructionSkills Sector Skills Agreement was launched by Nicol Stephen, Deputy First Minister, and Allan Wilson, Minister responsible for construction. The collaborative agreements entered into with our stakeholders are progressing well and will benefit the industry. This has also helped us achieve the seven-figure external funding contribution forecast in last year's report.

CITB-ConstructionSkills Scotland has recognised the need to project our work to influencers whether in the Government, public or private sector. The year has seen many meetings with Scottish ministers and input to the Enterprise and Culture Committee. We hold the chair of the Scottish Construction Forum Workforce Development Group, which again allows access to pertinent Government ministers to highlight issues that need to be addressed to achieve a qualified workforce.

We also continue to produce high quality material for use in recruitment and the educational arena. This is in various forms such as paper material, DVDs, and virtual/e-learning format. This was recognised by the Scottish ESF Objective 3 Partnership this year when we were presented with the Most Creative Use of Publicity Award at their Best Practice Conference.

The current and future drivers of the construction sector (increased public sector investment in education and health, on social housing, and work linked to the growing renewable energy sector), will maintain the demand for a qualified workforce in Scotland. Through the Construction Skills Network Employment and Training Forecasting Model and the input of the Scottish ConstructionSkills Observatory, we will be better placed to meet this demand and continue the growth in apprenticeships, qualifying the workforce and management development.

Only an authoritative and unanimous understanding of available skills and future requirements can ensure that the right recruitment, training and expenditure decisions are made throughout the construction industry.

Led by ConstructionSkills, the Construction Skills Network brings together skills intelligence from many sources so that Government departments, regional agencies and companies can confidently plan future skills needs.

The Network consists of national and regional panels involving key stakeholders including the Office of Government Commerce, DTI, Institute of Civil Engineers, Federation of Master Builders and Construction Confederation. The panels review and test the assumptions underpinning a comprehensive forecasting model, and adjust as necessary. All the regional model outputs are then brought together and interrogated by the national group in order to produce a UK-wide picture of skills and capacity.

The result of the Construction Skills Network will be a single set of authoritative figures, recognising specialist, sectoral and regional differences, to forecast skills needs and likely training requirements for UK construction.

# CITB-ConstructionSkills in Wales

The medium-term outlook for construction is buoyant and, with many large projects already under way or planned, construction output in Wales is set to be 6% higher in 2008 (in real terms) than in 2004.

Future demand is not only about delivering even more construction. More clients are moving towards contracts that offer best value in terms of higher standards of work, better contractor relationships and a greater commitment to training local people.

This demand for improved and sustainable performance will have a significant impact on future skills needs – such as better integration and management of the supply chain, and greater ability to harness new technologies and innovation processes. All this needs to be set against the reality of an industry dominated by small- and medium-sized enterprises (SMEs). In Wales, 89% of construction firms have fewer than 10 employees.

While these highly versatile, small or mostly sole traders offer the flexibility to deal with fluctuating demand, robust information on the level of their qualifications is as yet unavailable. Constant uncertainty as to what lies ahead and the level of labour-only sub-contracting also inhibits the development of a training culture.

Engaging with this majority is vital in achieving the step change that will enable the industry to deliver 'even more but better'. So there must be more emphasis on developing project-based solutions that address key skills challenges by sharing the load, and cost, of training across the whole supply chain.

### **Recruiting Qualified New Entrants**

With all business targets met, 2005 was an important and successful year for the Managing Agency in Wales. It is plain that strategies based on co-operation and partnership are now having an impact. Work with the Best Practice Group, FForwm and BACH has benefited the network and laid the foundations for future success.

Framework Completion is the top business priority. ELWa, ESTYN and the Welsh Assembly Government see this as the key measure for all Work Based Learner providers in Wales.

One of the main actions to improve completion rates was around Key Skills and it is pleasing to note that over 85% of 2004 starts have already successfully achieved this element. NVQ achievement rates were also high in 2005, with nearly 80% of leavers achieving their qualification.

An important area for development is the diversification of the workforce. In this context, the 100% increase year-on-year in recruitment of women and black and minority ethnic (BME) apprentices is a success. Work to encourage non-traditional recruitment is bearing fruit and will be further enhanced when a full-time officer starts in 2006.

The key strategy was to analyse the issues that exist and to work on placing 2004's applicants that were still interested and to assist new applicants to gain confidence to progress into the industry. Some measurable success is evident with the target set, met and exceeded though it is of concern that a high number of applicants remain unplaced.

During 2005, the work of the Education team became more structured through partnership opportunities with 14–19 groups and Careers Wales especially in North Wales. All targets have been exceeded, with the exception of a small shortfall in the number of female/BME Construction Ambassadors trained.

Progression into construction training from those initially applying is considerably higher at 44% (average) than in previous years.

With a continued focus on quality, the Managing Agency is looking to expand its client base in 2006 and meet the skills needs of the wider industry.

### **Qualifying the Existing Workforce**

Success in Wales has resulted from the effective management and monitoring of our Centres. OSAT co-ordinators have been instrumental in ensuring that they have delivered a quality service, meeting the requirements of the Code of Practice.

This has been achieved by regular contact with providers to ensure quality procedures are followed, and updating them on changes to procedures and targets. There has been ongoing scrutiny of provision, mapping it against the demands of industry. Gaps have been filled by identifying new assessors, training them and attaching them to suitable centres.

The result has meant confidence when referring companies to the providers, who offer a streamlined service with fewer complaints and blockages, allowing candidates to achieve within the agreed timescale.

In addition, providers have identified through effective profiling the need for candidates to achieve supplementary qualifications so that they can cover the full range of work demanded by modern industry.

### **Improving Business Performance**

More companies have followed the training plan route to grant since staff promoted the business benefits of a planned approach to training more strongly. A high proportion of existing plans have been renewed and a steady supply of new submissions has resulted in improvements in their quality and quantity.

Business improvement through Investors in People has developed through partnerships, with staff relationships with ELWa-approved practitioners and advisers forming an effective network for referrals when companies are identified and supported. This has led to several business improvement initiatives involving Training Groups and Employers Cluster projects, a model which could be used to benefit companies in other sectors.

Key target areas for 2006 will be based on key SSC targets, 14–19 priorities in Wales and continuation of work currently undertaken and valued by partners that contribute to the above aims. Business Planning will be undertaken in three stages:

- mapping current work against SSC priorities and 14–19 main areas of work
- discussion/planning discussions with Area Manager/Education Team
- allocation of specific accountabilities/responsibilities in addition to geographic account managing role, including Careers Wales SSC agreement 4 strands, Engaging Employers, Diversity and Construction Pathways.

### **Strategy**

ConstructionSkills has an excellent relationship with the Welsh Assembly and the sector is at the forefront of their strategy. We cross at least four distinct Assembly roles, and have established good dialogue.

The most successful development of 2005 was the Sector Skills Agreement, a binding agreement between ConstructionSkills, the industry, the Government through the Welsh Assembly, and education, business skills and training providers.

There have been many other successes during 2005 including involvement in the strategy for the Wales Quality Housing Standard, the development of the Housing Stock Benchmarking Toolkit, participation in Value Wales and the South East Wales and Heads of Valley Economic Forum. The team supported a number of local labour and construction projects across Wales as well as the initial meeting of the Wales Skills Observatory. In addition, we contributed to the creation of a joint workforce development plan for Wales with the Built Environment SSCs.

Our work with our partners (the WDA and Constructing Excellence in Wales) continued through the European-funded project 'Construct Wales'. ConstructionSkills in Wales also secured funding from Welsh European Funding Office, the aim of which is to qualify 1000+ existing workers to minimum Level 2 NVQ in the Objective 1 region.

2006 will focus on the continued development of our relationships with the key stakeholders/partners in Wales, and the ongoing work with the Built Environment SSCs.

# CITB-Sgiliau Adeiladu yng Nghymru

Mae'r rhagolygon tymor-canol ar gyfer adeiladu yn fywiog, a gyda llawer o brosiectau mawr eisoes yn mynd rhagddynt neu yn yr arfaeth, disgwylir y bydd allbwn adeiladu yng Nghymru yn 6% yn uwch yn 2008 (mewn termau gwirioneddol) nag yn 2004.

Mae galw yn y dyfodol yn fwy na chyflenwi mwy fyth o adeiladu. Mae mwy o gleientiaid yn symud tuag at gytundebau sy'n cynnig gwerth gorau yn nhermau safonau uwch o waith, gwell perthynas gyda chontractwyr a mwy o ymrwymiad i hyfforddi pobl leol.

Bydd gan y galw hwn am berfformiad gwell a chynaliadwy effaith sylweddol ar anghenion sgiliau'r dyfodol – megis gwell integreiddiad a rheolaeth o'r gadwyn gyflenwi, a mwy o allu i harneisio technolegau newydd a phrosesau arloesi. Rhaid gosod hyn oll yn erbyn realaeth diwydiant lle mae mwyafrif llethol y busnesau yn rhai bach a chanolig. Yng Nghymru mae 89% o gwmnïau adeiladu yn cyflogi llai na 10 o bobl.

Er bod y masnachwyr bychan hyn, y rhan fwyaf yn fasnachwyr unigol, hyblyg iawn hyn yn cynnig yr ystywythder i ddelio gyda galw amrywiol, nid oes gwybodaeth gadarn ar lefel eu cymwysterau ar gael hyd yma. Mae ansicrwydd parhaus am yr hyn sydd i ddod a lefel is-gontractio llafur-yn-unig hefyd yn llesteirio datblygu diwylliant hyfforddi.

Mae ymrwymo gyda'r mwyafrif hwn yn hollbwysig i sicrhau'r newid sylweddol a fydd yn galluogi'r diwydiant i gyflenwi 'hyd yn oed yn fwy ond gwell'. Felly rhaid cael mwy o bwyslais ar ddatblygu datrysiadau prosiect-seiliedig sy'n mynd i'r afael â heriau sgiliau allweddol drwy rannu llwyth, a chost, hyfforddi ar draws yr holl gadwyn cyflenwi.

## Recriwtio Newydd-ddyfodiaid gyda Chymwysterau

Gyda'r holl dargedau busnes wedi eu cyrraedd, roedd 2005 yn flwyddyn bwysig a llwyddiannus i'r Asiantaeth Rheoli yng Nghymru. Mae'n amlwg fod strategaethau yn seiliedig ar gydweithredu a phartneriaeth yn cael effaith. Bu gwaith gyda'r Grŵp Arfer Gorau, Fforwm a BACH o fudd i'r rhwydwaith a gosododd y sylfeini ar gyfer llwyddiant yn y dyfodol.

Cwblhau Fframwaith yw'r brif flaenoriaeth busnes. Mae ELWa, ESTYN a Llywodraeth Cynulliad Cymru yn gweld hyn fel y mesur allweddol ar gyfer holl ddarparwyr dysgu gwaith-seiliedig yng Nghymru.

