



REPORT OF THE TRUSTEES AND ACCOUNTS FOR THE YEAR-ENDED 31 DECEMBER 2015



ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD

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Any enquiries related to this publication should be sent to us at the Engineering Construction Industry Training Board, Blue Court, 1 Church Lane, Kings Langley, Hertfordshire, WD4 8JP

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Contents

Chairman's Introduction	1
Chief Executive's Review	1
About the ECITB	2
Performance Review 2015	3-12
Looking Ahead 2016	13-16
Financial Report	17-59
Results for the Year	18
Commentary on Financial Results	19-22
Remuneration Report	23-25
Governance Statement	26-34
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	35-36
Financial Accounts for the year ended 31 December 2015	37-59
Organisational Details	60
Appendices	61-68





Chairman's Introduction

2015 has been an eventful year for the engineering construction industry and also the economy as a whole. Certain sectors, most notably oil & gas have experienced dramatic change, whilst other sectors have been relatively static.

These wider economic developments inevitably impact our industry and the levels of investment it makes in skills and training. As investment in new infrastructure slows down, so too does the flow of people into the industry, creating an additional strain on resources.

The ECITB has a deep involvement in these issues with employers across the industry. The ECITB worked hard with employers in 2015 to ensure, where possible, that levels of training were maintained, or that resources were redeployed into other areas, such as pre-apprenticeships, and graduate retention. The ECITB also increased its involvement in several sectors, most notably nuclear, to support emerging long term requirements.

2015 was also an eventful year politically, with a national election in May, returning a majority Government. This was followed by various significant Government policy initiatives, with major strategic implications for the ECITB, including the Apprenticeship Levy, the BIS 2020 programme and the Triennial Review of the ECITB. These have been a major focus of activity for the ECITB Board and Executive Teams and will continue to be so in 2016.

Internally, the ECITB Audit Committee has been focused on new governance procedures and improving its risk management procedures. These are detailed in full in this Trustees Report.

During 2015 the ECITB also passed into new leadership with the appointment of Chris Claydon MBE as the new Chief Executive and myself as Acting Chairman. I and the Board are pleased to welcome Chris, who has a long and distinguished career as Brigadier in the British Army. Chris takes over from David Edwards, the ECITB's former CEO of sixteen years who retired in August 2015. I would like to take this opportunity to thank David for all his work over this long period of time to build a strong organisation and to welcome Chris.

Finally, as we look ahead to the next year, I am conscious of the great work that we all do as employers and learners and within the ECITB Board and the ECITB community to ensure that the industry builds a secure and sustainable workforce for the future.

Chief Executive's Review



In 2016 the ECITB will celebrate its 25th anniversary. As the new Chief Executive I am delighted to have joined an organisation with a long heritage and strong reputation for delivering quality and value in skills and training to employers within the engineering construction industry.

During the final quarter of 2015 I was privileged to meet many of our in-scope employers across a wide range of sectors, with learners, stakeholders in Government, training providers, and ECITB employees in the UK and also internationally. I was impressed by what we have achieved collectively as an industry and how well we are meeting the skills agenda despite often difficult trading conditions.

Engineering construction is an exciting and vitally important industry which underpins much the UK's critical energy and process infrastructure. As this year's Trustees Report shows, our achievements are many, but equally we are aware of the many challenges we face in a changing policy, economic and industrial environment. The focus of the Board and my executive team is on positioning the ECITB to address these challenges to the benefit of the industry we serve and the next generation of employees.

2015 was a tough year for the engineering construction industry in many of our sectors. There is little indication of a speedy recovery in 2016. The environment remains constrained, even in areas, such as the nuclear new build programme, which we know has enormous potential for the UK economy, skills and jobs. With budgets tight, it becomes ever more important to invest in people to ensure that we have the right skills and people when a more sustained recovery begins.

In looking back at what we achieved in 2015, the ECITB and the employers we serve have much to be proud of. Despite a tough trading environment, which caused an overall reduction in training, the industry continued to invest in apprentices and technical and professional courses. Small and Medium Sized Enterprises (SMEs) continued to benefit from the support they received for apprenticeship training and also in wider skills training. This highlights the broad



remit the ECITB has in supporting a diverse range of learning outputs in line with industry needs.

In 2015, the ECITB's regional structure gave an increased focus to understanding and meeting the needs of industry. We have many high calibre people in our business doing excellent work and it is clear that what we do is valued by our membership base. I am also particularly impressed by our external careers and schools engagement work, which is invaluable in attracting the next generation into the industry.

The first budget of the new Government in July highlighted some important new policy initiatives with implications for apprenticeship funding and the growth of apprenticeship numbers. The Apprenticeship Levy, which will apply to all employers with a payroll above £3m, will be introduced in April 2017. This has a clear impact on the engineering construction industry and the industrial training boards. Since the announcement a significant part of our time has been spent in speaking with employers, employer groups and Government to understand how it will be applied and what the potential impacts are. This has been constructive and will continue in 2016.

Our priorities for the year ahead are clear and outlined in the 'Looking Ahead' section in this year's Trustees Report. We will continue to raise our profile in Government and with skills organisations to make a constructive input into policy on behalf of our employers. One of the ways in which we can do this is through our market knowledge and experience. The ECITB gathers and analyses labour market intelligence data and can provide valuable input into future plans and industry forums. We will also continue to strengthen our regional business networks and contacts within employer organisations. Our commercial operations have good potential, enabling the ECITB to export the best of British skills expertise to international markets to generate revenues which can be reinvested back into the UK engineering construction industry.

As with all strong organisations, people are central to business success. I am proud to say that we achieved the Silver IIP standard at the end of last year. We will continue to invest in our employees, encouraging continuous improvement and ever greater efficiency and customer focus.



About the ECITB

Mission and Charitable Activities

The ECITB's mission is:

'Securing Engineering Construction Skills now and for the future'

Established in 1991 and celebrating its 25th anniversary this year, the ECITB is the skills, standards and qualifications body with statutory responsibility for the development of the engineering construction workforce in Great Britain. The ECITB has also expanded its operations internationally, offering support to clients in 18 countries, providing engineering and project delivery skills across the energy, processing and construction sectors.

The ECITB works closely with employers and governments to attract develop and qualify engineering construction personnel in a wide range of craft, technical and professional skills and disciplines. Over the last 25 years the ECITB has supported 1.4 million learners.

Charitable Activities

The ECITB is a registered charity in England (Registered Charity No. 264506), with four main areas of activity, focused on facilitating employment, skills development and training for the industry.

<p>Apprenticeships and Careers</p> <ul style="list-style-type: none"> • Meeting national economic needs for skills. • Supporting the next generation of apprentices. • Industry relevant apprenticeships. • Quality assured training. 	<p>Technical Programmes</p> <ul style="list-style-type: none"> • Ensuring skills are retained and utilised. • Flexible training programmes. • Upskilling and reskilling existing employees.
<p>Management & Professional</p> <ul style="list-style-type: none"> • Focus on developing tomorrow's managers. • Comprehensive range of technical, supervisory and managerial training • Continuous professionalisation. 	<p>Awards & Qualifications</p> <ul style="list-style-type: none"> • Guaranteeing quality in the system. • The ECITB is the industry Awarding Body. Setting standards, assuring competence, developing VQs and accrediting and assuring training providers and assessment.



Performance Review 2015

Operating Environment

The ECITB's vision for the next five years is to provide consistent and ever higher levels of quality and value from the industrial training levy for employers within the engineering construction industry. This means constantly evaluating and improving our focus, our operations, our relationships and our governance.

2015 was a tough operating environment for the industry, with uncertainty in political and economic life. The first part of the year was dominated by the national election, returning a majority Government in May. In the July Budget there was a major policy announcement about the future funding of apprenticeships, with the proposal for an economy-wide Apprenticeship Levy to help meet Government targets for 3 million new apprentice starts by 2020. This announcement was a key part of discussions around apprenticeships for the remainder of 2015.

It was also an unstable year in many sectors of the economy. The downturn in the oil & gas industry to \$40 a barrel by the end of the year was particularly severe, marking a halt to investments and significant job losses. This was matched by major steel factory closures in the North East.

Infrastructure investment also represented a mixed picture. The nuclear new build programme as a whole continued to make good progress, and included positive news about China's investment in EDF's Hinkley Point C plant in Somerset. In other parts of the energy industry, most notably, oil & gas, retrenchment and caution were the dominant themes. Sluggish investment had implications for levels of training too, highlighting the supportive role of the ECITB in helping the industry to adjust, to weather the storm, and where possible maintain sufficient levels of investment in skills for the long term.

Employers' support of the industrial training levy ensures that the industry continues to invest in training, whether it is in the area of apprenticeships or other types of training. This applies when the industry is going through a lull in activity or an upturn and the levy helps ensure that the industry continues to train.

ECITB Skills & Training Charter



In 2015 we continued to make good progress in increasing the number of clients and contractors which endorse the ECITB Skills and Training Charter. The Charter, which pledges support for skills development, is an important badge for companies, demonstrating employers' commitment to working together to put skills at the top of the agenda.

Signatories to the Skills & Training Charter have grown consistently since it was launched in 2008. In 2014, 38 companies signed the Charter. In 2015, 50 new companies signed the Charter across a wide range of sectors and size of employer. Examples include: EDF HPC, Cavendish Nuclear, Decom North Sea, Ineos Olefins & Polymers UK, Pruce Newman Pipework and many others.

Objectives and Achievements in 2015

The ECITB worked hard in 2015 to drive value for employers in a changing economic environment, keeping their needs firmly at the centre of all it does. The ECITB engaged with industry through its employer-led Board, employer associations, regional employer forums, and with customers individually.

Results against planned objectives are set out in Table 1 (p4). The results show sound performance for each of the areas of charitable activities, especially considering the challenges of the operating environment which meant that many employers had to scale back their intended training programmes.

Apprenticeships

Apprenticeships are central to developing an industry-ready and sustainable pool of talent for employers. The UK, like other major industrial economies, faces a significant skills gap. In its State of Engineering Report in 2015, EngineeringUK estimated that in the period 2012-22, engineering employers would need to recruit 2.56 million people to meet skills requirements over the next decade.

The engineering construction industry, which is involved in developing and maintaining critical energy and other infrastructure, has a keen interest in ensuring a continuous supply of skilled and qualified people. Apprenticeships play an important role as part of the overall skills mix supported by the ECITB industrial training levy.

In 2015 we continued to maintain a high level of support for apprenticeships, despite a tougher operating environment affecting overall recruitment

levels. Market conditions in the North Sea affected parts of the industry, most notably upstream oil & gas and the engineering, design and procurement companies which support upstream projects.

a targeted approach to ensure that young people who fall outside of apprenticeships are given the opportunity for skills development.

Achievements	2014 actual	2015 objective	2015 actual	% against 2015 target
Apprenticeships starts	745	797	638	80
Skills & Technical training outcomes	34,710	37,101	36,457	98
Management & Professional training outcomes	17,562	13,916	13,506	97
Regional Discretionary Grant Learners	7,782	4,070	4,054	100
Awards & Qualifications issued	4,373	3,700	4,845	131
Sub total	65,172	59,584	59,500	100
Safety Passports issued	44,161	45,000	41,948	93
IHSP / Technical Tests issued	11,180	13,000	18,460	142
Other International Training Outcomes	523	1,500	1,706	114
Total	121,036	119,084	121,614	102

Table 1: 2015 Enrolments and Achievements

Apprenticeship Highlights

- Recruitment of 638 apprentices:
 - 625 supported directly by the training levy,
 - 13 by ECITB in-scope employers, or out-of-scope employers using the ECITB frameworks.
- The ECITB supported 2,801 apprentices (1,956 ECITB frameworks).
- 526 apprentice completions.
- 65 SMEs recruited 173 apprentices.

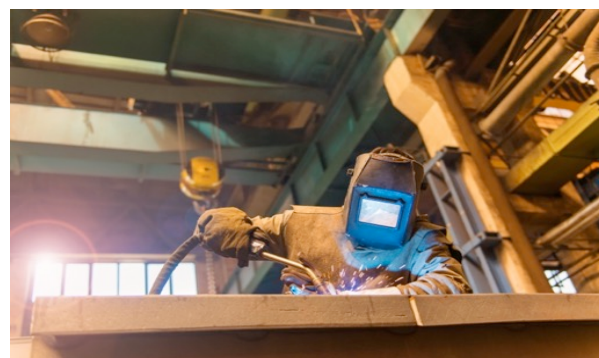
The ECITB has also been working with employers to support re-deployment of apprentices, where possible, when employment has been affected by adverse market conditions. Particular regions have been affected, such as the North East, as well as Yorkshire and the Humber and the North West. The ECITB continues to pro-actively encourage employer engagement of apprentices with the objective of achieving the target figure.

Pioneering Pre-Apprenticeship Programme

One of the pioneering initiatives of 2015 was the introduction of the ECITB's Pre-Apprenticeship Programme. Developed as a strategic response to the needs of industry and to counterbalance the overall fall in apprentice numbers, the programme is

The programme aims to prepare young people for an apprenticeship or semi-skilled work with employers who can progress them onto ECITB work based programmes. The programme takes young people who have been unable to secure an apprenticeship and puts them through a defined engineering construction qualification, provides bespoke industry skills training and a Safety Passport to secure access to site work.

In 2015 the ECITB recruited 49 young people on this programme with six training providers across the UK.



"We are very excited to be working in partnership with the ECITB to deliver this innovative Pre- Apprenticeship Programme. We are convinced that this is exactly what industry needs and we look forward to working with the students over the coming months."

Zak Stark, Business Development Manager
Forth Valley College

Assuring Quality in Apprenticeships

In 2015 the ECITB implemented a revised quality assurance process for apprenticeship provision in the industry as part of its service to employers. This process provides detailed information to employers to help them decide which local provider to use. ECITB quality assurance processes are regarded by the industry and training providers as supportive and helping to maintain and improve the delivery of its qualifications. The process is supported by the ECITB Development and Quality and Account Management teams which are working with providers to improve their service.

"The ECITB Pre-Apprenticeship programme is giving me a fantastic opportunity to learn theory based and practical skills, as well as achieving the CCNSG safety passport. I feel well placed to secure a position in the offshore wind industry, and this programme will enable me to transition onto the ECITB Advanced Apprenticeship."

Sam King, ECITB Pre-Apprentice
Lowestoft College

Supporting Innovation: Trailblazers

The ECITB and its employers recognise the importance of ensuring there are clearly defined and fit-for-purpose apprentice pathways in place to facilitate the continued recruitment and development of young people into this vital industry. Central to this is having apprentice standards at industry level to ensure that apprentices are fully equipped with the necessary transferrable behaviours, skills, knowledge and vocational competencies to work across ECI sectors over the course of their career.

2016 will see the formation of more trailblazer groups and the ECITB will continue to work with its employer base and other stakeholders whose support is essential, to ensure the engineering construction industry, supported by the ECITB, is well placed to provide a full suite of modern apprentice pathways for its employers.

The ECITB supported 8 trailblazers in 2015 and into 2016:

- Project Controls
- Engineering Design and Draughting
- Pipefitting
- Rigging and Erecting (commenced 2016)
- Plating
- Project Management (administered by the APM)
- Welding (administered by the TWI)
- Maintenance Operations and Engineering Technician (administered by EU Skills)

"Jacobs believes that training our employees is the only way to grow our company and secure its long term future. We invest in a range of learning and development activities, including the ECITB Apprenticeships. We recruit our staff at all levels, but we are especially focused on developing the important future skills base through our Apprentices, Graduates, and Technicians."

Fallon Faulkner, Jacobs UK Apprenticeship Manager

The Apprenticeship Levy

The most significant development in apprenticeships for the industry in 2015 was the Government's announcement in the July Budget of its plans to introduce an Apprenticeship Levy on all employers above a £3m payroll threshold, from April 2017. This is part of the Government's drive to create 3 million new apprenticeship starts by 2020. Further details about the new levy were included in the Comprehensive Spending Review in November.

The Apprenticeship Levy and the industrial training levy are two different levies. The former will pay for the training and assessment of apprentices only. The ECITB industrial training levy supports employers across the industry taking on training and competence activities across the whole industry workforce, including apprenticeships, technical and professional training.

Since the announcement, the ECITB has kept employers informed about new developments via its dedicated Apprenticeship Levy Update website, as well as through senior level and regional account team engagement with companies and other key stakeholders in Government and industry. The ECITB Board and member companies responded to the consultation in October, and the ECITB has been modelling scenarios to understand the impact. The ECITB will continue to engage with employers and Government to explore ways in which the two levies can work together for the benefit of the engineering construction industry.

“The industrial training levy ensures that funds are available to support training. This is important for the next generation of engineers, making sure UK PLC stays competitive. There is a risk that if the industrial training levy is withdrawn that the pressure of the P&L sheet would reduce the investment we make in skills, both apprentices and other investments such as developing Chartered Engineers.”

Nigel Barnes UK Head of Industry
WSP/Parsons Brinckerhof

Technical Training

Technical training, incorporating reskilling and upskilling programmes represents valuable, flexible training solutions to ensure that industry retains skills and invests in the workforce in the long-term. Through the training levy the ECITB offers flexible funding support to develop industry specific skills and technical abilities for both existing employees and new entrants.

Reflecting economic conditions and in line with industry needs, the demand for technical training experienced an overall levelling in 2015. However there was growth in several areas. Technical tests increased significantly from 2,100 tests taken in 2014 to 7,999 in 2015. The ECITB now has over 300 individual tests and 40 testing centres and is introducing a range of new “knowledge only” skills screening tests. In 2015 the ECITB also achieved a milestone of 10,000 users of technical tests.

“The ECITB listened and worked with us to come up with a practical solution to implementing the Mechanical Joint Integrity (MJI) model at our new Shetland Gas Plant.”

Dave Wink, Terminal Manager, Shetland Gas Plant,
Total Exploration and Production UK Ltd

Support in Critical Areas

The ECITB also continued to add value in critical areas. Support for reducing hydrocarbon release in the North Sea, a critical safety and performance area, and on critical UK onshore infrastructure such as Humberside refineries, remained high. The ECITB also provided tailored support to contractors and clients for Mechanical Joint Integrity and Small Bore Tubing competence programmes.

In 2015 a key objective was to increase the number of courses which were approved through the ECITB Provider Course Approval Scheme (PCAS). This process ensures that there is a clear link between Occupational Standards and training activities delivered either in the classroom or practical training areas. This achieves the essential transferability of

skills across occupational areas of the industry. This objective was addressed with various key employers such as Doosan Babcock, developing their training courses against ECITB Training Standards as well as ensuring the provider network is delivering training to industry standards.

In 2015 the ECITB continued to support the industry's High-Integrity Welding programme with another £750k of expenditure. This programme has not only ensured that existing welders are upskilled but has also increased intake with 65 new entrants recruited into the industry.

“I know I am speaking for Suzanne, Karen and myself when I say how impressed we have been with all the team at the ECITB. From the initial application, training provider approval, sign off visit, issue of licence and of course the development of the Training Standard, the entire process has been extremely smooth - thank you!”

Johnathan Batchelor, Managing Director
Sologic – Europe

Management and Professional

The engineering construction industry plays a vital role in the development of the UK's energy and process industry infrastructure. With major investment planned as part of the National Infrastructure Plan (July 2015) over the next ten years (c. £245bn for energy), the need for skilled and qualified project managers and engineers is likely to increase significantly.

The ECITB supports the industry in meeting these requirements and has a comprehensive and growing suite of programmes including, project management, project controls, people management and performance, health and safety and environment.

