



CITB-ConstructionSkills Annual Report and Accounts 2008



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To the Secretary of State for Innovation, Universities and Skills

Laid before Parliament by the Secretary of State for Innovation, Universities 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.

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INTRODUCTION

Foreword

Construction is a vital UK industry, employing more than 2.6 million people and contributing 8% to GDP. It also acts as a barometer of economic change. The global downturn that gathered pace during 2008 resulted in shortening order books and financial hardship for many firms in the second half of the year – with home builders being hardest hit.

Despite increasingly challenging times, this organisation – which continues to enjoy strong employer support as an Industrial Training Board and Sector Skills Council (SSC) – has a leading role to play in unlocking the talent of individuals and improving the performance of construction firms.

In 2008, our mission continued to be **achieving a fully skilled and professional UK construction industry working safely and delivering value**. Our Sector Skills Agreement (SSA) remained the principal means of achieving this.

This year's Annual Report and Accounts outlines a number of SSA successes. It explains how we have used our field-based teams, with headquarters in the devolved home nations of Scotland and Wales and offices in the nine English regions, to provide flexible, responsive and localised support to employers to help them cope with worsening economic conditions.

It shows how collecting a levy and returning financial support for training to registered employers helps safeguard the existing skill base. We also strive to ensure that new entrants continue to join the industry so that the sector will have the skilled workforce it needs when the recession comes to an end.

In previous Annual Reports, we have looked in detail at our seven core business functions which cover the full learning lifecycle: from schools, apprenticeships and adult training, to advisory services and the development of qualifications and standards. We have also reported on the performance of our existing products and services and outlined the new employer-led solutions developed to meet the changing needs of the industry.

Increasingly, this work has required different approaches in England, Scotland and Wales as the skills and training strategies and supporting funding regimes diverge. As such, this year the Annual Report is structured to provide the best account of our three nations approach.

Notable successes during the year include:

- The launch of new ConstructionSkills offices and a new National Construction College (NCC) campus in Scotland, opened by Maureen Watt MSP, Minister for Schools and Skills.
- The signing of a memorandum of understanding with Historic Scotland and the Scottish Qualifications Authority (SQA) to develop heritage skills in Scotland.
- The establishment of the Welsh Built Environment Forum, which has successfully influenced the Welsh Assembly Government on the two global pressures of environment sustainability and effective skills and business planning in the 'credit crunch'.
- Gaining support for a project-based approach to training in Wales through the development of the 'Sector Led Skills Delivery Network for Construction'.
- The development of a Sector Compact in England, securing £133m of Train to Gain funding to support sector specific skills needs, including 6,500 apprenticeship starts, over 2,000 specialist apprenticeship starts and 50,000 plant operatives qualified at full Level 2.
- The rollout of National Skills Academy for Construction projects across England, including five Academies on Olympic construction sites.
- The launch of the Construction and Built Environment Diploma in England through 44 consortia consisting of schools, colleges and construction firms.

In addition, as an Industrial Training Board, we continue to deliver a good return for the levy we collect – resulting in strong industry support for the Levy/Grant Scheme. The industry's federations once more gave levy proposals their written backing last year, and an independent survey showed that 56% of non-federated levy-paying employers and 69% of all construction employers were also in favour of it.

Last year, we distributed a record-breaking £176m in training grants – a 28% increase on 2007. Some 23,500 registered employers received support and for every £1 of levy paid in 2008, the industry received a direct benefit of £1.10. The statutory levy also helped us to generate non-levy income through the sales of products and services and enabled us to attract other external funding to benefit the sector.

With a renewed focus on improving customer service standards, it was also pleasing to see a significant rise in employer satisfaction with the delivery of our wide range of services. In the annual employer tracking survey, overall satisfaction with our delivery stood at its highest level since 1999, at 7.9 out of 10. The highest ratings for individual products and services were achieved for our publications (8.6 out of 10), Health and Safety Test (8.3 out of 10) and On-Site Assessment and Training (8.2 out of 10).

To help maintain these high scores, we launched our Customer Charter in the latter part of 2008, which outlines our main promises to our customers. These include a commitment to continuously improving our services and responding to customer feedback. We will measure and report on our progress against the Charter on a regular basis and will put action plans in place if we fall short of customer expectations.

Looking ahead, we need to make sure that the economic uncertainty does not widen the skills gaps. The industry will need a highly skilled and experienced workforce in place and ready to respond to the upturn when it happens.

This means safeguarding existing skills, while encouraging employers to continue to invest in training and develop new skills at all levels – from apprenticeships and graduate training programmes, to reskilling existing construction workers to respond to the economic drivers for innovation and the regulatory requirements for sustainability.

Our recently published Business Plan (available to view on www.cskills.org) outlines our priorities for 2009–13. It demonstrates how we will contribute to addressing the key industry and Government challenges ahead. It also summarises how, as a business, CITB-ConstructionSkills will continue to adapt its structures and ways of working to provide an efficient, flexible and responsive service to the industry, whilst making the best use of the resources available to it.

Of course, Annual Reports offer just a brief summary of progress to date and can only touch on the many individual contributions which have led to success. As ever, the achievements highlighted here are founded on working together with colleagues and partners, and with our industry customers and stakeholders. I would like to thank all those we work with for their continued support in helping this organisation achieve its goals. Your sustained commitment, together with the efforts of the organisation's dedicated staff, will be crucial in 2009, as we address the serious challenges that lie ahead.

This will be a difficult year for the sector. However, construction has come through several recessions since I joined the industry in 1967, and we will get through this one as well.

Sir Michael Latham DL
Chairman

The Business and Economic Environment

Industry profile

The credit crunch and resulting turmoil in global financial markets – which had its roots in 2007 – has cast a long shadow over the UK construction industry during 2008 and severe contraction towards the end of the year raises the fear of a long and deep recession. However, the picture is mixed in terms of output and new orders, and it would be wrong to say that activity is in decline over the whole sector.

Whilst orders in 2007 rose by a modest 1% compared with 2006, a trend that continued into the early part of 2008, orders in the 12 months to September 2008 fell by 10% compared with the previous 12 months, with significant falls in private housing, private commercial and private industrial.

Housing and commercial construction fared particularly badly as developers struggled for cash and anticipated plummeting demand for office and retail space during the recession. House builders have also been hit hard as banks have cut lending to prospective buyers and house prices have fallen by record levels – 16% in 2008 alone. Private housing orders over this period fell by 30%, reflecting the difficulties in the credit market.

Rises in energy and materials costs have also contributed to higher total costs over the last 12 months, discouraging capital investment, although the former has eased somewhat with the prospect of recession. Nonetheless, credit shortages and low consumer confidence look set to continue to undermine investor confidence; this has significantly affected construction in the second half of 2008.

Repair and maintenance (R&M) has not been immune to falling levels of demand. Housing R&M has declined as consumers cut back on non-essential work on their properties, particularly as disposable incomes have come under pressure and employment uncertainties increase. Non-residential R&M output has fared a little better than housing R&M as a result of Government investment, but with public finances under pressure there are real possibilities that routine and cyclical maintenance on public buildings could be cut back. In the short-term, continuing support for this activity would be welcome because of the level of employment it supports – R&M is much more labour intensive than new work.

Whilst many parts of the industry have experienced decline during 2008, there have been areas of growth, albeit at fairly low levels by recent standards.

Growth has mainly been focused around major projects and programmes of work that depend upon Government spending commitments set out in the 2007 Comprehensive Spending Review (CSR). Strongest growth was experienced in infrastructure and public non-residential, where new orders were up 24% and 22% respectively in the 12 months to September 2008, compared with the same period in 2007. Whilst the Government's fiscal stimulus is likely to provide further relief in terms of generating work in public non-residential and infrastructure, this work tends to be less labour intensive.

Contrary to what might be expected, given uneven growth and negative media reporting, overall output remained fairly steady during 2008 with many existing projects reaching completion. Indeed, output was up 3% in the first half of 2008 on the same period of 2007, and over the full year is forecast to achieve comparable levels to those experienced in 2007. In 2008, the construction contracting element of the industry was estimated to be worth £82bn in real terms, representing a 1% drop in output from 2007. Overall, the signs are that 2008 has been a year of mixed fortunes, with output just holding steady and losses in some sectors balanced by gains in others.

However, the signs are that the current position will deteriorate before any recovery occurs. The Construction Skills Network (CSN) forecasts that the overall effect of the recession will be to lower average construction output growth to around 0.5% per year between 2009 and 2013, compared to the average of 1.7% previously predicted for the 2008–12 period.

Workforce profile

According to the Labour Force Survey (LFS), at the start of 2008 approximately 2.6 million people were employed across the construction sector (including 300,000 employed in architectural and engineering roles within the Professional Services industries).

By the start of 2009, it is estimated that total employment across the sector, including contracting and professional services, will have fallen to 2.5 million and this is only expected to rise marginally to 2.6 million by 2013. Nonetheless, to deliver forecast work to 2013, an average of 37,000 recruits will be needed each year to meet demand and replace those leaving the industry. Of this number, 13,000 are forecast to be in trade or related activities, 9,000 in specialist and civil engineering occupations, 7,000 in management roles and 4,000 within the Professional Services sector (SIC 74.2).

Regional and sectoral variation

Average annual construction output growth in the UK regions and nations between 2009 and 2013 is projected to vary quite widely and will depend upon levels of growth in the infrastructure and public non-residential sectors. Public output growth is likely to exceed that of privately funded construction between 2009 and 2013 – a reversal of recent experience.

Growth is expected to focus in the South East, and the strongest demand for new entrants to the industry will be in those regions with the biggest construction markets – Greater London and the South East. However, the North East has quite a high demand for new entrants due to the significant level of net outflow of the workforce in the region, while Yorkshire and Humber has a low requirement due to the relative weakness of output and a low level of net outflow.

Growth in the Scottish and Welsh construction industry will continue to be driven by the infrastructure sector, particularly transportation projects.

Future prospects

The recession is forecast to last through 2009 and 2010 as the housing market continues to weaken and demand for industrial, office, retail and leisure facilities disappears.

Public non-housing will benefit from the Government's fiscal stimulus package, although much construction activity originates from programmes that have been slow in starting or work that has been brought forward. Activity in the public non-residential sector is expected to rise strongly across 2009 and early 2010, but then tail off. The sector is currently being driven by the Building Schools for the Future (BSF) programme, which should create a substantial work stream until at least 2010. However, the BSF programme is not exempt from future cut backs.

By late 2010, the expectation is that credit conditions will have begun to ease and the economy will begin to expand again slowly during 2011. Potential house buyers should see affordability improve and they should be able to access mortgage funding at an attainable level of deposit. On the supply side, developers, both of residential and non-residential buildings, should see demand start to return to the respective markets, and schemes mothballed during the recession should be able to be reactivated fairly quickly. Thus, from 2011, construction output is predicted to start to rise again and by 2013 the rate of growth could be approaching 3% in real terms.

Employment and recruitment

Despite recession, construction is still likely to employ over 2.5 million people in 2009 and will need new entrants to replace those leaving and meet demand. The CSN, which reports on the numbers of recruits needed to satisfy growth, shows that the slowdown has reduced the requirement from an average of about 88,000 per year to 37,000 per year between 2009 and 2013. Compared with forecasts produced at the end of 2007, this is a total fall of 255,000 new recruits needed by the industry over five years. Naturally, such lower demand has implications for both the existing labour market and those looking to access it, or undertake work-based training.

The level of vacancies across the sector fell from 24,700 in September 2007 to 15,000 in September 2008 (a fall of nearly 40%), reflecting declining demand. The rate of unemployment also grew significantly during 2008, rising from 11 per 1,000 employees in the first quarter to 21 per 1,000 in the third quarter. This is the highest rate in a decade, coinciding with the collapse in private house building and underlining the seriousness of the current situation. The Chartered Institute of Purchasing and Supply (CIPS) survey for December 2008 shows that construction jobs continue to be lost, albeit at slightly reduced levels compared with previous months.

Employer views about recruitment difficulties are indicative of their changing concerns. The ConstructionSkills Employer Panel Consultation Survey (September 2008) established that the need to increase sales (32%) was significantly higher than the need to find suitably skilled staff (10%). Although these remain the two most common business challenges facing employers, the proportion mentioning the need to increase sales is at its highest level since 2006. With more than a quarter (27%) of employers mentioning the economic downturn – minimal mentions were made in any previous wave – there is strong indication that the effect of the credit crunch is spreading beyond house building. Less than a quarter (23%) of respondents are from the building completion/house building sector.

This easing of capacity is also shown by figures from Construction Forecasting and Research at Experian which show that, in the third quarter of 2008 (to November), fewer than 2% of companies cited skilled labour shortages as an actual constraint on activity compared to 40% that were citing lack of demand as the constraining factor on activity. Lack of demand represents a significant challenge in ensuring the sector maintains capacity in the medium to long term.

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Similarly, results from the Construction Confederation State of Trade survey for the third quarter to November 2008 show a general easing in recruitment difficulties with fewer than one fifth (16%) of surveyed building contractors reporting difficulties in recruiting skilled trades. This contrasts sharply with one year ago, when 78% of firms found such difficulties.

On balance, current evidence suggests that the industry is not short of skilled workers, and there is enough to suggest that the forecast demand for additional skilled workers will be met. However, there are indications that maintaining the supply of skilled labour is an ever-present need, particularly within specialist occupations serving growth sectors. In this respect, there is a need to retain capacity where possible and to take the opportunity to invest in training, particularly in terms of establishing a more focused approach to workforce planning.

Industry skills challenges

The construction industry has arguably not been under as much pressure from external market forces since the early-1990s and the spotlight is very much focused on how it can adapt to the changes without undermining potential for future growth. UK construction output has experienced sustained growth for over a decade, and the industry has consistently delivered ambitious and high-profile building projects at the heart of the nation's future. Changes in the global economy now present a very serious threat to the short- and medium-term stability of the industry.

It is in this climate of uncertainty that the industry is most at risk, not only in terms of its ability to deliver existing projects, but also in terms of safeguarding jobs and ensuring opportunities exist for the next generation of apprentices and workers.

This is particularly true when it comes to ensuring the industry is sufficiently skilled to deal with opportunities that will emerge when the economy starts to grow.

There is no doubt that a slow down in construction will lessen the industry's attractiveness for both UK and non-UK workers. A less buoyant construction market will reduce potential earnings and generally cause a loosening of the labour market. This will reduce the flow of entrants into construction not only from other industries and through immigration, but also from education and training and will also increase flows out to other industries. Past experience suggests that some of the experienced workers leaving the industry do not return; should this happen, it may cause major

problems in delivering much-needed affordable housing, schools, hospitals and roads in the future. Indeed, the sector needs to retain capacity for future growth predicted for 2011 and beyond.

ConstructionSkills has identified four key themes that must be addressed if industry is to successfully operate in the current environment and exploit new and emerging opportunities:

- preserving the skills base through the downturn and maintaining readiness for an upturn
- keeping the pipeline of talent flowing through targeted recruitment, supported by skills development and career progression
- investing in the future by improving management and leadership skills and supporting evolving areas of sustainability and innovation so that the industry is able to direct resources more effectively and fully realise new opportunities
- encouraging clients to invest in skills, particularly through public sector procurement practices and engagement in new training models, such as the National Skills Academy for Construction (NSAfC).

Key drivers and policy issues

Recent Government strategy reviews across all home nations have highlighted the need for improvements to productivity and efficiency, and focus on design quality and modern construction techniques. Meeting the specialist sector's skills needs and supporting integrated supply chain working also feature strongly in our plan. In addition, ambitious goals for new houses and targeted CO₂ reductions underline the importance of supporting the housing and related sectors' future skills needs. These key drivers are central to the joint industry/Government 'Strategy for Sustainable Construction' and the Strategic Forum's 'Construction Commitments' in England, and inform our initiatives in Scotland to develop new skills in sustainable and lean construction.

The emphasis on boosting apprenticeship training, detailed in the Government's Draft Apprenticeships Bill in England (which outlines the role of the new National Apprenticeship Service), will need to be monitored to ensure that it enhances, rather than duplicates, structures already in place to support construction apprenticeships.

Widening participation in Higher Education (HE) and improving employer/business engagement in HE delivery is also a welcome development to support the need for quality graduates coming into the professions and relevant construction and built environment learning.

Legislative drivers

Industry regularly faces new legislative demands and must adapt its practices accordingly. Skills development was a strong feature of Government policy and resultant legislation throughout 2008. Whilst this is set to continue in 2009 as bills become law, some key legislation is appearing which will very much affect how the industry does business in future.

Legislation affecting the sector in 2009 includes: the Local Democracy Economic Development and Construction Bill that may require amendment of standard form contracts; the Remedies Directive and Public Sector Procurement that deals with remedies for breach of public sector procurement rules and opens new routes for legal challenges to public sector awards; the Health and Safety (Offences) Act 2008 that increases the fines which can be imposed for breaches of duty; the Equality Bill that amalgamates and simplifies the different strands of existing anti-discrimination law in the UK; and the Employment Act 2008 that gives employers more flexibility on workplace disputes.

Meeting the challenges

ConstructionSkills continues to lead the way in developing an understanding of the various training needs of the industry and has been instrumental in researching, designing and developing innovative solutions to meet these needs.

Armed with its knowledge of the industry and the ability to work with employers at a local level, ConstructionSkills is best placed to leave a positive skills legacy even during difficult times.

In its role as an Industrial Training Board (ITB), CITB-ConstructionSkills has secured strong industry support for collecting a levy and returning grant funding and other support for training and business development to registered employers.

Over time, CITB-ConstructionSkills has developed its field-based team with headquarters in the devolved home nations of Scotland and Wales and offices in the nine English regions, to provide flexible, responsive and localised support to employers.

The organisation's seven core business functions cover the full learning lifecycle: from schools, apprenticeships and adult training, to advisory services and the development of qualifications and standards. As well as delivering existing skills products and services, CITB-ConstructionSkills also develops new employer-led solutions to meet the changing needs of the industry.

Delivering our mission for the industry

Whereas one year ago, concerns were almost wholly focused on whether the industry would have the capacity to meet demands in the years ahead, the concern is now centred on maintaining current levels of demand and building for the future. Balancing these challenges will require managing and meeting the expectations of an array of key stakeholders, principally employers, clients, Government and employees.

However, the industry may be better positioned to deal with the current crisis than before. The diverse nature of the industry in terms of its workload and its workforce demands that ConstructionSkills be flexible in its approach to understanding and responding to the skills needs of industry. It is vital that ConstructionSkills continues to take a leading role in understanding and communicating these priorities.