Roedd un o'r prif weithredoedd i wella cyfraddau cwblhau yn ymwneud â Sgiliau Allweddol ac mae'n dda nodi fod dros 85% o ddechreuadau 2004 eisoes wedi cyflawni'r elfen hon yn llwyddiannus. Roedd cyfraddau cyflawni NVQ hefyd yn uchel yn 2005, gyda bron 80% o ymadawyr yn ennill eu cymhwyster.

Mae arallgyfeirio'r gweithlu yn faes pwysig i'w ddatblygu. Yn y cyd-destun hwn, mae'r cynnydd 100% flwyddyn-ar-flwyddyn mewn recriwtio menywod a phobl o grwpiau du a lleiafrif ethnig fel prentisiaid yn llwyddiant. Mae gwaith i annog recriwtio mewn dulliau newydd yn dwyn ffrwyth a chaiff ei hybu ymhellach pan fydd swyddog amser-llawn yn dechrau yn 2006.

Y strategaeth allweddol oedd dadansoddi anawsterau a gweithio ar ddodi ymgeiswyr 2004 oedd yn dal i fod â diddordeb a chynorthwyo ymgeiswyr newydd i ennill hyder i symud ymlaen i'r diwydiant. Mae peth llwyddiant yn amlwg a rhagorwyd ar y targed er ei fod yn fater o gonsyrn fod nifer uchel o ymgeiswyr yn parhau heb eu lleoli.

Daeth gwaith y tîm Addysg yn fwy strwythuredig yn ystod 2005 drwy gyfleoedd partneriaeth gyda grwpiau 14–19 a Gyrfa Cymru yn arbennig yng Ngogledd Cymru. Rhagorwyd ar yr holl dargedau, ar wahân i ddiffyg bychan yn nifer y menywod/pobl o grwpiau du a lleiafrif ethnig a hyfforddwyd fel Llysgenhadon Adeiladu.

Mae symud ymlaen i hyfforddiant Adeiladu y rhai a wnaeth gais dechreuol yn sylweddol uwch ar 44% (cyfartaledd) nag mewn blynyddoedd blaenorol.

Gyda ffocws parhaus ar ansawdd, mae'r Asiantaeth Rheoli yn dymuno ehangu ei sylfaen cleientiaid yn 2006 ac ateb anghenion sgiliau'r diwydiant ehangach.

## Cymhwysu'r Gweithlu Presennol

Sicrhawyd llwyddiant yng Nghymru o reolaeth effeithlon a monitro ein Canolfannau. Bu cydlynwyr OSAT yn ganolog wrth sicrhau eu bod wedi cyflenwi gwasanaeth ansawdd uchel, gan ateb gofynion y Cod Ymarfer.

Cyflawnwyd hyn drwy gyswllt rheolaidd gyda darparwyr i sicrhau y dilynir gweithdrefnau ansawdd, a'u diweddarau ar newidiadau i weithdrefnau a thargedau. Bu craffu parhaus ar ddarpariaeth, gan ei fapio yn erbyn gofynion diwydiant. Cafodd bylchau eu llenwi drwy ddynodi aseswyr newydd, eu hyfforddi a'u gosod gyda chanolfannau addas.

Mae'r canlyniad wedi golygu hyder wrth gyfeirio cwmnïau at y darparwyr, sy'n cynnig gwasanaeth sydd wedi'i symleiddio gyda llai o gwynion a rhwystrau yn galluogi ymgeiswyr i gyflawni o fewn yr amserlen a gytunwyd.

Yn ychwanegol, dynodir darparwyr drwy broffilio effeithlon yr angen i ymgeiswyr sicrhau cymwysterau ategol fel y medrant orchuddio'r amrediad llawn o waith a fynnir gan ddiwydiant modern.

### **Gwella Perfformiad Busnes**

Mae mwy o gwmnïau wedi dilyn y llwybr cynllun hyfforddiant i grant gan fod staff wedi hyrwyddo buddion busnes ymagwedd gynlluniedig at hyfforddiant yn gryfach. Cafodd cyfran uchel o'r cynlluniau presennol eu hadnewyddu ac mae cyflenwad cyson o gynigion newydd wedi arwain at welliannau yn eu hansawdd a'u nifer.

Mae gwella busnes drwy Buddsoddwyr mewn Pobl wedi datblygu drwy bartneriaethau, gyda pherthynas staff gydag ymarferwyr a chynghorwyr a gymeradwywyd gan ELWa yn ffurfio rhwydwaith effeithlon ar gyfer atgyfeirio pan gaiff cwmnïau eu dynodi a'u cefnogi. Arweiniodd hyn at sawl cynllun gwella busnes yn ymwneud â phrosiectau Grwpiau Hyfforddiant a Chlwstwr Cyflogwyr, a medrid defnyddio model i fod o fudd i gwmnïau mewn sectorau eraill.

Bydd meysydd targed allweddol ar gyfer 2006 yn seiliedig ar dargedau allweddol y Cynghorau Sgiliau Sector, blaenoriaethau 14–19 yng Nghymru a pharhad gwaith a wneir ar hyn o bryd ac a werthfawrogi gan bartneriaid sy'n cyfrannu at yr amcanion uchod.

Cynhelir Cynllunio Busnes mewn tri cham:

- mapio gwaith cyfredol yn erbyn blaenoriaethau Cynghorau Sgiliau Sector a phrif feysydd gwaith 14–19
- trafodaethau/cynllunio gyda Rheolydd Ardal/Tîm Addysg
- dyrannu atebolrwydd/cyfrifoldebau penodol yn ychwanegol at rôl rheoli cyfrif yn cynnwys 4 cainc cytundeb Cynghorau Sgiliau Sector Gyrfa Cymru, Ymrwymo Cyflogwyr, Amrywiaeth a Llwybrau Adeiladu.

### **Strategaeth**

Mae gan Sgiliau Adeiladu berthynas ardderchog gyda Chynulliad Cenedlaethol Cymru ac mae'r sector yn arwain yn eu strategaeth. Rydym yn croesi o leiaf bedair rôl neilltuol y Cynulliad, ac wedi sefydlu dialog dda.

Datblygiad mwyaf llwyddiannus 2005 oedd y Cytundeb Sgiliau Sector, cytundeb rhwymol rhwng Sgiliau Adeiladu, y diwydiant, y ;lywodraeth drwy Lywodraeth Cynulliad Cymru, ac addysg, siliau busnes a darparwyr hyfforddiant.

Bu llawer o lwyddiannau eraill yn ystod 2005 yn cynnwys ymgyfraniad yn y strategaeth ar gyfer Safon Ansawdd Tai Cymru, datblygu'r Pecyn Cymorth Meincnodi Stoc Tai, cymryd rhan yn Gwerth Cymru a Fforwm Economaidd De Ddwyrain Cymru a Blaenau'r Cymoedd. Mae'r tîm wedi cefnogi nifer o brosiectau llafur ac adeiladu ledled Cymru yn ogystal â chyfarfod cyntaf Arsyllfa Sgiliau Cymru. Rydym hefyd wedi cyfrannu at greu cynllun datblygu gweithlu ar gyfer Cymru gyda chynghorau sgiliau sector yr amgylchedd adeiledig.

Parhaodd ein gwaith gyda'n partneriaid (y WDA ac Adeiladu Ardderchogrwydd yng Nghymru) drwy'r prosiect 'Adeiladu Cymru' a dderbyniodd gyllid Ewropeaidd. Sicrhodd Sgiliau Adeiladu yng Nghymru hefyd gyllid gan Swyddfa Cyllid Ewropeaidd Cymru, gyda'r nod o gymhwyso 1000+ o weithwyr bresennol i o leiaf NVQ Lefel 2 yn yr ardal Amcan 1.

Bydd 2006 yn canolbwyntio ar ddatblygiad parhaus ein perthynas gyda'r budd-ddeiliaid/partneriaid allweddol yng Nghymru, a'r gwaith cyfredol gyda Chynghorau Sgiliau Sector yr Amgylchedd Adeiledig.

# Financial Report

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

The adoption of the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) applies to all accounting periods beginning on or after 01 April 2005.

CITB-ConstructionSkills has decided on early adoption of the SORP as recommended by the Charity Commission.

The accounts comply with the SORP 2005 and all applicable accounting standards, and are prepared in accordance with the accounting and disclosure requirements of the Companies Act 1985.

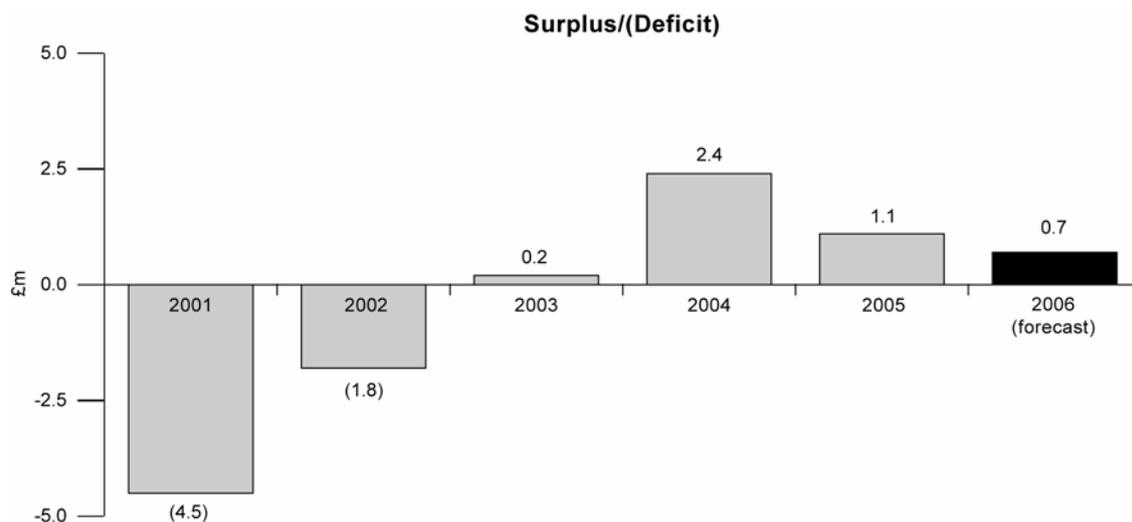
### Accounts Direction

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.