In 2015 demand for management and professional products and service was relatively stable. However, there was downturn in certain sectors. The ECITB worked with employers in addressing these needs.

Collaboration in Oil & Gas

Project Management was a key focus in upstream oil & gas as the sector was focused heavily on cost efficiencies to counter the falling oil price. The ECITB has played an important role in supporting the industry and encouraging collaboration.

Throughout 2015 the ECITB continued its role in facilitating the Offshore Project Management Steering Group and delivering key programmes, such as the highly regarded WebinEye series of on-line project delivery masterclasses. These masterclasses provided hundreds of project managers with the opportunity to listen to senior project personnel talk about key delivery issues and to share good practice.

Over 2,489 attendees have viewed the webinars (c.400 per webinar). Employer feedback was excellent with 15 companies using the webinars for internal “lunch ‘n’ learn” sessions.

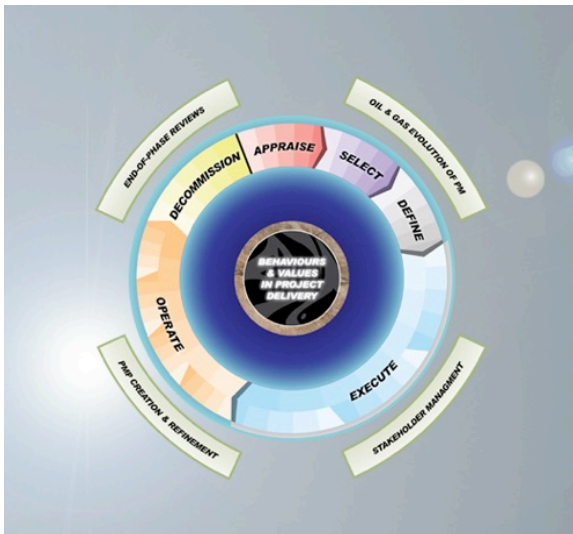
“I have just watched the video of SELECT – Framing the Right Solution, so have watched all the webinars so far and can I say how useful I am finding this series. They are all really well prepared and presented, just what we need in our industry.”

Sheni Jiwa CEng MAPM, Senior Project Manager, Capital Projects and Asset Management, Amec Foster Wheeler Energy Ltd.



The ECITB Offshore team, through its leadership of the Steering Group also developed and delivered many other initiatives, including a major industry conference, a pioneering mentoring scheme for young project engineers (14 mentees, 8 mentors) and a structured Registered Project Professional (RPP) programme with 19 participants.

The work of the ECITB and the Offshore Project Management Steering Group was recognised at the Oil & Gas UK’s 2015 Awards. The ECITB was nominated as a finalist for the ‘Maximising Economic Recovery’ award.



Supporting the UK Nuclear Industry

The nuclear sector continued to show promising signs of development across all areas. One of the highlights for the industry in the final quarter of 2015 was the announcement of Chinese investment in EDF’s Hinkley Point C, and the signing of the ECITB Skills Charter by EDF Energy, pledging its commitment to skills.



In addition to the work the ECITB does in supporting the new build skills programme, another key objective in 2015 was to provide more support for the Site Licensed Companies to ensure that the ECITB adds value to training activities. To help ensure alignment with the transferable skills agenda, the ECITB supported Magnox Ltd’s APM-based project management programme through the Fluor University. The programme aims to improve the commercial focus of Magnox Ltd Project Managers to deliver project schedules more cost effectively.

The nuclear sector is benefitting from the ECITB RPP programme developed for oil & gas. In 2015, 19 candidates were registered across the decommissioning and new build employers to develop their project capability. The ECITB will explore the potential for other project management initiatives in the nuclear industry. The ECITB also played an important role with the Nuclear Energy Skills Alliance (NESA) and the National Skills Alliance for Nuclear (NSAN) in supporting labour market intelligence initiatives focused on developing accurate skills modelling and forecasting.



Chris Claydon, ECITB Chief Executive at the NSAN/TRS House of Common Reception (November 2015)

“With current projections it is expected to affect an overall time saving of 6% of the project delivery scope within the Magnox closure plan through the uplift in performance created through the ECITB-backed training.”

Peter Allen, Programme Delivery Manager for Magnox Ltd

Targeted Graduate Support

2015 was a tough year for many sectors, and the ECITB Board targeted support in a number of key areas across the industry. This included working with employers to ensure that “at risk” graduate engineers in the offshore oil & gas sector were retained in the industry, thereby saving industry severance costs and the high cost of replacing these graduates once the industry picks up.

“2015 has been a significantly challenging year for the upstream oil & gas industry. This requires all supporting organisations to align to the efficiency agenda and ensure they are adding value. The decision by the ECITB to use levy funding where really needed has enabled the industry to retain more than 100 graduates in employment, on full-time training programmes; ensuring investment already made in these people is retained. We had an issue; the ECITB listened and responded appropriately.”

James Crawford, MD UK and Africa Wood Group PSN

The ECITB was also quick to respond to the steel mill closure in Teesside, supporting ex-SSI workers through careers events. The ECITB North East team worked with local providers to put together training events to help get these workers back into work. This has included:

- 242 workers completing the ECITB Safety Passport.
- 95 supervisors completing the ECITB Leading a Team Safely course.
- Workers attaining IOSH Working Safely
- 24 ECITB Supervisor Training for transition to nuclear.



Ex-SSI steel workers starting ECITB Supervisor Training

Awards and Qualifications

Awarding Organisation

The ECITB is recognised as an accredited Awarding Organisation in England, Scotland and Wales and is regulated by the Office of the Qualifications and Examinations Regulator (Ofqual), the Scottish Qualifications Authority (SQA) and Qualifications Wales. The Awarding Organisation complies with various conditions and principles in order to maintain accreditation and is audited regularly by the regulators.

The Awarding Organisation identifies qualification needs in the engineering construction industry in consultation with employers. Once needs have been established, competence based vocational qualifications are developed with employers and approved providers and added to the register of regulated qualifications. This inclusive approach ensures industry needs are met, and the qualifications and assessment methods are relevant and robust.

In addition to the regulated qualifications, the ECITB also delivers a number of other non-regulated awards, such as Certificates of Achievement for a variety of ECITB training and testing programmes, and the CCNSG Safety Passport. These non-regulated products and services are delivered through a network of Approved Training Providers (ATPs), who are regularly monitored to ensure consistent and high quality delivery. This gives the employers confidence when sending their staff on the programmes.

In 2015 there were 186 Approved Training Providers and 308 monitoring visits were carried out.

Responding to Regulatory Changes

In early 2015 Ofqual announced a significant review of its regulatory approach and this in turn led to changes with its Conditions of Recognition for Awarding Organisations. The new arrangements have provided more flexibility with the development of qualifications and this provides the ECITB with an opportunity to develop a new set of vocational qualifications to better meet industry’s changing needs. It will also allow for more streamlined and focused qualifications.

Work started on the review of qualifications and the strategy in the fourth quarter of 2015 and culminated with a series of five industry consultation workshops led by the ECITB in November attended by 34 different companies. These workshops provided our Awarding Organisation with direction and policy for the future. The work will now be carried over into 2016.

Product Development

The ECITB Product Development function works closely with employers, providers and other functions within the ECITB to provide the regulated qualifications, non-regulated awards and the training and testing products and services needed by industry. Highlights in 2015 include:

- An innovative online consultation tool to enable employers and providers to comment on the content of products and services quickly and efficiently. This has saved considerable time and money on consultation.
- Refining the online technical test system, including tests for new disciplines and new tests for existing disciplines, plus work to facilitate an online test route only for the CCNSG Safety Passport.
- The two day National Safety Passport course and the one day renewal programme were also reviewed and amended to ensure that they continued to meet industry's needs and current health and safety legislation.
- New qualifications and programmes for use overseas by the international commercial team. This has included the development of a new International Diploma for use with the International Apprenticeships, which will also have value in the UK as part of the new qualifications offering.
- The ECITB has created a comprehensive set of training standards, covering a wide range of disciplines and activities. These standards enable providers to develop training programmes to meet employers' specific needs. To date, 261 Training Standards have been developed and 160 provider courses approved using the ECITB's Course Approval Scheme (CAS).
- Apprenticeship Trailblazers – the Product Development team has been heavily involved in 6 standards: Project Controls, Design and Draughting, Mechanical, Electrical and Instrument & Control Maintenance, Welding, Pipefitting, and Project Management as part of the change in Government policy from Apprenticeship Frameworks to Apprenticeship Standards.

Engaging with Stakeholders

Industry and Government

The ECITB is the skills, standards and qualifications body with statutory responsibility for the development of the engineering construction workforce of Great Britain. In this capacity it has an important two-way

role in mediating and representing the interests of the industry in Government and to other key stakeholders and in disseminating Government feedback. The ECITB does this through its employer-led Board and through the ECITB Non-Executive, Executive and Regional teams.

Engagement has been an important theme in 2015 to help raise the profile of the ECITB in Government and wider business and industry circles and to assist Government in the effective delivery of its policies and objectives. The focus has been on the following activities:

- Engaging more actively with Government, especially on key topics like the Apprenticeship Levy.
- Developing a broader network of stakeholder contacts in the Department of Business, Innovation and Skills (BIS) and with key employer bodies like the Confederation of British Industry (CBI) and the Engineering Employers Federation (EEF).
- Engaging with the ECIA network, Local Enterprise Partnerships and local skills groups
- Industry collaboration on skills in nuclear, oil & gas, renewables and many other sectors.
- Improving communications with the ECITB Board through regular weekly updates and briefings.

STEM and Careers Engagement

Attraction of new entrants to the industry is a key part of the ECITB's Charitable Activities. The ECITB has a programme of STEM (Science, Technology, Engineering and Maths) activities and outreach activities every year. Outreach activities included:

- **Schools and Careers engagement**
In 2015 the ECITB and various employers supported two residential courses for years 9-11 at Harper Adams and Reading Universities in conjunction with Cranfield University. We also ran a successful national schools roadshow in 11 regions which visited 50 schools (100 activity sessions) and reached 5,120 students (2,522 male and 2,598 female). Feedback from students and teachers was positive with 55% of all the students stating they would consider a career in Engineering Construction.





- **Apprenticeship Events and Careers Fairs**

The ECITB and employers around the UK hosted a wide variety of careers events throughout the year. These included the annual Apprenticeship Open evening at HCF Catch in the Yorkshire & the Humber region and a large apprenticeship event at Middlesbrough Football Stadium in the North East. Each region hosts and participates in events locally to support attraction activities and to engage local schools and students in careers in engineering construction.

- **National Careers Fairs**

Each year the ECITB and employers participate in national careers events, including the Big Bang UK Young Scientists and Engineers Show and the Skills Show in Birmingham. In March the ECITB and Nuclear Institute co-hosted a stand, which included apprentices and graduates; and in November, the highlight attraction of the ECITB stand was the Alstom welding machine, which gave visitors real-life industry insight.



- **Graduate Development**

In 2015 the ECITB began its sponsorship of 11 students through the Arkwright Scholarship programme. The Arkwright Scholarships Trust identifies, inspires and nurtures future leaders in engineering and technical design. The focus for this two year scholarship programme is to encourage interest in careers in nuclear. The ECITB has engaged with employers in the industry to encourage them to get involved in mentoring the students and in collaborating in events throughout the year.



- **Tomorrow's Project Managers**

In 2015 the ECITB ran three ECITB ACTIVE Cup events with employers in the Offshore Region in Aberdeen and the Engineering Design and Procurement (EDP) region in South East England. The prestigious inter-company Project Management Competition, in collaboration with Cranfield, the leading Business School, is a great example of working together to deliver excellence for the industry. Focused on sharing best practice and learning, the event is now in its 20th year. This fits well with the ECITB's role in setting Project Management occupational standards and the Project Control suite of programmes and qualifications developed with industry.



- **Women in Engineering**

The ECITB is committed to encouraging more women into engineering. In 2015 the ECITB extended the range of activities.

Some of the key elements of the ECITB campaign platform in 2015 and into 2016 are:

- Commitment as a business to diversity. The ECITB has 42% female representation in the organisation, a female Board Chair and two female Board members.
- Case study programme. Interviews with a range of female engineers, apprentices and graduates at different stages of career.
- Involvement in Women in Engineering Forums and initiatives, such as WISE, Women in Nuclear, Women's Engineering Society, TRS.
- Participation in customer initiatives e.g. events around International Women's Day and Women's Engineering Day.
- Social media campaigns e.g. twitter in support of different initiatives and plans for a gallery in 2016 as part of the new website.
- The ECITB strives to get a balance of 50:50 male/females in school engagement activity, including focus on all-girls secondary schools.
- 20% of ECITB Arkwright Scholars are women.
- Female ambassadors internally, including STEM ambassadors.
- Collateral – dedicated campaign literature focused on attracting women.



- In 2016 Training and Development Awards Dinner in October will include a “Women in Engineering” Award.



Corporate Social Responsibility

Equal Opportunities Policy

The ECITB is committed to being an equal opportunities employer. The aim is to develop all staff to enable them to make a full contribution to meeting the Board's objectives and to fulfil their own potential on merit.

The ECITB will promote and support this policy to ensure that no job applicant, employee or customer receives less favourable treatment than any other on the grounds of sex, marital status, race, colour, nationality, ethnic or national origin, religion, age, disability or sexual orientation.

Environmental policy

It is the ECITB's policy to carry out its core business to support the engineering construction industry in an environmentally sound manner as possible, which supports local and national objectives in maintaining a sustainable environment. This policy is applicable to all ECITB activities.

The ECITB's policy is to:

- Effectively manage its environmental responsibilities.
- Recycle, re-use and reduce where possible waste materials to lessen its environmental impact.
- Monitor consumption of electricity, gas and water to reduce the organisation's carbon footprint, and impact on the local and national environment.
- Manage the travel of staff to minimise fuel consumption and environmental impact.
- Consider the carbon footprint of its training activities to minimise their impact.

Social Responsibility

The achievement of the highest standards of health and safety at work is the paramount concern of engineering construction industry employers and

workers alike. Ensuring the achievement of this objective is embedded in all the ECITB's training programmes. The ECITB's Safety Passport Scheme is recognised across the industry as a means of demonstrating health and safety competence, and is a requirement for entry at most major installations.

The ECITB regards the maintenance of safe practice by the industry's workforce as being its most important social responsibility. It seeks to meet this by ensuring that its training programmes incorporate and promote current and highest standards of safety conduct and techniques.

Commercial Activities

The ECITB's commercial activities comprise operations in Great Britain and abroad. Commercial operations help promote British skills expertise, establish the ECITB brand internationally and generate revenues for reinvestment in the UK engineering construction industry.

Commercial income is derived from:

- Licence income – the ECITB grants licences to Approved Training Providers (ATPs) to use its training materials and tests.
- Fees in respect of learners using ECITB training courses and tests through ATPs.
- Registration and issue of vocational qualifications.
- Consultancy services.

Commercial Activities in Great Britain

The bulk of activities in Great Britain relate to the delivery of CCNSG safety training and the issue of Safety Passports. In 2015 there was also a significant growth in technical training and tests.

- In 2015 there were 186 ECITB Approved Training Providers in the UK (including 23 new ATPs) licensed to deliver ECITB's training products and tests.
- In 2015 267 ECITB Licences were issued (including 32 new licences) to ATPs in the UK.



2015 UK Commercial Highlights

- Introduction of Apprentice Quality Monitoring process.
- Launch of Pre-Apprentice Programme.
- 49 PCAS courses approved (163 available based on ECITB Training Standards).
- 71% increase in uptake of Technical Tests.
- New CCNSG training materials (from April 2016).
- Transfer of Approved Course reporting to the CertGen web portal.
- ECITB UK Commercial staff carried out International Technical Testing and International Provider Audits.



International Activities

The ECITB has increased its reach and reputation as a leading skills and training organisation in 18 countries in the Middle East, Central Asia, the Far East and Caribbean.

- In 2015 there were 33 ECITB International Approved Training Providers (including 10 new ATPs licensed to deliver ECITB's training products and tests).
- In 2015 84 ECITB Licences were issued (including 41 new licences) to International ATPs

2015 International Commercial Highlights

- International Apprenticeships:
 - 295 apprentice registrations at NVTC in the UAE
 - ADVETI c.400 apprentice registrations.
- TUV SUD Middle East Service Agreement to grow business in the Gulf Cooperation Council.
- New ATP for the Sultanate of Oman.
- International Work Experience pilot in the UK.
- BJ Services, Indonesia became an ATP for delivery of MJI and On-Site Machining.
- ECITB IHSP suite of training programmes upgraded and expanded.
- 6 ECITB ICE Vocational Qualifications approved by ECITB Q&A Committee in 2015.
- 32 ECITB ICE VQs awarded in Trinidad by ATP D Rampersad and Co Ltd.
- Completed vocational training evaluation project for VSO in Tanzania.



Looking Ahead: 2016

The ECITB has a number of key priorities in 2016:

- Industry Consultation on the future industrial training levy arrangements. This is a critical piece of work, which will shape the future of the ECITB following the introduction of the Apprenticeship Levy by the Government in 2017.
- Run the business more efficiently. To demonstrate to industry and Government, the ECITB's commitment to delivering a strong, effective, efficient and vibrant organisation.
- Develop a strategy to make the ECITB fit for the future. The ECITB will develop a strategy to secure the skills required for the ECI in a challenging and changing environment.
- Develop the commercial enterprise. To generate additional income to support the ECITB's core operations. The commercial enterprise needs to achieve sustained growth and substantially improved profitability.

ECITB Strategy

Our ten strategic objectives for 2016 are:

1. Deliver value for money to the industry by meeting its skills needs as efficiently as possible.
2. Improve engagement with Government to shape future policy for the ECI. Providing the industry interface for comment and advice, to and from Government and other stakeholders on skills, qualifications and apprenticeships.
3. Develop a viable and sustainable new business model to position the ECITB for delivery within the new Apprenticeship Levy regime.
4. Improve customer focus and engagement with the in-scope employer base by demonstrating value for their levy investment.
5. Increase commercial income to offset operational costs and improve return through the development of a world-wide ECI reputation.
6. Ensure training standards, programmes, awards and qualifications meet the evolving needs of the industry and increase numbers attaining them.
7. Continue to ensure adequate high quality, relevant training provision through our approved network to meet the needs of the ECI.
8. Develop and nurture effective partnerships on shared skills and qualifications. Creating collaborative platforms across the industry to drive efficiency in training and skills based on retention and transferability.
9. Creating a strategic board, representative of the whole industry, able to challenge and guide the ECITB's work.
10. Provide analysis of external drivers to inform the ECI and prepare it for the changing environment.

Key Performance Indicators

As part of the ECITB's objective to improve its performance, it has set KPIs for 2016.

- KPI 1.** Number of in-scope employers receiving grant for ECITB and non-ECITB programmes.
- KPI 2.** Number of apprenticeship starts/completions.
- KPI 3.** Number of Technical and Management & Professional training supported by the ECITB.
- KPI 4.** Total number of Qualifications (excluding Apprenticeships) issued and funded by the ECITB.
- KPI 5.** Customer satisfaction levels.
- KPI 6.** Commercial activity profit/surplus.