In updating its plans for the next five years, ConstructionSkills has considered the economic drivers, immediate and emerging policy issues and industry skills challenges. The Construction SSA remains the main vehicle for addressing the industry's skills needs, through collaborative agreements capturing industry commitment, Government support and training provision. SSA skills challenges and priorities were updated in the latter part of 2008 to ensure that they continue to be relevant, meet industry needs, reflect economic circumstances and take into account stakeholder views.

Through implementing its plans and delivering its SSA, ConstructionSkills will achieve its mission of 'a fully skilled and professional UK construction industry working safely and delivering value.

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CITB-ConstructionSkills Scorecard 2008

A strong set of results was delivered for many areas in 2008, despite the economic volatility experienced in the second half of the year. Some excellent achievements were recorded for industry outcomes and organisational performance measures.

Nonetheless, the effect of the downturn is apparent in measures of apprenticeship starts and completions, the only areas not to improve on 2007.

The proportion of employers claiming grant (target 1) came in well over target with a total of 23,566 claimers. This is over 1,500 up on 2007, repeating the level of growth achieved in that previous year.

Employers investing in training (target 2) through Training Plans and Investors in People (IiP) delivered another excellent result. The number of employers submitting Training Plans outperformed 2007 by 40%, and 25% more new employers were recognised as Investors in People.

The key Scorecard measures contributing to Qualifying the existing workforce both delivered strong results. NVQ/SVQ achievements through OSAT and EWPA (target 3) grew by 40% in 2008, while Health and Safety Test bookings (target 4) continued to defy expectations of a slowing in performance to deliver another excellent result – up 10% on 2007 and well ahead of a higher target agreed with the Board during the year.

With diverse apprentice starts and adult job placements both up by around 15% on 2007, diverse entrant numbers (target 5) have exceeded expectations – especially given caution over the increasing impact of economic volatility on new entrant numbers in general and diverse starts in particular.

While the 345 black and minority ethnic and female apprentice starts only represent 4.5% of all new entrants, this shows some progress on the prior year's performance of 3.9%. Diverse adult job placements saw a particularly strong performance in Wales with it providing a third of the 1,697 total.

The total number of new entrant trainees (target 6) has seen a significant drop across all routes in line with the economic downturn, even underperforming against the lower target agreed with the Board in July.

Traditional starts in England were over 10% down on target and Programme Led and specialist routes came in between 50–60% down. However, both Scotland and Wales managed to hold traditional starts on target.

Despite a rise in the number of framework achievements (target 7) in 2008 – 8% higher than 2007 with over 8,000 completions – the achievement rate has fallen by three percentage points as a proportion of the total number of leavers, amid concerns over the impact of employers no longer being able to support apprentices completing their frameworks. Certainly England's result of 75% fell short of earlier forecasts of over 80%, and while Wales came in over target at 77%, Scotland saw its achievement rate fall to 66% for the year.

The total number of National Skills Academy for Construction (NSAfC) projects (target 8) approved in 2008 exceeded expectations, delivering an excellent contribution to strengthening the skills infrastructure across English regions. 2009 will see further progress towards identifying project-based training opportunities in Scotland and Wales through the formation of 'Regional Partnerships'.

Both financial measures performed well in comparison to 2007. While operating costs as a proportion of income (target 9) fell short of what was an ambitious target, the improvement was significant, as was the gain in margin from non-levy income (target 10). Cost efficiency and income performance will continue to be critical in achieving the bottom line and return to industry targeted in 2009.

Employee satisfaction (target 11) showed a significant rise on 2007, with improvements in all contributing areas particularly 'the organisation as an employer', 'job satisfaction' and 'confidence in senior management'. Employer Satisfaction (target 12) also came in well above target and 2007, with notable improvements in satisfaction levels concerning OSAT, NCC and Grant. The level of ConstructionSkills awareness (target 13) further exceeded expectations with a solid gain on 2007.

Assessing overall performance, the Board recognised the organisation's achievements by returning a 'Target' evaluation. This recognised the increasingly challenging circumstances impacting performance in 2008, balanced against affordability considerations in the current financial climate.

Target	2008 Target	2008 Achieved	2007 Achieved
1 Proportion of employers claiming grant Improving business performance	36.8%	38.5%	36.1%
2 Employers investing in training – Training Plans and liP Improving business performance	5,200	7,568	5,306
3 NVQ/SVQ achievements through OSAT and EWPA Qualifying the existing workforce	50,000	68,332	48,531
4 Health and Safety Test bookings Qualifying the existing workforce	560,000 *	676,023	614,005
5 Diverse entrants – apprentice starts and job placements Recruiting qualified new entrants	1,500 **	2,042	1,798
6 New entrant trainees Recruiting qualified new entrants	9,050 **	7,637	11,031
7 Framework achievements Recruiting qualified new entrants	75%	74%	77%
8 Active NSAfC projects established Strengthening the skills infrastructure	15	19	–
9 Operating cost to income ratio Driving efficiency	13.5%	14.0%	15.2%
10 Non-levy income (net) margin (£'000) Maximising effectiveness	30,700	31,129	26,015
11 Employee satisfaction survey Maximising effectiveness	43	49	41
12 Employer satisfaction survey Maximising effectiveness	7.6	7.9	7.6
13 ConstructionSkills awareness Maximising effectiveness	50%	56%	48%
Board evaluation Maximising effectiveness	Target	Target	Exceeded

* increased from 409,000 with Board agreement in February 2008, reflecting higher than expected volumes

** reduced from 1,810 and 11,100 respectively with Board agreement in July 2008, reflecting an anticipated downturn in volumes

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Managing Business Risks Effectively

Risk management

Risk management is integral to our business planning and performance monitoring processes, and risks are considered not only at corporate and directorate level but also by departments within directorates.

Corporate Assurance, CITB-ConstructionSkills' internal audit department, supports directorates in doing this and reports the principal risks facing each directorate and the organisation to the Audit Committee at each meeting. We aim continuously to improve our risk management processes to ensure they are in line with best practice and fit-for-purpose in the context of the increasingly challenging environments in which we operate.

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

The principal business risks that are considered within directorates and by the Audit Committee are:

Economic climate

The current economic climate presents a number of risks to the organisation, some of which are generic to many businesses, such as continuing to ensure sound financial control and forecasting, together with managing cash flow and working capital effectively. In addition, the organisation recognises the need to respond flexibly to the risks facing the industry to help minimise the effect of the economic downturn – for example, by taking a lead in helping apprentices and their employers. We also need to work to position the industry so that it is ready to maximise opportunities now and as the economic climate improves.

Principal partnerships

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

To meet stakeholder expectations, CITB-ConstructionSkills must continue to manage and build its principal business partnerships.

Established and well-proven liaison mechanisms minimise potential risks, such as transaction volume shortfalls associated with these partnerships.

Maintaining stakeholder support

CITB-ConstructionSkills must continue to meet industry expectations to ensure support from stakeholder groups. We continue to liaise with industry at all levels and an independent survey of employers' attitudes is carried out annually. Results are used to gauge industry support for the levy and to inform business planning and longer-term strategies. We place great importance on links with federations, Trades Unions and educational bodies in order to support strategic reviews of training priorities. Work with Government (for example, the Departments for Innovation, Universities and Skills and for Business, Enterprise and Regulatory Reform, the Scottish Government and Welsh Assembly) ensures mutual understanding and alignment of policies and goals.

Conflicts of interest

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

It is subject to much external and independent scrutiny; its accounts are audited annually by the National Audit Office and (as a registered charity) it reports to the Charity Commission and Office of the Scottish Charities Regulator (OSCR). Allegations of maladministration may be investigated by the Parliamentary Commissioner for Administration (the Ombudsman). Its Accounting Officer may be called before the Public Accounts Committee. Its levy proposals must be agreed by both Houses of Parliament – if industry support has been confirmed.

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

Public Benefit

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

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

Enhancing the skills and competence of people working in construction benefits the competitiveness of an industry that employs more than 2.6 million people, contributes some 8% of UK GDP, and improves the quality of the built environment. Helping to identify and mitigate skills gaps and shortages and, in times of recession, to maintain training capacity are vital for the UK economy. Encouraging individuals to develop their skills through lifelong learning benefits them personally and contributes to a stable and productive society. Such an aim is regarded as advancing education and so the organisation has been registered as a charity since 1972.

The main ways in which this aim is delivered are through providing financial support for employers engaged in training, offering advice and support to employers in respect of their training needs, developing and maintaining a framework of standards and qualifications in consultation with the industry, and managing schemes for recording achievement. In addition, CITB-ConstructionSkills provides training itself where there is no satisfactory market alternative.

The following pages illustrate how these activities have been delivered during 2008 across England, Scotland and Wales.

Of note is the high level of demand from employers for grants in 2008, resulting in a direct return to the industry of £1.10 for every pound of levy paid. More details of financial performance are on pages 23 to 53. Information about performance against other business targets is given on pages 8 and 9 and analysed by nation and region in Appendix E, pages 66 and 67.

Looking after Information

In order to carry out its duties effectively and efficiently, CITB-ConstructionSkills has to collect and make use of personal information about individuals, such as employers, employees and applicants for posts, suppliers and apprentices.

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

To this end, it will ensure that:

- information is protected from unauthorised access
- integrity of information is maintained
- information is available when required
- regulatory and legislative requirements are met
- business continuity plans are produced, maintained and tested
- staff are made aware of their duties and responsibilities with respect to information security
- all breaches of information security are investigated.

In 2008, three potential breaches of information security were investigated; none involved the release of sensitive or protected personal data. These were:

- loss of obsolete laptops en route to disposal
- unauthorised disclosure of data to a FE provider
- unauthorised disclosure of data to a private training provider.

CITB-ConstructionSkills in England

Developing our plans

It is ConstructionSkills' core research programme that helps to shape plans for the organisation's activities. This programme is focused on the effective delivery of the SSA and on meeting SSC and ITB obligations – which means understanding and responding to industry's skills needs. Work centres on identifying and articulating these needs, understanding economic and legislative drivers, and ensuring that action and policy development is underpinned and influenced by quality research and labour market intelligence.

In 2008, data generated by the research programme continued to supply authoritative evidence to illustrate national and regional variations in skills needs, to articulate the changing requirements of construction occupations and to demonstrate the need to ensure that training supply adequately matches demand.

Recently, for example, the Research and Development team worked with key Government departments on evidence used to support a case for including a training commitment within public procurement policy and to inform the further development of apprenticeship policy in construction relating especially to the sector's capacity to expand training in line with Government ambitions.

CSN regional observatories play a vital role in ensuring that clear and responsive labour market intelligence, underpinned by industry experts, is validated by employers in the nations and regions. With attendance at observatories at an all time high, the CSN continued to track changes in the macro economy as well as the impact these have had on construction activity and employment levels. Scenario testing – examining factors that may affect industry performance further, such as a future decline in public sector spending – helps identify potential issues, enabling the impact to be modelled and mitigating actions discussed.

Towards the close of the year, the CSN team began working closely with representatives from the training community to decipher a methodology for establishing clear data on training provision at further and higher education levels. This will provide an enhanced evidence base for plans that ensure that a sufficient number of the right people are being trained in the right occupations to meet changing industry demand.

Recruiting qualified new entrants

Recruitment of apprentices in England has been severely affected by the economic downturn. The number of traditional places offered during the autumn recruitment period fell sharply in 2008, resulting in the target being undershot. Some employers who might have provided places were generous enough instead to take on apprentices whose previous employers could not continue their training and this reduced numbers further.

Nevertheless, despite such challenges, our apprenticeships delivered a 75% framework achievement rate – 11 percentage points higher than the national average (shown in the latest LSC Provider gateway document exchange). In addition, our diversity target was achieved, with some 275 female and black and minority ethnic apprentices recruited. We aim to improve this performance in 2009.

Although achievement rates remained high, there has also been a fall in the number of applicants seeking an apprenticeship in construction. As a result, there has been growing interest in alternative delivery methods and funding models to encourage take up (in preparation for economic recovery) both for applicants and for employers. Towards the end of 2008, the Rt Hon John Denham MP established a taskforce, chaired jointly by James Wates and Stephen Marston, Director General for Further Education and Skills in the Department for Innovation, Universities and Skills (DIUS), which has been examining new approaches and funding arrangements.

In addition, this area of activity has been actively supported by the Cross Industry Construction Apprenticeship Taskforce (CCATF), chaired by Geoff Lister, past President of the Federation of Master Builders (FMB). This group of employers has looked at the barriers employers face when considering offering an opportunity, suggested potential solutions, and has worked to raise the profile of apprenticeships regionally and nationally.

Relationships are also being built with the new National Apprenticeship Service. By driving our web-based Vacancy Matching System in England, we believe that, despite economic turmoil, there is a chance to keep up the number of applicants for (and employers offering) apprenticeships.

Of course, the engagement of employers is critical in delivering a successful service, and the Apprenticeships team has focused on developing employer relationships by successfully introducing Key Account Management activities, recognising the contribution made by the thousands of small and micro employers who support apprenticeships.

During the latter part of 2008, responding to a rise in the number of apprentices displaced as a result of the recession, a Matching Service was set up to offer support to displaced learners and employers whose apprentices may be at risk. By the end of 2008, 133 such apprentices had been helped to continue in training with a new employer. 30 employers whose apprentices were at risk received extra advice and support and were able to retain them.

Achievements in 2008 resulted from the work of 270 mobile staff, supported by administrative teams consolidated into three hub offices during 2007. This reorganisation delivered improved efficiency through standardisation and structured training and support, resulting in above target achievements in 'Mystery Shopper' and 'Customer Charter' objectives.

In 2008, Advisory Services continued to encourage the recruitment of a more diverse workforce and continued the theme of developing partnerships with employers. The result was that over 1,000 diverse job outcomes were achieved, contributing to an increase of 11% from the achievement levels of 2007.

The Women and Work team set up in 2007 secured continued DIUS funding for 2008/2009 and continued to make great strides in developing a range of projects in partnership with employers to improve employment, training and career development opportunities for women in the sector.

2008 saw the NCC boost the number of apprentices it trained from 714 to 840. This was accompanied by an improvement in the framework completion rate to 76.8% – 13 percentage points above the construction average. There was also a rise in the percentage of timely framework completions to 62% and the retention rate for diverse apprentices reached 81%.

In addition, the NCC made progress in developing its Foundation Degree for Construction, working with Salford and Anglia Ruskin Universities. The first student intake is planned for early 2010.

Inspire Scholarships continued to be highly successful, with just over 300 young undergraduates joining the programme in 2008.

Qualifying the existing workforce

Advisory Services is delivering programmes supported by Train to Gain funding through a national contract worth more than £12m per annum, covering many trades including specialist occupations. The programme mainly supports NVQ Level 2 delivery (plus NVQ Level 3 and Skills for Life) and is offered by over 120 providers across England including OSAT and EWPA routes – ranging from small bespoke providers through to large FE colleges.

In 2008, well over 10,000 learners were registered on Train to Gain programmes, and our provider success rate is over 70% – four to five percentage points above the national average for the sector. This is complemented by our promotion of the Government's Skills Pledge, sector commitments to which rose by 388 to 2,282.

Staff have continued to develop, deliver and manage a customer-focused portfolio of products and services linked to qualifying the workforce. Of course, demand has been affected by the recession; Health and Safety Test bookings and the number of Competence Cards issued have begun to fall – albeit from a high peak – but strong growth in the first half meant that 2008 volumes were still higher than in 2007. Competence card applications exceeded 2007 levels throughout most of the year with a modest decline only showing at the very end of 2008. This suggests that, as the job market becomes more competitive, individuals look to improve and update their levels of qualification and training.

Overall, during 2008, the Data Management Unit and Call Centre processed 693,000 applications for cards and other qualifications, and handled 896,000 calls.

The NCC trained over 30,000 adults during 2008, most already employed in the sector. Customer feedback on the quality of NCC provision remains high with 72% of delegates rating NCC training as excellent. In particular, 2008 saw growth in demand for tailor-made courses, reflecting its increasingly flexible approach to training in specialist occupations as well as its commitment to deliver what customers need. New courses on sustainability, tower crane safety and Site Safety Plus were developed and a number of other programmes were piloted.

Despite deteriorating economic conditions, NVQ and Construction Award registrations rose by 12% year on year. Volumes of NVQ and Construction Award registrations had been stable between 2006 and the first eight months of 2008.

BUSINESS ACTIVITIES

The introduction of the Construction Diploma led to a surge in demand for registrations to train for the old qualifications. Since October, demand has slowed to below the expected level, but it is hard to tell how much of this results from the recession and how much from a shift in the seasonal peak.

Cskills Awards launched a number of new services to support the sector during the year. The Association of Construction Assessors & Verifiers (ACAV) is one way of helping assessors keep abreast of changes in the industry and ensure the highest standards of assessment are maintained.

2008 also saw the establishment of a dedicated Quality Assurance team which offers support in ensuring quality standards are being met consistently by Approved Centres.

After a period of industry consultation, the Construction Plant Competence Scheme (CPCS) was relaunched in 2008. The new scheme introduces a two-part CPCS technical test, replacing the previous intermediate certificate, as well as an NVQ qualification for a 'family' of machine categories. The card renewal process has also been revised to incorporate a theory test. A surge in applications for CPCS cards during September and October contributed to increased annual volumes, rising from 67,000 in 2007 to 88,000 in 2008.

Supporting lifelong learning

During 2008, NCC launched its Management and Leadership Diagnostic Tool, which can be used by employers to identify the training their employees need if they want to improve their business. More than 300 individuals from over 30 companies have so far used the tool with positive feedback. NCC also launched seven courses covering different aspects of sustainability in 2008 in order to support the growing need for this skill set across the industry.

The NCC East redevelopment project has been accepted by Constructing Excellence as a 'demonstration project' with a specific focus on collaborative working across the supply chain.

Several new products were delivered by our Business Services team, including the Worker Engagement Toolkit, Scaffold Inspection Toolkit, and Guidance for Directors on Corporate Manslaughter. Construction Site Safety, Site Safety Simplified, Safe Start and the Health and Safety Test for Professionally Qualified Persons products were updated and refreshed.

Publications sales volumes rose by 36% over 2007 with the top eight products accounting for 90% of sales. GE700 remains the top-selling publication, while sales of Site Management Safety Training Scheme (SMSTS) course notes has matched the increased demand for SMSTS courses.

Site Safety Plus – a suite of products relating to site health and safety specifically developed for site managers and supervisors – was revised and relaunched in 2007 and has been well received, gaining endorsement from the Health and Safety Executive (HSE) and Major Contractors Group (MCG) during 2008. Site Safety Plus is also endorsed in the HSE's Approved Code of Practice and Construction (Design and Management) Regulations 2007.

Site Safety Plus has 163 accredited training providers with 25 new providers added in 2008. Increased Government interest in reducing site accidents combined with the fact that public sector work now makes up a higher proportion of available contracts may have contributed to this growth.