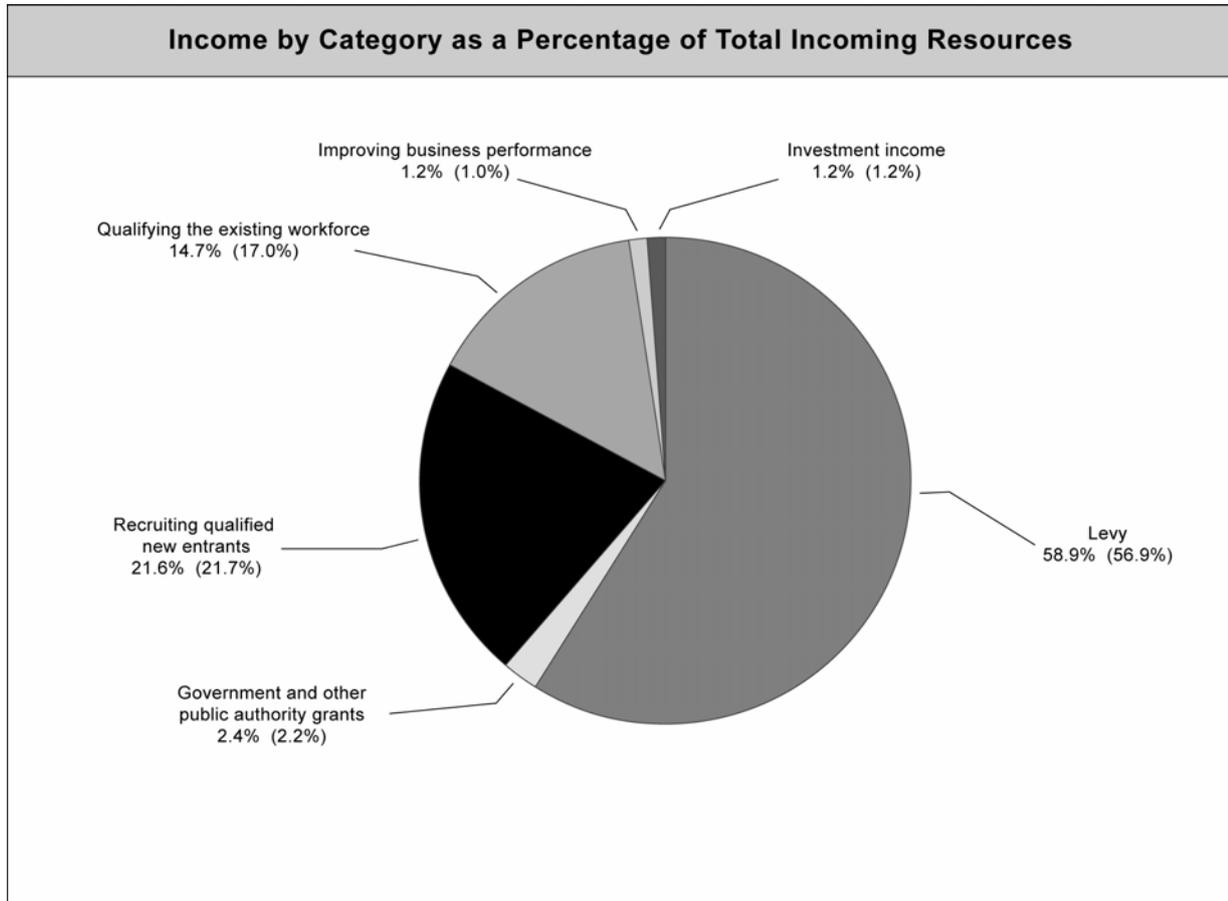
## Result for the Year

CITB-ConstructionSkills returned a £1.1m surplus for the year to 31 December 2005 (2004 £2.4m), compared with a planned surplus of £0.5m. As in 2004, the improvement arose from higher levy and non-levy income and lower operating costs, offset by increased grant expenditure. In addition to the £1.1m surplus, there is an unrealised gain on the revaluation of freehold property at 31 December 2005 of £3.0m (see Notes 10 and 16 to the Financial Statements) giving a total uplift in funds for the year of £4.1m.

CITB-ConstructionSkills is forecasting a surplus of £0.7m for the year to 31 December 2006, whilst maintaining current levy rates. The forecast is based upon plans to achieve higher levels of Government funding required to deliver the Sector Skills Agreement.



**Income**



**Levy**

Levy income for 2005 amounted to £136.0m (2004 £123.2m), comprising £137.2m (2004 £123.4m) for the current year's assessment less an adjustment of £1.2m (2004 £0.2m) in respect of the reassessment of prior years' charges.

Levy rates were unchanged at 0.5% on direct labour payments (PAYE) and 1.5% on labour-only sub-contract payments (LOSC). Following consultation and agreement with key employers' organisations, the small firms' exclusion level was raised from £61,000 to £64,000, the first increase in ten years.

The increase in levy income from 2004 to 2005 resulted from a number of factors. Activity and earnings growth was 9%, as measured from levy returns, and a further small shift from PAYE to the higher rated LOSC was recorded. A significant contribution was made by the Levy/Grant Verification Team, arising from its audit activity. More levy payers (reflecting a continued increase in the number of registered employers) and an improved levy collection process also made an impact.

In excess of 10,000 employers opted to pay their levy by direct debit instalments over ten months, representing a 29% increase over 2004.

## ANNUAL ACCOUNTS

### **Government and Other Public Authority Grants**

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

Government and other public authority grants increased from £4.7m in 2005 to £5.6m. European grant funding increased by £0.1m and grants receivable from funding bodies within the Scottish Executive, DfES and DTI increased by £1.1m for other initiatives.

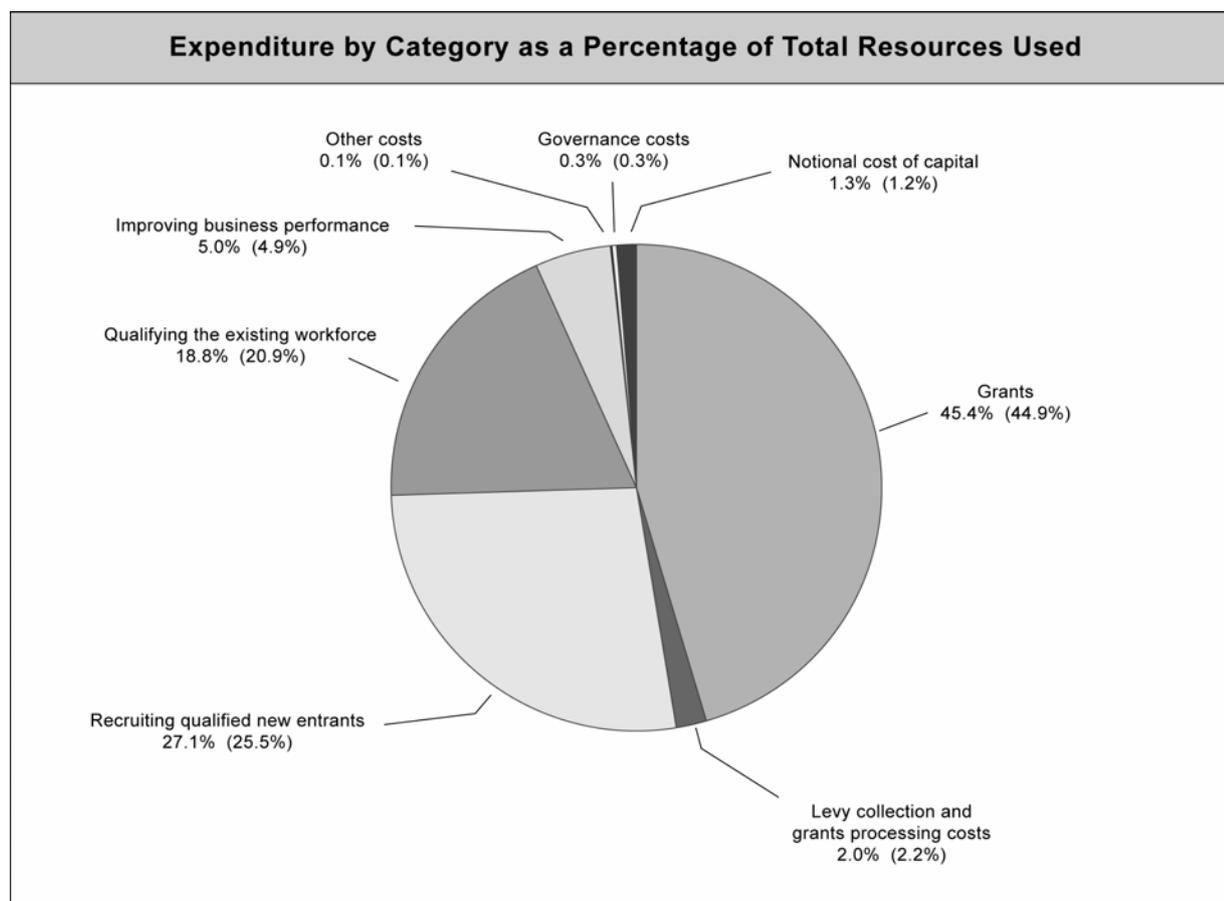
Funding for Sector Skills Council activities during 2005 was reduced by £0.3m to £1.6m to match the reduced expenditure on activities specified in the contract with the Sector Skills Development Agency. The contract, which commenced on 23 September 2003, provides for up to £4.0m of funding for the first three contract years for CITB-ConstructionSkills, together with the Construction Industry Council and CITB Northern Ireland, 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 £0.1m (4%) to £2.6m in 2005, reflecting improved investment returns in cash deposits offset by lower yields on gilts and bonds.

## Expenditure



### Grants

New Entrant Training (NET) grants were up £9.5m (19.0%) on 2004 at £59.5m (see Note 5 to the Financial Statements). Attendance grants rose by £5.2m, reflecting increased trainee numbers over the last two years from 34,500 to 40,000 (see Table 7 on page 58). Achievement grants doubled to £9.9m, reflecting increased trainee numbers, higher levels of achievement and an increase in the rate paid for achievement grant. In recent Grants Schemes, NET grants have been re-profiled to give greater priority to achievement. Commitment grants fell by £0.7m to £2.3m reflecting the reduction in the rate at which this grant is payable.

Other grants fell by £1.0m (2.0%) to £46.0m (see Note 5 to the Financial Statements) due to a reduction in the Health and Safety Test grant from £35 to £17.50 and a reduction in liP grant following the withdrawal of the commitment grant.

### Notional Cost of Capital

The notional cost of capital was £3.2m (see Note 9 to the Financial Statements). 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 2005, was 3.5% (2004 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 (formerly Image and Recruitment)
- Qualifying the Existing Workforce (formerly Qualifying the 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 against this challenge are delivered through the activities of the key accountable Directorates, Field and Managing Agency. These activities centre on:

- improving understanding of career opportunities in construction (*Field*)
- increasing apprenticeship completions and widening opportunities for on-site practice (*Managing Agency*)
- the construction industry workforce reflecting UK plc population (*Field*)
- increasing applications for construction-related degree courses (*Field*).

Income at £49.8m (2004 £47.0m) has increased by £2.8m, which relates to Managing Agency funding for New Entrant Training arising from higher numbers of trainees gaining vocational qualifications.

Expenditure at £63.2m (2004 £55.2m) has increased by £8.0m. This is mainly as a result of:

- increased college fees of £5.7m due to the higher numbers of funded trainees in learning and an increase in the performance payments to colleges for framework achievements, which were up from 30% in 2004 to 54% in 2005
- claims for trainee travel and subsistence allowances rising by £0.2m
- higher expenditure of £1.0m on Adult Apprenticeship projects, the Positive Image campaign and diversity including Construction Industry Training for Youth (CITY) Programme.