Apprenticeship Levy

Work will continue throughout 2016 to address issues raised by the proposed introduction of the Apprenticeship Levy in April 2017. These include:

- **Financial modelling** of the impact of the levy on in-scope establishments. The ECITB is working with Grant Thornton in this work. The outcome will form part of how the ECITB's Board and Executive communicate and engage with employers, BIS and other key stakeholders.
- **Engagement with ECIA, OCA, BCECA** and other key employer bodies, including the CBI and EEF. The ECITB will continue its active engagement with Ministers and BIS and relevant policy forums to represent the needs and interests of the engineering construction industry for the short, medium and long term.
- **Engagement with employers.** The ECITB's Board and Executive team will continue to engage with industry employers and will hold senior level meetings to discuss issues, concerns and proposals, thereby ensuring that industry skills and training needs are met in future proposals. The ECITB will also continue to provide relevant information about the levy and new developments to assist employers.
- **Modelling of future options.** The ECITB is developing options to explore ways in which the industrial training levy, which serves broader training purposes, can work with the Apprenticeship Levy.

BIS 2020

The ECITB is also affected by the BIS 2020 Change Programme, which includes partner body reform. The focus of the whole programme is to achieve a more responsive, smaller and more efficient BIS organisation. The change programme will be completed by the end of the current Parliament. It is anticipated that a concrete timeline and deliverables will emerge over the first quarter of 2016.

The Board and the ECITB's Executive Team will maintain a close relationship with BIS on all aspects of this programme. The BIS 2020 work streams have the potential to affect the ECITB's business and will require close engagement with the work stream leaders at BIS. These changes will need to be linked to the other main policy drivers for the ECITB, in particular the Apprenticeship Levy and recommendations from the Triennial Review.

Partner body reform is likely to have the biggest impact on the ECITB, but is currently linked to the outcome of levy consultation, which is targeted for the final quarter of 2016.

Triennial Review

The Triennial Review was published in December 2015. The Review includes ten recommendations which will be addressed in 2016.

Governance Review

The recommendations of the extensive governance review which was undertaken in 2016, combined with the recommendations of the Triennial Review, will be considered further by the Board. Arising from the work to date, it is likely that the Board's and its Committee's structures and remits will be modified to provide ECITB with more flexible and agile governance.

Digital Development

The ECITB is committed to increasing efficiency and meeting BIS' expectations for cost savings across its operations. To this end the ECITB has been focused in 2015 and 2016 on a number of key projects to improve its activities and secure cost savings in the long term.

The ECITB is committed to ensuring efficiency through digitising its business in line with Government best practice. This will include greater use of digital and online media in its communication and engagement activities with employers and other stakeholders, a reduction in printed material and greater availability of media via the website. In 2016 a new website and a Membership Services Portal will be launched.

Apprenticeships

In 2016, the ECITB plans to support more than 2,100 learners undertaking apprenticeship programmes. This will include over 500 learners who will commence their apprenticeships. It is expected that over 450 of the apprentices supported by the ECITB will complete their programmes during the year.

Skills and Technical

In 2016 the ECITB is planning to support more than 40,000 learners in the Skills and Technical area. This is higher than the 2015 plan due to increased grant support for fabric maintenance and work access training.

In support of the nuclear new build programme, the ECITB will work closely with The Hinkley Point C Employer Affairs Unit and the CITB to establish a qualifications and competency framework for the project. This objective will support the mobilisation of contractors.

Management and Professional

In 2016 the ECITB plans to support more than 17,000 learners undertaking Management and Professional training.

Project Management

Project Management, supervisory competences and graduate development will continue to be a key focus for the ECITB in 2016. The ECITB will deliver a pre-mobilisation testing system for supervisors in the industry. This will be piloted by a large upstream contractor which aims to test 600 supervisors. Once tested, this system can be adopted throughout industry to support the transferability of skills for supervisors.

In the area of project management the ECITB will support 19 candidates on the Nuclear Registered Project Professional programme as well as continue the project management initiatives in the upstream oil & gas sector. These initiatives will increase the number of employers using ECITB approved programmes and will enhance the transferability of skills between sectors.

Graduate Development

The ECITB will support the use of the TRS Talent Retention Early Years Careers Portal, encouraging engineering construction employers to use the system to recruit graduates or provide undergraduate placement opportunities.

In 2016, the upstream oil & gas sector will collaborate with employers to support graduate retention through training.

University Technical Colleges

The ECITB is engaging with University Technical Colleges (UTCs). In 2016 the ECITB aims to have 6 UTCs in the Yorkshire and the Humber, North West and South East and East regions, delivering ECITB products and services by the end of 2016.

ECITB Regional Engagement

The ECITB will continue to strengthen its employer engagement activities. This will include a closer involvement with local business and skills bodies, including Local Enterprise Partnerships, BIS regional operations and regional skills organisations.

Awarding Organisation

In 2016 the Awarding Organisation will hold a further six industry consultation workshops to finalise the framework and structure of the industry's vocational qualifications for the next five years and the content of the amended Qualification Strategy. It will then move into the development phase working with companies, providers and the Research & Development (R&D) team to develop the qualifications the industry needs. It will identify any opportunities afforded by the regulatory changes to change the structure and scope of the qualifications to better meet industry's changing needs.

There will also be a review to establish if there is an opportunity to bring the unregulated international qualifications into the scope of the Awarding Organisation and review the need and practical implications of global ECITB qualifications.

Online Testing System

The new online testing system will be implemented in the second quarter of 2016, incorporating the existing technical tests and the CCNSG Safety Passport knowledge assessment.

Standards

The industry's National Occupational Standards (NOS) will be reviewed and rewritten in line with the UKCES requirements. The NOS provide the framework for the ECITB's training standards and qualifications, as well as the new Apprenticeship Standards. Work will continue throughout 2016 to ensure that there are Apprenticeship Standards in place for all industry disciplines where apprentices are recruited. This will ensure a full provision of standards for April 2017.

Apprenticeships

As part of the Apprenticeship reforms, the ECITB will investigate the possibility of becoming a Lead Provider on behalf of the industry, which would take the financial and administrative burden away from companies with regards to the new Apprenticeship Levy, and provide quality assurance of the delivery of

the Apprenticeship Standards and the end assessment process.

Industry focus

The ECITB will support the new National College for Nuclear by providing secretariat services, and developing standards, qualifications and accreditation services up to and including level 4 learners.

Work will also be undertaken in 2016 to support a number of upstream oil and gas companies in meeting their needs for internal competence assurance of their craft and technical staff. Company specific tailored awards, plus new technical tests will be considered.

Work will also continue to support the International Commercial team with the development of further qualifications, technical tests, standards and programmes.

A number of requests have been received from industry for new training standards and programmes and the R&D team will carry out feasibility studies in 2016 to establish the need for these across the industry.

The capacity and capability of the Approved Training Provider network will be monitored and enhanced to ensure the effective delivery of all ECITB products and services. This will be both in the UK and internationally. This will include working with University Technical Colleges to encourage them to implement ECITB qualifications and awards.

International and Commercial Activities 2016

In 2016 the ECITB is focused on growing its commercial income. It seeks to do this in a number of ways:

1. Consolidating and developing an effective network of approved training providers to deliver the ECITB's training products and tests.
2. The ECITB will continue to focus on developing its presence in the Gulf Cooperation Council (GCC) region. The ECITB has entered into a strategic relationship with TUV SUD Middle East to grow its business in the region.
3. The ECITB will also seek to support in-scope employers operating internationally.

2016 Financial Projections

The ECITB's priorities and objectives have been factored into the preparation of the 2016 financial budget. Levy income is predicted to remain at similar levels to those achieved in 2014 and 2015. However, in order to maximise the resources available to support its charitable activities, the ECITB expects to achieve growth in commercial income of



approximately 30% (to £4m), and to implement cost efficiency measures, particularly in the area of overhead costs. Above all, the Board recognises the difficulties that many employers face in maintaining levels of training activities in challenging economic and trading conditions.

The ECITB is committed to ensuring that the industry's training momentum is maintained, and has planned to meet the same high levels of demand for training and qualification grants achieved in 2015 (over £28m), or higher if employers' training levels dictate. In order to provide levels of financial support planned and needed to meet industry's training demands, in 2016 the ECITB expects to draw on reserves, and the budget envisages a small deficit of approximately £500k.

However, the actual financial outcomes may be affected by the types of factor mentioned below.

The 2016 budget reflects anticipated levels of training activity following consultations with employers. It is a budgetary assumption that these levels of training activities will be achieved, thereby triggering the payment of the planned grant expenditure. However, recent experience suggests that actual activity levels may transpire to be lower, due factors such as difficult trading conditions. The ECITB closely monitors activity trends, and will take steps to encourage employers to achieve the planned levels of training that will benefit the industry in the longer term.

The budget excludes the financial effects of factors which are not planned or certain to occur. If such factors arise, this can mean that actual financial

outcomes are at variance with those budgeted. For example, in recent years the settlement of industrial training levy litigation has meant that there have been material variances between actual and budgeted levels of income and expenditure. This is due to the receipt of levy income arrears and the award of retrospective training grants in respect of training activities in prior periods.

During the course of 2016, the effects of the proposed governmental reforms described in this report and the impact of current trading conditions will become clearer. Undoubtedly, these factors will affect the ECITB's future modus operandi, and are likely to have profound financial implications. The financial issues will be amongst those considered by the Board, and the subject of consultation with levy-paying employers.



Financial Report

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

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

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:-

- Observe the accounts direction issued by the Secretary of State for Business, Innovation and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the body will continue in operation.

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



S Watson
Interim Chairman
26th April 2016



C J Claydon
Chief Executive Officer
26th April 2016

Results for the Year

A Summary Statement of Financial Activities for the period 1 January 2015 to 31 December 2015 (with comparative information for 2014) is shown

immediately below. This has been extracted from the audited financial statements which appear in full later in this report.

	2015 £'000	Restated 2014 £'000
Income		
Levy	35,714	28,968
Investment Income	437	513
Non Levy Income	3,220	2,758
Total income	39,371	32,239
Expenditure		
Investment Management Costs and Bad Debt Provision	1,929	(2,756)
Charitable activities (including Levy Collection costs)	34,751	34,137
Total expenditure before other gains and losses	36,680	31,381
Net incoming/(expenditure) before other gains and losses	2,691	858
Gains/(Losses) on revaluation of fixed assets	87	200
Gains/(Losses) on investment assets	(271)	(119)
Net Movement in Funds Surplus/(Deficit)	2,507	939
Reconciliation of funds		
Total funds brought forward at 1 January	15,829	14,890
Total funds carried forward at 31 December	18,336	15,829
Balance Sheet		
Fixed assets		
Tangible assets	1,473	1,360
Investments	12,462	14,203
	13,935	15,563
Current assets	10,379	5,452
Creditors: amounts falling due within one year	(5,474)	(4,450)
Net current assets	4,905	1,002
Creditors: amounts falling due after more than one year	(504)	(736)
Net assets less liabilities	18,336	15,829
Fund		
Unrestricted Fund	18,336	15,829

Commentary on Financial Results

Statement of Financial Activities for Year-ended 31 December 2015

Incoming Resources

Gross levy income in 2015 amounted to £35.71m (2014 - £28.97m). The levy income represents the gross levy assessed during the year together with adjustments in respect of previous levies raised.

Over 96% of the 2015 levy income related, and was calculated by reference to, the payments made to industry workers during the base period 6 April 2013 to 5 April 2014. For this purpose, payments comprise PAYE wages paid to employees and labour-only payments made in respect of non-employed workers. Levy rates remained unchanged in 2015 at 1.5% on payments made in respect of site workers, and 0.18% on payments made in respect of all other workers. The levy exemption levels also remained unchanged in 2015 for both site-based and other workers. Employers were exempt from paying site levy if payments made in respect of site-based workers were less than £275,000 during the 2013/14 base period. Employers were exempt from paying a levy in respect of all other workers if payments made in respect of all other workers during the same period were less than £1m.

Gross levy income in 2015 was 23% higher (an increase of £6.746m) than in 2014 (£28,968). This is due to a combination of the following reasons:

- In 2015 the ECITB reached agreement with Bilfinger Salamis Limited in connection with levies payable in respect of the base periods 2012/13 (£1.317m) and 2013/14 (£1.503m). The levies payable in respect of both base periods were recorded in the 2015 accounts. Had the levy in respect of 2012/13 been agreed and assessed in 2014, the levies recorded would have been lower in 2015 and higher in 2014 by the sum of £1.317m. This accounts for approximately 40% of the variance between the years.
- During the 2013/14 base period total declared and estimated wage and labour costs in the industry's leviable establishments (including Bilfinger Salamis Limited) grew by approximately 13% to approximately £4.9 billion, when compared with 2012/13 (£4.2 billion). In 2013/14, the number of declared and estimated site workers decreased by 13% to approximately 44,000 (2012/13: 48,000). However, the number of off-site workers increased by 7% to approximately 53,500 (2012/13: 50,000). Thus, the overall number of declared and estimated site and off site workers declared to be working in such establishments remained approximately the same at approximately 98,000 workers.

However, the different mix of workers between the relevant base periods explains the growth in wage and labour costs. Off-site personnel generally tend to command higher wage and labour only rates than site workers.

It should be noted that the number of declared workers during the 2013/14 base period includes permanent and full time labour, and individuals working either for some of the period or on a part time basis. This reflects the fact that sections of the industry's workforce, particularly those who work at sites, are mobile, and move between projects as demand requires.

The upshot of these factors was that site levy recorded in 2015 increased by 25% to approximately £30.321m, and off-site levy increased by 20% to approximately £5.392m.

Other incoming resources amounted to £3.66m (2014: £3.27m), and mainly comprised investment income and income from sales and sponsorships.

Investment income (from quoted investments and cash deposits) was lower than in the previous year and amounted to £437k (2013 - £513k). This principally reflected poor investment performance as a consequence of ongoing low investment yields. It is likely yields will remain low into the foreseeable future as central banks continue to show little inclination to increase interest rates. The depressed nature of the bond markets in 2015 meant that losses on investment assets amounting to £271k were incurred in the year (2014: £119k loss).

No public funds were received during the year (2014: £190k).

Overall, income from sales and sponsorships grew by 25% in 2015 to £3.220m (2014 - £2.568m). The main sources of such income were from the sale of training products and services to training providers in Great Britain and overseas.

Most sales activity was with training providers in Great Britain. CCNSG safety training income comprised over 36% of all income from all sales and sponsorships. CCNSG income was 8% higher than in 2014. Sales from the use of the ECITB's technical training courses and technical tests grew by 8% and 12% respectively. However, income relating to Supervisory and Project Management courses continued to fall (by 9% during the year).

Sales income from overseas training providers grew significantly in 2015. Sales achieved in 2015 amounted to £1.245m (2014: £705k). Income from the provision of consultancy services to overseas clients grew during the year to £655k (a year on year increase of 59%). The ECITB's International Apprenticeship programmes became established,

and the registration of new learners pursuing such programmes meant that income from this activity grew to £182k. There was steady growth in the number of International Health and Safety Passport training courses, which grew by 20% during the year. However, the collection of trade debts from international clients remains a serious issue and is under close review by the Board. The level of debt owed by overseas debtors at the year-end was £702k. Some of this was over 6 months in age. Consequently, although work continues to recover this debt it was necessary to record a significant bad debt provision in the accounts amounting to £127k.

Expenditure

In 2015, bad debt provisions were made in respect of levy and trade debtors, whose debts exceeded six months in age, or which had entered into insolvency. In total these provisions amounted to £230k (2014: £108k). Just over half of this provision related to international trade debtors (see above), with the remainder representing levy debts due to the insolvency of levy payers. In addition, a bad debt provision of £1.702m was made, which represented the value of the levies appealed during the year by Cape Industrial Services Limited. However, following the settlement of the levy appeals lodged by Dawson Energy Limited the bad debt provision made in 2014 for the appealed levy in respect of the 2012/13 base period was reversed. This credit amounted to £59k. During the year there were other reversals of bad debt provisions relating to levies raised in prior years, which amounted to £8k. Thus, in 2015 the total bad debt charge amounted to £1.865m was recorded.

Expenditure on charitable activities in 2015 (excluding levy collection costs) amounted to £34.28m, which was marginally higher than in 2014 (£33.67m). The main points to note are explained below:-

- Overall expenditure relating to apprenticeships (including grant, direct and support costs) was 11% lower in 2015 (£8.582m) than in 2014 (£9.692m). In 2015 apprenticeship grant and direct costs fell below planned levels in all regions. This largely relates to shortfalls in grants expected to be paid to employers relating to apprentices who commenced their programmes prior to 2015. This indicates that some apprentices were not making progress at planned rates towards the completion of their programmes, or have left employment due to difficult economic conditions. Grant expenditure was further reduced as the number of apprentices commencing programmes in 2015 was lower than anticipated.
- However, overall expenditure relating to other charitable activities was higher in 2015 than in 2014.
- Technical expenditure (£13.94m) exceeded 2014 levels by 3% (2014: £13.53m). Although

2015 expenditure included retrospective training grants paid to some employers relating to activities in 2014 (for example, retrospective training grants paid to Bilfinger Salamis Limited under the terms of a settlement agreement relating to levy), the level of technical training grant expenditure reflected employers' continued high demand for training support in this area.

- Similarly, Management & Professional expenditure (£8.983m) exceeded 2014 levels (£8.170m) by 10%. Again, this included retrospective training grants paid to some employers relating to activities in 2014. However, the higher level of Management & Professional expenditure reflected employers' high demand for training support in this area, particularly relating to project management training and CPD for engineers.
- Awards & Qualifications expenditure was 22% higher in 2015 (£2.774m) compared with 2014 (£2.274m). This reflects the increase in the levels of grants awarded on the registration and achievement of vocational qualifications and technical tests.

It should be noted that in 2015 grant expenditure in respect of all charitable activities rose by 5% (2015: £26.48m, 2014: £25.27m). This reflects the strong level of engagement in training by employers during the year. Albeit that the demand for the ECITB's support grew, the combined direct and support costs of charitable activities fell during the year. This partially reflects the effect of the reductions made in head office costs following the reorganisation in 2014. Direct and support costs across all charitable activities (excluding levy collection costs) fell by 7% to £7.797m, compared with 2014 (£8.397m).

Levy collection costs amounted to £476k in 2015, which was marginally higher than in 2014 (£467k). The level of cost reflected the legal fees incurred in the levy appeals lodged by Cape Industrial Services Limited, and the settlement of levy disputes with Bilfinger Salamis Limited and Dawson Energy Limited. Had the settlements not occurred, levy collection costs would have been considerably higher as there would have been additional hearings in the Employment Tribunal during the year.

Net incoming resources for the year before other recognised gains and losses amounted to £2.420m (2014: restated £739k).

The existing use value of the property at the year-end is £1.152m which represents an increase in the value of the property of £36k. After adjustment to the cumulative depreciation relating to the building, a recognised gain of £87k has been recorded in the accounts.

The effect of the implementation of FRS 102 (SORP) means that the liability arising from the ECITB's agreement to pay additional "deficit contributions" to

ITB Pension Plans is recognised in the 2015 financial accounts. This has occurred by way of a restatement of the 2014 results, which now show a charge to the statement of financial activities and the admission to the balance sheet of a liability representing the net present value of the outstanding contributions at 31st December 2014 (£956k). The 2015 statement of financial activities shows the reduction in the NPV of the liability over the course of the year (£220k) as a gain on defined benefit pension schemes. A corresponding reduction in the liability has been recorded in the balance sheet.

Net Movement in Funds

After adjusting for other recognised gains and losses the net incoming resources for the year amounted to £2.507m (restated 2014: £939k).

Balance Sheet at 31 December 2015

Assets

Tangible assets increased in value to 1.473m (2014 - £1.360m). This largely comprises the recognised revaluation gain relating to the freehold property.