Developing the skills culture and infrastructure

The number of employers claiming grant rose by 1,524 in England to 17,816, with the number investing in structured training through Training Plans and IIP hitting 5,831. It was another excellent year for training through the National Specialist Accredited Centre, with 2,200 NVQs delivered in specialist occupations.

In London, 2008 was a particularly successful year, with the number of employers using Training Plans more than doubling to reach 465. More than half of grant claimers in the capital now have a Training Plan (compared with 27% in 2007) – the highest percentage in the UK. This is very encouraging as the dominance of sub-contracted labour in London has made it harder to interest smaller firms in training.

Several projects helped tackle diversity and sustainability issues. NET Ambitions, funded by the London Development Agency (LDA) until 2010, found 10 clients with disabilities placements in construction during the final part of the year. In addition, Women into Construction (working on the Olympic Park, and funded by the LDA and ConstructionSkills to 2011) placed over 30 women in employment in construction occupations during the year. Employer support helped to find employment with training for over 80 job-ready unemployed people in the five host boroughs.

2008 saw significant commitment to training maintained in northern regions with almost half of registered employers in the North East claiming grants (49.2%), with North West on 45% and Yorkshire and Humber 43%. Strong cross-directorate collaboration has underpinned this success – particularly work with NCC to deliver management development programmes.

Launched in 2007, the NSAfC grew strongly in 2008, recognising 19 schemes, including several on the Olympic Park in London as Academy projects. The NSAfC works with employers and clients to develop major construction projects as employer-led learning environments, and seeks to ensure this offer is made available to all projects across England. In 2008, the national team created an infrastructure to provide tailor-made solutions to employers' training needs. This has included the development of learning tools for the on-site Project Skills Co-ordinators as well as good practice sessions ensuring that there is continuous learning and that benefits are shared.

The NSAfC continues to ensure each project has access to the appropriate training provision to meet its needs. Because it develops a clear understanding of the employment and skills requirements of the particular construction programme, it can work with the LSC to develop new provision in locations where employers would not normally have been able to access training. This has led, for example, to a number of training centres being developed in London to meet the needs of the Olympic programme. The NCC has been part of that delivery network, which also includes colleges and private providers.

In 2008, NCC delivered training to over 2,957 new customers demonstrating its commitment to help increase the number of employers investing in training. The NCC's regional hub at Eton Manor at the Olympic Park has significantly over delivered on the number of people trained. From an original target of 200, the actual throughput in 2008 was 500.

2008 also saw the opening of a Civils Centre at Newham in East London. The development of regional training hubs is aligned and an integral part of the NSAfC plan.

To support a structured qualifications framework, providing access for all and clear progression routes, ConstructionSkills has worked with the industry to develop a Construction Qualification Strategy 2008/2009 Action Plan. This was formally approved by the United Kingdom Commission for Employment and Skills (UKCES) during the year.

The 2008 National Occupational Standards (NOS) standards plan was delivered successfully. As well as providing the basis for National and Scottish Vocational Qualifications, these support the competence-based Construction Skills Certification Scheme (CSCS).

Staff also contributed to the Qualification and Curriculum Authority's (QCA) pilot of sector qualification approval arrangements. The team was successful in securing LSC funding (from September 2008) for the revised qualifications used within the craft apprenticeship frameworks in England. These were broadened in line with sector CQS feedback.

The Construction Apprenticeship Frameworks for England were revised and approved by the respective approval bodies.

ConstructionSkills continues to lead the development of the 14–19 Construction and Built Environment Diploma, which went live in September 2008 across 44 delivery consortia, with 1,400 pupils taking up the qualification.

ConstructionSkills also supports the drive for more sustainable development. This means that it stays informed about demand and supply requirements in this dynamic market, whilst providing practical skills solutions directly or in concert with partners. An internal Sustainable Development Programme Board was set up in 2008 whose main objective is to support the skills capacity required to deliver low carbon solutions to the built environment.

In 2008, CITB-ConstructionSkills took over the running of the SkillBuild competition that had been run for over 20 years by SkillBuild Competitions Ltd (mainly funded by CITB-ConstructionSkills). Historically, this event has included most of the main construction trades and has been hosted almost exclusively through the college network.

A Skills Competitions Manager has been appointed to ensure the successful operation of the competition and we will be expanding it to include other trades and to secure direct input from employers over the next few years.

While successful candidates in some trades will progress to World Skills and the opportunity to represent their country on the world stage, ultimately we are working to ensure that SkillBuild is about upskilling the construction industry in the UK in as many trades as possible.

CITB-ConstructionSkills in Scotland

2008 – A year of change

Employment in Scotland's construction industry during 2008 began strongly, but showed a rapid decline in the last quarter, in part due to the impact that the UK financial crisis had on the home building sector and its supply chain.

As a result, industry made representations to the Scottish Government to boost capital project spending and fast-track planning applications and it responded by bringing forward £100m of spending through the £1.5bn Affordable Housing Investment Programme. A wide-ranging package of improvements to make Scotland's planning system leaner and fitter has also been announced. This will build on work to improve efficiency and ensure planning is geared towards supporting increased sustainable economic growth – particularly important in the current economic climate.

One example of private sector investment is the planned £1bn golf and leisure complex development near Aberdeen, expected to be completed during the next five years. This is just part of a £3bn programme of work in Scotland's North East to be delivered over the same period. ConstructionSkills will use its CSN research, validated by the Observatory, to help inform Labour Market Intelligence for this area of Scotland as it does for the rest of the country.

Skills utilisation is a major part of the Government's Skills Strategy. A recently published report defined skills utilisation as:

'about ensuring the most effective application of skills in the workplace to maximise performance, through the interplay of a number of key agents (e.g. employers, employees, learning providers and the state) and the use of a range of HR, management and working practices. Effective skills utilisation seeks to match the use of skills to business demands/needs.'

The emphasis on matching skills to business needs will allow ConstructionSkills in Scotland to influence funding. This is now split, with Scottish Enterprise and Highlands and Islands Enterprise focusing on business growth and Skills Development Scotland (SDS) on skills issues. SDS has a national, regional and sectoral remit to respond to economic demand. It promises to be adaptable and flexible to our needs and has been tasked with delivering on two strategies – delivery of efficient services based on customer need and to ensure that key sectors have the skills to develop the productivity that Scotland needs.

This point was reinforced in 2008 with Fiona Hyslop, Cabinet Secretary for Education and Lifelong Learning, announcing earlier in the year a refocusing on construction and engineering.

We continue to influence Government where possible through bodies such as the National Economic Forum, Scottish Construction Forum, Cross-Party Group for Construction, Cross-Party Group for Skills, Alliance of Sector Skills Councils Scotland, Scottish Construction Industry Plan, Learning and Teaching Scotland, and the CSN.

Developing the skills culture and infrastructure

On 02 September 2008, Maureen Watt, MSP, Minister for Schools and Skills, officially opened the brand new £3.8m NCC centre at Inchinnan near Glasgow and our Scottish headquarters. Designed to promote excellence and innovation, the NCC will provide state-of-the-art facilities and training for up to 160 apprentices and 6,000 adult learners every year. The organisation will direct its Scottish strategy from the new centre, continuing to provide advisory services to schools, colleges and businesses across Scotland as well as paying training grants.

Maureen Watt said: 'This Government is working to deliver higher levels of sustainable economic growth for the benefit of all. Having a willing, able and adaptable workforce is central to those efforts, as is a buoyant construction industry.

'I am, therefore, delighted that ConstructionSkills has chosen to make this level of investment in Scotland and demonstrated such a clear commitment towards improving skills in our construction industry. I am sure that these new training facilities will put the industry in Scotland on a sound footing as it faces the skills challenges that the future holds.'

ConstructionSkills will look at the skills needed for the industry's future growth by partnering with relevant organisations. For example, the Building Research Establishment (BRE) will locate demonstration projects at Ravenscraig Innovation Park to address the skills needed in the future to allow the development of modern methods of construction. The NCC's new facilities at Inchinnan will also allow us to help to address skills issues arising from an increased use of renewable energy and low carbon technologies.

Qualifying the existing workforce

It is encouraging that in 2008, the highest ever number of employers in Scotland produced Training Plans. CITB-ConstructionSkills helped compile over 1,000 such plans, up 18% on the figure for the same point last year. This helps show how strong the culture of training is throughout Scotland's construction sector. The number of On-Site Assessment and Training NVQ/SVQ achievements also rose markedly to over 3,000, in a clear sign of continuing commitment from employers to ensuring that they have a fully qualified and carded workforce.

Occupations that form part of the Construction Civil Engineering and Construction Specialist area have until this year lacked a distinct and identifiable apprenticeship route. Following sector consultation, we successfully submitted a Modern Apprenticeship Framework covering activities such as Highways Maintenance, Formwork and Land drilling, receiving approval as an exemplar.

Recruiting qualified new entrants

Recruitment for apprenticeships in 2008 started strongly, but dropped dramatically in the fourth quarter as a result of the housing downturn – although some occupations, especially those in specialist areas – continue to be buoyant. We were, therefore, unable to match last year's record of over 2,500 entrants but the industry in Scotland still supported 2,200 new entrants in 2008.

The Scottish Government's initiative 'Skills for Work' continues to be a success for the construction industry. This partnership between schools, colleges and employers, has resulted in Construction Crafts having the biggest uptake on this programme.

Demographic trends show that the number of people aged 16–34 is shrinking, and that people are retiring earlier. It is in such a context that all sectors compete for quality recruits, in schools and beyond, reinforcing the importance of looking beyond traditional recruitment sources or practices. There are other business benefits to attracting and retaining a more diverse workforce; some clients expect to see good practice in this area demonstrated in tenders for work.

Highlighting the difference that women can make, the Young Women in Construction Conference was held in June 2008, organised by ConstructionSkills in partnership with Glasgow Caledonian University. This event aimed to contribute to redressing the industry's gender imbalance.

Those attending had the chance to take part in workshops giving them an insight into the wide range of career opportunities in the sector. These included sessions on renewable energy, sustainable construction and materials technology. 30 employers and 15 female mentors who already work in the industry were on hand to answer any questions and encourage participation in the workshops.

Education and careers

Collaboration between Historic Scotland, ConstructionSkills in Scotland, and SQA was launched in 2008 to tackle skills gaps in the traditional building sector in the construction industry. The three organisations have come together for the first time to establish a strategic partnership that will be in force for the next four years.

Nearly 50% of Scotland's construction activity relates to repair and maintenance, but gaps remain in the availability of a broad range of traditional building skills. The first task for the partnership will be to identify the skills and knowledge gaps in traditional building skills in the construction sector.

We undertook research in partnership with the Scottish Resource Centre for Women in Science, Engineering and Technology, a partner of the UK Resource Centre for Women in Science, Engineering and Technology. This report explores the findings of a study into factors affecting the progression of undergraduates from built environment programmes into employment in the Scottish construction industry.

Young people following built environment programmes at Scottish universities are positive about women entering the construction industry. They felt that women could offer new perspectives and stimulate new ways of working. This research suggests that changing the culture of the industry so that it is welcoming to new entrants, male and female, and makes the best use of their skills, requires a partnership approach from employers and universities.

2009 is set to be a particularly tough year for businesses of all kinds, and ConstructionSkills in Scotland will need to ensure that it is ready to press the case for maintaining the commitment to training that has been such a feature of Scottish industry. Looking for opportunities to do things differently will be high on the agenda, as will working closely with our customers to support them in difficult times.

CITB-ConstructionSkills in Wales

Influencing policy development

Staff have continued to be involved in developing the Welsh Assembly Government's Built Environment Forum, which consists of key figures from the industry. This body works to influence the development and implementation of Government policies and strategies. Its key objectives are to address four areas within the Welsh construction industry: procurement, business development, skills needs and image. Towards the end of 2008, the Chair of the Forum was asked to attend the Wales Economic summits to allow the sector to have a direct input to the development of the Government's strategies.

Staff continue to seek to influence the thinking of Welsh Ministers and officials. Over recent months, responses to consultation documents including Skills that Work for Wales and Proposals for a Learning and Skills (Wales) Measure 2008 have been submitted.

Developing the skills culture and infrastructure

The Shared Apprenticeship pilot – a partnership between Carmarthenshire Construction Training Association Ltd, ConstructionSkills, Coleg Sir Gâr, Carmarthenshire County Council and the Welsh Assembly Government – has worked successfully with 24 apprentices and 28 local construction companies. It will offer 48 more innovative training opportunities over the next two years.

In addition, ConstructionSkills in Wales honoured local talent – individuals and companies – at the third annual Built on Success Awards, held in February 2008. The event was attended by key figures in the Welsh construction industry including John Griffiths AM, Deputy Minister for Skills. The Awards now have strong recognition, resulting in a 50% rise in applications compared to the previous year.

A scoping study is underway to consider widening the existing CSN model to incorporate the other Built Environment SSCs (Asset Skills, Energy & Utility Skills and SummitSkills). Funding was secured from the Welsh Assembly Government for this study, which will be delivered by the CSN team and Experian working with the Built Environment SSC cluster in Wales.

Two research projects funded by the Welsh Assembly Government and Cardiff City Council have given ConstructionSkills recommendations on reducing barriers and building careers for women and black and minority ethnic (BME) applicants in the sector.

They have helped start discussions with the Welsh Assembly Government to fund a pilot course for those facing barriers to entry and progress in the industry.

Following the success of this year's WorldSkills Wales Competition, ConstructionSkills received approval to continue it in 2009–10. Next year, four regional heats will take place, culminating in the final to be held in March 2009.

Qualifying the existing workforce

The team has increased the number of companies directly contacted and raised the number of non-grant claiming companies dealt with. In 2008, almost half of levy paying employers received support from the Grants Scheme for their training activity.

The number of companies using Training Plans has also grown, and more than 85% of 2007 plans are being continued into 2008 and beyond. Employers clearly see the benefit of planning training in a more structured way to help improve company performance. As expected, a slowdown is being experienced at present, and we expect some smaller companies to return to short duration grants; this will in certain circumstances be best for them.

Registrations for iIP have improved as a result of new procurement demands and piloting a workshop-style approach in the Valleys. This has 12 companies working on a programme of 10 workshops over the course of 11 months leading to recognition, and is progressing well. In addition, 25 commitments were made in 2008, which we hope will enable us to improve on the 12 recognitions achieved this year. Many more companies are also working with Welsh Assembly Government Human Resource Development (HRD) advisers or other business improvement programmes and this will give us a good base from which to increase this area of work in 2009.

A new independent training group in Ceredigion was launched in October. It is working on a Construct Wales continuous improvement programme as well as undertaking a range of training activities – including some new training plans. We are also working with a number of Mid Glamorgan companies and a local FE college to have a new training group in this area in 2009.

We have worked with the Wales Construction Skills Group to review the working of Training Groups in Wales to improve performance, and will be holding a 'best practice event' with all Wales Training Groups in early 2009.

We have had a good year with OSAT NVQs, once again increasing achievements compared with 2007.

Recruiting qualified new entrants

In the face of industry contraction, the Managing Agency has shown resilience in retaining existing apprentice placements and recruiting new apprentices. It managed to meet business plan targets and objectives for 2008.

Recruitment is down 9% year on year, but remains above the revised business plan target set at the beginning of the downturn. The number losing placements has risen markedly in the final quarter of 2008, now affecting 5% of all apprenticeships.

With many employers voicing concerns about order books, the expectation is that the effects of the downturn will be far more pronounced in 2009.

In terms of quality, Framework achievement rates have risen to an excellent 77%, reflecting the focus and time spent on improving the weaker performing areas of the business.

A pleasing trend is the continuing rise in diversity starts. With new partnerships being formed and a pilot project bringing work experience to full-time students, we are confident that this trend will continue.

Wishing to mitigate the effects of the downturn and expand the number of apprentices in the longer term, the Managing Agency is looking at new markets and business models for the future. The success of a 'Shared Apprenticeship Pilot' in West Wales is being reviewed to explore the potential for expansion to other areas and projects throughout Wales.

The apprenticeship service performed well in 2008, but staff are very aware that future challenges mean that the business needs to keep innovating to keep it at the forefront of apprenticeship training in Wales.

Education and careers

The Construction Ambassadors scheme in Wales continues to grow and is delivered cost effectively by locally-based advisers. Targeting specific Ambassadors on particular projects (such as civil engineers for the ICE Bridge Challenge and local authority engineers for Pathway work) has proven successful, with 373 Ambassador support events noted. We believe that this success will continue and develop during 2009, with projects such as the promotion of the recently launched Royal Town Planning Institute (RTPI) Schools Careers Pack.

Through the success of the Ambassadors scheme, a significant number of extra employers (223 employer support activities recorded during 2008) have been brought in to support 14–19 Pathways work including innovative work experience programmes related to new Welsh Assembly Government office developments across Wales.

As well as consolidating and maximising traditional sources of external funding from Careers Wales and the Welsh Assembly Government, successful bids have been made to support World Skills and the Welsh Baccalaureate. Work with the 14–19 consortia is also improving, with progress being made over funded work experience and Architecture Package Training with some consortia for 2009 and useful engagement with most.

The approach adopted for STEP 2008 has proven particularly successful with regards to obtaining diversity employment data (450 recorded outcomes during 2008) as required by the STEP scheme. In addition to this, we have been able to support some positive action initiatives across Wales looking at actual and potential new entrant trainees and adult recruitment. The opportunity exists to gain additional funding for diversity recruitment through the Agile Nation (mirroring Women into Work) and the Deconstructing Barriers project looking at barriers to ethnic recruitment in Cardiff.

Growth has been seen in both the number of applicants and companies participating in the INSPIRE scholarship with a 400% increase (47 students) in applications and almost 100% increase in applicants gaining places (seven students) with a significant 'push' made via Careers Wales and direct e-mail contact with schools and colleges.

CITB-Sgiliau Adeiladu yng Nghymru

Dylanwadu ar ddatblygu polisi

Mae staff wedi parhau i gymryd rhan wrth ddatblygu Fforwm Amgylchedd Adeiledig Llywodraeth Cynulliad Cymru, sy'n cynnwys ffigurau allweddol o'r diwydiant. Mae'r corff yma'n gweithio i ddylanwadu ar datblygiad a gweithrediad polisiâu a strategaethau'r Llywodraeth. Ei amcanion allweddol yw trafod pedwar maes o fewn diwydiant adeiladu Cymru: caffaeliad, datblygu busnes, anghenion sgiliau a delwedd. Tua diwedd 2008 gwahoddwyd Cadeirydd y Fforwm i fynd i Uwchgynadleddau Economaidd Cymru i alluogi'r sector i roi mewnbwn uniongyrchol i ddatblygiad strategaethau'r Llywodraeth.