#### Qualifying the Existing Workforce

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

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

Income during 2005 fell by £2.7m (7.3%) to £34m. The industry initiatives for Qualifying the Workforce continue through health and safety testing, and CSCS and NVQ/SVQ registrations. Whilst there was an increase in the numbers of Health and Safety Tests taken, income fell by £2.8m because the price for each test was halved from £35 to £17.50 early in 2005. CSCS income fell by £0.7m as a result of lower volume. However, income from direct training courses delivered by the National Construction College increased by £0.7m.

Expenditure during 2005 reduced by £1.4m (3.2%) to £43.7m, reflecting the reduced costs for Health and Safety Tests.

### Improving Business Performance

The priorities driving the activities under this challenge are delivered through the activities of the key accountable Directorates, Corporate Services, Business Services and Skills Strategy. 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 £0.5m to £2.8m as a result of increased publication sales (£0.3m) and health and safety training income (£0.2m).

Expenditure increased by £0.9m from £10.7m in 2004 to £11.6m. This includes the costs associated with:

- 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 Board and committees, internal and external audit, business planning and related support costs. Total expenditure for 2005 was £0.7m (2004 £0.7m) (see Note 8 to the Financial Statements).

The income and expenditure relating to levy and grant are shown separately in the Statement of Financial Activities on page 38.

## ANNUAL ACCOUNTS

### Balance Sheet

The balance sheet shows net assets of £51.1m (£47.0m at 31 December 2004); the increase on the previous year reflects the surplus for the year of £1.1m and the unrealised gain of £3.0m (see Note 16 to the Financial Statements) arising on the revaluation of freehold property. Working capital (net current assets) increased from £35.5m to £37.5m (see below).

#### Fixed Assets

The net book value of fixed assets increased by £2.0m to £14.4m, reflecting additions of £1.6m (2004 £2.7m) and the unrealised gain of £3.0m on the revaluation of freehold property, less depreciation charges of £2.5m and disposals/write-offs of £0.1m.

All freehold properties were valued at 31 December 2005. There were no additions to properties during the year.

Expenditure on plant and machinery totalled £0.3m (2004 £1.5m) as part of a continuing replacement programme. Major purchases included two hydraulic excavators.

As part of the four-year replacement cycle, additions to motor vehicles less disposals totalled £0.2m (2004 £0.2m).

The only major purchase of computer equipment was £0.2m on the replacement of part of the Wide Area Network.

#### Debtors

Total debtors at 31 December were £34.4m (2004 £34.7m).

Levy debtors fell by £2.1m to £19.5m, despite a £12.8m increase in levy income. This was a direct result of continued improvements in the debt collection processes, mainly as a consequence of the widespread take-up of payment by direct debit instalments. Included in the outstanding levies at 31 December 2005 were the tenth and final direct debit instalments from the assessments raised in March 2005, payable in January 2006, amounting to £6.4m.

Non-levy debtors increased by £1.8m to £14.9m. This was because the amount due from the Learning Skills Council for Managing Agency funding increased by £3.4m, due to a change in the basis of payment from advance to arrears and increased activity. However, other debtors fell by £0.9m and public corporations fell by £0.6m.

#### Creditors

Creditors increased by £2.4m to £41.5m at 31 December 2005. Trade creditors increased by £0.9m reflecting increased college fees offset by lower amounts due to other suppliers. NET grants outstanding remained at £5.7m despite the increased volume of claims, reflecting the continuing improvement in grant payment performance. Provisions for outstanding claims for other grants increased by £1.2m in line with the forecast rise in the 2005/06 Grants Scheme expenditure.

#### Net Current Assets/Reserves

Net current assets, which are taken as a measure of CITB-ConstructionSkills' reserves, increased from £35.5m at 31 December 2004 to £37.5m at 31 December 2005, mainly as a result of the surplus for the year and a reduction of £1.0m in tangible fixed assets before accounting for the revaluation of the freehold property at 31 December 2005.

The reserves at £37.5m fall within the target range of reserves of £35.3m to £39.1m, as agreed with Government. The target range is calculated using a risk-based formula which equates to 15% of total forecast expenditure (see Note 1 to the Financial Statements).

#### Provisions

Provisions decreased from £1.0m to £0.8m 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 2,464 to 72,159 at 31 December 2005, of which 25,966 (2004 25,066) were due to pay a levy in 2005 – see Statistical Information Tables 1 and 3 on pages 55 and 56. During the year 11,546 employers were added to the register compared with 9,082 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 34 and 35.

### Material Cash Support Payments

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

### 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 2005 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 2005 was 97.2% (2004 96.4%).

Trade creditors at 31 December 2005 represented 26 days of average purchases during the year (2004 23 days).

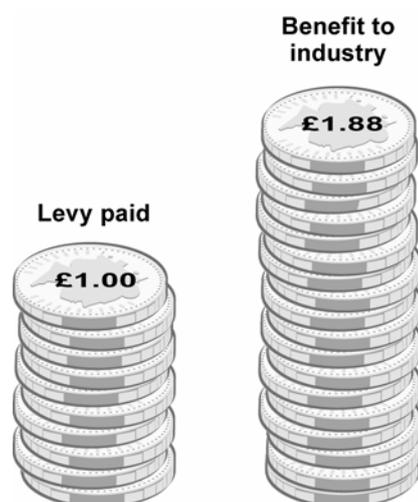
### Investment Policy and Performance

CITB-ConstructionSkills invests funds within guidelines set by HM Treasury. Funds invested by CITB-ConstructionSkills staff generated a return of 4.65% for the year compared with a benchmark (Charities Official Investment Fund) rate of 4.46%.

During 2005, funds invested by fund managers were reduced by £5.0m. They achieved a return of 5.36% for 2005 against a benchmark of 4.98% (Merrill Lynch 1–3 year gilt index). The managed funds were transferred from Alliance Capital Ltd to Singer & Friedlander Investment Management Ltd in November 2005.

## ANNUAL ACCOUNTS

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



Levy income for the year amounted to £136.0m.

Training grants, college fees and other cash disbursements for the direct benefit of employers and trainees amounted to £139.9m, an increase of £14.5m over 2004, which represents 103% 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 LSCs, ELWa and Scottish Enterprise 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 2005, for each £1.00 of levy paid by registered employers, the construction industry received £1.88 (2004 £1.79), as follows:

	<b>2005</b>	2004
	<b>£</b>	£
<i>Per statutory accounts</i>		
Grant	<b>0.78</b>	0.79
College fees	<b>0.21</b>	0.19
Trainee allowances	<b>0.04</b>	0.04
<b>Total Direct Benefit</b>	<b>1.03</b>	1.02
Indirect Benefit		
Training centres, recruitment of trainees, development of standards, careers and training advice etc.	<b>0.62</b>	0.59
Third Party Funding	<b>0.23</b>	0.18
<b>Total Benefit</b>	<b>1.88</b>	1.79

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.

For 2005, third party contributions have increased from £0.18 to £0.23. This improvement derived from increased activity and the continued identification of funding for which data had not previously been readily accessible. Such funding includes contributions for college fees in Scotland.

### **Statement of the Board's and Accounting Officer'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.

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.

# 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 2005 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 risks, 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.

### Significant Internal Control Problems

No significant problems were encountered in 2005 and none are known to exist at the year end.

### Accounting Officer



**Peter Lobban**  
Chief Executive  
CITB-ConstructionSkills

### Acknowledged on behalf of the Board



**Maurice Denyer**  
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 2005 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 and the Financial Statements in accordance with the Industrial Training Act 1982, the Charities Act 1993 and in the form directed 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 33 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) which I have chosen to adopt as the basis of my approach to the audit of Financial Statements.

I report to you my opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Charities Act 1993 and the Industrial Training Act 1982 and directions made thereunder. 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 34 and 35 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. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Financial Statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Board and Accounting Officer in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In my opinion:

- the Financial Statements give a true and fair view, in accordance with the Industrial Training Act 1982, the Charities Act 1993 and directions made by the Secretary of State for Education and Skills, of the state of affairs of CITB-ConstructionSkills as at 31 December 2005 and of the incoming resources and application of resources for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Industrial Training Act 1982, the Charities Act 1993 and directions made by the Secretary of State for Education and Skills; 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**

**15 March 2006**

## ANNUAL ACCOUNTS

# Financial Statements

### CITB-ConstructionSkills Statement of Financial Activities for the Year Ending 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>INCOMING RESOURCES</b>			
Incoming resources from charitable activities			
Non-levy income			
Recruiting Qualified New Entrants		49,844	46,999
Qualifying the Existing Workforce		33,998	36,686
Improving Business Performance		2,767	2,238
Government and other public authority grants	3	5,577	4,679
Total non-levy income		92,186	90,602
Levy	4	136,020	123,204
Incoming resources from generated funds			
Investment income		2,629	2,534
		<u>230,835</u>	<u>216,340</u>
<b>RESOURCES EXPENDED</b>			
Cost of generating funds			
Investment management costs		31	34
Charitable activities			
Grants	5, 6	105,556	97,002
Recruiting Qualified New Entrants		63,177	55,185
Qualifying the Existing Workforce		43,681	45,129
Improving Business Performance		11,573	10,672
Levy collection and Grant processing costs		4,636	4,815
Total cost of charitable activities	7	228,623	212,803
Governance costs	8	751	724
<b>Total resources expended</b>		<b>229,405</b>	<b>213,561</b>
Notional cost of capital	9	3,157	2,531
<b>Total resources expended including notional costs</b>		<b>232,562</b>	<b>216,092</b>
<b>Net (outgoing)/incoming resources for the year after charging notional cost of capital</b>		<b>(1,727)</b>	<b>248</b>
Notional cost of capital added back	9	3,157	2,531
<b>Net incoming resources for the year</b>		<b>1,430</b>	<b>2,779</b>
<b>Other recognised losses</b>			
Realised on investments		(122)	(749)
Unrealised on investments		(169)	349
<b>Net movement in funds (excluding freehold property revaluation)</b>		<b>1,139</b>	<b>2,379</b>
<b>Other recognised gains</b>			
Unrealised gain on revaluation of freehold property		2,992	–
<b>Net movement in funds</b>	10	<b>4,131</b>	<b>2,379</b>
Accumulated unrestricted fund at 01 January		46,956	44,577
Accumulated unrestricted fund at 31 December	16	<u>51,087</u>	<u>46,956</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.

The format of the Statement has been revised to comply with the 2005 Statement of Recommended Practice issued by the Charity Commission and accordingly the figures for 2004 have been restated (see Note 2).