At the year-end fixed and current investments amounted to £18.96m (2014 - £16.48m). The increase in the value of the investment portfolio at the year-end (£2.48m) largely reflects the fact that expenditure during the year was commensurately lower than income. It should be noted that at the year-end cash at bank were high (2015: £2.78m, 2014: £2.32m) in order to fund the high level of cash outgoings (largely training grants) at the beginning of January 2016.

Debtors at the end of both 2014 and 2015 largely comprised levy and trade debtors, prepayments and accrued income. Overall, at the year-end net debtors stood at £1,099k, compared with £857k at 31 December 2014.

Creditors

Year-end creditors amounted to £5.978m (restated 2014: £5,186m). These largely comprised grant creditors and accruals.

The Funds of the Charity

The year-end balance sheet shows total charity funds of £18.336m (restated 2014: £15.829m).

Reserves Policy

The ECITB's policy is to retain a minimum level of reserves ("the Minimum Reserves Requirement") which is sufficient to fund future financial commitments arising principally from apprenticeship, degree and other longer-term training programmes or commitments. Such programmes carry forward significant financial commitments into future periods. In this policy, such financial commitments are distinguished from:

- Training expenditure which is agreed and likely to be incurred within the same financial period; and
- Other expenditure constituting the normal running costs of the organisation.

It is assumed that such short-term training costs and normal running costs will be defrayed from the income arising in the corresponding period. In the event that Board approves a budget leading to a planned financial deficit, the extent to which reserves reduce to meet the cost of the deficit must not result in the reserves falling below the Minimum Reserves Requirement.

In calculating the Minimum Reserves Requirement no allowances are made for fluctuations in income, the ability to respond to new initiatives, or any contingencies. This is because:

- Historical evidence suggests that the probability of the requirement to hold funds to meet such purposes arise is remote; and
- The Board's policy is to hold reserves at a level having regard to the interests of levy payers, which provide the ECITB's main source of funds.

When reserves exceed the Minimum Reserves Requirement the ECITB may draw upon the excess to fund activities in periods of high demand for training support, or to maintain levels of training during periods of comparatively low economic activity, or to fund special projects approved by the Board.

This policy is based on the assumption that the ECITB remains a going concern. In the event of the cessation of the ECITB's operations, it is acknowledged that all creditors (other than those with statutory or legal precedence) will rank *pari passu* in their claims.

The Minimum Reserves Requirement is reviewed annually as part of the financial planning and budgeting exercise for the ensuing financial year by the Management Board and the Audit Committee to that the ensure that the Minimum Reserves Requirement is likely to be exceeded over the ensuing five-year period. Its conclusions and recommendations are reported to the Main Board, which considers and confirms the position. The level of the Minimum Reserves Requirement is calculated by reference to a financial model which has been developed by the ECITB. The assumptions adopted in the financial model relating to reserves are approved by the Management Board and the Audit Committee on behalf of the Main Board.

In 2015, the Management Board and the Audit Committee concluded that the average Minimum Reserves Requirement over the five-year period was

£11m. This was confirmed by the Main Board in November 2015.

Investment Policy and Performance

The ECITB is required by section 17(5) Industrial Training Act 1982 to invest money in accordance with guidelines approved by the Secretary of State for the Department for Business Innovation and Skills (BIS). The investment guidelines appear in the Financial Memorandum issued by Secretary of State, and in *Managing Public Money*, issued by HM Treasury. These broadly permit investment in a range of high quality interest bearing instruments. Investment in equities is not permitted. The management of investments is contracted to Cazenove Capital Management, which is required to operate within the guidelines.

It is believed that yields are likely to remain low into the foreseeable future. The investment guidelines offer the opportunity to switch investments into shorter duration corporate bonds (which are likely to yield more than government gilts) as and when the appropriate opportunities arise. However, the ECITB adopts a conservative approach. Even if such opportunities are identified, it is not envisaged that the current investment mix will alter significantly in the future. However, in the longer term, if and when yields increase, then longer duration bonds will be considered.

Investment performance is measured against a benchmark, namely the FTSE UK Government Bond Fixed 1-5 Year Index. In the period from 14th September 2004 (when the investment manager took over the portfolio) to 31st December 2015, the

performance of the long-term portfolio, after the deduction of management fees, was 54.5% compared to the benchmark 50.9%, giving an annual portfolio return of 0.4% (benchmark return 1.0%) for the year to 31st December 2015.

The Management Board is responsible for the periodic review of the ECITB's investments, and the performance of the investment manager. This last occurred in October 2015, and the Management Board undertakes this exercise twice a year. The ECITB's opinion remains that it is unnecessary to dispose of any part of the investment portfolio or change the current investment policy in view of the very low risk attached to the portfolio (many investments are effectively guaranteed by the government). It is considered that the investment mix is appropriate to the prevailing market conditions.

Auditors

The ECITB's external auditor is the Comptroller and Auditor General who is appointed under Section 2 of the Industrial Training Act 1982. The cost of the audit for 2015 was £50k (2014 - £50k).

Statement as to Disclosure of Information to the Auditors

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

Remuneration Report

Unaudited Information

Staff Appointments

Most permanent employees of the ECITB are employed under open-ended contracts of employment, which may be terminated on one month's notice (subject to statutory increases in employees' entitlements to notice). The contracts of employment of senior managers may be terminated on three months' notice.

There were no employees engaged under fixed term contracts of employment. As a general policy the ECITB does not employ temporary staff. However, this may occasionally occur to provide staff cover in cases of long term sickness, or maternity absence, or in circumstances where additional human resources are required to fulfil specific projects.

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

The ECITB and Unite (a trade union) have entered into a voluntary agreement. Under its terms the union represents employees on a collective basis on specified matters. The ECITB meets periodically with representatives of the union to discuss matters such as the annual basic salary review, holidays, sick pay and pensions.

Staff Sickness Absence

The ECITB monitors levels of staff sickness absence. In 2015, the sickness absence rate was 1.5% (2014 - 1.5%), equivalent to 3.3 working days per head (2014 - 3.5 working days). This compares with a 2014 public sector average absence rate (as published by the ONS Labour Force Survey) of 2.9%, and a 2013 private sector average of 1.8% (this is latest data available).

Audited Information

Senior Staff Costs and Pensions

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

The contracts of employment of the Executive Team are, in all material respects, in line with those of other staff of the ECITB. The exceptions are a notice period of three months (six months' notice for the Chief Executive) rather than one month, and the entitlement to private medical insurance. They are entitled to membership of the ITB Pension Funds, which is a contributory final salary scheme. No members of the Executive Team are employed on fixed term contracts.

At its meetings held in 2015 the Management Board reviewed the salaries and performance of the Chief Executive and Executive Team, drawing on its extensive knowledge of business affairs and taking account of comparable remuneration packages within the industry.

Details of the individual remuneration packages and benefits for the Executive Team are set out below.

The information comprising the remainder of the Remuneration Report has been audited.

2015					2014					Date of appointment to position
Salary £'000	Pension Benefit £'000	Benefits in kind (to nearest £100)	Performance Pay £'000	Total Salary £'000	Salary £'000	Pension Benefit £'000	Benefits in kind (to nearest £100)	Performance Pay £'000	Total Salary £'000	
C Claydon, Chief Executive										
45-50	0-5	0	0	45-50						24.08.15
D M Edwards, Chief Executive (Retired 04/09/2015)										
90-95	30-35	1,000	3	125-130	130-135	25-30	700	3	155-160	01.07.99
A M Featherstone, Director of International Operations and Commercial										
105-110	20-25	2,200	2	130-135	100-105	20-25	7,100	0	130-135	11.07.05
P C Hill, Director of Finance & Board Secretary										
95-100	15-20	600	3	110-115	90-95	20-25	300	3	115-120	15.05.06
N Spencer, Director of Development & Quality										
90-95	25-30	600	2	110-115	85-90	15-20	300	1	105-110	01.11.03
A Brown, Director of Regional Operations										
85-90	20-25	900	1	110-115	85-90	25-30	700	1	110-115	01.04.13

Benefits in kind represent company car and private health insurance. Except for private health insurance and entitlement to notice, all other terms and conditions, including ITB Pension Fund membership, are in line with those of other staff members.

There have been no payments in respect of provision for compensation for early termination for senior managers serving in the year, and no significant awards in respect of early termination have been made to former senior managers.

ECITB is required to disclose the relationship between the remuneration of its highest-paid director and the median remuneration of the organisation's

workforce. The banded remuneration of the highest-paid director in ECITB in the financial year 2015 was £135,000 – £140,000 (2014 - £130,000 - £135,000). This was 3.6 times (2014 - 3.7 times) higher than the median remuneration of the workforce, which was £36,720 (2014 - £36,081). In 2015 no employees received remuneration in excess of the highest-paid director (2014 - none). Total remuneration ranged from £16,000 to £140,000 (2014 - £16,000-£135,000). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Senior Staff Pension Entitlements

Name	Real increase in pension at age 60 (£'000)	Total accrued pension at age 60 (£'000)	CETV at 31.12.14 (£'000)	CETV at 31.12.15 (£'000)	Employer funded real increase in CETV (£'000)
C Claydon	0 – 2.5	0	0	0	0
D M Edwards	0 – 2.5	35-40	509	539	30
A M Featherstone	0 – 2.5	15-20	149	171	22
P C Hill	0 – 2.5	10-15	110	126	16
N Spencer	0 – 2.5	15-20	240	265	25
A Brown	0 – 2.5	10-15	87	109	22



The table above shows how the pension/benefits (expressed in terms of accrued pension) of senior staff in ITB Pension Plans increased during the course of the year. The accrued pension is the

annual pension payable from the scheme when the member reaches his/her normal retirement age (65 years).

Trustees' Costs

In accordance with her appointment by the Secretary of State for Business, Innovation and Skills, the Chairman of the Board is entitled to remuneration. During the year the Acting Chairman, Miss S Watson, received a salary of £24,800 (the previous Chairman Mr A Collinson received £19,854 in 2014 in respect of the period January to October).

An independent trustee non-executive director, Mr J Gammage has been paid in accordance with The Charity Commission's agreement. In 2015, he received remuneration amounting to £6,000 in respect of the period January to June (2014 - £12,000).

In 2015, 18 trustees (2014 -16) incurred travel, accommodation and subsistence expenses, which were reimbursed by the ECITB. In 2015, these expenses amounted to £16,222 (2014 - £21,477).

The ECITB does not provide pension benefits for any of the trustees.

Appendix A of this report contains a list of current trustees and former trustees who held office in 2015.

S Watson
Interim Chairman
26th April 2016

C J Claydon
Chief Executive Officer
26th April 2016



Governance Statement

Scope of Responsibility

As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of governance and internal control that supports the achievement of the Engineering Construction Industry Training Board's (ECITB) policies, aims and objectives, whilst safeguarding the funds and assets for which the Accounting Officer is responsible, in accordance with the responsibilities assigned to him in *Managing Public Money*. This means that the funds and assets are properly accounted for, and are used efficiently, effectively and economically.

The Purpose of the Governance Statement

The Governance Statement facilitates a clear understanding of the dynamics of the organisation's activities and its control structure. It supplements the financial information in the accounts by explaining how the organisation's governance structure directs and reviews plans and performance. The statement shows how the ECITB applies the principles of good governance and reviews the effectiveness of these arrangements.

Governance Framework of the Organisation

The ECITB is a statutory body (an Industrial Training Board (ITB)) governed by the Industrial Training Act 1982 (as amended) ("the Act"). The Industrial Training (Engineering Construction Board) Order 1991 (Statutory Instrument 1991 No. 1305) defines the activities of the Board and the engineering construction industry. Details of the powers and responsibilities of the ECITB, as well as the restrictions placed on it, are described in the Act. The ECITB is a Non-Departmental Public Body, and reports to its government sponsor body, the Department for Business, Innovation and Skills (BIS).

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

The ECITB is established for exclusively charitable purposes and is a registered charity in England and Wales. It also undertakes its charitable activities in Scotland. The charitable activities of the ECITB are partly funded by the statutory levy established by the Act and confirmed by Levy Orders passed by both Houses of Parliament. The levy applies to all in-scope establishments operated by industry employers to ensure equity across employers in the industry in the provision of training. The most recent Levy Order is the Industrial Training Levy (Engineering Construction Board) Order 2015 (2015

No. 677), which was made on 10 March 2015 and came into force on 11 March 2015.

The Board is responsible for establishing and monitoring appropriate policies to fulfil the objectives of the ECITB as an ITB. The Accounting Officer is responsible for managing the implementation of agreed policies and is accountable to the Board.

How ECITB is governed and decisions are made

Board and Committees

The members of the ECITB's Board and its committees as at DATE 2016 are set out in Appendices A and C.

The Board of Trustees (the Board)

The ECITB is directed by an employer-led Board, largely comprising unpaid volunteers. Its composition reflects the main stakeholders in the engineering construction industry. In accordance with the Act, trustees are appointed by the Secretary of State for BIS following public appointment processes. These meet the requirements of the Office of the Commissioner for Public Appointments (OCPA). Nominations of candidates from the industry's employers are sought from the principal trade associations and from employers which participate in the ECITB's Regional Forums. Nominations for employee representatives are made by the Trades Unions. Appointments are generally for either three or five years, and second terms are possible. Members who are not ex-officio appointees cannot serve for more than ten years in one capacity. For example, this means that it would be possible for member to serve for up to ten years as member nominated by a trade association, and then for a further term as a Regional Chair elected by employers which participate in the relevant regional forum. All appointments must satisfy the requirements of OCPA and the Secretary of State.

Following the appointment of a trustee, he or she is inducted by the ECITB and provided with a comprehensive package of documents, which define the nature of:-

- The statutory constitution of the organisation.
- The ECITB's governance arrangements and decision-making processes.
- The ECITB's management and organisational structure.
- The work of the ECITB.
- The trustee's role and responsibilities.

This information provided by the ECITB reinforces and expands upon the information and guidance provided by BIS in its terms of a trustee's appointment. The induction session with a new trustee confirms the main points described above,

explains the current issues, opportunities and risks affecting the ECITB, and addresses any questions raised by the trustee.

Trustees receive ongoing support from the ECITB's Executive. This includes periodic training sessions on the role and responsibilities of trustees. 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.

In addition to serving on the Board, some Trustees will also take part in policy making as members of the Management Board and other sub-committees of the Board. The Audit Committee, the Qualifications and Awards Committee and the Client Contractor National Safety Group are also supported by other volunteers from the industry.

During 2015 one Board trustee was appointed, and five members' terms of office came to an end as a result of retirement or resignation. Details of who served as trustees during the year are shown in Appendix A. Average attendance at the Board over the year was 65.3% (2014 – 76.3%), and each member's attendance statistic is set out in Appendix A. The Register of Trustees' Interests appears in Appendix B.

It was reported in the last Governance Statement that the Chairman of the Board resigned in October 2014. Since then, and throughout 2015, meetings of the Board have been chaired by Miss Shirley Watson, a member of the Board. The responsibilities of the Chairman have been discharged by Miss Watson, other members of the Board and the Executive, with the agreement of the Management Board. The Secretary of State has decided that a new permanent Chairman should not be recruited or appointed until the industrial training arrangements to apply from 2017, and the outcome of reforms within BIS (for example "BIS 2020") have been resolved. In the meantime, the Secretary of State has confirmed that Miss Watson should continue in the role of Interim Chairman.

The Board is responsible for ensuring that the ECITB performs within its remit and all applicable legislation. It is responsible for setting the organisation's strategy and policies, overseeing the implementation of business and financial plans, and delegating operational decision-making to the Executive Team. The Board members are also the trustees of the ECITB as a registered charity. As such they have an over-riding obligation to place the interests of the beneficiaries above all others, including their own. They also need to take account of any guidance issued by The Charity Commission from time to time. The main responsibilities Board are set out in Appendix D.

In 2015 the Board met on three occasions. As part of its review of Board effectiveness (see below) the

Board has agreed in future to meet on two occasions in each year, although additional meetings may be arranged if necessary. One meeting will be before the year-end to review and approve strategy and plans for the ensuing year, and the other will occur after the year-end to review and approve the Trustees' Report (including the audited accounts).

The Management Board

The Board has delegated powers to the Management Board which are set out in sections 5, 10 and 14(5) of the Act. The Board has also delegated responsibility to the Management Board to form the Remuneration Committee. The Chairman of the Management Board is the Chairman of the Board. The Management Board's responsibilities are set out in Appendix D.

The Management Board normally meets four times per year, although additional meetings may be arranged if necessary. The identities of the members of the Management Board are shown in Appendix C.

The Audit Committee

The Trustees maintain an overview of internal control issues through the Audit Committee. The Board appoints members of the Audit Committee having taken account of any Treasury guidance and good practice in respect of audit and control. The Committee's terms of reference are to promote the highest standards of propriety in the operation of the ECITB by maintaining an overview of its financial and other governance systems to ensure their effectiveness and integrity of operation. The Committee receives reports from the Board's internal and external auditors as appropriate. The Chairman of the Audit Committee makes formal reports to the Board concerning risk management and the status of internal control within the ECITB.

The main duties of the Committee are set out in Appendix D.

The Accounting Officer and the Board Secretary attend meetings of the Audit Committee to assist the Committee in its review of the ECITB's management of risk, and ensure that advice from members concerning the identification, assessment and management of risk is taken into account. The Committee reviews the Risk Register regularly. This includes a review by the Committee of the full Risk Register and consideration of the Accounting Officer's reports relating to the significant risks identified in the risk register, and the risk profile of the organisation. Representatives of internal and external auditors are invited to attend all meetings. These representatives have free and confidential access to the Chairman of the Audit Committee, if required at each meeting or during the year as appropriate.

The identities of the members of the Committee are shown in Appendix C. The Committee met on three occasions in 2015. Average attendance at the Committee's meetings over the year was 91.7%

(2014 – 85.7%). The Committee's attendance records for 2015, and each member's attendance statistic, are set out in Appendix E.

The Committee aims to comprise between five and seven members of whom two or three are not members of the Board (i.e. "independent members"). The Chairman of the Committee is a Board member, but not the Chairman of the Board. It should be noted that the Chairman of the ECITB is a member of the Audit Committee. Potentially, this creates a risk to the independence of the Audit Committee. However, in view of the involvement of the auditors and the presence of independent members, the risk is not considered to be significant.

At the commencement of the year, the Committee comprised four members. Three were members of both the Board and the Management Board. There was only one independent member. The Committee recognised that it should have the ability to consider the affairs and conduct of the organisation, and in particular the manner of its decisions, with as high a degree of independence and impartiality as possible. Furthermore, the Committee recognised that the level of financial, legal and risk management expertise amongst members of the Committee could be greater, bearing in mind the matters that are considered in the normal course of the Committee's business. During 2015, the ECITB sought candidates from within the industry and through public advertising. The ECITB was able to attract and appoint two applicants who possessed suitable experience and qualifications in the areas of finance and risk management. At present, there are six members of the Committee, comprising three members of the Board and three independent members.

In view of her role as the Interim Chairman of the Board, Miss S Watson stepped down as Chairman of the Audit Committee. Mr M Hockey, a trustee and a member of the Committee, was appointed as the chairman of the Committee on a temporary basis with effect from 21st July 2015.

During the course of 2015, a review was undertaken with regard to the frequency at which the Committee met and the nature of business at its meetings. It was concluded that the Committee should meet four occasions a year (although additional meetings would be arranged if necessary). Of these, one meeting would occur before the year-end to review plans for the external audit, and one would occur after the year-end to review the accounts and reports, and to consider the internal audit programme for the year. Furthermore, two of the meetings would be "virtual meetings" conducted through the use of tele-conference or other electronic media. At the virtual meetings, the Committee will maintain an ongoing review of the ECITB's risk management and governance systems, and other specific issues within its remit as and when they arise.