Mae staff yn parhau i geisio dylanwadu ar syniadau Gweinidogion Cymru a swyddogion. Dros y misoedd diwethaf cyflwynwyd ymatebion i ddogfennau ymgynghori gan gynnwys Sgiliau sy'n Gweithio i Gymru – a Chynigion ar gyfer Mesur Dysgu a Sgiliau (Cymru).

Datblygu diwylliant a seilwaith sgiliau

Mae'r Peilot Rhannu Prentisiaeth – partneriaeth rhwng Cymdeithas Hyfforddiant Adeiladu Sir Gaerfyrddin Cyf., Coleg Sir Gar, Cyngor Sir Gar, a Llywodraeth Cynulliad Cymru wedi gweithio'n llwyddianus gyda 24 o brentisiaid a 28 o gwmnïau adeiladu lleol. Bydd yn cynnig 48 yn fwy o gyfleoedd hyfforddi blaengar dros y ddwy flynedd nesaf.

Yn ogystal â hyn mae Sgiliau Adeiladu yng Nghymru wedi anrhydeddu talent lleol – cwmnïau ac unigolion – yn nhrydedd seremoni wobrwyo Adeiladu ar Lwyddiant a gynhaliwyd yn Chwefror 2008. Mynychwyd y digwyddiad gan aelodau allweddol o fewn diwydiant adeiladu Cymru gan gynnwys John Griffiths AC, Dirprwy Weinidog Sgiliau. Mae gan y Gwobrau gydnabyddiaeth gryf yn awr ac o ganlyniad gwelwyd cynnydd o 50% mewn ceisiadau ar y flwyddyn flaenorol.

Mae astudiaeth cwmpasu wedi cychwyn i ystyried ehangu'r model CSN presennol i gynnwys y Cynghorau Sgiliau Sector eraill ar gyfer yr Amgylchedd Adeiledig (Asset Skills, E&U Skills a SummitSkills). Sicrhawyd cyllid gan Lywodraeth Cynulliad Cymru ar gyfer yr astudiaeth ac fe'i cynhelir gan y tîm CSN ag Experian yn gweithio gyda chlwstwr Cynghorau Sgiliau Sector yr Amgylchedd Adeiledig yng Nghymru.

Mae dau brosiect a ariannwyd gan Lywodraeth Cynulliad Cymru a Chyngor Sir Caerdydd wedi gweithredu awgrymiadau Sgiliau Adeiladu ar leihau rhwystrau a gyrfaoedd adeiladu ar gyfer merched ac ymgeiswyr du a lleiafrif ethnig.

Maent wedi helpu i ddechrau trafodaethau gyda Llywodraeth Cynulliad Cymru i ariannu cwrs peilot ar gyfer y rhai sy'n wynebu rhwystrau yn y diwydiant.

Yn dilyn llwyddiant cystadleuaeth Sgiliau Byd Cymru eleni derbyniodd Sgiliau Adeiladu gymeradwyaeth i'w barhau yn 2009–10. Flwyddyn nesaf, cynhelir pedair rownd ranbarthol a fydd yn cloi gyda'r rownd derfynol yn mis Mawrth 2009.

Cymhwyso'r gweithlu presenol

Mae'r tîm wedi cynyddu'r nifer o gwmnïau y cysylltwyd â hwy yn uniongyrchol ac wedi cynyddu'r nifer o gwmnïau heb fod yn derbyn grant yr ydym yn delio â hwy. Yn 2008, derbyniodd bron i hanner y cyflogwyr a dalodd lefi gymorth gan y Cynllun Grantiau ar gyfer eu hyfforddiant.

Mae nifer y cwmnïau sy'n defnyddio cynlluniau hyfforddi wedi cynyddu a mae mwy na 85% o gynlluniau 2007 yn parhau i mewn i 2008 a thu hwnt. Mae'n glir bod cyflogwyr yn gweld y budd a geir o gynllunio eu hyfforddiant mewn ffordd strwythuredig i helpu gwella perfformiad y cwmni. Yn ôl y disgwyl, gwelir arafu a welir ar hyn o bryd, wedi a disgwyliwn i gwmnïau llai ddychwelyd i grantiau tymor byr: dyma fydd orau iddynt mewn nifer o amgylchiadau.

Mae cofrestru ar gyfer Buddsoddwyr mewn Pobl wedi gwella fel canlyniad i ofynion caffaeliad newydd a chyflwyno ymagwedd arddull gweithdy yn y Cymoedd. Yn hyn mae 12 cwmni yn gweithio ar raglen o 10 gweithdy dros 11 mis yn arwain at gydnabyddiaeth ac mae hyn yn mynd yn ei flaen yn dda. Yn ychwanegol gwnaed 25 o ymrwymadau yn 2008, a gobeithiwn y bydd hyn yn ein galluogi i wa gafwyd eleni. Mae llawer mwy o gwmnïau yn gweithio gyda chynghorwyr Datblygu Adnoddau Dynol Llywodraeth Cynulliad Cymru neu raglenni gwella busnes eraill a bydd hyn yn rhoi man cychwyn da i ni ar gyfer cynyddu'r maes hwn o waith yn 2009.

Lansiwyd grŵp hyfforddi newydd annibynnol yng Ngheredigion ym mis Hydref. Mae'n gweithio ar raglen gwelliant parhaus Adeiladu Cymru yn ogystal â chynnal amrediad o weithgareddau hyfforddi – sy'n cynnwys rhai cynlluniau hyfforddi newydd. Rydym hefyd yn gweithio gyda nifer o gwmnïau o Forgannwg

Ganol a choleg Addysg Bellach leol i gael grŵp hyfforddi newydd yn yr ardal yma yn 2009. Rydym wedi gweithio gyda Grŵp Sgiliau Adeiladu Cymru i adolygu gwaith y Grwpiau Hyfforddi yng Nghymru i wella perfformiad, a byddwn yn cynnal digwyddiad 'ymarfer gorau' gyda Grwpiau Hyfforddi cenedlaethol yn gynnar yn 2009.

Cawsom flwyddyn dda gyda NVQ OSAT, gan unwaith eto gynyddu llwyddiannau o gymharu â 2007.

Recriwtio newydd-ddyfodiaid gyda chymwysterau

Yn wyneb crebachu yn y diwydiant, mae'r Asiantaeth Rheoli wedi dangos gwydnwch wrth gadw lleoliadau prentisiaid presennol a recriwtio prentisiaid newydd. Llwyddodd i gyfarfod targedau cynlluniau ac amcanion busnes ar gyfer 2008.

Mae recriwtio 9% yn is flwyddyn ar flwyddyn, ond mae'n parhau i fod yn uwch na'r targed cynllun busnes diwygiedig a osodwyd ar ddechrau'r dirywiad economaidd. Bu cynnydd amlwg yn y nifer a gollodd leoliadau yn chwarter olaf 2008, sy'n awr yn effeithio ar 5% o'r holl brentisiaethau.

Gyda llawer o gyflogwyr yn lleisio pryderau am lyfrau archebion, y disgwyliad yw bydd effeithiau'r dirywiad yn llawer amlycach yn 2009.

Wrth ystyried ansawdd, cynyddodd cyfraddau cyflawni Fframwaith i 77% rhagorol, gan adlewyrchu'r focws a'r amser a dreuliodd ar wella'r rhannau o'r busnes sy'n perfformio wannaf.

Mae'r cynnydd parhaus mewn amrywiaeth yn dueddiad a groesewir. Gyda phartneriaethau newydd yn cael eu ffurfio a prosiect peilot yn dod â phrofiad gwaith i fyfyrwyr llawn amser, rydym yn hyderus y bydd y cyfeiriad hwn yn parhau.

Gan ddymunio lliniaru'r dirywiad ac ehangu nifer prentisiaid yn y tymor hir, mae'r Asiantaeth Rheoli yn edrych ar farchnadoedd a modelau busnes newydd ar gyfer y dyfodol. Caiiff llwyddiant cynllun peilot 'Rhannu Prentisiaeth' yng Ngorllewin Cymru ei adolygu i archwilio'r potensial ar gyfer ei ehangu i ardaloedd a phrosiectau eraill ym mhob rhan o Gymru.

Perfformiodd y Gwasanaeth Prentisiaeth yn dda yn 2008, ond mae staff yn ymwybodol iawn bod sialensiau'r dyfodol yn golygu fod angen i'r busnes barhau i arloesi i'w gadw ar flaen y gad hyfforddiant prentisiaeth yng Nghymru.

Addysg a gyrfaoedd

Mae'r cynllun Llysgenhadon Adeiladu yng Nghymru yn parhau i dyfu a chaiff ei gyflwyno yn gost-effeithiol gan Gynghorwyr Lleol. Profodd targedu Targedu Llysgenadon penodol ar brosiectau arbennig (fel Peirianwyr Sifil ar gyfer Her Pont ICE a Pheirianwyr Awdurdodau Lleol ar gyfer gwaith Llwybr) yn llwyddianus, gyda 373 o ddigwyddiadau cymorth Llysgennad wedi eu nodi. Credwn y bydd y llwyddiant yma yn parhau a datblygu yn ystod 2009, gyda prosiectau megis hyrwyddo Pecyn Gyrfaoedd Ysgol Sefydliad Brenhinol Cynllunio Tref (RTPI) a lansiwyd yn ddiweddar.

Drwy lwyddiant y cynllun Llysgenhadon, mae nifer sylweddol o gyflogwyr ychwanegol (223 o weithgareddau cymorth cyflogwyr wedi'u cofnodi yn ystod 2008) wedi dod i mewn i roi cymorth i waith Llwybrau 14–19 gan gynnwys rhaglenni profiad gwaith arloesol yn gysylltiedig â datblygiadau swyddfeydd newydd Llywodraeth Cynulliad Cymru ledled Cymru.

Yn ogystal â chyfuno a chynyddu ffynhonnellau traddodiadol o gyllid allanol gan Gyrfya Cymru a Llywodraeth Cynulliad Cymru, gwnaed cynigion llwyddianus i gefnogi Sgiliau Byd a Bagloriaeth Cymru. Mae gwaith gyda'r consortia 14–19, hefyd yn gwella, gyda chynnydd mewn profiad gwaith a ariennir a Hyfforddiant Pecyn Pensaerniaeth gyda rhai consortia ar gyfer 2009 ag ymrwymiad defnyddiol gyda'r mwyafrif.

Mae'r dull a fabwysiadwyd ar gyfer STEP 2008 wedi profi 'n llwyddiannus iawn yng nghyswllt cael data ar amrywiaeth cyflogaeth (cofnodwyd 450 canlyniad yn ystod 2008) fel sy'n anghenreidiol gan y Cynllun STEP. Yn ychwanegol at hyn, rydym wedi gallu cefnogi rhai cynlluniau gweithredu cadarnhaol ar draws Cymru gan edrych ar hyfforddeion newydd a darpar hyfforddeion a recriwtio oedolion Mae cyfle i sicrhau cyllid ychwanegol ar gyfer recriwtio amrywiaeth drwy Agile Nation (cyffelyb i Menywod i Waith) a'r prosiect Dymchwel Rhwystrau yn edrych ar y rhwystrau mewn recriwtio ethnig yng Nghaerdydd.

Gwelwyd cynnydd yn nifer yr ymgeiswyr a'r cwmnïau a gymerodd ran yn yr ysgoloriaeth INSPIRE a chynnydd o 400% (47 myfyriwr) mewn ceisiadau a chynnydd o bron 100% mewn ymgeiswyr yn ennill lleoedd (saith myfyriwr) gyda Gyrfya Cymru yn hybu'r cynllun a chyswllt e-bost uniongyrchol gydag ysgolion a cholegau.

CITB-ConstructionSkills Trustees

The names of those serving as charitable Trustees of CITB-ConstructionSkills on 25 February 2009 are shown below, together with the names of those who stepped down during 2008.

As specified in Schedule 1 of the Industrial Training Act 1982, Trustees are appointed by the Secretary of State for Innovation, Universities and Skills, normally for five years, following a public appointment process. Nominations of candidates from the industry's employers are sought from the principal trade associations, while those for employees are made by the Trades Unions. Candidates from the Education Sector are appointed after consultation with the Ministers concerned with education in England, Scotland and Wales.

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

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

Current and former Trustees (2008/09)

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

Peter Rogerson, OBE, FloR – Deputy Chairman

Harry Adam (from 01 April 2008)

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

Ian Billyard

Geoff Lister, MCIoB

Bob Blackman, MBE, MIOSH

Ian Miller (until 31 March 2008)

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

John Milne (until 31 March 2008)

Dave Cochrane

Tim Peach

Peter Cunningham

Martyn Price

Derek Field

Harold Rackham

George Fraser, ARICS

Alan Ritchie

Trevor Gamble

James Wates, FCIoB, FRSA

Geoff Holt, FloR, MInstD

Graham Wren, BSc, CEng, MICE

Financial Report

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

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

Accounts direction

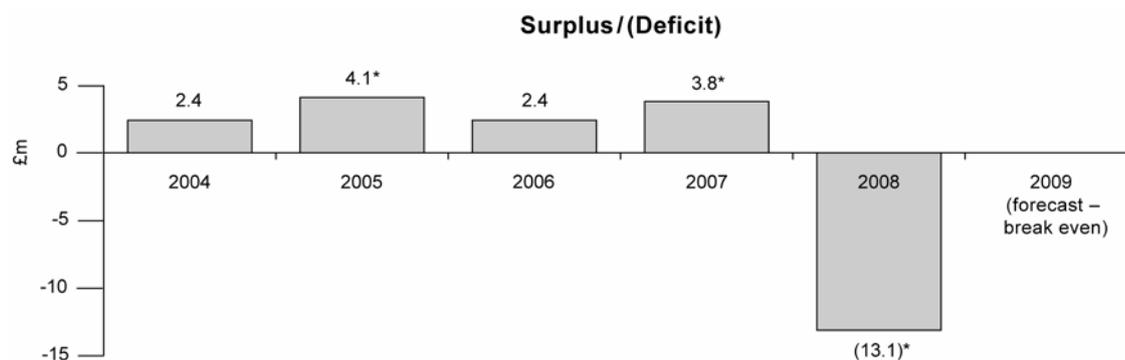
The accounts have been prepared in a form directed by the Secretary of State for Innovation, Universities and Skills with the approval of HM Treasury in accordance with Section 8 (1) of the Industrial Training Act 1982.

Result for the year

CITB-ConstructionSkills returned a £13.1m deficit for the year to 31 December 2008 (2007 £3.8m surplus), including a £1.7m unrealised loss on the revaluation of freehold property (2007 £0.7m unrealised gain). Excluding the property revaluation, the deficit of £11.4m compared with a forecast surplus for 2008 of £3.6m. The shortfall arose because grants paid to employers were £20.3m more than forecast, offset by £3.7m of additional levy and an improved contribution from other activities of £1.6m.

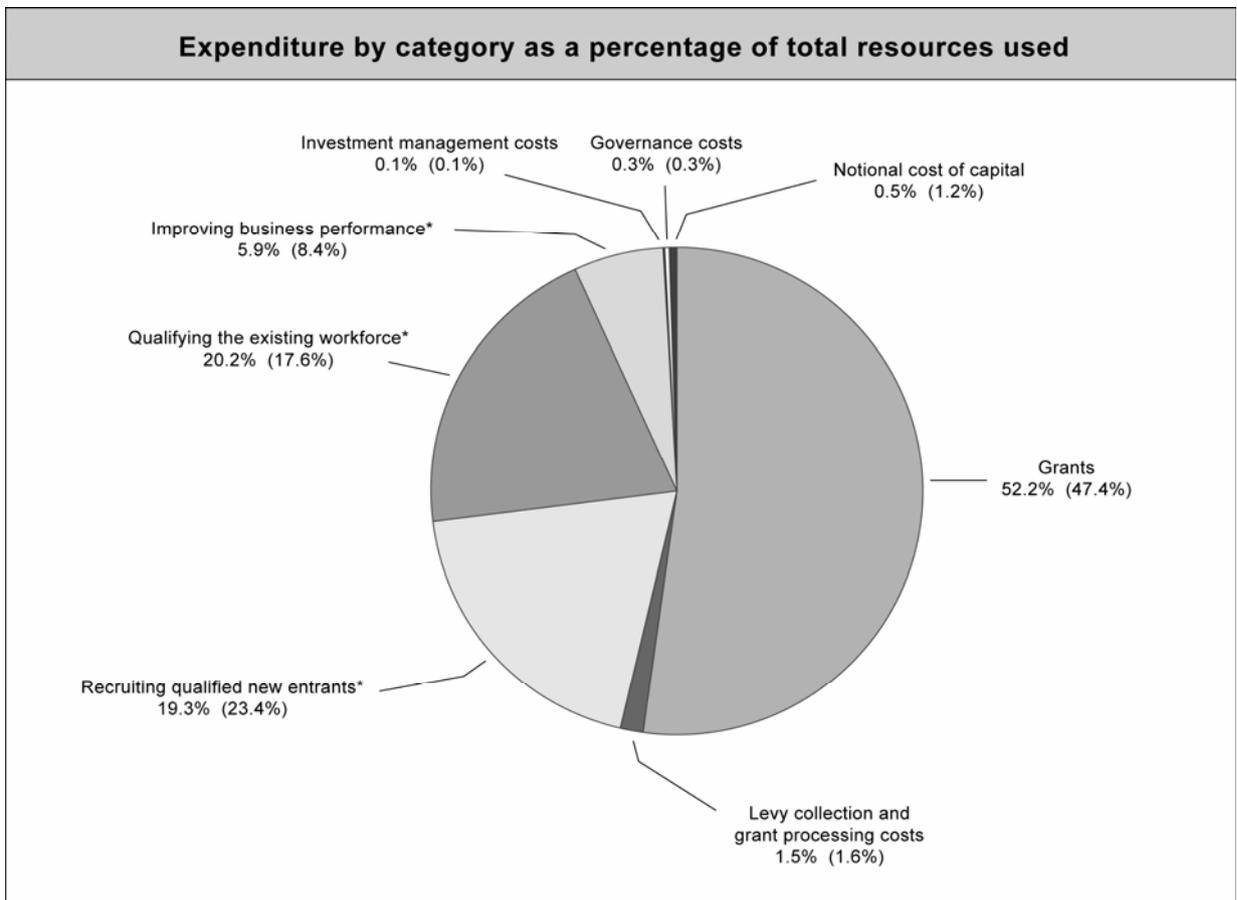
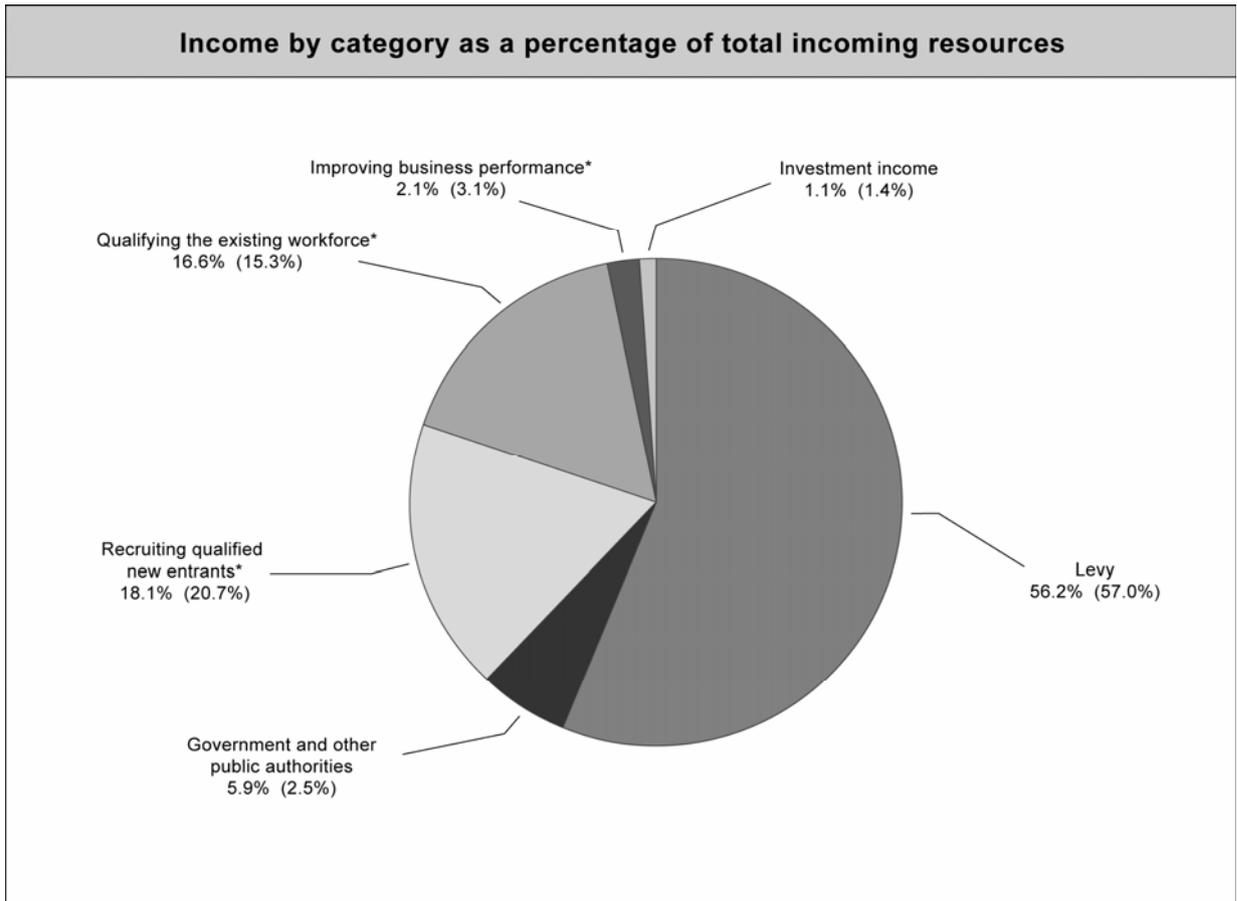
Combined non-levy and investment income rose by 13.7% over 2007, whereas expenditure (excluding grants) increased by just 6.5%. Together with an increase in levy of £16.4m, the increased return from non-levy income was not sufficient to cover the year-on-year increase in grants to employers of £38.4m. However, the percentage of levy returned in grant rose by 14% to 97% which, together with employer support, provided a 110% direct return to employers in the year (2007 100%) (see page 30).