**Balance Sheet as at 31 December 2005**

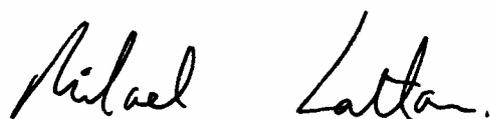
	Notes	2005		2004	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	11		14,409		12,437
<b>CURRENT ASSETS</b>					
Debtors	12	34,394		34,665	
Investments	13	43,846		38,043	
Cash at Bank		756		1,861	
		<u>78,996</u>		<u>74,569</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	14	<u>(41,471)</u>		<u>(39,039)</u>	
<b>Net current assets</b>			<u>37,525</u>		<u>35,530</u>
<b>Total assets less current liabilities</b>			<u>51,934</u>		<u>47,967</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		<u>(847)</u>		<u>(1,011)</u>
<b>NET ASSETS</b>			<u>51,087</u>		<u>46,956</u>
<b>FINANCED BY</b>					
Accumulated unrestricted fund	16		<u>51,087</u>		<u>46,956</u>

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

Approved by the Board on: 23 February 2006

and signed on its behalf by:

Chairman



Sir Michael Latham DL

Chief Executive



Peter Lobban

## ANNUAL ACCOUNTS

### Cash Flow Statement for the Year Ending 31 December 2005

	Notes	2005 £'000	2004 £'000
<b>Reconciliation of net resources used to net cash inflow/(outflow) from operating activities</b>			
Net (outgoing)/incoming resources for the year after charging notional cost of capital		(1,727)	248
Notional cost of capital		3,157	2,531
Interest receivable		(2,629)	(2,534)
Operating (deficit)/ surplus		(1,199)	245
Depreciation charges		2,501	2,497
Fixed asset write-off		3	40
Profit on sale of tangible fixed assets		(67)	(150)
Realised loss on investments		(122)	(749)
Decrease/(Increase) in debtors		143	(6,975)
Increase in creditors and provisions		2,314	624
<b>Net cash inflow/(outflow) from operating activities</b>		<b>3,573</b>	<b>(4,468)</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow/(outflow) from operating activities</b>		<b>3,573</b>	<b>(4,468)</b>
<b>Returns on investments and servicing of finance</b>	17	<b>2,757</b>	<b>2,594</b>
<b>Capital expenditure (net)</b>	17	<b>(1,463)</b>	<b>(11)</b>
<b>Management of liquid resources</b>	17	<b>(6,523)</b>	<b>7,513</b>
<b>(Decrease)/Increase in cash and investments on call</b>		<b>(1,656)</b>	<b>5,628</b>
<b>Reconciliation of net cash flow to movement in net funds</b>	18		
<b>(Decrease)/Increase in cash in the period (cash, current accounts, call accounts and money market funds)</b>		<b>(1,656)</b>	<b>5,628</b>
Management of liquid resources (term deposits and externally managed funds)		6,523	(7,513)
Other non-cash movements in the year		(169)	349
<b>Movement in net funds in the year</b>		<b>4,698</b>	<b>(1,536)</b>
<b>Net funds at 01 January</b>		<b>39,904</b>	<b>41,440</b>
<b>Net funds at 31 December</b>		<b>44,602</b>	<b>39,904</b>
<b>Represented by:</b>			
<b>Investments</b>	13	<b>43,846</b>	<b>38,043</b>
<b>Cash at Bank</b>		<b>756</b>	<b>1,861</b>
		<b>44,602</b>	<b>39,904</b>

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

**Notes to the Financial Statements for the Year Ending 31 December 2005**

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**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 Ending 31 December 2005 (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 expenditure 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 Ending 31 December 2005** (continued)**2. RESTATEMENT OF PRIOR YEAR'S RESOURCES EXPENDED**

	2004 Accounts	Investment management fee	Grant	Recruiting Qualified New Entrants	Qualifying the Existing Workforce	Improving Business Performance	Levy and Grant costs	Governance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Levy collection	2,951						2,951	
Government and other	67					67		
Investment management fee	34	34						
Grant	97,002		97,002					
Grant processing	1,864						1,864	
Sector Skills Council	1,915					1,915		
Image and Recruitment	54,228			54,228				
Qualifying the Workforce	44,212				44,212			
Improving Business Performance	8,478					8,478		
Support	1,179			462	512	126		79
Management and administration	1,631			497	444	93		597
Planning				(2)	(39)	(7)		48
2004 as restated	<u>213,561</u>	<u>34</u>	<u>97,002</u>	<u>55,185</u>	<u>45,129</u>	<u>10,672</u>	<u>4,815</u>	<u>724</u>

In line with ongoing developments and implementation of the Sector Skills Agreement for Construction, the terminology that captures the key challenges and associated priorities has been updated during 2005 as follows:

- Image and Recruitment became Recruiting Qualified New Entrants
- Qualifying the Workforce became Qualifying the Existing Workforce.

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ending 31 December 2005 (continued)

#### 3. INCOMING RESOURCES FROM GOVERNMENT AND OTHER PUBLIC AUTHORITIES

	<b>2005</b>	2004
	<b>£'000</b>	£'000
European grants receivable	<b>225</b>	116
Department for Education and Skills, Department for Trade and Industry and Scottish Executive grants receivable	<b>3,772</b>	2,648
	<b>3,997</b>	2,764
Sector Skills Development Agency (SSDA) (see below)	<b>1,580</b>	1,915
	<b>5,577</b>	4,679

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

Sector Skills Council income from the SSDA of £1,580,000 (2004 £1,915,000) reimbursed expenditure of £1,580,000 (2004 £1,915,000) for specific activities in 2005.

#### 4. LEVY

2004 levy assessment receivable in 2005	<b>137,247</b>	123,406
Adjustment to previous years' levy assessments	<b>(1,227)</b>	(202)
	<b>136,020</b>	123,204

#### 5. TRAINING GRANTS

	Grants Scheme		<b>2005</b>	2004
	2005/06	2004/05		
	£'000	£'000	<b>£'000</b>	£'000
Paid or offset during the year	10,819	93,510	<b>104,329</b>	99,270
<b>Less:</b> Accruals brought forward	–	(19,041)	<b>(19,041)</b>	(21,309)
<b>Add:</b> Accruals for further payments	20,032	236	<b>20,268</b>	19,041
	<u>30,851</u>	<u>74,705</u>	<b>105,556</b>	<u>97,002</u>
 New Entrant Training grants				
Commitment grants			<b>2,350</b>	3,026
Attendance grants			<b>47,298</b>	42,055
Achievement grants			<b>9,858</b>	4,905
			<b>59,506</b>	49,986
 Other grants				
Qualifying the existing workforce			<b>27,897</b>	27,669
Developing the workforce			<b>18,153</b>	19,347
			<b>46,050</b>	47,016
 Total grants (all claimed as institutional grants)			<b>105,556</b>	<u>97,002</u>

**Notes to the Financial Statements for the Year Ending 31 December 2005** (continued)**6. MATERIAL CASH SUPPORT PAYMENTS IN RESPECT OF TRAINING**

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

Aggregate payments/offsets over £175,000 made during the year:

<b>Recipient</b>	<b>£'000</b>		<b>£'000</b>
Carillion*	5,044	M J Gleeson	308
Barratt	1,781	Shepherd	274
Persimmon	1,486	SGB	272
O'Rourke	1,398	Mitie	269
George Wimpey	1,307	Minett	269
Kier	1,292	May Gurney	267
Balfour Beatty	1,176	Wilson Bowden	266
AWG	1,057	Grantrail	265
Morgan Sindall	1,044	WJ Harte Construction	260
Macob	922	Rokbuild	249
Taylor Woodrow	915	HSS Hire Service	245
Amec	767	Ringway	244
Henry Boot*	698	Redrow	237
Edmund Nuttall	670	Wrekin	236
Alfred McAlpine	579	Willmott Dixon	233
Mowlem	479	Vinci	232
Costain	462	Alfred Bagnall	231
Bellway	447	Skanska	229
R G Carter	433	Amey	217
Seddon	431	Ainscough Crane Hire	215
Keepmoat	420	Jarvis	205
Sir Robert McAlpine	419	Heyrod Construction	202
Bovis Lend Lease	373	Tulloch Construction	201
Interserve	361	Cruden	197
Wates	358	Bell Group	196
Barhale Construction	341	FG Construction (Nottingham)	189
Galliford Try	321	J S Bloor	180
Miller	316	Bowmer & Kirkland	179
HBG	311	Tolent Construction	178
			32,353
		Other recipients	104,037
		<b>Total payments</b>	<b>136,390</b>

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

The number of employers claiming grant increased from 18,722 in 2004 to 19,616 in 2005 (+4.8%).

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ending 31 December 2005 (continued)

#### 6. MATERIAL CASH SUPPORT PAYMENTS IN RESPECT OF TRAINING (continued)

Reconciliation with charges:	Accruals B/F £'000	Payments £'000	Accruals C/F £'000	Charges £'000
Grants (Note 5)	(19,041)	104,329	20,268	105,556
Trainee allowances	(250)	5,141	300	5,191
College fees	(6,467)	26,920	8,654	29,107
	<u>(25,758)</u>	<u>136,390</u>	<u>29,222</u>	<u>139,854</u>

College fees and trainee allowances are included within expenditure attributed to Recruiting Qualified New Entrants in the Statement of Financial Activities (page 38).

#### 7. CHARITABLE ACTIVITIES

Activity	Activities undertaken directly £'000	Support costs (Note 10) £'000	Total £'000	Grant making £'000	2005 Total including Grants £'000	2004 Total including Grants £'000
Grants	105,556	–	105,556	(105,556)	–	–
Recruiting Qualified New Entrants	60,778	2,399	63,177	54,467	117,644	105,237
Qualifying the Existing Workforce	40,894	2,787	43,681	30,189	73,870	72,874
Improving Business Performance	11,128	445	11,573	20,900	32,473	29,877
Levy collection and Grant processing costs	–	4,636	4,636	–	4,636	4,815
	<u>218,356</u>	<u>10,267</u>	<u>228,623</u>	<u>–</u>	<u>228,623</u>	<u>212,803</u>

#### 8. GOVERNANCE COSTS

	2005 £'000	2004 £'000
Board and committee costs	212	242
Internal audit	309	270
External audit	36	36
Other	194	176
	<u>751</u>	<u>724</u>

#### 9. 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% (2004 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.