It is considered that the Committee's effectiveness will improve as a consequence of the changes in its composition and revised meeting arrangements described above.

The Qualifications and Awards Committee

The Board appoints members of the Qualifications and Awards Committee. The aim is to have nine members. At present, there are eight members, and the ECITB is seeking a representative from an industry site operator. The chairmanship is normally assumed by one of the ECITB's Non-Executive Directors. However, Mr Julian Gammage, who held such a role, resigned from the Board during the year. The Board appointed Mr James Andrew is (a Board member) as the interim chairman of the committee in 2015.

The main duties of the Committee are set out in Appendix D.

The Committee normally meets four times per year, although additional meetings may be arranged if necessary. The identities of the members of the Committee are shown in Appendix C.

The Client Contractor National Safety Group (CCNSG)

The CCNSG is a committee of the Board, and is responsible for the management of the CCNSG's nationally accredited Safety Passport Scheme. The CCNSG reports to the ECITB's Management Board on its activities. The ECITB manages the operation of the Scheme, and the CCNSG retains responsibility for the strategic direction of the Scheme, including the determination of the Scheme's content, the standards for approval of training providers, the future development of the Scheme and its integrity assurance. A representative from the Health and Safety Executive is invited to attend meetings of the CCNSG as an observer. The composition of the Committee is set out in Appendix D.

The Chairman is selected by members of the Group, which meets quarterly, or more/less frequently as determined by its members. The identities of the members of the Committee are shown in Appendix C.

Regions

The ECITB operates a regional structure to ensure that delivery of training support and services is driven by the demands of industry on a regional basis. The ECITB has organised its regional structure into seven regional forums and two national forums, which ensure that the varying requirements of the industry across Great Britain are represented and taken into account in the formulation of policy and the delivery of services. Each forum either represents a geographical area, or a significant industry sector, which has specific particular requirements.

Each Forum comprises industry employers, and normally meets three times a year under the chairmanship of a Board member (the Regional Chair). Through this structure the ECITB concentrates on identifying and meeting regional skills requirements, and is able to address particular recruitments and training needs.

To address specific and local issues and needs, in some regions the ECITB has established sub-forums. For example, in the Midlands region a Water Industry Forum has been established. Due to their size, in the Scottish and South East & East regions meetings are held in different locations. This enables attendance by as many employers as possible. The ECITB also works closely with other key regional stakeholders, such as industry clients, skills development or enterprise partnerships, local government agencies, funding bodies, local authorities, training providers, trades unions and the workforce.

Under the ECITB's regional governance model, forums are empowered and operate as "business units" charged with supporting the achievement of the Board's strategic goals by the development and delivery of regional operating plans. The Chair of the Regional or National Forum leads the forum on behalf of the Board. This includes the review of the regional operating plan (targets and outcomes) and financial budget. He/she will also provide support and guidance to ECITB staff in the region, which in turn are accountable for the delivery of the agreed regional operating plan.

The regional operating plan will include training objectives and targets, and the planned activities to achieve such outcomes. Such objectives and targets may vary between regions.

ECITB Management and Staff

The Board and the Management Board have delegated responsibility for the implementation of the ECITB's strategic plans, and the management of the organisation to the Chief Executive. In September 2015, Mr D M Edwards retired as the ECITB's Chief Executive and Accounting Officer, and Mr C J Claydon was appointed in his place.

In order to enable me to complete my review of the effectiveness of the governance and internal control systems, the former Chief Executive conducted a thorough induction programme with me, which covered all aspects of the ECITB's activities, processes and systems. I have also derived assurance with regard to the effectiveness of the governance and internal control systems throughout the year from the controls that are in place.

The Chief Executive leads the organisation's executive management team ("the Executive Team"), which comprised the Chief Executive, the Director of Finance and Board Secretary, the Director of Regional Operations, the Director of Development and Quality, and the Director of International

Operations and Commercial ("the directors"). The ECITB's management and organisation structure is set out in Appendix D.

Each director was responsible for ensuring that the activities of each directorate are managed to ensure that the achievement of the ECITB's strategic and regional objectives are conducted efficiently, to the highest quality standards, and in compliance with the law. Regular meetings of the Executive occur (at least two per month) and each director reports concerning their areas of responsibility. In addition, written performance reports are provided, including performance against key performance indicators. This enables me to make the statements in this report, and in particular my assessment of internal controls.

Overview of Board Effectiveness and Performance

The Board has a well-developed approach to balancing strategic priorities (for example the recruitment and training of apprentices) with support for employers' immediate skills and competence needs. This is through the existing processes of dialogue and transparency, which lead to increased employer engagement in the regions and their forums, and improved quality of delivery from training providers.

To be effective, the Board must be fully informed of the work of the ECITB across all areas of activity. This is achieved by ensuring information, discussion papers and reports relating to all matters considered by the Board, and all of its committees, are disseminated amongst all Board members along with the minutes of such meetings. Reports are also made by committee chairmen. This affords Board members the opportunity to both monitor and contribute to all matters under consideration by the committees. In addition, as Chief Executive, I provide reports and require other staff to prepare reports to the Board covering progress against objectives, management of risks and financial control.

A key enabling feature is that the principal operating units and major areas of activity either have a governing board committee, or has a nominated Board member with responsibilities for oversight and leadership. For example, in each region employers elect its Chairman, who is then appointed to the Board. The Regional Chairman provides a direct link to the Board and represents the needs of the employers to the Board and vice versa. These measures support a culture of openness and transparency that in turn ensures that the Board is able to make decisions with a high degree of clarity and consensus on the issues at hand.

It was reported in 2014 that the Board felt it was effective and meeting its responsibilities and had a good understanding of the organisation's performance, and the risks that it faced. However, the Board had concluded that there were areas for

improvement in its effectiveness. In 2015 the Board initiated a review of its effectiveness and aspects of the ECITB's governance arrangements. The Board appointed The Cass Business School (part of City University London) to lead the review, which included consultations with Board members, the Executive and other key stakeholders, including BIS and the NAO. It was concluded that there is much that was good about the mechanisms and administration of the Board and its committees. However, Cass Business School's report included recommendations in the following areas:

- Governance structure;
- Improvements in role clarity & expectations between the Board, its sub-committees and the Executive;
- Decision-making by the Board;
- Meetings' practice;
- Strategy development;
- Board and committee performance review;
- Composition of the Audit and other committees;
- Establishment of key performance indicators linked to delivery against the strategy;
- Managing conflicts of interest; and
- Stakeholder management.

The Board has considered the recommendations of the Cass Business School, and has agreed to adopt a three stage approach, based on the recommendations, designed to improve the Board's and the organisation's effectiveness and efficiency. The stages are as follows:

- Stage 1: Improve ways of Board and Committee working, through the streamlining of practice and procedures.
- Stage 2: Strategy development. The main purpose in this stage is to develop a strategy for the ECITB, and to bring greater strategic focus to the activity of the Board, and to provide clarity of the purposes and duties of its sub-committees.
- Stage 3: Consolidation and Review. In this stage the Board will evaluate the effectiveness of the changes made, and consider whether further changes need to be made to the Board structures and governance arrangements.

Many of the improvements in Stage 1 have been introduced, including measures designed to improve the timeliness and construct of board and committee papers, the introduction of a Board calendar, the revision of board and committee agendas to be more purposeful, the development of decision making criteria to assist the Board in its decisions, and the introduction of end of meeting reviews. Work is currently underway in connection with Stage 2. This involves the initiation of a strategic review to examine if there is a wider role for the ECITB, to develop a medium to long-term strategy, and to improve the link between the Board's strategy and its implementation, it is anticipated that the Board will

make decisions relating to Stage 3 towards the end of 2016.

The review will also take into account the implications arising from on-going external reviews and changes which will affect the ECITB, which are discussed below and include the Triennial Review by BIS of the industrial training boards, BIS 2020, and introduction of an Apprenticeship Levy in 2017.

Throughout 2015 there have been significant delays in all aspects of the processes adopted by BIS leading to the appointment of the Board. This has included the recruitment and appointment of a permanent Chairman following the resignation of the previous office holder in 2014. A public recruitment campaign approved by BIS was run in 2015. However, the minister subsequently decided that a permanent replacement should not be appointed pending the outcome of the changes described in the preceding paragraph. In January 2016, BIS confirmed the appointment of Miss S Watson as the Board's Interim Chairman. There have also been delays in the formal appointment of other candidates as trustees, notwithstanding their recent election as Regional Chairs or following their participation in public appointment processes. As and when other Board vacancies have arisen due to expiration of terms of appointment or resignations, formal processes to recruit replacements have been delayed. BIS has acknowledged this problem which also affects other its public bodies, and has implemented actions which should address the problem in 2016).

The combination of these factors, which lie outside the control of the ECITB has adversely affected the effectiveness of the Board in 2015, due to its depletion in terms of size and its ability to represent the broad cross-section of employers which comprise the industry.

Conflicts of Interest

As a Non-Departmental Public Body the ECITB is accountable to BIS and must abide by the principles of regularity and propriety. It must ensure that its activities are not affected adversely by any conflicts of interest. I consider that the ECITB's transparency of decision-making and scrutiny by stakeholders through the governance arrangements described in this statement enables it to achieve this objective.

Whistle Blowing

The ECITB is committed to achieving and maintaining high standards of behaviour at work, service to the public and in all our working practices. The ECITB's whistle blowing policy is designed to enable and encourage ECITB staff to express concern or disclose information at an appropriate level if it is believed there is evidence of malpractice. The ECITB seeks to maintain a culture where people are encouraged to speak out, with confidence that they can do so without adverse consequences, and

that appropriate action will be taken. In 2015 no allegations were raised under the ECITB's whistle blowing policy.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the ECITB's policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the ECITB for the year-ended 31st December 2015 (and up to the date of approval of the 2015 Trustees' Report and accounts), and accords with HM Treasury guidance.

During the course of the year the ECITB has been successful in retaining accreditation to the following standards:

- Investors in People (which improved to achieve a Silver accreditation).
- ISO 9001 (the annual audit in 2015 has confirmed that the ECITB has maintained a viable and robust quality management system).

Capacity to Handle Risk

The management of strategic and operational risk is embedded in business processes. The Executive Team and senior managers provide high level leadership to the risk management process. This group of staff has a good understanding of the key risks facing the ECITB. Selection and performance review procedures ensure that personnel are trained to identify and manage risk in a way appropriate to their authority and duties. The directors and senior managers understand the importance of their roles in the risk management process.

The Risk and Control Framework

The ECITB aims to adopt best practice in the identification, evaluation and cost-effective management of risks, as an integral part of operational activity. The directors are accountable for risk management in their respective areas of activity and regularly report to me in my capacity as Accounting Officer and Chief Executive. Risk is assessed in these reporting processes and, more importantly, within the established business and financial planning process. Implicit in this approach is encouragement and support to the achievement of business objectives, anticipating and responding to changing social, environmental and legislative requirements, optimisation of control to achieve

operational efficiencies and ensuring legal compliance as a minimum standard.

The ECITB has an established risk management policy, which has been communicated to all relevant managers and staff. Risk management is embedded within normal operations, including system development risk analysis and progress reports for major projects. Responsibility for risk management is assigned to the directors and their respective managers, to reflect actual responsibilities. A Risk Register is maintained for each directorate. Each risk has a designated senior manager responsible for reporting the status of each identified risk. New risks which are identified during the year are added to the risk register. All directors are responsible for evaluating risk and taking measures to mitigate or minimise identified risk within their respective areas of operations and responsibility.

As Accounting Officer and Chief Executive, I report to the Management Board and the Audit Committee formally on these matters several times per year. The ECITB's risk register is reviewed through my performance reports at meetings of the Management Board and Audit Committee. The Audit Committee and the Management Board have reviewed the provisions of the ECITB's risk management system and the question of how the Board should define its attitude and appetite towards risk. It was concluded that the Executive Team should revise the risk management system and policy in order to:

- Distinguish strategic and operational risks;
- Clarify the identification and rating of risks through improved risk impact and likelihood descriptors;
- Simplify processes.

In 2015, amendments have been made to the Risk Management Policy, including a revised rating assessment grid, amendments to the hierarchy of impact and likelihood descriptors, and a new risk register framework has been developed. I and nine members of the Executive and senior management teams have attended a training programme run by the Institute of Risk Management. This training was very effective and has enabled the Executive Team to refresh and adapt their approach towards risk management. A further training programme will occur in 2016 for other senior managers. The Executive has reviewed the strategic risks to the ECITB and a revised Strategic Risk Register will be presented to the Audit Committee and Board for consideration in April 2016. Once this has been accepted, a process will be invoked for the Board's assessment of the organisation's risk appetite and tolerance. This process will be concluded by the Main Board by the end of 2016.

Key Issues and Risks

The key issues and associated risks discussed by the Board during the year related to:-

- The ability of the ECITB to encourage employers to maintain high levels of training activities, particularly relating to apprentices, in difficult economic conditions.
- The government's proposal to introduce an Apprenticeship Levy on large employers to fund 3 million new, high quality apprenticeships. The details of the scope and operations of the Apprenticeship Levy, and any consequential impact on ECITB, are currently unknown. However, the government has made it clear that the industrial training boards ("ITB's") must have undertaken a formal consultation with levy-paying employers by the end of October 2016 on industrial training levy arrangements to apply from 2017 onwards, in view of the interaction between the proposed Apprenticeship Levy and the existing industrial training levies.
- On-going external reviews within and by BIS, and the implications for the ECITB of changes which may arise from the reviews. These include:-
 - "BIS 2020" - this is a review of the Department's delivery capacity, operating model, governance and structure, including role and use of partner organisations (including the ECITB) in response to the government's 2015 Comprehensive Spending Review.
 - The Triennial Review of the ITB's considers their existence, scope and operations and includes the ECITB. The government's report relating to Phase 1 was published in December 2015, and concluded that the ECITB remained a necessary and valid means of addressing the market failure within the sector, but that there are many specific areas where the ECITB could perform better. Phase 2 of the review will assess the operations of ECITB and consider any reforms that are deemed to be necessary. However, given the changes announced to the skills funding system in the July 2015 budget and the forthcoming consultation exercise described above, BIS has concluded that it is premature for the Triennial Review to make recommendations on the future of the ITB's. The government will address this when the future levy arrangements for the sectors are clearer.
- The requirement to review and develop a strategy against which a clear longer term vision for the ECITB can be defined. This will enable the development of long term strategic objectives, to be reviewed annually by the Board, enabling the development of annual

operating plans against which the Executive Team may be assessed.

- Improvements in governance arrangements and Board effectiveness.
- Problems arising from delays in Board appointment processes.
- Ongoing accrual of staff pension benefits in a defined benefit scheme.

In order to mitigate the risks arising from these issues, the following approach and steps have been adopted:-

- The risk of failing to maintain levels of training by employers: The ECITB engages closely with employers, collectively and individually, in order to agree training plans and financial support for agreed activities. The following examples illustrate the point.
 - In 2015 it became apparent from the ECITB's engagement with employers that the demand for recruiting apprentices in the industry was lower than in previous years. Due to the economic conditions, particularly in the upstream oil and gas and engineering, design and procurement sectors. In order to maintain and increase the numbers of apprentice learners entering the industry and in recognition of the government's strategic drive to recruit 3 million apprentices over the next 5 years, the ECITB developed and implemented a Pre-Apprenticeship Programme to mitigate the lower numbers of apprentices recruited by employers. By the end of 2015, 52 young unemployed people commenced the ECITB's engineering programme in local colleges, which was funded by the ECITB. The programme was designed to ensure that, in the unlikely event that subsequently the trainees could not secure work placements or employment within the engineering construction industry the training would be valuable to other engineering employers.
 - During the year, the Board responded swiftly in supporting employers in the upstream oil and gas sector and took action to support financially the ongoing professional training of graduate employees who were at risk of being laid off due to difficult trading conditions. The Board authorised the Executive Team to respond flexibly to the needs of the sector's employers, and in 2015 training plans were agreed and implemented to enable the completion of graduate training programmes with their employers. This involved funding of such programmes by the ECITB. In this way, the ECITB engaged with employers to ensure that over 100 graduates remained in employment, thereby saving the industry

significant future costs of having to replace and train graduates who would otherwise have been lost.

- The Apprenticeship Levy: Although detailed information is unavailable, the government's announcement in the Comprehensive Spending Review has enabled the development of options for future levy arrangement. In April 2016 the Board will reach conclusions concerning the levy arrangements for industry consultation.
- BIS 2020: The work streams in the review are likely to affect the ECITB and its operations. The ECITB will engage closely with the work stream leaders in order to accommodate changes arising from the review. This involves the attendance by the Chairman and the Chief Executive at regular meetings with BIS on such matters
- The Triennial Review: The ECITB has started to address most of the recommendations raised in Phase 1 of the Review notwithstanding the outcome of the review will revolve around the outcome of the matters described above.
- Strategy development: As described above, there will be significant developments in governmental policy in 2016, which will affect the ECITB's future strategy. The outcome of the triennial review and BIS 2020, along with the consultation on the apprenticeship levy, will be the main policy drivers. Once there is a better understanding of how these will affect the ECITB, the strategy can be set. The strategy will be developed throughout 2016 and presented to the Board in November for consideration.

Information Risk

The ECITB's management information systems enable and support business processes and organisational performance. The ECITB's emphasis remains to ensure data handling practices are simple, rigorous and efficient. Information security is of vital importance to the operation and reputation of the ECITB. Its Information Technology Manager is the ECITB's Senior Information Risk Owner (SIRO) and has operational responsibility for this. During 2015 there were no data breaches, and no disclosures or reports were submitted to the Information Commissioner.

In its 2015 audit of systems and controls relating to IT security, the internal auditor's engagement opinion was that there were significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective (i.e. Amber/yellow). The auditor classified its opinion as Amber due to the number of high or medium level actions that would need to be implemented in order to ensure stronger IT security controls, which met the ISO standard of

good practice and would minimise any vulnerabilities. However, this did not imply that the ECITB's IT security was ineffective, as the auditor concluded that the existing controls would generally prevent anything other than a determined attack. However, the ECITB's management is in agreement with the actions proposed by the auditor and will implement the agreed actions.

All information technology projects are overseen by the Audit Committee, and managed in accordance with the guidelines and standards recommended by the internal auditor. Key elements in any project remain to ensure full compliance with the information aspects of the Security Policy Framework, and to ensure staff understand their personal responsibilities and are adequately trained in this area.

Throughout 2015 progress has been made in the development of the new Candidate Registration Portal, which is a key project in view of the ECITB's strategic objectives. Closely linked to this, are projects to develop a new learner testing system and an improved website. Implementation of these initiatives is scheduled to occur in the spring of 2016.

The ECITB's existing servers and related services are approaching the end of their lives, and in keeping with BIS guidelines the ECITB will transfer its data storage and business applications to a governmentally approved remotely hosted environment. Recommendations and the implementation plan leading to the achievement of this objective (including selection and appointment of the appropriate service provider) will be considered by the Executive Team and the Audit Committee. This will not only lead to service improvements, but reduce the inherent risk of servers being housed at the ECITB's head office.

Internal Audit

Mazars Public Sector Internal Audit Ltd.'s appointment as the ECITB's internal auditor concluded on the 31st December 2014. The Government Internal Audit Agency (GIAA) assumed responsibility for the ECITB's internal audit with effect from 1 April 2015. The internal auditor operates to standards and requirements defined by HM Treasury, which include the submission of an independent opinion on the adequacy and effectiveness of the system of internal control, and the provision of assurance relating to the ECITB's governance and risk management arrangements. Reports are submitted to the Audit Committee concerning audits undertaken, implementation of recommendations, post capital expenditure reviews and other ad hoc reports, as required. The internal auditor has a direct reporting line to the Audit Committee to ensure independence.