CITB-ConstructionSkills manages its finances over a five-year period as part of its planning process. Acknowledging that forecasting in the present economic climate is particularly challenging, a break even result is currently forecast for the year to 31 December 2009. It is planned to return to the target level of reserves (see the heading 'Reserves' within Note 1 to the Financial Statements on page 42, which describes the Reserves Accounting Policy) by the end of 2013.



* The results for 2005 and 2007 include unrealised gains on the revaluation of freehold property of £3.0m and £0.7m respectively and for 2008 include an unrealised loss of £1.7m (see above).

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* see Industry skills challenges on pages 6 and 27.

Income

Levy

Levy income amounted to £181.8m for 2008 (2007 £165.4m), made up of £182.4m (2007 £164.9m) in respect of the current year's assessment less an adjustment of £0.6m (2007 increase of £0.5m) for the reassessment of prior years' charges.

Levy rates remained unchanged at 0.5% on direct labour payments (PAYE) and 1.5% on labour-only sub-contract payments (LOSC). The small firms' exclusion level was raised from £73,000 to £76,000 in line with growth in average pay.

The increase in levy income over 2007 (9.9%) resulted largely from combined growth in industry activity and earnings (9.0%) partially offset by a 2.3% movement from LOSC to lower rated direct employment, as measured from employers' levy return declarations. In addition, the levy and grant registration, verification and collection teams made a significant contribution to the increase.

In 2008, over 14,400 employers paid their levy by direct debit instalments, representing 53% of levy payers (2007 51%).

Government and other public authorities

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

Funding from Government and other public authorities increased from £7.3m to £19.0m (see Note 2 to the Financial Statements on page 43).

Income from central Government departments, the Scottish Government and the Welsh Assembly Government rose by £10.3m to £13.5m, mainly due to more funding received from the Learning and Skills Council for increased activity on the 'Train to Gain' initiative (£8.1m) and the National Skills Academies for Construction (£1.0m).

Funding from the UK Commission for Employment and Skills (UKCES, formerly the Sector Skills Development Agency) rose by £2.2m to £5.1m. Funding for Sector Skills Council core contract activities was £2.1m to match expenditure on specific contracted activities, £0.5m higher than in 2007. The current core contract, which started on 01 October 2006, provides for up to £5.6m over three years for ConstructionSkills to deliver four key goals:

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

Funding for Sector Skills Council non-core contract activities increased by £1.6m to £3.1m. This included £0.3m for a project to develop specialised diplomas for 14- to 19-year old students, £1.5m for 'Women into Work' (a project to increase the opportunities for and recruitment of women into construction) and £0.5m for 'Step Up Sector' funding (an initiative for industry workforce upskilling).

Investment income

Income fell by £0.5m (10.7%) to £3.6m in 2008 resulting from a decrease in the average level of cash deposits and investments held during 2008, lower interest rates and lower yields on gilts and bonds. The decrease in the average level of cash deposits held was mainly due to the significant increase in grant expenditure compared with 2007.

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Expenditure

Grants

Grant expenditure reached a record level of £176.1m in 2008 – up £38.4m (27.9%) on 2007 and up £20.3m (13.0%) on forecast.

New Entrant Apprenticeship grants rose from £65.9m to £79.3m (20.0%), despite a lower intake of apprentices during the year as a result of the industry moving into recession. Consequently, attendance grants were down £2.6m. However, achievement grants increased by over 60% (£15.9m) reflecting improved levels of framework achievements and the recent change in policy to pay grants on second and third year apprentice achievements at current Grants Scheme rates, which have been significantly increased over the past two years, rather than those in place at the time an apprentice began employment.

Other grants increased by £25.0m (34.9%) with growth in all areas other than short duration grants, which are now subject to a maximum limit of £10,000 per employer. OSAT and Management and Supervisory grants were up by 57% due to exceptionally heavy demand. With changes to CPCS introduced during the year (see page 14), the structure of plant grants within the Grants Scheme was revised, with the effect of increasing plant grant spend by £4.0m. Over 7,300 employers produced Training and Development Plans (43% more than 2007) which, coupled with an increase in the grant day rate from £25 to £27.50 from August 2008, resulted in a rise of £10.0m in associated grants.

The number of employers claiming grants went up by 1,591 to 23,566.

The unprecedented level of grant expenditure is evidence of considerable success in engaging employers in training, despite the economic downturn. For each £1.00 of levy received from employers, £1.10 was returned by way of grant and employer support (see page 30) which caused the operating deficit for the year. The continued payment of grants was only affordable through the utilisation of CITB-ConstructionSkills reserves, a position that is unsustainable. Consequently, the continuation of specific grants and the level of grant rates within the Grants Scheme are under review.

Governance costs

Governance costs represent the costs of the governance infrastructure (as defined in the SORP 2005) and include the costs of the Board and committees, corporate assurance, external audit, business planning and related support costs. Total expenditure for 2008 was £0.9m (2007 £0.8m) (see Notes 1 and 7 to the Financial Statements on pages 41 and 45 respectively).

Notional cost of capital

The notional cost of capital was £1.9m (see Note 8 to the Financial Statements on page 45). 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 2008, was 3.5% (2007 3.5%).

Industry skills challenges

The Statement of Financial Activities (see page 38) reports income and expenditure against three Industry Skills Challenges as follows:

- recruiting qualified new entrants
- qualifying the existing workforce
- improving business performance.

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

Recruiting qualified new entrants

Priority activities are centred on:

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

Income fell by £1.4m (2.3%) to £58.7m. As in 2007, there was additional funding for New Entrant Training arising from higher numbers of trainees gaining vocational qualifications in England, Wales and Scotland. However, the number of trainees entering the industry during the year was down on 2007, giving rise to the overall drop in income.

Expenditure at £65.3m (2007 £68.2m), which includes college fees, trainee allowances and operating costs, also fell (4.3% decrease) because of lower numbers of trainees during the year.

Qualifying the existing workforce

Priority activities are centred on:

- intensifying and widening the industry's qualifying the workforce initiative
- developing flexible training and qualification structures for specialist occupations
- assisting the effective integration of immigrant workers.

Income during 2008 rose by £9.4m (21.1%) to £53.7m. Industry initiatives for qualifying the workforce through Health and Safety Testing, Experienced Worker Assessment, certification schemes and NVQ/SVQ registrations showed significantly higher volumes, generating extra income. Income from direct training courses delivered by the NCC increased in 2008 by 23%.

Expenditure during 2008 increased by £17.0m (33.2%) to £68.1m, mainly due to the costs of the increased volumes flowing from the industry initiatives for qualifying the workforce, training courses and the costs associated with the increased activity under the Train to Gain initiative for which the income is included in funding from Government and other public authorities (see page 25).

Improving business performance

Priority activities, aimed at improving the business performance of construction employers, are centred on:

- increasing the number of employers investing in training
- developing management and leadership skills
- supporting lifelong learning in construction
- developing skills for sustainability.

Income arises from Executive Management Programmes and health and safety training courses delivered by NCC and the sale of publications. Total income has fallen by £2.2m to £6.8m mainly because income for improving business performance through the 'Train to Gain' initiative for 2008 is included in funding from Government and other public authorities (see page 25).

Expenditure fell by £4.8m to £19.8m, mainly because extra costs for direct support to employers relating to the Skills Pledge in 2007 were not repeated in 2008, and costs associated with the 'Train to Gain' initiative are now more appropriately charged to qualifying the workforce. Also included are costs associated with:

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

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Balance sheet

The balance sheet shows net assets of £44.5m at 31 December 2008 (£57.3m at 31 December 2007). The drop on the previous year reflects the deficit for the year of £13.1m less a capital grant of £0.3m (see Note 16 on page 50). Working capital (net current assets) fell by £13.1m to £28.7m (see below).

Fixed assets

The net book value of fixed assets reduced by £0.1m to £16.2m, reflecting net additions of £5.6m less depreciation charges of £1.9m, a decrease of £1.7m for the revaluation of freehold property (see below) and the transfer to current assets of £2.0m for properties held for sale (see Note 12 on page 48).

All freehold properties were revalued at 31 December 2008, giving rise to an unrealised reduction in value of £1.7m (see Note 10 on page 47).

Additions to freehold property of £3.3m include:

- £2.2m for the completion in 2008 of the new training centre and offices in Glasgow which started in 2007
- £0.3m on a new demountable scaffolding training facility at the NCC South training centre in Erith
- £0.8m on costs relating to the construction of new college facilities at NCC East in Bircham Newton.

Expenditure on plant and machinery of £0.6m (2007 £12,000) include £0.3m for tipping and hydraulic excavation equipment, £0.1m on a telescopic handler crane and £0.1m on a new tractor unit.

During 2008, additions to motor vehicles were £0.8m, offset by disposals of £0.5m.

The major purchases of computer equipment and applications were £0.5m on replacement servers and other infrastructure costs and £0.2m on the completion of an online Awarding Body system started in 2007.

Debtors

Total debtors at 31 December were £39.7m (2007 £39.8m).

Levy debtors rose by £5.8m to £26.0m. This was due in part to a delay in a small number of high value levy assessments (£3m) which were subject to lengthy verification reviews and to an underlying increase in the current year's levy of over 10%. The tenth and final instalment (£10m) of levies being paid by direct debit fell due in January 2009.

Non-levy debtors decreased by £6.0m to £13.7m. This arose mainly because of the fall in the amounts due from intra-Government bodies at 31 December 2008, which were unusually high at the end of 2007. Trade/other debtors rose by £0.4m because of greater activity towards the end of the year, whilst prepayments and accrued interest fell by £0.5m.

Creditors

Creditors fell by £10.6m to £55.3m at 31 December 2008. Trade creditors fell by £7.4m mainly due to payments made in 2008 which were due at 31 December 2007 on expenditure that is no longer incurred (e.g. special payments for employer support) or for which there is reduced activity.

New Entrant Training grants and allowances outstanding at the year end fell by £1.0m to £5.2m, mainly as a result of lower numbers of new entrant trainees entering the industry in 2008. Accruals for outstanding claims for other grants reduced by £1.9m reflecting an anticipated fall in the 2008/09 Grants Scheme expenditure and earlier claims by Employers during the first five months (i.e. August to December 2008) of the Scheme, compared with 2007.

Reorganisation costs outstanding of £0.8m at the end of 2007, arising from the provision made in 2006 for costs relating to the reorganisation of the Apprenticeships and Advisory Services Directorates during 2007, were settled in 2008.

Net current assets/reserves

Net current assets, which are taken as a measure of CITB-ConstructionSkills' reserves, reduced from £41.8m at 31 December 2007 to £28.7m at 31 December 2008 as a result of the deficit for the year of £13.1m. There was a reduction in the provisions for liabilities and charges of £0.4m which was offset by a reduction of £0.1m in tangible fixed assets and the receipt of a capital grant of £0.3m.

Reserves at £28.7m fell below the minimum year-end target level of reserves of £41.7m, as agreed with Government, and an original forecast of £42.1m. The shortfall against the original forecast minimum reserves arose from the deficit for the year of £13.1m against a planned surplus of £3.6m (see 'Result for the year' on page 23) and the inability to sell the surplus Scottish properties that were expected to be sold in 2008. Reserves are now forecast to come within the target range by 2013.

The target range for reserves is calculated using a risk-based formula (see the heading 'Reserves' within Note 1 to the Financial Statements on page 42).

Provisions

Provisions fell from £0.8m to £0.4m because of the reduction in the provision for rent and other charges in respect of vacated properties surplus to current requirements (see Note 15 to the Financial Statements on page 49).

Other information

Employer registrations

The number of employers on the Levy and Grant Register increased by 2,105 to 79,729 at 31 December 2008, of which 27,378 (2007 26,208) were due to pay a levy in 2008 – see Statistical Information Tables 1 and 3 on pages 54 and 55. During the year, 11,036 employers were added to the register compared with 8,931 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 5 to the Financial Statements on page 44.

Events since the end of the year

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

Charitable donations

No charitable donations were made during the year.

Auditor

The Comptroller and Auditor General (C&AG) is appointed under statute as CITB-ConstructionSkills' auditor. The audit fee for 2008 amounted to £51,000 (2007: £40,000) of which £46,000 (2007: £36,000) is in respect of the statutory audit.

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 2008 was 96.8% compared with 96.2% in 2007.

Trade creditors at 31 December 2008 represented 18 days of average purchases during the year (2007 28 days).

Investment policy and performance

CITB-ConstructionSkills invests funds within guidelines set by HM Treasury. Funds invested directly by CITB-ConstructionSkills generated a return of 5.36% for the year compared with a benchmark (Charities Official Investment Fund) rate of 5.36%.

ANNUAL ACCOUNTS

What the industry gets back

	2008 £m	=	2008		2007
Levy	<u>181.8</u>	=	<u>£1.00</u>	paid by employers	<u>£1.00</u>
Grants	176.1	=	£0.97	paid to employers	£0.83
Employer support	23.2	=	£0.13	other benefits	£0.17
Total direct benefit	<u>199.3</u>	=	<u>£1.10</u>	total direct benefit to employers	<u>£1.00</u>

Levy income for the year amounted to £181.8m.

Training grants expenditure amounted to £176.1m, representing 97% of levy (2007 83%). Employer support, i.e. additional direct support given to employers such as subsidised training courses and apprentice travel/lodging allowances, amounted to £23.2m (13% of levy). Therefore, for every £1.00 of levy paid, employers received £1.10 (2007 £1.00) back in grant and employer support.

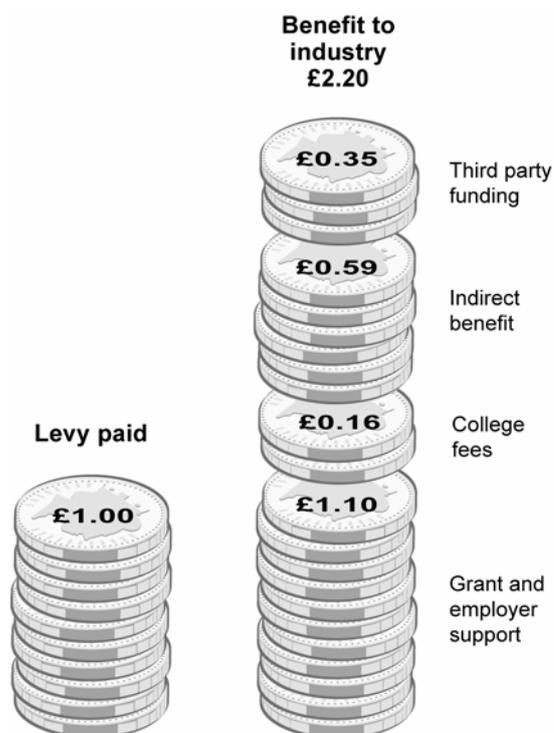
College fee payments for apprentices gave a further direct benefit to employers of £0.16.

In addition to the direct benefits paid to, or on behalf of, employers and trainees, CITB-ConstructionSkills carries out the recruitment and management of apprentices, undertakes industry research, provides advice on training and careers, and develops construction qualification standards. Specific activities include National Construction Week (£0.9m), the Positive Image campaign (£0.8m), SkillBuild (£0.3m) and diversity programmes (£0.3m). The total value of this support amounts to £0.59 for each £1.00 of levy.