**Notes to the Financial Statements for the Year Ending 31 December 2005** (continued)**10. NET MOVEMENT IN FUNDS**

	2005 £'000	2004 £'000
The net movement in funds for the year of £4,131,000 was arrived at after (crediting)/charging:		
Profit on sale of fixed assets	(67)	(150)
Unrealised gain on revaluation of freehold property (see Note 16)	(2,992)	–
Rentals received under operating leases		
• Properties	(67)	(18)
Board members' remuneration (see Note 21)	42	40
Rentals paid under operating leases		
• Hire of plant and machinery	120	93
• Other operating leases	1,022	980
Auditors' remuneration		
• Audit fee	36	36
Depreciation		
• Owned assets	2,501	2,497
Fixed asset write-off	3	40
Sector Skills Council activities (see Note 3)	1,580	1,915
Indemnity insurance	10	15
Support costs (see below)	<u>10,267</u>	<u>9,994</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 £'000	Recruiting Qualified New Entrants £'000	Qualifying the Existing Workforce £'000	Improving Business Performance £'000	Total £'000
Levy and Grant	3,966	–	–	–	3,966
Management	63	264	281	73	681
Finance	221	384	390	107	1,102
Information Technology	295	1,280	1,575	132	3,282
Human Resources	61	350	367	96	874
Purchasing	13	74	77	20	184
Legal	17	47	97	17	178
<b>2005</b>	<u><b>4,636</b></u>	<u><b>2,399</b></u>	<u><b>2,787</b></u>	<u><b>445</b></u>	<u><b>10,267</b></u>
2004	<u>4,815</u>	<u>2,186</u>	<u>2,600</u>	<u>393</u>	<u>9,994</u>

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ending 31 December 2005 (continued)

#### 11. TANGIBLE FIXED ASSETS

	Freehold property	Plant and machinery	Motor vehicles	Office and computer equipment	Total
(a) Summary	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
01 January 2005	5,543	7,057	3,302	7,205	23,107
Additions	–	272	755	523	1,550
Disposals	–	–	(583)	–	(583)
Write-off	–	(26)	–	(1,003)	(1,029)
Revaluation	2,350	–	–	–	2,350
<b>31 December 2005</b>	<b>7,893</b>	<b>7,303</b>	<b>3,474</b>	<b>6,725</b>	<b>25,395</b>
Valuation 2005	7,893	–	–	–	7,893
Cost	–	7,303	3,474	6,725	17,502
	7,893	7,303	3,474	6,725	25,395
<b>Depreciation</b>					
01 January 2005	506	2,917	1,742	5,505	10,670
Charges for the year	136	643	683	1,039	2,501
Disposals	–	–	(517)	–	(517)
Write-off	–	(23)	–	(1,003)	(1,026)
Revaluation	(642)	–	–	–	(642)
<b>31 December 2005</b>	<b>–</b>	<b>3,537</b>	<b>1,908</b>	<b>5,541</b>	<b>10,986</b>
<b>Net book value</b>					
<b>31 December 2005</b>	<b>7,893</b>	<b>3,766</b>	<b>1,566</b>	<b>1,184</b>	<b>14,409</b>
31 December 2004	5,037	4,140	1,560	1,700	12,437

At 31 December 2005, 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.

	2005 £'000	2004 £'000
<b>(b) Historical cost information</b>		
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	(3,076)	(2,940)
	<b>7,524</b>	<b>7,660</b>

**(c) Freehold property**  
Included in freehold property is an amount of £3,132,000 (2004 £1,939,000) 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 £49,000 at 31 December 2005 (2004 £139,000).

**Notes to the Financial Statements for the Year Ending 31 December 2005** (continued)**12. DEBTORS**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Levy debtors	<b>19,497</b>	21,586
Other debtors	<b>1,969</b>	2,811
Central Government bodies	<b>11,086</b>	7,698
Public corporations	<b>398</b>	1,000
Prepayments and accrued interest	<b>1,444</b>	1,570
	<b><u>34,394</u></b>	<u>34,665</u>

**13. INVESTMENTS**

Listed securities managed by fund managers	<b>15,297</b>	20,417
Deposits with banks and building societies	<b>28,549</b>	17,626
	<b><u>43,846</u></b>	<u>38,043</u>

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

**Investments**

4.5% Treasury Stock 2007		3,634
8.375% Royal Bank of Scotland Eurobonds 2007		3,098
9.125% Halifax/BOS 2006		2,083
5.0% Treasury Stock 2008	<b>2,894</b>	

**Term deposits**

Bank of Ireland	<b>5,000</b>	5,000
NordDeutsche Landesbank	<b>5,000</b>	5,000
Barclays Bank	<b>4,500</b>	2,000
Bradford & Bingley	<b>9,000</b>	

**Money market funds**

Barclays Global Investors Liquidity Fund	<b>2,693</b>	3,057
Royal Bank of Scotland Global Fund		1,924

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

Trade creditors	<b>17,891</b>	17,017
Other creditors	<b>1,123</b>	1,099
Taxation and social security	<b>1,089</b>	1,024
Central Government bodies	–	608
Public Corporations	<b>800</b>	–
Accruals:		
New Entrant Training grants and allowances payable to 31 December	<b>5,732</b>	5,656
Other grants payable to 31 December	<b>14,836</b>	13,635
	<b><u>41,471</u></b>	<u>39,039</u>

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Vacated office costs</b>	<b>Leasehold property dilapidations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 01 January 2005	611	400	<b>1,011</b>
Utilised	(162)	–	<b>(162)</b>
Statement of Financial Activities	(2)	–	<b>(2)</b>
<b>Balance as at 31 December 2005</b>	<b><u>447</u></b>	<b><u>400</u></b>	<b><u>847</u></b>

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ending 31 December 2005 (continued)

#### 16. ACCUMULATED UNRESTRICTED FUND

	General reserve	Fixed asset revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 01 January 2005	46,956	–	<b>46,956</b>
Net movement in funds	4,131	–	<b>4,131</b>
Unrealised gain on revaluation of freehold property (see below)	(369)	369	–
<b>Balance as at 31 December 2005</b>	<u>50,718</u>	<u>369</u>	<u><b>51,087</b></u>

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.

At 31 December 2005, freehold property was revalued giving rise to an unrealised gain of £2,992,000, which has been recognised in the Statement of Financial Activities (page 38). Of this, £2,623,000 reverses previously recognised revaluation losses, and the balance of the gain of £369,000 has been transferred to a Fixed Asset Revaluation Reserve.

#### 17. GROSS CASH FLOWS

	2005 £'000	2004 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received on investments	<u>2,757</u>	<u>2,594</u>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(1,596)	(2,620)
Receipts from sales of tangible fixed assets	<u>133</u>	<u>2,609</u>
	<u>(1,463)</u>	<u>(11)</u>
<b>Management of liquid resources</b>		
Purchase of term deposits and externally managed funds	(800,609)	(817,849)
Sale of term deposits and externally managed funds	<u>794,086</u>	<u>825,362</u>
	<u>(6,523)</u>	<u>7,513</u>

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

	At 01/01/05	Cash flows	Other non-cash movements	At 31/12/05
	£'000	£'000	£'000	£'000
Cash at Bank	1,861	(1,105)	–	<b>756</b>
Current asset investments on call	5,626	(551)	–	<b>5,075</b>
	<u>7,487</u>	<u>(1,656)</u>	<u>–</u>	<u><b>5,831</b></u>
Other current asset investments	32,417	6,523	(169)	<b>38,771</b>
	<u>39,904</u>	<u>4,867</u>	<u>(169)</u>	<u><b>44,602</b></u>

**Notes to the Financial Statements for the Year Ending 31 December 2005** (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 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. There were no pension charges to CITB-ConstructionSkills during 2004. Contributions recommenced on 01 January 2005 at 5% and will increase to 8% in 2006.

**20. LEASE COMMITMENTS**

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

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Operating leases</b>				
Leases expiring within one year	100	42	69	95
Leases expiring in the second to fifth years	305	70	284	74
Leases expiring after five years	246	–	281	–
	<u>651</u>	<u>112</u>	<u>634</u>	<u>169</u>

**21. BOARD MEMBERS' REMUNERATION**

Remuneration of the Board Members was as follows:

	2005 £	2004 £
Chairman – Sir Michael Latham	21,420	20,569
Deputy Chairman – Peter Rogerson	20,124	19,613

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 £23,304 (£23,378 in 2004) in respect of accommodation, travel and subsistence. The total number of recipients was 18 (19 in 2004).

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ending 31 December 2005 (continued)

#### 22. REMUNERATION COMMITTEE REPORT

The Remuneration Committee meets twice a year for the following purposes:

- To determine general policy on remuneration and individual remuneration packages for the Chief Executive and Executive Team
- To report each year to the Board, the level of remuneration, pension provision, contracts of service and compensation commitments on early termination etc.

Its membership consists of the Chairman, Deputy Chairman and two Board members, James Wates and Stephen Lidgate.

The Committee met in February and December 2005 and reviewed the salaries and performance of the Chief Executive and Executive Team, drawing on their extensive knowledge of business affairs and taking account of comparable remuneration packages within the industry.

#### 23. 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 staff receive a bonus based on performance against the Scorecard targets. For 2005, 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 7.

#### 24. PARTICULARS OF STAFF

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

	<b>2005 Number</b>	2004 Number
Training	<b>1,070</b>	1,070
Other activities	<b>331</b>	282
	<b><u>1,401</u></b>	<u>1,352</u>

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

	<b>2005 £'000</b>	2004 £'000
Salaries of directly employed staff	<b>37,420</b>	34,312
Redundancy costs	<b>365</b>	50
Social security	<b>2,891</b>	2,672
Other pension costs (see Note 19)	<b>1,462</b>	–
	<b><u>42,138</u></b>	<u>37,034</u>

Wages and salaries include bonuses payable to directly employed staff amounting to £1,123,000 (£1,098,000 in 2004).

**Notes to the Financial Statements for the Year Ending 31 December 2005** (continued)**24. PARTICULARS OF STAFF** (continued)

The remuneration of the most senior members of CITB-ConstructionSkills' staff, payable for the year, was as undernoted.

	Basic salary £	Performance bonus £	Benefits in kind £	Total £
Peter Lobban <i>Chief Executive</i>	210,500	6,389	8,260	225,149
Howard Maylard <i>Change Director</i>	92,383	2,794	7,841	103,018
Sheila Hoile <i>Skills Strategy Director</i>	96,676	2,928	7,211	106,815
John Cowley <i>Corporate Services Director</i>	116,303	3,517	7,386	127,206
Frazer Clement <i>Business Services Director</i>	89,326	2,711	11,158	103,195
Fiona Kane (resigned 24 October 2005) <i>Communications and Marketing Director</i>	41,922	–	5,145	47,067
David Boyden (appointed 20 June 2005) <i>National Construction College Director</i>	68,181	2,062	9,385	79,628
Mike Bialyj (appointed 20 June 2005) <i>Field Director</i>	66,198	2,344	6,223	74,765

Paul Beatham was appointed as Managing Agency Director on 20 June 2005, a post held until his death on 13 December 2005 (see page 13). His 2005 earnings were made up of a basic salary of £70,206, a bonus of £2,928 and benefits in kind of £5,850.

Benefits in kind relate to cars and private medical insurance.