The 2015 Internal Audit Plan covered the following areas:

- IT security;
- Project approval, development and management;
- The establishment of new training providers;
- Communications; and
- Benchmarking the management of overheads.

The conclusions relating to the audit of IT Security has been discussed above. The conclusions relating to the audit of IT Security has been discussed above. In its audits of systems and controls relating to product approval, development and management, and the establishment of new training providers, the GIAA's engagement opinion was that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control (i.e. Moderate/yellow). The GIAA concluded that the ECITB's control processes were adequate and generally operating effectively. At the time of writing this report, the internal auditor's reports relating to communications and the management of overheads were not available.

Overall, I consider that the outcomes of the work undertaken by the internal auditors give effective support to my statement relating to internal control set out in this statement.

Review of Effectiveness

The processes described above in "The risk and control framework" contribute to ensuring that the systems of internal control are continually reviewed and improved. As Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of governance and internal control. My review of the effectiveness of these systems is informed by the directors and senior managers within the organisation (who have responsibility for the development and maintenance of the internal control framework), the work of the internal auditors, and comments made by the external auditors in their management letter and other reports. I am also advised on the effectiveness of the system of internal control by the Management Board and the Audit Committee. When weaknesses are identified, plans to address them and ensure continuous improvement of the system are put in place.

The internal auditor's opinion on the control environment is that the ECITB has adequate and effective systems over risk, control and governance which provide reasonable assurance regarding effective and efficient achievement of the ECITB's objectives.

My review of the effectiveness of the governance and internal control system shows that in 2015 the ECITB had adequate and effective risk management, control and governance processes to manage the achievement of its objectives.



C J Claydon
Chief Executive and Accounting Officer

26th April 2016

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

I certify that I have audited the financial statements of the Engineering Construction Industry Training Board (ECITB) for the year ended 31 December 2015 under the Industrial Training Act 1982. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the 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 ECITB, Accounting Officer and Auditor

As explained more fully in the Statement of the ECITB and Accounting Officer's Responsibilities, the ECITB and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Industrial Training Act 1982. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the ECITB's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ECITB; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- The financial statements give a true and fair view of the state of the ECITB's affairs as at 31 December 2015 and of its incoming resources and resources expended for the year then ended; and
- The financial statements have been properly prepared in accordance with the Industrial Training Act 1982 and Secretary of State directions issued thereunder.



Opinion on Other Matters

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Industrial Training Act 1982; and
- The information given in the Financial Report, Organisational Details, Appendix A – Trustees and Appendix C – Membership of Board and Committees for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- The financial statements and the part of the Remuneration Report to be audited are not in

agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

9th May 2016



Financial Accounts For the year ended 31 December 2015

Statement of Financial Activities for the year-ended 31 December 2015

Income		2015 £'000	Restated 2014 £'000
Income from other trading activities			
Income from investments	<i>Note 4</i>	437	513
Income from charitable activities			
Non-levy income - Apprentices and Careers		226	92
- Skills & Technical Programmes		828	600
- Management & Professional Programmes		161	129
- Awards & Qualifications		2,005	1,937
Total non-levy income	<i>Note 3</i>	3,220	2,758
Levy		35,714	28,968
Total income		39,371	32,239

Expenditure

Expenditure on Raising funds			
Investment management costs		64	50
Bad debt charge	<i>Note 5</i>	1,865	(2,806)
Expenditure on Charitable activities			
Apprentices and Careers		8,582	9,692
Skills & Technical Programmes		13,936	13,534
Management & Professional Programmes		8,983	8,170
Awards & Qualifications		2,774	2,274
Levy collection costs		476	467
Total costs of charitable activities	<i>Note 6</i>	34,751	34,137
Total expenditure		36,680	31,381

Net gains/(losses) on investments	<i>Note 15</i>	(271)	(119)
Net income/(expenditure)		2,420	739

Transfers between funds

Other recognised gains/(losses)			
Gains/(Losses) on fixed assets	<i>Note 13</i>	87	200
Net movement in funds	<i>Note 21</i>	2,507	939

Reconciliation of Funds

Total funds brought forward at 1 January		15,829	14,890
Total funds carried forward at 31 December	<i>Note 21</i>	18,336	15,829

The statement of financial activities reflects all gains and losses during the year to 31 December 2015. All activities are continuing. All funds are unrestricted.

The notes on pages 41 to 59 form part of these financial statements.

Balance Sheet as at 31 December 2015

		2015 £'000	Restated 2014 £'000
Fixed assets			
Tangible assets	<i>Note 13</i>	1,473	1,360
Investments	<i>Note 15</i>	12,462	14,203
Total fixed assets		13,935	15,563
Current assets			
Debtors	<i>Note 16</i>	1,099	857
Investments	<i>Note 15</i>	6,499	2,277
Cash at bank and in hand	<i>Note 23</i>	2,781	2,318
Total current assets		10,379	5,452
Creditors			
Amounts falling due within one year	<i>Note 17</i>	(5,474)	(4,450)
Net current assets		4,905	1,002
Net assets less current liabilities		18,840	16,565
Amounts falling due after more than one year	<i>Note 17</i>	(504)	(736)
Net assets less liabilities		18,336	15,829
The Funds of the Charity			
Unrestricted fund	<i>Notes 21</i>	18,336	15,829
Total Charity Funds		18,336	15,829

The accounts were approved by the Board on 26th April 2016.



S Watson
Interim Chairman
26th April 2016



C J Claydon
Chief Executive Officer
26th April 2016

The notes on pages 41 to 59 form part of these financial statements.

Statement of cash flows for the year-ended 31 December 2015

		2015 £'000	Restated 2014 £'000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	<i>Note 22</i>	2,905	(217)
Cash flows from investing activities			
Investment income		437	513
Purchase of property, plant and equipment	<i>Note 13</i>	(166)	(117)
Proceeds from the sale of property, plant and equipment		39	62
Proceeds from sale of investments	<i>Note 15</i>	22,425	28,248
Purchase of investments	<i>Note 15</i>	(25,177)	(27,319)
Net cash provided by (used in) investing activities		(2,442)	1,387
Change in cash and cash equivalents in the reporting period	<i>Note 23</i>	463	1,170

Reconciliation of changes in cash to net fund		2015 £'000	2014 £'000
Balance at 1 January		2,318	1,148
Change in cash and cash equivalents in the reporting period		463	1,170
Balance at 31 December		2,781	2,318

The notes on pages 41 to 59 form part of these financial statements.

Notes forming part of the Accounts for the year-ended 31 December 2015

1 Accounting policies

Going Concern

These accounts are prepared on a going concern basis. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the ECITB to continue as a going concern.

Accounting Convention

These accounts have been prepared in accordance with the Industrial Training Act 1982 and the Charities SORP (FRS 102) ("the SORP"), adopted for the first time in these accounts. An accounts direction issued by the Secretary of State requires that the ECITB prepares accounts in accordance with Treasury guidance. Consequently, these accounts follow the principles in the 2014/15 Government Reporting Manual (FReM) where it goes beyond the requirements of the SORP.

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

Grants Receivable

From time to time the ECITB receives grant income from Government and the European Union in respect of projects in which the ECITB has agreed to participate.

Grants are recognised when the SORP criteria of entitlement, certainty and measurement have been satisfied. Such grants are repayable in the event that the activities to which the grant relates do not occur. In these circumstances, such sums are recorded as grant creditors.

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

No grant in aid was received in 2015.

Levy Income

Levy income is recognised on an annual cycle in the year in which it is raised together with adjustments in respect of previous levies raised. The levy receivable relating to the base period ended 5 April 2014 was raised in January 2015 and recognised as income in 2015.

Other Categories of Income

Whenever possible, other categories of income (for example, sales, sponsorship and investment income) are recognised on an accruals basis. However, when income is unknown or receipt is uncertain it is recognised on a receipts basis. Non-levy income is allocated amongst charitable activities on the same basis as direct costs (see Notes 3 & 8).

Investment Management Costs

Investment management costs are recognised on an accruals basis.

Charitable Expenditure

Charitable expenditure includes all expenditure incurred on the charitable activities described below:-

- Apprentices and Careers
- Technical programmes
- Management & Professional programmes
- Awards & Qualifications
- Levy collection costs

Grants Payable

Grants are recognised as liabilities when the relevant training milestones and or grant conditions have been achieved or met.

The ECITB only records accrued grants in respect of interim apprenticeship and Regional Discretionary Grants, when there is a high likelihood that the evidential requirements confirming these grants should be paid have been satisfied. However, no accruals are made for other grants. Such grants are only recognised when all the evidential requirements have been satisfied. At that point, such grants are recognised as grant creditors.

All grants are paid to employers when evidence of all the relevant training milestones and or grant conditions has been received. Such milestones and conditions are agreed with the employer prior to the commencement of the relevant training activity. Most grants are paid without the requirement for the employer to submit a claim. However, the ECITB requires employers to submit claims and evidence of training activity for Regional Discretionary Grants and grants relating to some training courses (for example, post graduate (or equivalent) programmes, Assessor Verifier training and some technical training courses).

Grants are recorded against charitable activities in a manner that reflects the use of the resources.

Direct and Support Costs

Direct costs (Note 8) have been recorded against activity cost categories on a basis consistent with the use of the resources. Direct staff costs have been allocated on the basis of staff time devoted to activity cost categories. Other direct costs have been allocated to the activity cost categories to reflect the activity in which the cost arose.

Support costs (Note 9) largely relate to the organisation's central functions. Such costs cannot be allocated to cost activities with the same degree of certainty as direct costs. The costs of the central functions are split between cost activities to reflect the allocation of direct costs to activity categories.

Governance Costs

Governance costs include those incurred in the governance of the ECITB and its assets and are primarily associated with constitutional and statutory requirements. Most of the costs recorded under this head relate to internal and external audits, fees and salaries paid to Trustees, and the costs and expenses associated with meetings of the Board and its Committees.

Land and Buildings

Fixed assets which are shown at their current value at the balance sheet date. To achieve this, freehold land and buildings are subject to a full external valuation every 5 years. The last existing use valuation of the freehold land and buildings was undertaken at 31 December 2012 by Brown & Merry Commercial, a firm of Chartered Surveyors. The valuation was prepared in accordance with the Royal Institute of Chartered Surveyors Valuation Professional Standards (March 2012). Following the valuation, the existing use property value was recorded in the 2012 balance sheet.

In the intervening years between full external valuations the last revalued existing use value is adjusted (where material) by reference to relevant commercial property indices published by financial and professional services firms specialising in real estate services and investment management.

Other Assets

Apart from freehold property, fixed assets are stated at their historical cost, less accumulated depreciation. They are not re-valued as this is unlikely to reveal any material difference in values.

Capitalisation

Fixed assets costing below £500 are not capitalised.

Depreciation

Depreciation on fixed assets (other than freehold land and buildings and motor vehicles) is provided on cost or valuation in equal annual instalments by class of asset over the estimated lives of each class, from the date on which the assets are brought into use. The assets are depreciated over the following periods:

Furniture and equipment	10 years
Plant and machinery:- Training Rigs and Display Stands Tools and Equipment	5 years 3 years
Computer equipment and IT software	4 years

No depreciation is provided on freehold land.

Depreciation on freehold buildings is provided on the last revalued existing use value over the remaining useful life of the asset. The annual depreciation provision is calculated by dividing the latest revalued amount by the number of years of remaining useful life. Under this policy at the year-end date the remaining useful life of the buildings is 17 years. Depreciation on motor vehicles is provided on an initial value, which is calculated by deducting the anticipated residual value at the end of the vehicle's estimated life from the cost price. The initial value of the vehicle is depreciated in equal annual instalments over a period of five years from the date of purchase.

Investments

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

Bad Debts Provision

Levy debtors are reported in the balance sheet net of a provision for bad debts. Full bad debt provisions are made in the following circumstances:-

- When a formal appeal against an assessment for industrial training levy is made by an employer, regardless of the likelihood of the ECITB's success in the appeal.
- When there is a strong possibility that a debt will not be recovered.
- When any debt is older than six months.

In the Statement of Financial Activities the bad debts charge is treated as an expense within Cost of Generating Funds.

Pensions

The ECITB is a participating employer in the ITB Pension Funds, which are constituted a multi-employer defined benefit and contribution scheme. The Defined Benefit scheme comprises an Open Fund and Closed Fund. It is not possible to identify separately the proportion of assets and funding level

in these funds attributable to the ECITB. Therefore, in accordance with the provisions of FRS 102 relating to multi-employer schemes, the Open Fund and Closed Fund have been accounted for as a defined benefit contribution scheme. Pension contributions are charged to the statement of financial activities as incurred. Pension contributions are recognised when ECITB enters the obligation.

Corporation Tax

As a registered charity in England and Wales, the ECITB is exempt from Corporation Tax on its primary purpose activities. As such there is no Corporation Tax to pay.

Value Added Tax

The ECITB is registered for VAT. However, the ECITB is not able to recover VAT on most supplies of goods and services which it receives. Thus, all costs are shown inclusive of VAT.

Fund

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

2 Levy receivable

In 2015, there were 375 (2014 - 371) establishments, which were wholly or mainly undertaking engineering construction activities. From this total, Industrial Training Levy was assessed in respect of 255 (2014 - 239) establishments. 120 (2014 - 132) establishments were exempted from paying a levy because the level of payments made in respect of

personnel at these establishments did not exceed the statutory exemption levels.

At the end of 2015 there were two levy assessments under appeal. The total amount appealed was £1.702m (see Notes 5 and 16).

3 Non-levy income	2015 £'000	2014 £'000
From Government and European Union sources	0	190
From sales and sponsorships	3,220	2,568
	3,220	2,758

The following streams of income were received from Government and the European Union:-

Income Stream	Government/European Sources	Charitable Activity	2015 Income £'000	2014 Income £'000
Energy Skills Challenge Fund	Skills Development Scotland	Awards & Qualifications	0	174
Nuclear Workforce Modelling	Department of Energy & Climate Change	Allocated over all Charitable Activities	0	16
			0	190

The following streams of income were received from sales and sponsorships:-

Sources of Sales and Sponsorship Income	Income Stream	Charitable Activity	2015 Income £'000	2014 Income £'000
UK employers	ECI Training and Development Awards Event	Awards & Qualifications	29	48
	ECITB Project Management Conference	Management & Professional	33	0
	Services provided in an Employer Ownership of Skills project	Apprenticeships & Careers	0	30
	Services provided in Nuclear Labour Market Information project	Allocated over all Charitable Activities	0	10
UK Training Providers	Apprentice Certification	Apprenticeships & Careers	8	6
	CCNSG licence fees and safety passport income	Awards & Qualifications	1,173	1,082
	Supervisory and PMSC licence fees and training course income	Management & Professional	102	110
	Technical Test licence fees and test income	Technical	79	80
	Technical Training licence fees and training courses	Technical	251	217
	VQ registration and certification	Awards & Qualifications	300	280
Overseas Training Providers	IHSP licence fees and safety passport income	Awards & Qualifications	186	155
	Apprenticeship Learner Income	Apprenticeships & Careers	182	23
	Supervisory and PMSC licence fees and training course income	Management & Professional	9	12
	Technical Test licence fees and test income	Technical	83	65
	Technical Training licence fees and training courses	Technical	25	39
	International Work Experience Project	Apprenticeships & Careers	105	0
	Consultancy Services	Awards & Qualifications	327	191
		Technical	328	191
		Apprenticeships & Careers	0	29
			3,220	2,568

No grant-in-aid is receivable by the ECITB.

4 Investment income	2015 £'000	2014 £'000
Income from quoted investments	376	427
Income from cash deposits	61	86
	437	513

5 Bad debt charge	2015 £'000	2014 £'000
Levy Assessments under appeal	1,702	59
Levy bad debts due to insolvency or non-payment	103	99
Reversal of levy bad debt provisions made in previous years	(67)	(2,973)
Trade bad debts	127	9
	1,865	(2,806)

In 2015, Cape Industrial Services Limited appealed against levy assessed in respect of the 2012/13 and 2013/14 base periods amounting to £1.702m. A full bad debt provision was recorded in the accounts.

Under a settlement agreement completed in 2015 with Dawson Energy Limited relating to levy payable

in respect of the base periods 2012/13 and 2013/14, Dawson agreed that the levies were payable, and the bad debt provision recorded in 2014 in respect of the 2012/13 levy was reversed (£59k). The remainder of the reversals of bad debt provisions relate to payments received during the year.

6 Charitable activities	Grant Funding (Note 7) £'000	Direct Costs (Note 8) £'000	Support Costs (Note 9) £'000	Total 2015 £'000	Restated Total 2014 £'000
Apprenticeships and Careers	5,128	2,265	1,189	8,582	9,692
Skills & Technical programmes	12,218	1,126	592	13,936	13,534
Management & Professional programmes	7,946	680	357	8,983	8,170
Awards & Qualifications	1,186	1,041	547	2,774	2,274
Levy collection costs	0	312	164	476	467
	26,478	5,424	2,849	34,751	34,137

7 Grant funding

Of the £26.478m of grants made to employers in 2015, grants amounting to £23.702m were awarded to the employers in the following list. The list is limited

to the 50 largest employers in terms of grant values, and the value for each employer is the aggregate of total grants received.

Employer	£
* Wood Group Engineering (North Sea) Ltd	3,653,104
Bilfinger Salamis UK LTD	2,523,745
* AMEC Foster Wheeler Group Ltd	2,508,167
Magnox Ltd	2,196,530
Sellafield Limited	2,156,449
* Doosan Power Systems Ltd	1,884,442
Stork Technical Services (RBG) Ltd	1,266,104
Dounreay Site Restoration Ltd	902,548
Petrofac Facilities Management Ltd	884,013
* Alstom Power Ltd	657,466
Aker Offshore Partner Ltd	361,303
* Jacobs UK Limited	358,939
Cavendish Nuclear Limited	315,239
Kellogg Brown & Root UK Limited	242,934
Subsea 7	237,995
* AMEC Foster Wheeler Ltd	223,468
Fabricom Oil Gas and Power Ltd	191,946
CB&I UK Ltd	187,943
* Jacobs Field Services Ltd	177,914
Siemens plc	143,460
Siemens Transmission & Distribution Ltd	138,118
Shepley Engineers Ltd	136,716
Dawson Energy Ltd	136,676
Cordell Group Ltd	134,157
Technip UK Limited	118,238
SPIE WHS Ltd	117,409
Enterprise Engineering Services Ltd	110,255

Employer	£
Applus RTD UK Ltd	100,683
Fluor Ltd	99,573
Shaw Group UK Ltd	94,980
WorleyParsons Europe Ltd	92,561
Weir Engineering Services Ltd	90,252
Pipex Ltd	83,000
Main Port Engineering (1990) Ltd	82,420
PPS Electrical Ltd	81,682
On Line Design & Engineering Ltd	79,735
Bibby Offshore	79,365
NNB Generation Company Ltd	77,283
Bilfinger Industrial Services UK Ltd	72,679
* TEI Limited	68,539
Cleveland Bridge UK Ltd	68,500
Peter J Douglas Engineering Ltd	67,590
SSE Contracting Ltd	67,021
Laker Vent Engineering Ltd	65,744
Intelect (UK) Ltd	63,407
* Blackrow Engineering Company Ltd	63,337
Offshore Design Engineering Ltd	63,324
OneSubsea UK Ltd	62,935
Costain Oil Gas & Process Ltd	61,090
IRISNDT Ltd	51,103
Sub Total	23,702,081
Other Grants	2,775,781
	26,477,862

* A member of the Board of Trustees is employed by this employer or an associated company.