This high ratio of support has been made possible because CITB-ConstructionSkills has acted on behalf of the industry to generate income from the Learning and Skills Council, Welsh Assembly Government and Scottish Executive as a contribution towards the cost of the New Entrant Training programme. In addition to New Entrant Training income, there has been a significant increase in the contribution from other training and sales activity income.

CITB-ConstructionSkills also leverages extra funds and benefits directly for the industry which do not enter CITB-ConstructionSkills' accounts but are included in the figures shown in the diagram below. In 2008, for every £1.00 of levy paid, third party contributions amounted to 35p.

During the year to 31 December 2008, for each £1.00 of levy paid by registered employers, the construction industry received a total of £2.20 (2007 £2.03), broken down as follows:



Statement of the Board's responsibilities

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

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

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

Statement of the Accounting Officer's responsibilities

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

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

Annual Report approved by the Board on 25 February 2009 and signed on its behalf by:

Chairman
Sir Michael Latham DL

Chief Executive
Mark Farrar

Remuneration Report

Membership

The Remuneration Committee is a subcommittee of the Board. Its purpose is to determine general policy on remuneration and individual remuneration packages for Directors. Its membership is made up of the Chairman, Deputy Chairman and three Board members (Dave Cochrane and James Wates served throughout the year. Ian Miller was replaced during the year by Tim Peach). The Chief Executive, Corporate Services Director and Head of Human Resources provide information to the Committee to inform its decisions.

Policy on the remuneration of directors

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

Individual remuneration for directors is reviewed annually with regard to external market changes and an assessment of individual performance evidenced by the performance management process (the range for individual performance payments is 0–5% of basic salary). Along with other staff they participate in the CITB-ConstructionSkills Scorecard bonus based on the achievement of a number of key performance indicators. For 2008, the bonus paid to all staff – except directors – was 3% (the range for the Scorecard bonus is 0–5%). The directors agreed to waive their scorecard bonus.

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

Policy on contracts, notice periods and termination payments

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

Non-cash remuneration

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

Salary and pension entitlements (audited)

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

Notes – Remuneration and Pension benefits tables (opposite)

Salary includes gross pay, payments in lieu of car and luncheon allowance.

Benefits in kind include the use of allocated cars and medical insurance.

Directors waived entitlement to the 2008 corporate performance bonus (which would have been 3% of salary).

During the year, payments to secure enhanced benefits upon retirement of £333,223 and £162,533 were made to the ITB Pension Funds on behalf of Peter Lobban and David Boyden respectively, both of whom left on 31 August 2008. David Boyden was also paid three months salary in lieu of notice (£20,266).

Steve Geary was appointed (from 03 September 2007) as Skills Strategy Director on a two-year secondment from the Department for Children, Schools and Families (DCSF). He is not a member of the ITB Pension Fund. However, CITB-ConstructionSkills made payments totalling £22,435 directly to DCSF to cover his pension contributions.

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Remuneration	Salary	Benefits in kind	2008 Total	2007 Total
	£'000	£'000	£'000	£'000
Peter Lobban – <i>Chief Executive (left 31 August 2008)</i>	187.8	1.4	189.2	259.8
Mark Farrar – <i>Corporate Services Director (to 31 August 2008)</i> – <i>Chief Executive (from 01 September 2008)</i>	156.2	9.7	165.9	94.3
Frazer Clement – <i>Business Services Director</i>	109.8	9.4	119.2	114.6
David Boyden – <i>National Construction College Director</i> <i>(left 31 August 2008)</i>	79.3	5.8	85.1	85.8
Andy Walder – <i>National Construction College Commercial</i> <i>Manager (to 31 August 2008)</i> – <i>National Construction College Director</i> <i>(from 01 September 2008)</i>	80.4	0	80.4	70.1
Nicola Thompson – <i>Communications and Marketing Director</i>	97.8	0.8	98.6	94.8
Mike Bialyj – <i>Advisory Services Director</i>	97.4	9.7	107.1	104.2
Max Hamps – <i>Apprenticeships Director</i>	96.5	12.4	108.9	104.3
Steve Geary – <i>Skills Strategy Director</i>	104.2	5.2	109.4	37.3

Pension benefits	Real increase in pension at normal retirement date	Total accrued pension at normal retirement date as at 31 Dec 2008	Cash equivalent transfer value at 01 Jan 2008	Real increase/ decrease in the cash equivalent transfer value during the year	Cash equivalent transfer value at 31 Dec 2008
	£'000	£'000	£'000	£'000	£'000
Peter Lobban (left 31 Aug 2008)	2.5–5.0	*45–50	506	32	*552
Mark Farrar	2.5–5.0	0–5	11	37	49
Frazer Clement	2.5–5.0	55–60	502	240	762
David Boyden (left 31 Aug 2008)	0–2.5	*35–40	424	2	*437
Andy Walder	0–2.5	5–10	48	43	92
Nicola Thompson	0–2.5	5–10	46	33	80
Mike Bialyj	0–2.5	15–20	113	63	181
Max Hamps	0–2.5	10–15	122	67	195

* as at 31 August 2008

Sir Michael Latham DL
Chairman of the Remuneration Committee
25 February 2009

Statement on Internal Control

Scope of responsibility

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

The Board is responsible for establishing and monitoring appropriate policies to fulfil the objectives of CITB-ConstructionSkills as a statutory ITB. As Chief Executive and Accounting Officer, I am responsible for managing the implementation of agreed policies and am accountable to the Board. As a Sector Skills Council, CITB-ConstructionSkills operates as ConstructionSkills with its partners and is accountable to the Secretary of State for Innovation, Universities and Skills. CITB-ConstructionSkills also reports to the Department for Innovation, Universities and Skills as a statutory ITB and non-departmental public body.

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 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 2008 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

The management of strategic and operational risk is embedded in business processes. This is led by the Executive Team, which formally considers key organisational risks on a regular basis. Directors also manage directorate risks with their senior teams within their formal business processes. Risk identification, management and mitigation steps are also undertaken informally as part of ongoing day-to-day business management. In addition, risk is formally considered in our business planning process, programme and project management, financial planning and legal contracting arrangements.

The risk and control framework

The risk management policy, strategy and objectives are periodically reviewed and CITB-ConstructionSkills aims to apply best practice in the identification, evaluation and cost-effective management of risk as an integral part of operational activity. Directors are accountable to the Executive Team for risk management in their respective areas of activity, with top directorate risks reviewed as part of monthly performance. 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 the ensuring of legal compliance as a minimum standard. Control risk self-declarations are completed by the management population annually to validate awareness and understanding of the risk and control framework.

Management of risks to information

Although we routinely review our systems and processes for handling data securely, in the light of recently revised Government guidelines and in order to ensure we continue to meet latest best practice, we have undertaken a thorough review of systems, access and information security process and procedure during 2008. The Information Management Group, consisting of senior staff from information management related areas of the business, meets regularly to consider how information is managed and controlled. It oversaw the detailed review that was carried out during 2008 and will continue to monitor progress and actions. The Group reports periodically to the Executive Team.

Conflicts of interest

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

Internal audit

Corporate Assurance is the dedicated internal audit unit working within CITB-ConstructionSkills to standards defined by HM Treasury and in accordance with professional guidelines. Audit coverage and planning is informed by risk and consideration of strategic objectives. Audit work is carried out to support managers in improving business management, giving recommendations and guidance on compliance, governance and risk management. The overarching objective of all audit work is to provide an independent opinion on the adequacy and effectiveness of the system of internal control. Reports are submitted to the Audit Committee about audits undertaken, the implementation of recommendations, risk management (including the annual Control Risk Self Declaration process) governance and other matters as required. Corporate Assurance also facilitates the maintenance of a corporate risk register for top-level risks. The Head of Corporate Assurance has a direct reporting line to the Chief Executive and has access to the Chairman of the Audit Committee to ensure independence.

Audit committee

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

Chairman of the Audit Committee is an ex-officio member of the Finance Committee, to enable dialogue on matters of mutual interest relating to risk management within CITB-ConstructionSkills.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of CITB-ConstructionSkills' internal auditors and executive managers, who are responsible for developing and maintaining the internal control framework.

The Head of Corporate Assurance's opinion on the overall adequacy of the effectiveness of risk management, controls and governance processes is that they are satisfactory. This means that adequate and effective systems are in place but that there is some risk that business targets may not be achieved. Where weaknesses have been identified, I am satisfied that specific actions are in place to manage the associated risks. I do not consider these issues indicate a significant weakness in the system of internal control which would warrant disclosure.

Comments made by the external auditors in their final audit report and other reports also inform my review of the effectiveness of the system of internal control.

As part of my review, I have been informed of the effectiveness of the system of internal control by the Executive Team, through control self declarations, and by Corporate Assurance and the Audit Committee. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to ensure continuous improvement of the system is in place.

Accounting Officer:

Mark Farrar
Chief Executive
25 February 2009

Acknowledged on behalf of the Board:

James Wates
Chairman of the Audit Committee
25 February 2009

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 2008 under the Industrial Training Act 1982. These comprise the Statement of Financial Activities, the Balance Sheet and Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Chief Executive and auditor

The Board and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report which includes the Remuneration Report and the financial statements in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills and for ensuring the regularity of financial transactions. These responsibilities are set out on page 31 in the Statements of the Board's and Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills. I report to you whether, in my opinion the information, which comprises the Financial Report, the CITB-ConstructionSkills Scorecard 2008, CITB-ConstructionSkills Trustees (page 22) and Appendix B: Register of Interests of Board Members, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments

made by the Board and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to CITB-ConstructionSkills' circumstances, consistently applied and adequately disclosed.

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

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, of the state of affairs of CITB-ConstructionSkills as at 31 December 2008 and of its incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills; and
- information which comprises the Financial Report, the CITB-ConstructionSkills Scorecard 2008, CITB-ConstructionSkills Trustees (page 22) and Appendix B: Register of Interests of Board Members, included within the Annual Report, is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

10 March 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

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Financial Statements

CITB-ConstructionSkills Statement of Financial Activities for the Year Ended 31 December 2008

	Notes	2008 £'000	2007 £'000
INCOMING RESOURCES			
Incoming resources from charitable activities			
Non-levy income			
Recruiting qualified new entrants		58,700	60,105
Qualifying the existing workforce		53,710	44,354
Improving business performance		6,791	8,991
Government and other public authorities	2	19,025	7,297
Total non-levy income		138,226	120,747
Levy	3	181,788	165,393
Incoming resources from generated funds			
Investment income		3,636	4,070
		<u>323,650</u>	<u>290,210</u>
RESOURCES EXPENDED			
Cost of generating funds			
Investment management costs		30	29
Charitable activities			
Grants	4, 5	176,080	137,675
Recruiting qualified new entrants		65,280	68,180
Qualifying the existing workforce		68,074	51,093
Improving business performance		19,771	24,566
Levy collection and grant processing costs		5,217	4,834
Total cost of charitable activities	6	334,422	286,348
Governance costs	7	890	824
Total resources expended		335,342	287,201
Notional cost of capital	8	1,906	3,961
Total resources expended including notional costs		337,248	291,162
Net (outgoing) resources for the year after charging notional cost of capital		(13,598)	(952)
Notional cost of capital added back	8	1,906	3,961
Net (outgoing)/incoming resources before other recognised gains and losses		(11,692)	3,009
Other recognised gains and losses			
Realised gain/(loss) on investments		9	(255)
Unrealised gain on investments		281	383
Unrealised (loss)/gain on revaluation of freehold properties		(1,729)	701
Net movement in funds	9	(13,131)	3,838
Accumulated unrestricted fund at 01 January		57,307	53,469
Accumulated unrestricted fund at 31 December	16	44,176	57,307
Incoming resource – NCC East development fund		331	–
Accumulated restricted fund at 01 January		–	–
Accumulated restricted fund at 31 December	16	331	–
Accumulated funds at 31 December		<u>44,507</u>	<u>57,307</u>

The above results include all recognised gains and losses and are derived from continuing activities. Notes 1–29 form an integral part of these accounts.

Balance Sheet as at 31 December 2008

	Notes	2008		2007	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10		16,245		16,302
CURRENT ASSETS					
Debtors	11	39,726		39,842	
Properties held for sale	12	2,030		–	
Investments	13	38,717		65,465	
Cash at bank		3,581		2,449	
		84,054		107,756	
CREDITORS					
Amounts falling due within one year	14	(55,349)		(65,914)	
Net current assets			28,705		41,842
Total assets less current liabilities			44,950		58,144
PROVISIONS FOR LIABILITIES AND CHARGES	15		(443)		(837)
NET ASSETS			44,507		57,307
FINANCED BY					
Accumulated fund	16		44,507		57,307

Notes 1–29 form an integral part of these accounts.

Approved by the Board on 25 February 2009

and signed on its behalf by:

Chairman
Sir Michael Latham DL

Chief Executive
Mark Farrar

ANNUAL ACCOUNTS

Cash Flow Statement for the Year Ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Reconciliation of net resources used to net cash inflow from operating activities			
Net (outgoing) resources for the year after charging notional cost of capital		(13,598)	(952)
Notional cost of capital		1,906	3,961
Interest receivable		(3,636)	(4,070)
Operating deficit		(15,328)	(1,061)
Depreciation charges		1,874	1,828
Profit on sale of tangible fixed assets		(82)	(122)
Realised gain/(loss) on investments		9	(255)
(Increase) in debtors		(472)	(14,008)
(Decrease)/Increase in creditors and provisions		(10,701)	13,363
Net cash (outflow) from operating activities		(24,700)	(255)
CASH FLOW STATEMENT			
Net cash (outflow) from operating activities		(24,700)	(255)
Returns on investments and servicing of finance	17	4,342	3,913
Capital expenditure (net)	17	(5,539)	(2,921)
Management of liquid resources (call accounts, term deposits, money market and externally managed funds)	17	27,029	728
Increase in cash at bank	19	1,132	1,465
Reconciliation of net cash flow to movement in net funds	18		
Increase in cash at bank in the period		1,132	1,465
Management of liquid resources (call accounts, term deposits, money market and externally managed funds)		(27,029)	(728)
Other non-cash movements in the year		281	383
Movement in net funds in the year		(25,616)	1,120
Net funds at 01 January		67,914	66,794
Net funds at 31 December		42,298	67,914
Represented by:			
Investments	13	38,717	65,465
Cash at bank		3,581	2,449
		42,298	67,914

Notes 1–29 form an integral part of these accounts.

Notes to the Financial Statements for the Year Ended 31 December 2008

1. ACCOUNTING POLICIES

Going concern

These accounts are prepared on a going concern basis.

Accounting convention

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

The accounts also meet the accounting and disclosure requirements of the Government Financial Reporting Manual and applicable Accounting Standards.

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 authorities

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

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 – direct and by staff time

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

Other recognised gains and losses

Realised on investments

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

Unrealised on investments

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

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2008 (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)
	– Nil (buildings under construction)
Leasehold land and buildings	– the lease term
Plant and machinery	– 5 to 10 years
Office equipment	– 4 to 10 years
Computer equipment	– 4 years

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

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. Actual reserves should fall within the range of plus or minus 5% of the agreed target.

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)**2. INCOMING RESOURCES FROM GOVERNMENT AND OTHER PUBLIC AUTHORITIES**

	2008	2007
	£'000	£'000
European grants receivable	443	1,200
Government departments and Scottish Executive	13,453	3,129
	13,896	4,329
UK Commission for Employment and Skills (UKCES) (see below)	5,129	2,968
	19,025	7,297

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

UKCES income includes funding for the Sector Skills Council core contract of £2,063,000 (2007 £1,518,000) to reimburse expenditure of £2,063,000 (2007 £1,518,000) for specific activities during the year.

3. LEVY

2007 levy assessment receivable in 2008	182,386	164,907
Adjustment to previous years' levy assessments	(598)	486
	181,788	165,393

4. TRAINING GRANTS

Paid or offset during the year	179,032	131,146
Less: Accruals brought forward	(31,338)	(24,809)
Add: Accruals for further payments	28,386	31,338
	176,080	137,675
 New Entrant Training grants		
Commitment grants	2,061	2,080
Attendance grants	35,041	37,599
Achievement grants	42,178	26,233
	79,280	65,912
 Other grants	96,800	71,763
 Total grants (all claimed as institutional grants)	176,080	137,675

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)

5. MATERIAL CASH SUPPORT PAYMENTS IN RESPECT OF TRAINING

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

Aggregate payments/offsets over £250,000 made during the year:

Recipient	£'000	Recipient	£'000
Carillion* – CITC	£7,232,000	Ainscough	528
– other	£1,586,000	Roger Bullivant	527
Balfour Beatty	3,716	Miller	522
Barratt	2,961	Bell	504
Morgan	2,858	Redrow	500
Laing O'Rourke	2,513	Hewden Stuart	457
Kier	2,504	Mitie	447
Taylor Wimpey	2,078	Insight Solutions	438
Rok	1,517	AWG	416
BAM Nuttall	1,374	Alfred Bagnall	410
Persimmon	1,342	Tolent	392
Skanska	1,190	Ringway	355
Morrison	1,135	J N Bentley	321
Keepmoat	1,128	H S S Hire Service	320
Galliford Try	1,126	Tamdown Group	313
Interserve	1,054	May Gurney	312
H B Civil & Building Services* (all CITC)	986	BDL	303
Vinci	967	Cruden Investments	297
Wates	959	Ogilvie	292
Sir Robert McAlpine	830	Clancy	291
Connaught	826	Heyrod	290
BAM Construct	782	Aggregate Industries	283
Bellway	764	Fitzpatrick	280
R G Carter	735	Ashleigh	276
Seddon	648	Lumsden & Carroll	270
Willmott Dixon	643	Murphy	266
Costain	642	Bowmer & Kirkland	258
Bovis Lend Lease	573	Janes & Albone	254
Speedy Hire	571	Renew	252
Ashtead Plant Hire	546	Bouygues	251
Brandon Hire	539	Byrne	250
Shepherd	535		
		Other recipients	57,733
		Total payments	162,941
			220,674

* These employers operate managing agencies for the Construction Industry Training Centres (CITC) and therefore had access to higher levels of New Entrant Training grants.

The number of employers claiming grant increased from 21,975 in 2007 to 23,566 in 2008 (+7.2%).

Reconciliation with charges:	Accruals B/F £'000	Payments £'000	Accruals C/F £'000	Charges £'000
Grants (Note 4)	(31,338)	179,032	28,386	176,080
Trainee allowances	(375)	5,794	375	5,794
College fees	(11,267)	35,848	9,021	33,602
	<u>(42,980)</u>	<u>220,674</u>	<u>37,782</u>	<u>215,476</u>

College fees and trainee allowances are included within expenditure attributed to recruiting qualified new entrants in the Statement of Financial Activities (page 38).