Pension entitlements (within bands of £2,500) and transfer values, excluding transfers in from previous pension schemes, of the most senior members of CITB-ConstructionSkills' staff were as follows:

	Real increase in pension at normal retirement date £	Total accrued pension at normal retirement date as at 31 Dec 2005 £	Cash equivalent transfer value at 01 Jan 2005 £'000	Real increase in the cash equivalent transfer value during the year £'000
Peter Lobban <i>Chief Executive</i>	2,501 – 5,000	25,001 – 27,500	227	81
Howard Maylard <i>Change Director</i>	1 – 2,500	17,501 – 20,000	181	46
Sheila Hoile <i>Skills Strategy Director</i>	1 – 2,500	5,001 – 7,500	47	26
John Cowley <i>Corporate Services Director</i>	1 – 2,500	2,501 – 5,000	12	8
Frazer Clement <i>Business Services Director</i>	5,001 – 7,500	40,001 – 42,500	347	104
Fiona Kane (resigned 24 October 2005) <i>Communications and Marketing Director</i>	2,501 – 5,000	10,001 – 12,250	25	10
David Boyden (appointed 20 June 2005) <i>National Construction College Director</i>	2,501 – 5,000	30,001 – 32,500	271	61
Mike Bialyj (appointed 20 June 2005) <i>Field Director</i>	2,501 – 5,000	7,501 – 10,000	26	17

## ANNUAL ACCOUNTS

### Notes to the Financial Statements for the Year Ending 31 December 2005 (continued)

#### 24. PARTICULARS OF STAFF (continued)

At the date of the approval of the Accounts, the Chief Executive's contract, which is dated 11 December 1997, included a notice period of six months. All other terms and conditions, including ITB Pension Funds' membership, are in line with those of other staff members. No provision exists for any payments for compensation for loss of office.

The emoluments, including benefits in kind but excluding pension contributions, of employees earning more than £60,000, other than those stated above, fell within the ranges shown below:

	Number of employees	
	2005	2004
£60,001 – £70,000	13	7
£70,001 – £80,000	3	3

#### 25. TAXATION

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

#### 26. 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.

#### 27. RELATED PARTY TRANSACTIONS

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

#### 28. 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 £1,907,499 (2004 £1,644,543). There were no individual debts greater than £250,000.

# Statistical Information

For the Year Ending 31 December 2005

## Levy and Grant

Table 1: Distribution of Number of Employers by 2004 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	62	117	-	2	4	21	206
Asbestos Removal	19	14	-	5	11	33	82
Asphalt and Tar Spraying	21	202	1	33	50	189	496
Bricklaying/Pointing	202	447	6	7	6	24	692
Building and Civil Engineering	460	1,073	1	84	248	1,431	3,297
Building Repair and Maintenance	439	2,888	3	199	454	1,342	5,325
Cavity Wall Insulation or Draught Proofing	12	19	-	4	7	25	67
Civil Engineering	170	545	4	58	169	829	1,775
Construction Labour Agencies	40	127	-	7	3	27	204
Demolition	63	175	1	20	48	195	502
Developers	309	403	1	4	12	105	834
Diamond Drilling	7	27	-	9	10	25	78
Dry Lining or Partition Specialist	60	229	1	5	36	302	633
Erecting/Dismantling Exhibition Stands	7	25	-	3	3	33	71
Felt Roofing	8	197	-	17	27	79	328
Flat Glass Glazing	38	155	-	18	40	61	312
Floorcovering	13	128	-	23	25	100	289
Flooring	112	296	1	29	59	195	692
Fitted Kitchen/Bedroom/Bathroom Installation	184	478	-	27	64	147	900
General Building	8,772	8,938	24	574	1,679	5,976	25,963
Hard Landscaping	51	126	-	7	1	17	202
House Building	358	1,037	-	23	165	1,155	2,738
Interior Fit-out	71	107	2	5	10	95	290
Joiner and Carpenter – Site	850	3,405	10	120	179	486	5,050
Joinery Manufacture	179	1,072	-	189	296	498	2,234
Mastic Asphalt	2	31	-	7	13	32	85
Mastic Sealant Application	18	16	-	5	7	15	61
Painting and Decorating	527	2,934	7	135	312	1,060	4,975
Paving	45	131	-	5	6	15	202
Plant Hire/Repair and/or Tool Hire	230	945	1	166	246	684	2,272
Plastering and/or Artexing	234	1,119	5	43	74	412	1,887
Preparing/Fixing Stone for Building including Stonemasonry	33	129	-	20	32	108	322
Reinforced Concrete Specialist	13	61	-	8	9	58	149
Roof Sheeting and Cladding	43	190	-	16	32	256	537
Roofing including Slating and Tiling	287	1,657	1	104	190	694	2,933
Scaffolding	146	552	1	97	188	624	1,608
Shopfitting	97	239	1	28	58	430	853
Site Preparation and Groundworks	164	588	1	38	86	335	1,212
Steeplejack/Lightning Conductor Engineering	4	33	-	12	15	29	93
Suspended Ceiling Installation	50	257	1	15	32	280	635
Swimming Pool Construction	3	36	-	9	13	23	84
Wall and Floor Tiling	85	311	-	15	29	150	590
Other	104	142	-	11	24	120	401
<b>Totals</b>	<b>14,592</b>	<b>31,601</b>	<b>73</b>	<b>2,206</b>	<b>4,972</b>	<b>18,715</b>	<b>72,159</b>

Note: Not assessed – Employers in their first year of registration and untraceable employers  
 Zero – Employers whose payroll payments fall below the £64,000 threshold

## STATISTICAL INFORMATION

### Statistical Information for the Year Ending 31 December 2005 (continued)

Table 2: Levy Income by Employer Size			
Employer Size	Number of Employers	Number of Employees	Levy £'000
Large	267	214,002	42,708
Medium	1,791	171,062	34,962
Small	10,563	206,186	35,866
Micro	44,946	116,369	23,711
Other	14,592	Not known	Nil
<b>Totals</b>	<b>72,159</b>	<b>707,619</b>	<b>137,247</b>

Table 3: Employers and Employees		
	Number of Employers	Number of Employees
Assessable to positive levy	25,966	625,000
Assessable to zero levy	31,601	82,619
Not assessed	14,592	Not known
<b>Totals</b>	<b>72,159</b>	<b>707,619</b>

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	269	31,254	23%
Medium	1,557	34,289	25%
Small	6,211	35,023	26%
Micro	10,516	30,810	22%
Other	1,063	5,014	4%
<b>Totals</b>	<b>19,616</b>	<b>136,390</b>	<b>100%</b>

Key to size of employer:

Large: 250+ employees

Medium: 50–249 employees

Small: 10–49 employees

Micro: 0–9 employees

Other: Includes new registrations

STATISTICAL INFORMATION

Statistical Information for the Year Ending 31 December 2005 (continued)

Table 5: Number of Employers with New Entrant Trainees					
Number of Trainees	Employer Size				Total
	Large	Medium	Small	Micro	
1	32	200	1476	7,640	9,348
2 to 5	27	372	2,027	2,373	4,799
6 to 10	30	215	405	–	650
11 to 15	21	94	72	–	187
16 to 20	10	82	–	–	92
21 to 50	42	79	–	–	121
51 to 100	7	5	–	–	12
101 and over	21	–	–	–	21
<b>Totals</b>	<b>190</b>	<b>1,047</b>	<b>3,980</b>	<b>10,013</b>	<b>15,230</b>

Table 6: Employers Claiming Grant by Levy Band				
Levy Banding	Employers Claiming Grant		Employers Not Claiming Grant	
Assessable to a positive levy	11,217	16%	14,749	21%
Assessable to zero levy	6,823	9%	24,778	34%
Other	1,576	2%	13,016	18%
<b>Totals</b>	<b>19,616</b>	<b>27%</b>	<b>52,543</b>	<b>73%</b>

Key to size of employer:

Large: 250+ employees

Medium: 50–249 employees

Small: 10–49 employees

Micro: 0–9 employees

Other: Includes new registrations

## STATISTICAL INFORMATION

### Statistical Information for the Year Ending 31 December 2005 (continued)

Main Activity	Employer Size				Total
	Large	Medium	Small	Micro	
Alteration to a building/part of a building	–	–	6	8	14
Asbestos Removal	–	–	–	2	2
Asphalt and Tar Spraying	–	5	5	–	10
Bricklaying/Pointing	–	4	29	303	336
Building and Civil Engineering	1,172	4,037	826	798	6,833
Building Repair and Maintenance	157	316	833	711	2,017
Cavity Wall Insulation or Draught Proofing	–	2	3	4	9
Civil Engineering	360	179	110	55	704
Construction Labour Agencies	403	1	30	17	451
Demolition	–	10	30	6	46
Developers	–	–	6	40	46
Diamond Drilling	–	–	1	3	4
Dry Lining or Partition Specialist	–	46	49	29	124
Erecting/Dismantling Exhibition Stands	–	–	1	1	2
Felt Roofing	–	5	42	28	75
Flat Glass Glazing	–	15	28	53	96
Floorcovering	–	3	52	44	99
Flooring	–	38	48	76	162
Fitted Kitchen/Bedroom/Bathroom Installation	–	4	32	125	161
General Building	637	2,318	3,544	5,638	12,137
Hard Landscaping	–	–	6	6	12
House Building	772	1,218	441	473	2,904
Interior Fit-out	–	8	25	16	49
Joiner and Carpenter – Site	–	305	760	2,550	3,615
Joinery Manufacture	–	178	826	833	1,837
Mastic Asphalt	–	–	18	5	23
Painting and Decorating	109	446	939	1,283	2,777
Paving	–	–	–	5	5
Plant Hire/Repair and/or Tool Hire	120	148	100	307	675
Plastering and/or Artexing	–	75	268	482	825
Preparing/Fixing Stone for Building including Stonemasonry	–	15	84	83	182
Reinforced Concrete Specialist	–	8	13	2	23
Roof Sheetting and Cladding	–	11	51	26	88
Roofing including Slating and Tiling	–	81	403	379	863
Scaffolding	95	134	417	241	887
Shopfitting	27	274	259	99	659
Site Preparation and Groundworks	4	19	20	31	74
Steeplejack/Lightning Conductor Engineering	–	4	55	23	82
Suspended Ceiling Installation	–	7	76	33	116
Swimming Pool Construction	–	–	2	4	6
Wall and Floor Tiling	–	41	94	143	278
Other Activities	26	2	11	241	280
Other (out of scope)	9	10	22	252	293
<b>Totals</b>	<b>3,891</b>	<b>9,967</b>	<b>10,565</b>	<b>15,458</b>	<b>39,881</b>

Key to size of employer:

Large: 250+ employees

Small: 10–49 employees

Medium: 50–249 employees

Micro: 0–9 employees

## A: CITB-ConstructionSkills Trustees

The names of those serving as charitable trustees of CITB-ConstructionSkills on 23 February 2006 are shown below, together with the names of those who stepped down during 2005.

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 sub-committees, as shown in Appendix B. These non-executive bodies are also supported by other volunteers from the industry.