Under a settlement agreement completed in 2015 with Bilfinger Salamis Limited relating to levy payable in respect of the base periods 2012/13 and 2013/14, the ECITB reviewed the training activities undertaken

by the employer during 2014 and 2015 in order to agree eligibility for the award of training grants. The ECITB concluded that the nature and extent of the training undertaken by Bilfinger meant that it was eligible for grant amounting to £2.523m.

8 Direct costs

Direct costs have been recorded against activity cost categories on a basis consistent with the use of the resources. In the main, they comprise costs which have been directly incurred in fulfilling the relevant charitable activity.

Staff costs have been categorised as direct costs when the staff time can be clearly and accurately allocated to one or more charitable activities. For example, regional staff are exclusively engaged in the four main charitable activities, and their time devoted to each head of activity is recorded. Similarly, Product Development staff manage projects which fall under one or other charitable head, and their costs have been allocated accordingly.

Other examples of direct costs include training provider costs, which have mostly been incurred in consideration of services provided by training providers in the training and assessment of apprentices. Product development costs largely relate to consultancy costs incurred in the development of training products and materials used in the re-skilling and skill enhancement of existing industry workers.

Depreciation relates to cars and equipment in the possession of staff who are clearly engaged in one or more charitable activities.

Other direct costs have been allocated to the cost types reflecting the activity in which the cost arose.

	Apprentices and Careers	Technical programmes	Management & Professional programmes	Awards & Qualifications	Levy Collection	2015 Total	Restated 2014 Total
Activity	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ACE	0	0	0	5	0	5	9
Apprentice allowances, travel and subsistence	241	0	0	0	0	241	460
Apprentice training and assessment costs	564	0	0	0	0	564	1,209
Apprenticeship recruitment costs	107	0	0	0	0	107	253
Awarding Organisation administration	0	0	0	31	0	31	22
Depreciation on assets in staff possession	28	8	9	3	0	48	68
ECITB Active Cup	0	0	112	0	0	112	87
ECITB Awarding Body External Verification	0	0	0	89	0	89	94
Legal fees incurred in levy appeals	0	0	0	0	133	133	208
Legal fee incurred in levy debt collection	0	0	0	0	38	38	13
Professional & service fees incurred in International Commercial activities	0	154	0	154	0	308	68
Product development	24	54	30	7	0	115	215
Profit & Loss on disposal of Fixed Assets	-11	-5	-4	-1	0	(21)	(61)
Regional premises	104	28	27	8	0	167	160
Safety Passport issue and administrative	0	0	0	90	0	90	106
Staff costs (salary, NI and pensions) (Note 10)	1,012	666	364	504	123	2,669	2,671
Staff travel & subsistence and other	195	220	76	151	18	660	554
Talent Retention Solution services	0	0	50	0	0	50	0
Training Provider Account Management	1	1	16	0	0	18	26
	2,265	1,126	680	1,041	312	5,424	6,162

The ECITB has promoted and funded the use of the government sponsored initiative "Talent Retention Solution" by industry employers. The initiative is designed to help find opportunities for personnel from the advanced manufacturing and engineering

industries. Employers use the web based database technology to match available people with jobs, and to help them retain a highly skilled workforce, particularly in engineering skills.

The proportions of direct costs allocated to each charitable activity are as follows:-

Charitable Activity	2015 %	Restated 2014 %
Apprentices & Careers	42	45
Technical programmes	21	22
Management & Professional programmes	13	11
Awards & Qualifications	19	17
Levy collection costs	5	5
	100	100

These proportions have been used as the basis for allocating support costs to charitable activities

(see Notes 6 and 9).

9 Support Costs

Support costs largely comprise the costs of central functions which cannot be allocated to charitable activities with the same degree of certainty as direct costs. The central functions are:-

- Corporate Affairs
- Finance
- Legal
- Human Resources
- Information Technology and telecommunications
- Head Office premises and support activities

It is not possible to allocate support staff costs to charitable activity cost categories on the basis of time devoted to such activities. Similarly, it is not possible to allocate other support costs (for example, Head Office premises costs, Information Technology, Office expenses and Depreciation) to charitable activities on a basis consistent with the charitable use of the resources. Thus, support costs have been allocated to charitable activity cost categories by adopting the same proportions reflected in the allocation of direct costs to charitable activities (see Note 8).

Function	Activity	2015 £'000	Restated 2014 £'000
Corporate Affairs			
	Marketing and Public Relations	273	285
	Research	0	26
Finance & Legal			
	Legal (non-levy collection matters)	5	45
	Professional charges	5	7
	Depreciation categorised as a Support Cost	74	75
	Disposal of fixed assets (profit)/loss	(8)	0
Human Resources			
	Support staff costs (including salary, NI and pensions)	1,191	1,282
	Support Staff travel and subsistence	97	71
	Agency costs	51	19
	Professional charges	32	55
	Professional fees relating to pensions	213	11
	Staff recruitment and training	164	82
Information Technology and telecommunications		316	141
Head Office premises and support activities		296	444
Governance costs		140	160
		2,849	2,703

Agency costs were higher in 2015 than in 2014, largely due to the requirement for a temporary accountant due to long term sickness absence of a member of staff. The requirement came to an end in December 2015.

The professional fees relating to pensions incurred during the year largely related to legal, actuarial and financial advice sought in connection with ECITB's membership of ITB Pension Funds. In particular, the advice related to the transfer of active staff members from the ITB DB Scheme to the ITB DC Section for

the purpose of future benefit accrual with effect from April 2016.

During the year, expenditure on Head Office premises and support activities (£296k) were lower than in 2014 (£444k) as the project relating to the repair and refurbishment of the head office premises was completed in the spring of 2015. As reported in 2014 planned IT activities were either deferred to 2015 or cancelled. Thus, in 2015 Information Technology and telecommunications costs were significantly higher due to the commencement of deferred IT projects.

10 Staff costs	2015 £'000	Restated 2014 £'000
Salaries	3,164	3,149
Social security costs	320	319
Pension costs	299	348
Agency costs	60	17
Other personnel costs	14	23
Termination costs	5	190
	3,862	4,046

Staff costs include Trustees and Senior Staff Salaries and Pensions (see Remuneration Report).

Salaries include gross salaries; performance-related pay or bonuses; overtime; private or home office allowances and other allowances to the extent that they are subject to UK taxation. The ECITB operates a performance-related incentive scheme in which all employees are eligible to participate (after completing initial periods of employment in their roles). In 2015, the aggregate incentive award amounted to an average 1% of the total basic salary.

Termination costs comprised the statutory and contractual payments made in respect of 2 employees whose employment terminated during the year due to reasons of redundancy; and the payments in lieu of notice which were also made to these individuals. One other employee who was not made redundant received payment in lieu of notice.

The table below analyses the termination costs by value bands, and provides details of the numbers of individuals who volunteered for redundancy and who were selected for compulsory redundancy.

Termination value band	2015			2014		
	Number of compulsory redundancies	Number of voluntary redundancies	Value of Termination cost by cost band £'000	Number of compulsory redundancies	Number of voluntary Redundancies	Value of Termination cost by cost band £'000
<£10,000	2	0	2	1	1	12
£10,001 - £25,000	0	0	0	2	4	92
£25,001 - £50,000	0	0	0	0	1	32
£50,001 - £100,000	0	0	0	0	1	54
£100,001 - £150,000	0	0	0	0	0	0
Total number of redundancies	2	0	-	3	7	-
Total termination cost (£'000)			2	190		

11 Staff numbers

The numbers of employees earning over £60,000 per annum including benefits in kind, excluding pension contributions were:-

	2015 Number	2014 Number
£60,001 - £70,000	3	3
£70,001 - £80,000	3	0
£80,001 - £90,000	0	1
£90,001 - £100,000	3	2
£100,001 - £110,000	1	0
£110,001 - £120,000	0	1
£120,001 - £130,000	0	0
£130,001 - £140,000	1	1
	11	8

The average number of employees, by function, was:-

	2015 Number	2014 Number
Apprenticeships & Careers, Skills & Technical Programmes, Management & Professional Programmes	41	42
Awards & Qualifications	13	15
Levy Collection	3	2
Senior Management and Corporate Support Services	19	22
	76	81

The ECITB has considered the issue of allocating the numbers of staff engaged amongst each charitable activity. However, it is felt that with the exception of Awards & Qualifications and Levy Collection (where members of staff are clearly and solely allocated to this activity) it is not possible to achieve an accurate allocation amongst the other heads of charitable activity. The table indicates that in both years approximately half of the ECITB's employees were engaged in the charitable activities of Apprenticeships & Careers, Technical Programmes,

and Management & Professional Programmes. This largely reflects how all members of the organisation's regional staff are engaged in the delivery of services, which span all three areas of charitable activity. Furthermore, in providing service to some employers it is not unusual for such employers' learners to be undertaking training in more than one area of charitable activity. For these reasons, it is not possible to allocate with accuracy the numbers of staff that are allocated to each of these heads of charitable activity.

12 Industry Training Board Pension Funds

The ECITB is a participating employer in the ITB Pension Funds, which are constituted a multi-employer defined benefit and contribution scheme.

The Defined Benefit scheme comprises an Open Fund and Closed Fund. It is therefore not possible to identify separately the proportion of assets and funding level in these funds attributable to the ECITB. Therefore, in accordance with the provisions of FRS 102 relating to multi-employer schemes, the Open Fund and Closed Fund have been accounted for as a defined contribution scheme.

The ECITB is also a participating employer in the Defined Contribution section of the ITB Pension Funds' scheme in respect of employees which commenced employment after May 2012.

All pension contributions are charged to the statement of financial activities as incurred. Pension deficit contributions are recognised when the ECITB enters the obligation.

ITB Pension Funds' Open Fund

The Open Fund is a defined benefit scheme. It is valued triennially by the Government Actuary's Department. The last valuation reported was at 31 March 2013, which showed that on a solvency basis the value of the assets was £808.7 million (2010 - £620.2 million) and the value of those assets represented 93% (2010 - 92%) of the benefits that had accrued to members (the technical provisions) and other liabilities.

The valuation was based on methodology and assumptions set out in a Statement of Funding Principles. Under scheme funding legislation, the trustees of the Scheme must decide the methodology and assumptions used for the actuarial valuation and the Statement of Funding Principles. The Statement has been approved by all participating employers. The assets of the scheme are held separately from those of the ECITB in an independently administered fund. During 2015, total (employer's and employees') standard contribution rates of 25.4% for the New Section and 16.7% for the 2007 Section applied in respect of all employees who are members of the Funds.

The ECITB, along with other participating employers, have agreed a deficit recovery plan with ITB Pension Funds. Under the plan the ECITB is paying additional contributions amounting to £271,000 per annum (which commenced in 2011) for a period of 8 years (i.e. until and including 2018).

Participating employers in defined benefit occupational pension schemes may become liable for a statutory debt under section 75 of the Pensions Act 1995 in certain circumstances, such as if the scheme starts to wind up, or the employer ceases to participate. In the case of the ECITB's participation in the ITB Pension Funds Scheme, were the ECITB to withdraw from the Scheme, or were the Scheme to be wound up, the assessment of any amounts due from the ECITB to the scheme would take account of both ITB Pension Scheme members who were current and past employees of the ECITB, and also of pension scheme members who were employees of the Engineering Industry Training Board prior to 1991.

ITB Pension Funds' Defined Contribution Scheme

ITB Pension Funds has established a Defined Contribution pension scheme. All new employees of

the ECITB are offered membership of this scheme, and not membership of the Open Fund. The average combined contribution rate (i.e. paid by the ECITB and the employees) amounts to 11% of the pensionable salary.

It is the ECITB's policy to achieve the accrual of all employees' pension benefits in respect of future service in a defined contribution scheme. In 2015 the ECITB conducted a formal consultation process with staff who are active members of defined benefit sections of ITB Pension Funds. The consultation concerned ECITB's proposal for such individuals to agree to variations to their contracts of employment under which they would cease to be active members in the defined benefit scheme, and would accrue future pension benefits in the ITB's Defined Contribution scheme with effect from April 2016. All members of the affected class have agreed to the ECITB's proposal. The ECITB is seeking a declaration of the High Court which will clarify whether it is necessary for a small number of the affected members to remain active members in the Defined Benefit scheme in order to avoid triggering any liability for a statutory debt under section 75 of the Pensions Act 1995. Until the declaration has been made 3 members of the affected class will remain as active members in the Defined Benefit scheme.

ITB Pension Funds' Closed Fund

By definition, the Closed Fund does not have any active members, and consequently no regular contributions are made by the ECITB. It is valued triennially by an independent qualified actuary. The last formal valuation was at 31 March 2012, which showed the market value of the assets was £211 million (31 March 2009 - £196.7 million). For the purposes of that valuation the actuary assumed the nominal rate of return on the assets of 2.74%. It is not anticipated that any future liabilities will arise to be borne by the participating employers in respect of the Closed Fund.

Total Pension Costs in 2015

The pension costs incurred by ECITB in 2015 amounted to £298,969 (2014 - £347,937). This represents all contributions (normal and deficit contributions) payable by the ECITB to the ITB Pension Funds' Open Fund and the Defined Contribution Scheme.

13 Tangible Fixed Assets						
2015 Tangible Fixed Assets	Freehold land & buildings £'000	Plant & machinery £'000	Computer Equipment £'000	IT software £'000	Furniture & equipment £'000	Total £'000
Cost or valuation						
1 January 2015	1,116	429	248	34	76	1,903
Revaluation	36	0	0	0	0	36
Additions	0	122	44	0	0	166
Disposals	0	(148)	(13)	0	0	(161)
At 31 December 2015	1,152	403	279	34	76	1,944
Depreciation						
1 January 2015	0	245	228	34	36	543
Provided	51	60	14	0	6	131
Revaluation	(51)	0	0	0	0	(51)
Disposals	0	(139)	(13)	0	0	(152)
At 31 December 2015	0	166	229	34	42	471
Net book value						
At 1 January 2015	1,116	184	20	0	40	1,360
At 31 December 2015	1,152	237	50	0	34	1,473

2014 Tangible Fixed Assets	Freehold land & buildings £'000	Plant & machinery £'000	Computer Equipment £'000	IT Software £'000	Furniture & equipment £'000	Total £'000
Cost or valuation						
1 January 2014	957	538	836	34	64	2,429
Revaluation	159	0	0	0	0	159
Additions	0	98	1	0	18	117
Disposals	0	(207)	(589)	0	(6)	(802)
At 31 December 2014	1,116	429	248	34	76	1,903
Depreciation						
1 January 2014	0	375	791	33	37	1,236
Provided	41	77	26	1	5	150
Revaluation	(41)	0	0	0	0	(41)
Disposals	0	(207)	(589)	0	(6)	(802)
At 31 December 2014	0	245	228	34	36	543
Net book value						
At 1 January 2014	957	163	45	1	27	1,193
At 31 December 2014	1,116	184	20	0	40	1,360

Land and Buildings

Land and buildings comprise a freehold property in Kings Langley, Hertfordshire. The historic cost of the land and buildings is £1,300,000.

The freehold land and buildings were last valued on the basis of existing use value on 31 December 2012 by Brown & Merry Commercial, a firm of Chartered Surveyors. The valuation was prepared in accordance with the Royal Institute of Chartered Surveyors Professional Valuation Standards (March 2012). The ECITB's usual practice between professional valuations is to adjust the value of the

land and buildings by reference to movements in published commercial property indices where material. At the end of 2015 these indicated that office property values in the South East of England had increased during the year. Consequently, the ECITB has increased the value of the property by £36k (3.2%). After adjustment for depreciation the net book (existing use) value has been increased to £1,152,000. This appears as a recognised gain in the accounts £87,000 (2014 - £200,000).

The existing use value of the land has been apportioned at £288,025 (2014 - £279,094). The land is not depreciated.

The cost and accumulated depreciation at 31 December 2015 includes fully depreciated assets at

historical cost of £232,321 (31 December 2014 - £285,389).

Plant and Machinery

Plant and machinery largely comprises motor vehicles.

14 Capital commitments

There were no capital commitments at 31 December 2015 (31 December 2014 - £0).

	2015 £'000	2014 £'000
15 Investments		
Listed investments		
Market value at 1 January	14,203	13,711
Purchases	5,532	969
Sales	(7,002)	(358)
Net Profit / (Loss)	(271)	(119)
Market value at 31 December	12,462	14,203
Cash equivalent investments		
Market value at 1 January	2,277	3,817
Purchases	19,645	26,350
Sales	(15,423)	(27,890)
Market value at 31 December	6,499	2,277
Total market value at 31.12.15 confirmed by investment portfolio manager	18,961	16,480

The full investment portfolio (listed and cash) is managed by Cazenove Capital Management, as

delegated by the Trustees. Details of material investments are as follows:-

	% value of portfolio
European Investment Bank EIB, 15.1.18 (1.375%)	7.0%
Yorkshire Building Society Bonds 23.3.16 (Var% Floating Rate)	7.0%
Barclays Bank PLC Bonds 12.2.18 (Var% Floating Rate)	7.0%
Barclays Bank PLC 4.4.17 (1.5% Fixed Rate)	7.0%
Transport for London 21.11.17 (1.25%)	7.0%
United Kingdom of, Great Britain and Northern Ireland, 7.9.22 Treasury Stock, (1.75%)	4.7%
Severn Trent Utilities Finance PLC 22.1.18 (6%)	2.8%
SSE PLC 1.10.18 (5%)	2.5%
London Power Networks 11.11.16 (Var% Floating Rate)	2.4%
Northern Gas Networks Finance, 8.7.19 (5.875%)	1.8%
Centrica PLC 19.9.18 (7%)	1.8%
BSKYB Finance UK Plc 20.10.17 (5.75%)	1.7%
BUPA Finance PLC 4.7.16 (7.5%)	1.7%
Coventry Building Society 19.4.18 (4.625%)	1.7%
National Grid Gas PLC 7.6.17 (6%)	1.7%
Bank and cash	42.2%

The cash equivalent investments are used to finance the day to day running of the ECITB. Investments

may be converted to cash within a very short period, typically 2 weeks.

16 Debtors	2015		2014	
	£'000		£'000	
Levy debtors	1862		416	
Levy bad debt provision	(1862)		(407)	
Net levy debtors		0		9
Non-levy debtors	977		671	
Non-levy bad debt provision	(131)		(30)	
Total non-levy debtors		846		641
Prepayments and accrued income		253		207
Total debtors		1099		857

The levy bad debt provision significantly increased in 2015 largely due to the provision described in Note 5 (£1.702m) following the appeals of levy assessments served in the year.

The non-levy bad debt provision increased in the year largely due to debts exceeding 6 months in age owed by international trade debtors.

Balances with intra Governmental bodies	2015	2014
	£'000	£'000
Local authorities	20	23
Balances with other bodies	1079	834
Total	1099	857

Bad debt provision	2015	2014
	£'000	£'000
Opening bad debt provision	437	3,269
Levies appealed in year	1702	59
Levy bad debts due to insolvency or non-payment	103	99
Reversal of bad debt provision due to payment of debt	0	0
Reversal of bad debt provision due to receipt of liquidator's dividend	(3)	(1)
Reversal of bad debt provision due to Netting with Grant	(13)	(9)
Reversal of bad debt provision due to Settlement Agreement	(59)	(2,963)
Other bad debts	127	9
Reversal of bad debt following write-off of debt due to confirmation of irrecoverability	(301)	(26)
Closing bad debt provision	1,993	437

During the course of 2015 debts amounting to £301k (2014 - £26k) were written off in the balance sheet. Such debts had previously been fully provided for as bad debts in prior years' accounts. However, the debts had not been written off until the ECITB had received final confirmation from the liquidators and

administrator of the relevant debtors that the debts were irrecoverable. Under the terms of the ECITB's Financial Memorandum, the ECITB is required to report such matters in its annual report, and where required, the ECITB has obtained the consent of BIS to write off debts in this manner.