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)**6. CHARITABLE ACTIVITIES**

Activity	Activities undertaken directly	Support costs (Note 9)	Total	Grant making	2008 Total including grants	2007 Total including grants
	£'000	£'000	£'000	£'000	£'000	£'000
Grants	176,080	–	176,080	(176,080)	–	–
Recruiting qualified new entrants	62,076	3,204	65,280	79,280	144,560	134,093
Qualifying the existing workforce	64,960	3,114	68,074	60,845	128,919	93,706
Improving business performance	18,768	1,003	19,771	35,955	55,726	53,715
Levy collection and grant processing costs	–	5,217	5,217	–	5,217	4,834
	<u>321,884</u>	<u>12,538</u>	<u>334,422</u>	<u>–</u>	<u>334,422</u>	<u>286,348</u>

7. GOVERNANCE COSTS

	2008 £'000	2007 £'000
Board and committee costs	211	198
Corporate Assurance	353	337
Business Planning	78	80
Legal	72	62
Finance	61	51
External audit	51	40
Other	64	56
	<u>890</u>	<u>824</u>

8. NOTIONAL COST OF CAPITAL

In accordance with HM Treasury Guidance, the accounts include a notional charge representing the cost of capital, which is based on the average capital employed (equivalent to net assets) at a rate prescribed by HM Treasury of 3.5% (2007 3.5%). The charge has been included after the heading 'total resources expended'. As the charge is notional, it is removed from the Statement of Financial Activities before identifying net incoming/outgoing resources for the year.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)

9. NET MOVEMENT IN FUNDS

	2008 £'000	2007 £'000
The net movement in funds for the year of £13,131,000 was arrived at after (crediting)/charging:		
Profit on sale of fixed assets	(82)	(122)
Unrealised loss/(gain) on revaluation of freehold property	1,729	(701)
Board members' remuneration (see Note 22)	44	43
Rentals paid under operating leases		
• Hire of plant and machinery	187	97
• Other operating leases	965	1,017
Auditors' remuneration		
• Audit fees	51	40
Depreciation		
• Owned assets	1,874	1,828
Sector Skills Council activities (see Note 2)	2,063	1,518
Indemnity insurance	12	11
Support costs (see below)	12,538	11,361

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	4,122	–	–	–	4,122
Management	90	404	384	129	1,007
Finance	308	438	417	141	1,304
Information technology	365	1,709	1,692	522	4,288
Human resources	84	490	466	158	1,198
Legal	248	163	155	53	619
2008	5,217	3,204	3,114	1,003	12,538
2007	4,834	2,856	2,778	893	11,361

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)**10. TANGIBLE FIXED ASSETS**

	Freehold property	Plant and machinery	Motor vehicles	Office and computer equipment	Total
(a) Summary	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
01 January 2008	10,676	7,568	3,318	7,813	29,375
Additions	3,339	591	837	911	5,678
Disposals	–	(207)	(498)	–	(705)
Transfer to current assets	(2,030)	–	–	–	(2,030)
Write-off	–	(100)	–	(89)	(189)
Revaluation (see below)	(1,919)	–	–	–	(1,919)
31 December 2008	10,066	7,852	3,657	8,635	30,210
Valuation 2008	8,718	–	–	–	8,718
Cost	1,348	7,852	3,657	8,635	21,492
	10,066	7,852	3,657	8,635	30,210
Depreciation					
01 January 2008	190	4,738	1,877	6,268	13,073
Charges for the year	23	645	526	680	1,874
Disposals	–	(187)	(420)	–	(607)
Write-off	–	(97)	–	(88)	(185)
Revaluation (see below)	(190)	–	–	–	(190)
31 December 2008	23	5,099	1,983	6,860	13,965
Net book value					
31 December 2008	10,043	2,753	1,674	1,775	16,245
31 December 2007	10,486	2,830	1,441	1,545	16,302

At 31 December 2008, CITB-ConstructionSkills received professional valuations of its freehold property. FDP Savills undertook the valuation of the property at Bircham Newton, valuing the training centre and head office on an existing use basis and the agricultural land at market value. Lambert Smith Hampton carried out the valuations of freehold property held at Glasgow, Birmingham and Erith on an existing use basis. Jones Lang LaSalle carried out the valuations of surplus freehold properties in Glasgow and Edinburgh at market value, which have been transferred to current assets (see Note 12). These valuations were made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, which resulted in a reduction in value of £1.7m.

	2008 £'000	2007 £'000
(b) Historical cost information		
If the valuations had not been included then freehold property would have been included at the following amounts:		
Cost	13,991	12,682
Accumulated depreciation	(3,415)	(3,362)
	10,576	9,320

(c) Freehold property

Included in freehold property is an amount of £3,782,500 (2007 £3,833,100) relating to freehold land and an amount of £788,658 (2007 £nil) relating to the construction of new college facilities at NCC East.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)

10. TANGIBLE FIXED ASSETS (continued)

(d) Modified historic cost accounting

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

(e) Capital commitments

There were capital commitments of £482,978 at 31 December 2008 (2007 £533,000) for NCC East construction, plant, motor vehicles and computer equipment.

(f) Plant equipment on loan

The NCC college has the use of equipment on loan, free of charge, from plant equipment suppliers equivalent to a purchase value of approximately £2.2m (2007 £1.3m).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Levy debtors	25,982	20,148
Trade/other debtors	6,632	6,265
Prepayments and accrued interest	1,756	2,223
	<u>34,370</u>	<u>28,636</u>
Intra-Government balances:		
Central Government bodies	5,340	11,120
Public corporations	4	86
Local authorities	12	–
	<u>5,356</u>	<u>11,206</u>
	<u>39,726</u>	<u>39,842</u>

12. PROPERTIES HELD FOR SALE

Properties held for sale represents three Scottish properties transferred from fixed assets (see Note 10) during the year, which are surplus to requirements. The properties were valued at 31 December 2008 at a market value of £2,030,000.

13. INVESTMENTS

	2008 £'000	2007 £'000
Carrying value (market value) at beginning of year	65,465	65,810
Additions to investments at cost	522,823	684,884
Disposals at carrying value	(549,852)	(685,612)
Net gain on revaluation	281	383
Carrying value (market value) at end of year	<u>38,717</u>	<u>65,465</u>
Listed securities managed by fund managers	11,546	14,693
Deposits with banks and building societies	27,171	50,772
	<u>38,717</u>	<u>65,465</u>

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)**13. INVESTMENTS** (continued)

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

Investments	2008	2007
	£'000	£'000
4% Treasury Stock 2009	3,773	3,730
5.5% Euro Inv Bank 2011	2,156	–
4.25% Euro Inv Bank 2010	2,090	–
Term deposits		
Bank of Scotland	5,000	10,000
Nationwide	5,000	10,000
Bank of Ireland	2,000	5,000
NordDeutsche Landesbank	–	10,000
Bradford & Bingley	–	3,500
Money market funds		
RBS Global Treasury Funds	6,237	–
Barclays Global Investors Liquidity Funds	5,933	–
Morley Sterling Liquidity Fund	–	8,073

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	20,227	27,613
Other creditors	1,360	1,231
Taxation and social security	1,282	1,185
Accruals:		
New Entrant Training grants and allowances payable to 31 December	5,210	6,228
Other grants payable to 31 December	23,551	25,485
Reorganisation costs	–	770
	<u>51,630</u>	<u>62,512</u>
Intra-Government balances:		
Central Government bodies	3,355	2,344
Public corporations	280	1,046
Local authorities	84	12
	<u>3,719</u>	<u>3,402</u>
	<u><u>55,349</u></u>	<u><u>65,914</u></u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Vacated office costs	Leasehold property dilapidations	Total
	£'000	£'000	£'000
Balance as at 01 January 2008	457	380	837
Income and expenditure account	62	(40)	22
Utilised	(416)	–	(416)
Balance as at 31 December 2008	<u><u>103</u></u>	<u><u>340</u></u>	<u><u>443</u></u>

The above provisions are calculated as follows:

- vacated offices – known rental and associated costs for the remainder of the property leases over the next two years, on the assumptions that these leases are unassigned during this period
- leasehold property dilapidations – a general provision for estimated settlements with landlords on the expiry of the leases over the next seven years based on past experience.

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)

16. ACCUMULATED FUND

	General reserve	Unrestricted fund Fixed asset revaluation reserve	Total unrestricted fund	Restricted fund NCC East development fund	Total funds
	£'000	£'000	£'000	£'000	£'000
Balance as at 01 January 2008	54,281	3,026	57,307	–	57,307
Capital funding receipts	–	–	–	331	331
Net movement in funds	(11,402)	(1,729)	(13,131)	–	(13,131)
Balance as at 31 December 2008	42,879	1,297	44,176	331	44,507

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.

The NCC East development fund arises from grants received from the Learning and Skills Council towards redevelopment of the college facilities at NCC East.

17. GROSS CASH FLOWS

	2008 £'000	2007 £'000
Returns on investments and servicing of finance		
Interest received on investments	4,342	3,913
Capital expenditure		
Payments to acquire tangible fixed assets	(5,936)	(3,068)
Receipts from sales of tangible fixed assets	183	147
Capital grant receipts	214	–
	(5,539)	(2,921)
Management of liquid resources		
Placed on deposit and purchase of externally managed investments	(522,823)	(684,884)
Deposit withdrawals and sale of externally managed investments	549,852	685,612
	27,029	728

18. ANALYSIS OF CHANGES IN NET FUNDS

	At 01/01/08	Cash flows	Other non-cash movements	At 31/12/08
	£'000	£'000	£'000	£'000
Current asset investments on call	8,592	4,579	–	13,171
Other current asset investments	56,873	(31,608)	281	25,546
	65,465	(27,029)	281	38,717
Cash at bank	2,449	1,132	–	3,581
	67,914	(25,897)	281	42,298

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)**19. CASH FLOW STATEMENT**

The cash flow movements of investments on call are now included in the management of liquid resources (see Note 17). The increases in cash and the management of liquid resources for 2007 have been adjusted to reflect this change. The movement in net funds for the year is not affected.

20. 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 2007.

The valuation indicated that the actuarial value of the assets held by the Scheme showed a small surplus of between £2.0m and £3.0m over the Scheme liabilities, based on FRS 17 methodologies.

The principal future assumptions used are that the real rate of return (net of pension increases) would be 2.5% per annum; the nominal rate of investment return on assets would be 5.99% per annum; pension increases (Old Section) would be in line with the Retail Prices Index (RPI) changes and assumed to be 3.4% per annum; and 'real' salary inflation would be 1.5% per annum.

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.

Staff joining the ITB Pension Funds Scheme after 01 April 2008 were entered into a 'New Section' of the ITB Pension Funds Scheme, receiving a reduced level of benefits compared to the 'Old Section' provisions. From 01 April 2009, current staff who are members of the 'Old Section' will have the opportunity to transfer to the 'New Section' if they wish to do so; this will require a lower level of contributions from both the employee and employer. Employee contribution rates for Old Section members (5% during 2008) will increase to 6.8% in April 2009 and to 7.8% in April 2010. The employer contribution rate for 2009 has been increased from 10% to 12% (Old Section) and the contribution rate for the New Section will be maintained at 10.1%.

Payments made in 2008 are shown in Note 23.

21. LEASE COMMITMENTS

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

	2008		2007	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases				
Leases expiring within one year	75	37	37	55
Leases expiring in the second to fifth years	187	387	211	45
Leases expiring after five years	210	–	247	–
	<u>472</u>	<u>424</u>	<u>495</u>	<u>100</u>

ANNUAL ACCOUNTS

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)

22. BOARD MEMBERS' REMUNERATION

Remuneration of the Board members was as follows:

	2008	2007
	£	£
Chairman – Sir Michael Latham	22,438	22,218
Deputy Chairman – Peter Rogerson	21,396	20,977

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 members during the year amounted to £23,721 (£29,289 in 2007) in respect of accommodation, travel and subsistence. The total number of recipients was 13 (17 in 2007).

23. PARTICULARS OF STAFF

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

	2008 number	2007 number
Training	1,077	991
Other activities	481	408
	<u>1,558</u>	<u>1,399</u>

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

	2008 £'000	2007 £'000
Salaries of directly employed staff	44,382	41,303
Redundancy costs	–	1,207
Social security	3,386	3,184
Other pension costs (see Note 20)	3,408	2,597
	<u>51,176</u>	<u>48,291</u>

Salaries include Scorecard bonuses (see Note 24) payable to directly employed staff amounting to £1,359,800 (£1,230,700 in 2007).

The remuneration, pension entitlements and pension transfer values of the most senior members of CITB-ConstructionSkills' staff can be found in the Remuneration Report on pages 32 and 33.

The emoluments, including benefits in kind but excluding pension contributions, of employees earning more than £60,000, other than those stated in the Remuneration Report (pages 32 and 33), fell within the ranges shown below:

	Number of employees	
	2008	2007
£60,001 – £70,000	15	14
£70,001 – £80,000	11	9
£80,001 – £90,000	4	4
£90,001 – £100,000	2	–

Notes to the Financial Statements for the Year Ended 31 December 2008 (continued)**24. PERFORMANCE SCORECARD**

CITB-ConstructionSkills measures achievement against a number of key performance indicators and 13 of these are used to form an annual Scorecard. All eligible staff receive a bonus based on performance against the Scorecard targets. For 2008, the overall score achieved was 'Target' and the bonus fixed by the Board was 3%. The directors agreed to waive their scorecard bonus for 2008.

Details of achievements against the key performance indicators and Scorecard are shown on pages 8 and 9.

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, INTEREST RATE AND CURRENCY RISKS

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

27. RELATED PARTY TRANSACTIONS

Appendix A (on pages 58 and 59) lists the members of the Board and its Committees, also giving the names of their employers. Appendix B (pages 60 and 61) 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 over £250,000. Bad debts written off during the year amounted to £2,432,591 (2007 £1,482,165).

29. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date requiring an adjustment to the Financial Statements. The Financial Statements were authorised for issue on 10 March 2009 by Mark Farrar (Accounting Officer).

STATISTICAL INFORMATION

Statistical Information

for the Year Ended 31 December 2008

Levy and grant

Table 1: Distribution of number of employers by 2007 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	173	236	1	5	24	122	561
Architectural steelwork	23	16	1	1	6	19	66
Asbestos removal	15	16	0	4	8	41	84
Asphalt and tar spraying	16	157	1	19	56	176	425
Bricklaying/pointing	171	787	3	9	9	82	1,061
Building and civil engineering	831	1,988	4	45	236	1,736	4,840
Building repair and maintenance	488	2,558	1	111	362	1,336	4,856
Cavity wall insulation or draught proofing	35	16	0	2	5	28	86
Civil engineering	320	614	2	30	152	844	1,962
Construction labour agencies	103	138	0	2	1	31	275
Damp proofing	13	39	0	1	12	19	84
Demolition	101	139	2	15	52	200	509
Developers	455	587	0	6	38	315	1,401
Diamond drilling	24	43	0	6	10	31	114
Dry lining or partition specialist	108	316	2	7	24	365	822
Erecting/dismantling exhibition stands	9	16	0	1	7	8	41
Felt roofing	9	160	0	12	14	79	274
Fire protection	4	13	0	0	1	41	59
Fitted kitchen/bedroom/bathroom installation	113	489	1	21	71	216	911
Flat glass glazing	10	126	0	12	46	53	247
Floorcovering	7	111	0	9	29	84	240
Flooring	77	283	1	16	53	242	672
General building	5,593	14,370	11	304	1,512	6,794	28,584
Hard landscaping	35	135	0	7	7	29	213
House building	249	1,136	4	17	148	1,288	2,842
Interior fit-out	164	107	0	3	18	202	494
Joiner and carpenter – site	1,032	4,109	11	104	188	584	6,028
Joinery manufacture	184	953	1	113	300	534	2,085
Mastic asphalt	3	28	0	4	14	25	74
Mastic sealant application	12	20	0	7	9	25	73
Painting and decorating	927	2,694	8	99	282	1,048	5,058
Paving	26	142	2	4	10	22	206
Plant hire/repair and/or tool hire	375	919	0	93	262	712	2,361
Plastering and/or artexing	512	1,152	3	31	58	465	2,221
Preparing/fixing stone for building including stonemasonry	38	167	1	14	28	97	345
Reinforced concrete specialist	19	68	0	4	4	51	146
Roof sheeting and cladding	58	163	1	13	21	282	538
Roofing including slating and tiling	535	1,493	2	62	196	727	3,015
Scaffolding	205	487	0	66	188	747	1,693
Shopfitting	104	202	0	11	64	436	817
Site preparation and groundworks	262	661	4	35	87	409	1,458
Steeplejack/lightning conductor engineering	6	26	0	8	20	31	91
Suspended ceiling installation	55	239	0	10	31	276	611
Swimming pool construction	5	26	0	5	10	22	68
Wall and floor tiling	192	300	4	16	22	170	704
Other	88	122	0	4	33	167	414
Total	13,784	38,567	71	1,368	4,728	21,211	79,729

Note: Not assessed – Employers in their first year of registration and untraceable employers
 Zero – Employers whose payroll payments fall below the £76,000 threshold

Statistical Information for the Year Ended 31 December 2008 (continued)

Table 2: Levy income by employer size			
Employer size	Number of employers	Number of employees	Levy £'000
Large	303	231,580	53,903
Medium	1,977	187,594	46,538
Small	11,385	223,373	49,462
Micro	52,280	134,780	32,483
Other	13,784	Not known	Nil
Total	79,729	777,327	182,386

Table 3: Number of employers assessable to levy		
Levy banding	Number of employers	Number of employees
Assessable to positive levy	27,378	659,166
Assessable to zero levy	38,567	118,161
Not assessed	13,784	Not known
Total	79,729	777,327

Table 4: Grant and support by size of employer			
Employer size	Number of employers claiming grant and other support	Value of grant and other support payments £'000	Percentage of total grant and other support
Large	293	58,187	26%
Medium	1,792	57,019	26%
Small	7,164	51,922	24%
Micro	12,284	45,061	20%
Other	2,033	8,485	4%
Total	23,566	220,674	100%

Key to size of employer:

Large: 250+ employees

Medium: 50–249 employees

Small: 10–49 employees

Micro: 0–9 employees

Other: Includes new registrations

STATISTICAL INFORMATION

Statistical Information for the Year Ended 31 December 2008 (continued)

Table 5: Number of employers with new entrant trainees					
Number of trainees	Employer size				Total
	Large	Medium	Small	Micro	
1	30	214	1,677	8,700	10,621
2 to 5	49	421	1,984	2,630	5,084
6 to 10	27	216	385	0	628
11 to 15	18	108	63	0	189
16 to 20	14	61	0	0	75
21 to 50	47	59	0	0	106
51 to 100	13	6	0	0	19
101 and over	19	0	0	0	19
Total	217	1,085	4,109	11,330	16,741