### Current and former Trustees (2005/2006)

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

Peter Rogerson, OBE, FloR – Deputy Chairman

David Adamson, MA, DipHM, FICE, CEng

Howard Baggaley

Bob Blackman, MIOSH

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

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

Maurice Denyer, MBE, FAIA

George Fraser, ARICS (from 01 October 2005)

Trevor Gamble

Brian Houston

Chris Jones, BSc (Hons) MBA, CEng, MICE (from 01 October 2005)

Steven Lidgate, FCIM

Geoff Lister, MCIOB

Ian Mackey (until 04 March 2005)

John Milne

Alan Ritchie

Geoff Snow

Margaret Sullivan (until 15 June 2005)

Derick Tait (until 31 July 2005)

Neil Telling (until 02 December 2005)

Stewart Tilley, LLB, FRICS, FCIArb, FInstCES

James Wates, ACIOB

Graham Wren, BSc, CEng, MICE (from 03 December 2005)

## APPENDICES

# B: Membership of the Board and its Committees

	TB	FC	TC	CC	AC	HSEC
David ADAMSON, University of Cambridge	+					
Howard BAGGALEY, Herbert Baggaley Construction Ltd	■	■				
Richard BIGGS, Construction Industry Council				▲		
Bob BLACKMAN, Transport and General Workers Union	□					●
Duncan CANNEY, Willmott Dixon Ltd					■	
John CARPENTER, The Joint Board of Moderators						▲
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					■	
Tony CUSACK, Qualifications and Curriculum Authority				★		
Maurice DENYER, MBE, Fowler Building Contractors Ltd	■	⊗			●	
David DEWHURST, Blackpool and The Fylde College			▲			
Colin DOBSON, British Association of Construction Heads						▲
Keith DONNELLY, Carillion Construction Training			▲			
George FRASER, Tulloch Ltd.	■	■				
Trevor GAMBLE, F L Gamble & Sons Ltd	■					
Neil GRAY, AMEC Group Ltd				■		
Michael HAGUE, Transport and General Workers Union			□	□		
Christine HARDY, Hewden Stuart plc			■			
Ashley HAWKINS, Westbury plc			■			
Peter HORNSBY, Health and Safety Executive						★
Ray HORWOOD, National Federation of Roofing Contractors					▼	
Brian HOUSTON, Access Ltd	■	■	■			
Robert HUDSON, National Association of Shopfitters						▼
Chris JONES, HBG UK Ltd	■					
Rachel KELLETT, City & Guilds of London Institute				◇		
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						■
Miriam LEWIS, Skanska				■		
Steven LIDGATE, John Laing Partnership Ltd	■	■				
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						▼
Steve MASSARA, Wates Group Ltd			■			
John McEWEN, National Audit Office					⊕	
Drew McNEICE, Scottish Qualifications Authority				★		
John MILNE, Daly (Painting Contractors) Ltd	■					
Paul MONROE, York College				▲		
Alyson MORROW, Scottish Building				▼		

## APPENDICES

	TB	FC	TC	CC	AC	HSEC
Alan O'CONNOR, National Audit Office					⊕	
Sandy PALMER, Network Construction Services Ltd			⊗	●		⊗
John PETERS, Construction Confederation				▼		
Steve PHILLIPS, Westridge Construction Ltd					■	
Martyn PRICE, Carpentry Management Contracting (CMC) Ltd			■			
Jim PURDIE, Scottish Water Solutions						■
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						■
Phil RUSSELL, Russell Building Services						■
John SCOTT, Morgan Sindall						■
Paul SEALY, Kier Group			■			
John SLAUGHTER, The Home 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 Northern	■		⊗			
James WATES, Wates Group Ltd	■				■	
Steve WATSON, Kinder Roofing Ltd			■			
Edward WOODS, George Wimpey UK Ltd						■
Grant WOOLARD, Scottish Qualifications Authority				★		
Graham WREN, Stent	■					
Clive YOUNG, Department for Trade and Industry	◆	◆	◆	◆	◆	◆

(This table shows the position as at 31 December 2005)

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

## 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.

### **Howard Baggaley**

*Herbert Baggaley Construction Ltd*

Mr Baggaley is Chairman of Baggaley Group Ltd 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 National and Regional level. He is also a member of the Construction Confederation Training Sub-committee.

### **Bob Blackman**

*National Secretary, Construction, Craft and Building Materials Trade Group, Transport and General Workers Union*

Mr Blackman is a Board Member of the Building and Civil Engineering Benefits Scheme and a Director of Building and Civil Engineering Insurance Ltd. He is a Director of Construction Skills Certification Scheme Ltd.

### **Barry Clarke**

*Professor of Geotechnical Engineering, Newcastle University*

Professor Clarke is Chairman of the Construction Industry Council North East and immediate past Chairman of the Ground Forum. He is a member of the Joint Board of Moderators of the Institution of Civil Engineers, Institution of Structural Engineers, Institute of Highways and Transportation and Institution of Incorporated Highway Engineers and a member of CITB-ConstructionSkills' North East Advisory Board.

### **Nancy Cookson**

*Principal, Accrington and Rossendale College*

Mrs Cookson is a Non-executive Director of the Learning and Skills Council and a Director of NCFE.

### **Maurice J Denyer**

*Managing Director, Fowler Building Contractors Ltd*

Mr Denyer is an active member of the National Federation of Builders and a Main Board Member (representing the Construction Confederation) of the Joint Industry Board for Plumbing Mechanical Engineering Services in England and Wales.

### **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 represents the CPA on the Construction Plant Certification Scheme Management Committee.

### **Brian Houston**

*Managing Director, Access Management and Safety Ltd*

Mr Houston is a Director of Construction Skills Certification Scheme Ltd, the National Access and Scaffolding Confederation Ltd, the Access Industry Training Organisation Ltd and the Prefabricated Access Suppliers and Manufacturers Association Ltd. He is a governing board member of Moody International Certification Ltd.

### **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.

### **Stephen Lidgate**

Non-executive Director of Crest Nicholson plc (a house builder), Construction Industry Solutions Ltd (an IT company), Non-executive Chairman of Impala Partnership Ltd (a housing contractor), Specialised Fixing Ltd and Afterbuild Ltd (a contractor). Mr Lidgate is also Chairman of the Housing Forum.

### **Geoff H Lister**

*Director – Greenwood Estate and Property Maintenance Ltd*

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

### **John Milne**

*Managing Director, Daly (Painting Contractors) Ltd*

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

### **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 Immediate 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, Chairman of the Prince's Trust (North Yorkshire Region) and a trustee of the ITB Pension Funds.

### **Geoff Snow**

*Managing Director, Snows Construction Ltd*

Mr Snow is a Director of Clovermay Ltd and a Director of the Federation of Master Builders Ltd. He is Immediate Past President of the Federation of Master Builders Ltd, Chairman of the Health and Safety Committee of the Federation of Master Builders (FMB) and Director and Chairman of the National Register Warranty Board of the FMB. Mr Snow is Vice-Chairman of the West Glamorgan Construction Group Training Association and a member of CITB-ConstructionSkills' Welsh Advisory Committee.

### **Stewart Tilley**

*Managing Director, Kier Northern*

Mr Tilley is a Director of Kier Regional Ltd.

### **James Wates**

*Director of the Wates Group Ltd*

Mr Wates is a Member of the London Regional Council of the CBI.

## APPENDICES

# D: Employer and Employee Organisations

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

British Woodworking Federation  
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 with the following constituent federations of the Construction Confederation:

The 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 59.

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 Board) Order 2006 (2006 No. 334) which was enacted on 12 February 2006 and came into force on 19 February 2006. 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 ensure that there are, and will continue to be in future, sufficient 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 2005, 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 ConstructionSkills Council's strategy are formulated and developed in consultation with industry through its committee structure. The Board and its 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 Board and its 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 Notes to the Financial Statements on page 53.

The membership of the Board and its main committees is shown in Appendix B, pages 60 and 61. CITB-ConstructionSkills is indebted to all the relevant employer organisations and other bodies that provide valuable support and advice. A list of the major employer and employee organisations, with which CITB-ConstructionSkills maintains close contact, is in Appendix D, page 64.

## APPENDICES

### **CITB-ConstructionSkills' Structure**

During 2005, CITB-ConstructionSkills restructured its operations around seven Directorates, whose objectives and activities throughout the year are described in more detail on pages 11 to 17. The key objective of this change was to improve the organisation's overall efficiency and effectiveness to become Simpler – to deal with, Faster – to respond to customers, and Closer – in understanding 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 are 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 a number of 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 2005 is given on pages 11–17.

### **Research and Development**

CITB-ConstructionSkills has maintained an ongoing programme of research on matters relevant to training in construction. In 2005, this commitment was strengthened by the creation of the Construction Skills Network, a new cross-industry alliance developed by ConstructionSkills to revolutionise construction recruitment and training. The Network will provide 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](http://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 Vision Statement (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 agendas, minutes and papers, has been made available through the website ([www.citb-constructionskills.co.uk](http://www.citb-constructionskills.co.uk)).

Further requests for information can be addressed to Mark Brookes, at the Resource Centre, CITB-ConstructionSkills, Bircham Newton, King's Lynn, Norfolk PE31 6RH.

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 2005, 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.

### **Vision Statement**

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

Addresses and telephone numbers of CITB-ConstructionSkills offices and National Construction College centres may be found in Appendix G.

## APPENDICES

# F: Breakdown of 2005 Achievements by CITB-ConstructionSkills Geographical Area

### Scotland

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	27	912	6	2,742	27,897	3,255	545	75

### North East

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	27	623	30	1,608	25,292	1,190	286	61

### North West

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	33	515	80	2,687	39,757	2,118	311	66

### Yorkshire and Humber

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	41	678	67	1,413	36,064	1,830	307	51

### Wales

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	22	340	19	4,609	19,958	1,689	235	38

### Midlands

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	36	413	20	3,244	58,716	2,617	435	99

**East**

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	13	251	169	2,321	52,255	1,806	328	91

**South West**

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	20	263	17	3,105	28,275	1,714	267	33

**Southern Counties**

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	31	481	21	4,290	57,232	2,586	372	63

**Greater London**

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	45	65	38	3,263	43,812	811	142	34

**Great Britain**

	Female and Ethnic Minority Trainees	Framework Achievements	STEP into Construction	NVQ/SVQ Achievements through OSAT	CSCS Cardholders	Companies involved in Training	Companies Submitting a Training Plan	liP Recognition
2005 Achievement	316	4,692 (55%)	467	29,282	389,258	19,616	3,228	611

## APPENDICES

# G: Location of CITB-ConstructionSkills Offices and National Construction College Centres

### Head Office

Bircham Newton  
King's Lynn  
Norfolk PE31 6RH  
Tel: 01485 577577  
Fax: 01485 577689

### Scottish Office

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

### London Office

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

### 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

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

### Yorkshire and Humber

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

### South West

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

### Greater London and East

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

### North West

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

### Midlands

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

### Southern Counties

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

### National Specialist and Education Departments

Charnwood Wing, Holywell Park  
Ashby Road  
Loughborough  
Leicestershire 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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