Table 6: Employers claiming grant by levy band				
Levy banding	Employers claiming grant		Employers not claiming grant	
Assessable to a positive levy	13,112	16%	14,266	18%
Assessable to zero levy	8,421	11%	30,146	38%
Other	2,033	3%	11,751	14%
Total	23,566	30%	56,163	70%

Key to size of employer:

Large: 250+ employees

Medium: 50–249 employees

Small: 10–49 employees

Micro: 0–9 employees

Other: Includes new registrations

STATISTICAL INFORMATION

Statistical Information for the Year Ended 31 December 2008 (continued)

Table 7: Number of trainees by size of employer and main activity					
Main activity	Employer size				Total
	Large	Medium	Small	Micro	
Alteration to a building/part of a building	0	0	37	152	189
Architectural steelwork	0	0	1	2	3
Asphalt and tar spraying	24	13	2	7	46
Bricklaying/pointing	0	33	86	530	649
Building and civil engineering	636	5,008	610	761	7,015
Building repair and maintenance	263	287	680	663	1,893
Civil engineering	258	147	99	63	567
Construction labour agencies	66	693	16	24	799
Damp proofing	0	0	9	6	15
Demolition	5	20	21	3	49
Developers	0	0	33	68	101
Diamond drilling	0	2	4	0	6
Dry lining or partition specialist	1	30	139	41	211
Erecting/dismantling exhibition stands	0	0	2	5	7
Felt roofing	0	3	35	21	59
Fire protection	0	6	2	0	8
Fitted kitchen/bedroom/bathroom installation	0	3	48	172	223
Flat glass glazing	0	6	20	30	56
Floor covering	0	9	54	39	102
Flooring	37	11	74	96	218
General building	856	2,107	3,431	5,649	12,043
Hard landscaping	0	0	3	16	19
House building	671	874	428	455	2,428
Interior fit-out	0	40	46	23	109
Joiner and carpenter – site	18	348	848	3,279	4,493
Joinery manufacture	0	184	792	776	1,752
Mastic asphalt	0	0	13	4	17
Painting and decorating	209	491	983	1,534	3,217
Paving	0	1	0	4	5
Plant hire/repair and/or tool hire	277	168	98	318	861
Plastering and/or artexing	0	55	260	598	913
Preparing/fixing stone for building including stonemasonry	0	21	100	98	219
Reinforced concrete specialist	0	9	6	4	19
Roof sheeting and cladding	0	21	42	43	106
Roofing including slating and tiling	0	115	378	372	865
Scaffolding	65	228	418	226	937
Shop fitting	56	241	235	102	634
Site preparation and groundworks	6	33	26	28	93
Steeplejack/lightning conductor engineering	0	41	47	13	101
Suspended ceiling installation	0	34	110	35	179
Swimming pool construction	0	0	7	1	8
Wall and floor tiling	0	39	79	143	261
Other activities	39	1	12	18	70
Other (out of scope)	19	30	25	740	814
Total	3,506	11,352	10,359	17,162	42,379

Key to size of employer:

Large: 250+ employees
Medium: 50–249 employees

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

APPENDICES

A: Membership of the Board and its Committees

	TB	FC	TC	VG	AC	HSEC
Harry ADAM, Ian Williams Ltd	■					
Peter ANDREWS, Civil Engineering Contractors Association			⊗	●		
Adwoa ASARE, Qualifications and Curriculum Authority				◆		
Allan ASHWORTH, University of Salford				▲		
Shelley ATKINSON-FROST, Construction Confederation						▼
Robert BALDWIN, Unite – the Union				□		
Ian BILLYARD, Leeds College of Building	▲		▲			
Bob BLACKMAN, Unite the Union	□					●
Greg BROWN, Construction Industry Council						▼
Duncan CANNEY, Willmott Dixon Holdings Ltd					■	
John CARPENTER, The Joint Board of Moderators						▲
Phil CHATFIELD, The Environment Agency						◆
Professor Barry CLARKE, Leeds University	▲					
David COCHRANE, Sir Robert MacAlpine	■	■				
Tom CORRIGAN, Hewden Stuart plc						■
Peter CUNNINGHAM, Constructing Excellence	✦					
Sally CURRIN, Carillion plc					■	
Emma DAVIES, Health and Safety Executive						◆
Colin DOBSON, British Association of Construction Heads						▲
Keith DONNELLY, Carillion Construction Training			▲			
Andrew DUNCAN, Department for Innovation, Universities and Skills	◆					
Richard EASTON, Hadley Shopfitters			■			
Neil ETCHELLS, Syntonic Construction Ltd						■
Derek FIELD, McCarthy and Stone plc	■	■				
George FRASER, Tulloch Group	■	■				
Trevor GAMBLE, Ramble Containers Ltd	■		⊗			
Michael HAGUE, Unite the Union			□			
Christine HARDY, Hewden Stuart plc			■			
Roger HART, Department for Innovation, Universities and Skills					◆	
Geoff HOLT, Associated Roofing and Maintenance Ltd	■		■			
Robert HUDSON, National Association of Shopfitters						▼
Chris JONES, BAM Construct UK	■		⊗			
David JONES, Classic Excel Ltd			■			
Alan KNIGHT, Union of Construction, Allied Trades and Technicians				□		
Sir Michael LATHAM, DL, Willmott Dixon Ltd	●	●				
Richard LATHAM, Persimmon plc			■			
Michael LEVACK, Scottish Building				▼		
Geoff LISTER, Greenwood Estate and Property Maintenance Ltd	■		⊗			
Robert LOCKEY, National House-Building Council				■		
Mike LONG, National Specialist Contractors Council						▼
Simon MANTLE, National House-Building Council						▼
Jim MARTIN, CIOB						▼
Steve MASSARA, Wates Group Ltd			■			
Terry McCOMISKEY, Council for the Curriculum, Examinations and Assessments				◆		
Katrine McLEOD, Scottish Qualifications Authority				◆		
Peter O'CONNELL, Federation of Master Builders						◆

APPENDICES

	TB	FC	TC	VG	AC	HSEC
Tim PEACH, Taylor Woodrow Construction Ltd	■	■				
Andrew PEARS, National Federation of Builders						▼
Martyn PRICE, Carpentry Management Contracting (CMC) Ltd	■		■			
Jim PURDIE, Scottish Water Solutions						■
Harold RACKHAM, G N Rackham & Sons Ltd	■	■				
Alan RITCHIE, Union of Construction, Allied Trades and Technicians	□	□				
Peter ROGERSON, OBE, The Rogerson Group Ltd	○	■	●			■
Derek ROSS, Edmund Nuttall Ltd						■
Phil RUSSELL, Russell Building Services						■
Lance SAUNDERS, Construction Industry Council				★		
John SCOTT, Morgan Sindall						■
Paul SEALY, Kier Group			■			
Amit SHAH, Balfour Beatty plc					■	
Geoff SNOW, OBE, Snows Construction Ltd			■			
Julie SPARGO, ACCAC (Qualifications, Curriculum and Assessment Authority for Wales)				◆		
Haydn STEELE, Construction Plant-hire Association						⊗
Billy SWEENEY, Tulloch Ltd			■			
John THOMPSON, Union of Construction Allied Trades and Technicians			□			□
Lesley WALLIS, CITB Northern Ireland	◆					
James WATES, Wates Group Ltd	■	⊗			●	
Bob WHINCAP, Rotor Scaffolding Services Ltd			■			
Briony WICKENDEN, Skanska UK			■			
Edward WOODS, George Wimpey UK Ltd						■
Graham WREN, Balfour Beatty Ground Engineering	■	■				
Clive YOUNG, Department for Business, Enterprise and Regulatory Reform	◆		◆			

(This table shows the position as at 31 December 2008)

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

APPENDICES

B: Register of Interests of Board Members

Related party transactions

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

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

Ian Billyard

Principal, Leeds College of Building

Ian Billyard is National Chair of the British Association of Construction Heads.

Bob Blackman

National Secretary, Construction, Crafts and Building Materials Trade Group, Unite the Union

Bob Blackman is a Director of Construction Skills Certification Scheme Ltd.

Barry Clarke

Professor of Civil Engineering Geotechnics, University of Leeds

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

Trevor Gamble

General Manager, Ramble Containers Ltd

Mr Gamble is a seconded member of the Rail Plant Association Management Committee, and a member of the General Council of the Construction Plant-hire Association (CPA). He is Chairman of the Construction Plant Certification Scheme (CPCS) Management Committee.

Geoff Holt

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

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

Chris Jones

Director of Learning and Development, BAM Construct UK Ltd

Chris Jones is a member of Construction Skills Certification Scheme Ltd's (CSCS) Technical, Supervisory and Management Working Group.

Sir Michael Latham

Deputy Chairman – Willmott Dixon Ltd

Sir Michael is Chairman of the Collaborative Working Centre (UK) Ltd, 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 consultant for E C Harris LLP, an Adviser for The Builder Group Ltd and a member of the Editorial Advisory Panel of *Building* magazine. He is President of the FRA and Chairman of the RIA. He is Visiting Professor in the Department of Civil Engineering at the University of Leeds. He chaired the joint Government/industry review of the Construction Act in 2004. He is Deputy Chairman of Inspace Ltd, Chairman of the Association for Consultancy and Engineering's Advisory Group, and a regular speaker on construction issues.

Geoff H Lister

Director – Greenwood Estate and Property Maintenance Ltd

Mr Lister was National President and Director of the Federation of Master Builders until September 2008 and is a Member of Corporation at Leeds College of Building. He chairs the Cross-industry Construction Apprenticeship Task Force, a joint FMB and CITB-ConstructionSkills working group.

Martyn Price

Managing Director of Carpentry Management Contracting (CMC) Ltd

As a registered employer, CMC Ltd receives grants in support of its training activity. It is also in receipt of contract-related funding from CITB-ConstructionSkills. Martyn Price is also a Director of VUN Ltd and Innovation On Site Ltd both of which are registered employers and grant claimers. He is also Chief Executive of Consign Construction Skills Ltd, an Independent Training Group in receipt of grant support and contract-related funding from CITB-ConstructionSkills. He chairs Skills 4 Site Ltd, and the Innovative Construction Skills Forum which are in receipt of funds from CITB-ConstructionSkills and the CITB-ConstructionSkills/BACH Senate. He also represents the construction sector on the Apprenticeship Ambassador Network.

Harold Rackham

Company Chairman of G N Rackham & Sons Ltd

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

Peter G Rogerson

Chairman, Rogerson Group Properties

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

James Wates

Deputy Chairman of the Wates Group Ltd

Mr Wates is Chairman of the UK Contractors Group, Vice President of the Chartered Institute of Building, Board member and Treasurer of the British Council for Offices, a member of the CBI Construction Council, and a member of the London Skills and Employment Board.

APPENDICES

C: Employer Organisations

During 2008, CITB-ConstructionSkills maintained close contact with the following major employer organisations:

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

and the following constituent federations of the Construction Confederation:

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

From 31 December 2008, the Major Contractors Group and National Contractors Federation will cease to operate. Instead, a new grouping, the UK Contractors Group (UKCG), will come into existence. CITB-ConstructionSkills intends to establish appropriate working relationships with this body during 2009.

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

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

D: CITB-ConstructionSkills Statutory Basis

As an Industrial Training Board established to promote and improve the standard of training within an industry, CITB-ConstructionSkills is held to be established for exclusively charitable purposes and is therefore registered as a charity (Registered Charity Number 264289). Members of the Board, who also act as Trustees of the charity, are identified on page 22.

The charitable activities of CITB-ConstructionSkills are partly funded by the statutory levy established by the Industrial Training Act 1982 and confirmed by the annual Levy Orders passed by both Houses of Parliament. The most recent order is the Industrial Training Levy (Construction Industry Training Board) Order 2009 (2009 No. 549) which was enacted on 03 March 2009 and came into force on 04 March 2009. Full details of the powers and responsibilities of CITB-ConstructionSkills as well as the restrictions placed on it can be found in the Industrial Training Act 1982 and subsequent amendments.

In 2003, 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. Since then, the CSN has developed an increasingly sophisticated analysis of construction industry data on skills needs and training supply in each region. In addition, the launch of the National Skills Academy for Construction (NSAfc) based on a project-driven approach to supporting training helps ensure that provision will be able to meet sector needs in more difficult economic times. In 2009, ConstructionSkills' submission to the UK Commission for Employment and Skills (UKCES) seeking re-licensing as the Sector Skills Council for Construction will be considered by UKCES.

CITB-ConstructionSkills' aims and objectives

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

CITB was formed in 1964. The Industrial Training Act passed in that year provided for the establishment of Industrial Training Boards 'for the purpose of making better provision for the training of persons for employment ... in any activities of industry...'. In that July, the Industrial Training (Construction Board) Order 1964 brought the Construction Industry Training Board (CITB) into being. The legislation also provided for the raising of a training levy to fund its activities. The rates of levy, which with the consensus agreement of the industry expressed through employers' organisations is not based on exemption, are recommended by the Board and subject to affirmative resolution by both houses of Parliament. In 2008, 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. Responding to a Government request and with the support of the industry, in 2009, the first three-year Levy Order (maintaining the same rates as in 2008) covering assessments payable in 2009, 2010 and 2011 is to be debated by Parliament.

Policies for delivering the SSA are formulated and developed in consultation with industry through its committee structure. The Council, Board and other committees meet regularly, to ensure adequate consultation between industry representatives and staff. A further network of advisory committees provides local consultation on training needs. The Council, Board and other committees determine policy, and agree the business and financial plans which sustain delivery. They also monitor and review performance. Operational decisions are taken by executive staff within the policy framework laid down by the Board, and members of the senior management team are identified within the Remuneration Report on pages 32 and 33.

The membership of the Board and its main committees is shown in Appendix A, pages 58 and 59. CITB-ConstructionSkills is indebted to all the relevant employers' organisations and other bodies that provide valuable support and advice. A list of the major employers and employee organisations with which CITB-ConstructionSkills maintains close contact is in Appendix C, page 62.

APPENDICES

CITB-ConstructionSkills' structure

This report describes CITB-ConstructionSkills' activities across Great Britain, with separate pages for England, Scotland and Wales (on pages 12–21), reflecting the growing diversity of national approaches to meeting the needs of employers.

The organisation continues to seek to become *Simpler* to deal with, *Faster* to respond to customers, and *Closer* to their needs. Its seven directorates (Advisory Services, Apprenticeships, Business Services, National Construction College, Skills Strategy, Communications and Marketing, and Corporate Services) are each headed by a Director reporting to the Chief Executive and collectively responsible to the Chairman and Board. A separate Corporate Assurance team reports directly to the Chief Executive. Directorate planning is undertaken on a five-year rolling basis, informed by external industry-focused drivers and internal organisational development drivers. While clear accountabilities for delivery are recognised as critical, the vital importance of interdependencies between the directorates is also reflected in each directorate plan. No single directorate can fully meet any of its accountabilities without the support of at least one other directorate.

CITB-ConstructionSkills' principal activities

The principal ways in which CITB-ConstructionSkills delivers its objectives are by giving financial support to employers engaged in training, offering advice and support in respect of their training needs, developing and maintaining a framework of standards and qualifications in consultation with the industry, and managing schemes for recording achievement. In addition, CITB-ConstructionSkills provides training itself where there is no satisfactory market alternative. These activities are managed by directorates whose plans are published in CITB-ConstructionSkills' Business Plan and updated annually. These plans include key performance indicators and identify targets for the forthcoming year and beyond. Information about progress in 2008 is given on pages 8–21.

Research and development

CITB-ConstructionSkills maintains an ongoing programme of research on matters relevant to training in construction. In particular, the CSN, a cross-industry alliance developed by ConstructionSkills to revolutionise construction recruitment and training, has developed a comprehensive model for forecasting capacity, productivity and skills across the construction industry, which helps the organisation and industry 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.cskills.org.

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

CITB-ConstructionSkills and public service

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

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

Further requests for information can be addressed to Kyne Brooker at the Secretariat, CITB-ConstructionSkills, Bircham Newton, King's Lynn, Norfolk PE31 6RH (email kyne.brooker@cskills.org).

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 2008, 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. In December 2008, CITB-ConstructionSkills employed 28 people who considered themselves as having a disability as set out in the Disability Discrimination Act 1995.

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, Unite the Union and UCATT. Procedural agreements provide for communication and consultation. A team briefing system allows two-way communication with staff, and an intranet and employee newsletter keeps them informed of CITB-ConstructionSkills initiatives.

Our mission for the industry

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

Our vision for the organisation

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

Addresses and telephone numbers of ConstructionSkills offices and National Construction College centres can be found in Appendix F (pages 68 and 69).

E: Breakdown of 2008 Achievements

Area	Grant claimers / levy-assessed employers	Proportion of employers claiming grant	Employers submitting a Training Plan	New employers recognised as liP
North East	1,023/2,078	49.2%	426	11
North West	3,076/6,842	45.0%	779	23
Yorkshire and Humber	2,272/5,285	43.0%	682	17
Midlands	3,191/9,472	33.7%	810	22
East	1,867/6,465	28.9%	689	24
South West	2,719/6,997	38.9%	714	42
Southern Counties	2,566/9,117	28.1%	1,026	63
Greater London	922/4,284	21.5%	465	7
National Construction College	–	–	–	–
Wales	1,956/4,015	48.7%	674	12
Scotland	3,974/6,617	60.0%	1,063	19
Other (Partners)	–	–	–	–
Great Britain	23,566/61,172	38.5%	7,328	240

APPENDICES

NVQ/SVQ achievements through OSAT and EWPA	Recruit female and ethnic minority trainees	Framework achievements	Apprenticeship starts	STEP into Construction job outcomes
4,101	18	552 (69.6%)	329	33
8,850	17	1,020 (72.8%)	724	107
7,422	117	871 (79.3%)	759	48
12,622	31	744 (77.8%)	572	48
7,897	13	517 (74.5%)	288	299
5,017	20	857 (79.1%)	708	22
8,778	24	492 (73.0%)	517	60
5,847	34	216 (68.0%)	240	73
–	1	529 (76.8%)	489	–
3,406	32	761 (76.8%)	714	584
3,387	38	1,475 (65.8%)	2,223	66
1,005	–	48 (specialist)	74	357
68,332	345	8,082 (74.0%)	7,637	1,697

APPENDICES

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

Head Office

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

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APPENDICES

G: Glossary

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



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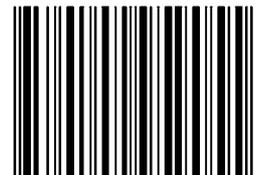
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