17 Creditors

	2015 £'000	Restated 2014 £'000
Creditors – amounts falling due within one year		
Creditors	4,213	2,715
Accruals	920	1,323
Pension deficit contribution liability	232	220
Taxation	57	48
Deferred income	52	144
Total creditors falling due within one year	5,474	4,450

	2015 £'000	Restated 2014 £'000
Creditors – amounts falling due after more than one year		
Pension deficit contribution liability	504	736
Total creditors falling due after more than one year	504	736

	2015 £'000	Restated 2014 £'000
Balances with intra Governmental bodies		
Central Government bodies	1,395	594
Local authorities	29	48
Balances with other bodies	4,554	4,544
Total creditors	5,978	5,186

The balance with Central Government bodies at the 2015 year-end includes the sum of £1.2m in training

grants payable to Sellafield Limited, Magnox Limited and Dounreay Site Restoration Limited.

18 Financial instruments

Due to the largely non-trading nature of its activities and the requirements of the financial framework set by BIS, the ECITB is not exposed to the degree of risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which the financial standard mainly applies. The ECITB has very limited powers to borrow or invest surplus funds, and financial assets

and liabilities are generated by day-to-day operational activities and are not considered to change the risks the organisation faces in undertaking its activities.

The ECITB has undertaken a review of its financial assets and liabilities, and has concluded that they do not contain any material embedded derivatives, which require disclosure in these accounts.

		2015 £'000	Restated 2014 £'000
Financial assets by category			
Investments	Note 15	18,961	16,480
Debtors	Note 16	1099	857
Cash at bank	Note 23	2,781	2,318
Financial liabilities by category			
Creditors	Note 17	5,978	5,186

Investment Risk

The ECITB's investment portfolio is invested in accordance with rules approved by the Secretary of State. These only permit investment in a range of high quality fixed interest-bearing instruments.

Investment in equities is not permitted. The investment portfolio is managed by Cazenove Capital Management, which adheres to these rules.

Interest Rate Risk

The ECITB has limited exposure to interest rate risk on its financial assets. The risk relates to interest rate fluctuations, which affect its bank accounts. Such fluctuations also affect bond market yields and consequently affect its investment portfolio.

Credit and Liquidity Risks

The ECITB does not hold any complex financial instruments. The only financial instruments included in the accounts are cash, short-term investments, receivables and payables (see Notes 15, 16 and 17). Levy, governmental and trade receivables are recognised at fair value less a provision for impairment (bad debts). The fair value equals the carrying value. Bad and doubtful debts are provided for on an individual basis when the ECITB considers

that a debt may not be collectable in full, or in part in accordance with the terms of the relevant transaction.

The organisation has no borrowings and relies primarily on the industrial training levy for its cash requirements. ECITB's principal exposure to risk is primarily attributable to levy debtors. However, this risk is minimised because most major levy debtors are familiar to ECITB. The organisation holds reserves, which are sufficient to cover run-out costs (i.e. the costs of completing training programmes and meeting closure costs in the event that the ECITB ceases to operate). Consequently, the ECITB is not exposed to material liquidity risks.

Foreign Currency Rate Risk

The ECITB trades with parties based overseas (principally training providers). However in contractual arrangements with such parties, payment of the full consideration to the ECITB must be made in sterling, net of foreign withholding taxes and transactions costs.

All other assets are held in sterling, and so there is no exchange risk.

Accordingly, it is not considered that the ECITB is exposed to a material foreign currency rate risk.

19 Financial commitments

Financial commitments at 31 December 2015 are estimated to amount to £8,918k (2014 - £10,809k). These comprise the value of outstanding payments which the ECITB has committed to pay to various parties involved in the training of apprentices. The parties to which such commitments have been made

are training providers, industry employers and apprentices. These commitments are contracted for, but not provided in the accounts. The commitments have been categorised by the years in which the apprentice "cohorts" commenced their apprenticeships.

Apprentice cohort	2015 £'000	2014 £'000
2008	22	11
2009	13	3
2010	52	94
2011	83	570
2012	886	1,764
2013	1,704	3,409
2014	2,698	4,958
2015	3,460	0
	8,918	10,809

The commitments in respect of the all cohorts have reduced as a consequence of the completion of apprenticeships during the year. The year-end commitments in respect of these cohorts reflect the reduced numbers still in the process of completing their programmes. The commitments relating to the 2015 cohort were made upon the commencement of

the relevant learners' programmes, and by the year-end grant and programme costs only in respect of the initial months of training had been discharged.

Other financial commitments arising from contracts made with other service providers are not material.

20 Operating leases and commitments

As at 31 December 2015 the ECITB had the following commitments under the terms of tenancy and licence agreements relating to its regional offices. The ECITB occupies such premises under the terms of agreement which may be determined by either party

upon the service of notice. The value of the commitment at the year-end reflects the value of the liability to pay rent and licence fees during the notice periods.

	2015 £'000	2014 £'000
Within 1 year	8	7
Between 2 to 5 years	0	0
After 5 years	0	0
	8	7

21 Unrestricted fund	2015 General reserves £'000	2015 Revaluation reserve £'000	2015 Total reserves £'000	Restated 2014 General reserves £'000	2014 Revaluation reserve £'000	Restated 2014 Total reserves £'000
Balance at 1 January as originally reported	16,090	695	16,785	15,558	495	16,053
FRS 102 adjustments	(956)	0	(956)	(1,163)	0	(1,163)
Balance at 1 January as restated	15,134	695	15,829	14,395	495	14,890
Surplus/(Deficit) for the year	2,420	87	2,507	739	200	939
Balance at 31 December	17,554	782	18,336	15,134	695	15,829

22 Reconciliation of net income/(expenditure) to net cash flow from operating activities	2015 £'000	Restated 2014 £'000	
Net incoming/(outgoing) resources	SOFA	2,420	739
Depreciation	Note 13	131	150
(Gains)/losses of investments		271	119
Investment income	SOFA	(437)	(513)
(Profit) on disposal of fixed assets		(30)	(62)
Decrease/(increase) in debtors	Note 16	(242)	(251)
(Decrease)/increase in creditors	Note 17	792	(399)
Net cash inflow/(outflow) from operating activities		2,905	(217)

23 Analysis of changes in net fund	At 01/01/15 £'000	Cashflows £'000	At 31/12/15 £'000
Cash at bank	2,318	463	2,781
	2,318	463	2,781

All cash at bank is held in commercial banks.

24 Contingent liabilities

There are no contingent liabilities at the balance sheet date (2014 - No contingent liabilities).

25 Related Party Transactions

Some members of the Board of Trustees also hold positions with and/or are employees of organisations with which the ECITB has transacted during the year. Details of such positions and employments are declared in the Register of Interests of Trustees, which appears in Appendix B of this report. All of the transactions were under normal terms and carried out at arm's length.

The transactions in the following table comprised the receipt of levy and income from the sale of training services. The sale of services arises from licences granted to the relevant employers by the ECITB relating to the use of training materials, and includes licence fees and the sale of CCNSG Safety Passports. The total sums involved were:-

Transactions with related employers under which funds were paid to ECITB	2015 £'000	2014 £'000
Levy paid to ECITB	14,703	12,904
Sale of training services by ECITB	177	174
	14,880	13,078

The amount owed to ECITB by related employers at the balance sheet date is £17k (2014: £90k). The transactions in the following table comprised the

payment of grants, the award of qualifications and the procurement of training and assessment services. The total sums involved were:-

Transactions with related employers under which payments or value flowed to the employers	2015 £'000	2014 £'000
Payment of grants	10,960	11,071
Purchase of training and assessment services by ECITB	147	13
	11,107	11,084

The amount owed by ECITB to related employers at the balance sheet date is £1,520k (2014 - £1,822k).

During the year, no key manager, employee or other related parties has undertaken any material transactions with ECITB. The remuneration arrangements with members of the ECITB's Executive Team are set out in the Remuneration Report.

In addition, the ECITB has had various material transactions with other government departments and other central government bodies. Most of these transactions have been with HM Revenue & Customs.

26 Transition to Charity SORP (FRS 102)

In accordance with FRS 102 the ECITB has recognised a liability in respect of its obligation to pay deficit pension contributions to ITB Pensions Plans (see Notes 12 and 17).

Reconciliation of the Charity's Funds	31/12/2014 £'000	01/01/2014 £'000
Charity Funds as previously reported (under Charity SORP (revised 2005))	16,785	16,053
Pension deficit contribution liability	(956)	(1,163)
Charity Funds as restated (under Charity SORP (FRS 102))	15,829	14,890



Reconciliation of Statement of Financial Activities	31/12/2014 £'000
Surplus for year as previously reported (under Charity SORP (revised 2005))	732
Pension deficit contribution adjustment	207
Surplus as restated (under Charity SORP (FRS 102))	939

27 Post year-end events

The financial statements were authorised for issue on the date of certification by the Comptroller & Auditor General.

No events have occurred since the balance sheet date that affect the reader's understanding of the financial statements.



Organisational details

The ECITB's Executive Team comprises:-

Chief Executive Officer	Chris Claydon	E-mail	ChrisClaydon@ecitb.org.uk
		Direct Tel	01923 402121
Director of Finance and Board Secretary	Peter Hill	E-mail	PeterHill@ecitb.org.uk
		Direct Tel	01923 402124
Director of International Operations & Commercial	Tony Featherstone	E-mail	TonyFeatherstone@ecitb.org.uk
		Direct Tel	0787 5461114
Director of Development and Quality	Nigel Spencer	E-mail	NigelSpencer@ecitb.org.uk
		Direct Tel	01923 402132
Director of Regional Operations	Andy Brown	E-mail	AndyBrown@ecitb.org.uk
		Mobile	07973 416149

Complaints

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

Head Office and Principal Address

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

Other Regional Offices

Midlands	ECITB Resource Centre, Warwickshire College, Rugby Centre, Technology Drive, Rugby, Warwickshire, CV21 1AR
Wales & South West	ECITB Resource Centre, Unit 39, Western Industrial Estate, Caerphilly, CF83 1BE
North East	ECITB Resource Centre, The Innovation Centre, Vienna Court, Kirkleatham Business Park, Redcar, Cleveland, TS10 5SH
North West	ECITB Resource Centre, Office Suite 25, Blackburn Enterprise Centre, Furthergate, Blackburn, Lancashire, BB1 3HQ
Yorkshire and Humberside	ECITB Resource Centre, Humberside Client/Contractor Training Association, Kiln Lane, Stallingborough, North East Lincolnshire, DN41 8 TH
Offshore	ECITB Resource Centre, Suite 11, Enterprise Business Centre, Admiral Court, Poynerook Road, Aberdeen, AB11 5QX
Scotland	ECITB Resource Centre, Unit 26, Evans Business Centre, Earls Road Industrial Estate, Grangemouth, FK3 8UU
South East and East and EDP Forum	Blue Court, Church Lane, Kings Langley, Herts, WD4 8JP

Charity Registration Details

Registered as a charity in England and Wales with The Charity Commission N^o 264506.

Appendix A

Trustees

The names of those serving as charitable trustees of the ECITB on 26th April 2016 are shown below, together with the names of those who have stepped down since 1st January 2015.

As specified in Schedule 1 of the Industrial Training Act 1982, trustees are appointed by the Secretary of State for Business, Innovation and Skills, normally for three to five years, following a public appointment process. Nominations of candidates from the

industry's employers are sought from employers which participate in the ECITB's Regional Forums, and from the principal trade associations.

Nominations for employee representatives 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.

Current and Former Trustees (2015)

Name	2015 Meeting Attendance Record	Changes during 2015
Mr J Andrew	2 of 3	
Mr K Benson	2 of 2	
Mr D Billington	1 of 3	Retired January 2016
Mr D Boath	3 of 3	
Mr P Bunyan	3 of 3	
Mr C Claypole	2 of 3	
Mr K Ferguson	3 of 3	
Mr M Fletcher	1 of 3	
Mr G Galloway	0 of 3	Resigned January 2015
Mr J Gammage	0 of 1	Resigned July 2015
Mr I Greenbeck	1 of 1	Retired June 2015
Mr J Hall	1 of 3	Resigned October 2015
Mr J Hannigan	0 of 2	
Mr M Hockey	3 of 3	
Mr S Hoskins	2 of 3	
Ms D James	3 of 3	Appointed January 2015
Mr T Maplesden	1 of 1	Retired June 2015
Mr B McAulay	2 of 3	
Mr W Murray	0 of 3	Retired March 2016
Mr I Muscroft	2 of 3	
Mr O'Neill	2 of 3	Resigned January 2016
Mr N Pickering	2 of 2	
Ms T Shelley	3 of 3	
Mr A Smith	2 of 3	
Mr B Taylor	2 of 2	
Mr R Ventre	0 of 1	Retired June 2015
Ms S Watson	3 of 3	
Mr P Whitehurst	2 of 3	
Mr M Wilkins	1 of 3	

Appendix B

Register of Interests of Trustees

Trustees are appointed by the Secretary of State because of their positions in the industry. The following Board members (who are serving as

charitable trustees at 26th April 2016 or who have stepped down since 1st January 2015) have declared the following other interests:-

Mr J Andrew	Manager, Global Product Delivery, Integrated Gas Engineering, Air Products PLC
Mr K Benson	Board member for EUSkills: Independent Quality Board: EOS funding bid Board member for EUSkills: Energy and Efficiency Independent Assessment Service (EEIAS); EOS funding bid Chairman: National Skills Academy for Power (NSAP); Head of Training group Chairman: National Skills Academy for Power (NSAP); Generations group
Mr D Billington	Managing Director, TEI Limited Management Board Member, Engineering Construction Industry Association Council Member, Engineering Construction Industry Association Financial & General Purposes Committee Member, National Joint Council for the Engineering Construction Industry (NJC) Council Member, National Joint Council for the Engineering Construction Industry (NJC)
Mr D Boath	Vice President and Chief Engineer, AMEC Foster Wheeler, Clean Energy Director, National Nuclear Corporation Ltd Director, Energy, Safety & Risk Consultants (UK) Ltd Director, GENII Engineering & Technology Training Ltd Member of the Governing Board, Sustainable Nuclear Energy Technology Platform Member of the National Skills Academy for Nuclear (NSAN) Advisory Board Member of the Office for Nuclear Regulation Advisory Panel
Mr P Bunyan	Managing Director, C&P Engineering Services Ltd Member, Institute of Engineering & Technology
Mr C Claypole	Managing Director, Site Service Engineering Ltd Managing Director, Stocks Group Ltd Managing Director, Trent Lifting Ltd Managing Director, Newlea Fuel Systems Ltd Managing Director, Ashthorn Electrical Services Ltd Managing Director, Green Cross Health & Safety Systems Ltd Managing Director, Scotton Construction Ltd Director, Winterton Agricultural and Sports Society Director, Winterton Agricultural and Sports Society
Mr K Ferguson	Technical Delivery Director, Petrofac Offshore Engineering & Operations
Mr M Fletcher	Doosan Babcock Ltd – Employee National Skills Academy for Nuclear Manufacturing – Board Member National Skills Academy for Nuclear – Advisory Board Scottish Energy Association – Member of Carbon Capture & Storage and Thermal Generations Skills Group
Mr G Galloway	Group HR Manager, Diamond Power Specialty Ltd Vice Chairman, CPPD Scotland
Mr J Gammage	Managing Director, Business Strategy Direction Consultants Ltd
Mr I Greenbeck	Executive Director, Jacobs LES Limited Director, Centre for the Assessment of Technical Competence – Humber (CATCH) – non-profit making training organisation Director, Humber Chemical Focus – non-profit making training organisation
Mr J Hall	Operations Manager, 3sun Ltd Income Stream Manager, 3sun Academy Ltd Dawson Energy, Part of 3sun Group Member, Renewable Training Network (RTN) Member, Skills & Employment Strategy Group (SESG) Member, National Skills Academy for Power (NSAP)
Mr J Hannigan	Director - Service Technology, Doosan Babcock Ltd
Mr M Hockey	Managing Director, Engineering Construction Industry Association (ECIA) Member, ACE Steering Group
Mr S Hoskins	Divisional Director, Project Management, AMEC Foster Wheeler Energy Ltd BCECA Council, AMEC Foster Wheeler representative

Ms D James	VP Nuclear Generation and Defence Clean Energy, AMEC Foster Wheeler Spouse is Director, Nuclear Generation Division, Nuvia
Mr T Maplesden	Strategic Authority - Projects, Wood Group PSN Director, Wood Group Engineering (North Sea) Ltd Director, P4 Project Consulting Ltd
Mr B McAulay	Unite National Officer for Construction Unite lead member on the National Joint Council for the Engineering Construction Industry Unite lead member on the National Engineering Construction Committee (NECC Secretary) Unite Secretary to the National Agreement for the Engineering Construction Industry (Shop Stewards Forum) Unite lead member on the Joint Industry National Board for the Electrical Contracting Industry and respective committees Unite lead member for Scottish Joint Industry National Board for the Electrical Contracting Industry Unite Board member of JTL Limited (Electrical Apprentices) Unite member on the National Electro Technical Board Unite lead member on the Building & Engineering Services Agreement
Mr W Murray	Chief Executive (Director), Offshore Contractors' Association (OCA) Company Secretary, Offshore Contractors' Association Steering Group Member, Upstream Oil & Gas Industry Technician Training Scheme
Mr I Muscroft	Human Resources Manager, Jacobs UK Ltd
Mr M O'Neill	Operations Director, Interserve Industrial Services Ltd
Mr N Pickering	Divisional Head, Technical Assurance, Wood Group PSN Ltd Board Member, CMI Scotland
Mrs T Shelley	Director, British Chemical Engineering Contractors Association (BCECA)
Mr A Smith	Managing Director, Redhall Nuclear Ltd Managing Director, Redhall Marine Ltd Managing Director, Jordan Manufacturing Ltd Director, ACP-Redhall Ltd
Mr B Taylor	Commercial Director, Blackrow Engineering Company Ltd Director, Blackrow International Ltd Board Member & Director, Grimsby Renewables Partnership Director, 3C Humber Ltd
Mr R Ventre	Chief Executive, Laker Vent Engineering Ltd General Council Member, Engineering Construction Industry Association Member, Engineering Construction Industry Member, British Safety Council Member, The Welding Institute
Miss S Watson	Director, Watson Porter Ltd (a company formed to undertake interim and consultancy assignments) Associate, Constructing Equality Non-Executive Director, Orbit Homes 2020 Audit and Risk Committee Member, Orbit Group Ltd
Mr P Whitehurst	National Officer for Construction, GMB Union Board Member, Construction Skills Certification Scheme (CSCS) for GMB Board Member, Construction Industry Joint Council (CIJC) for GMB GMB seat on National Joint Council for the Engineering Construction Industry (NJC) GMB seat on National Engineering Construction Committee (NECC) GMB Chair for National Agreement for the Engineering Construction Industry (NAECI) Stewards Forum
Mr M Wilkins	President, Engineering Construction Industry Association (ECIA) Director, ECIA Trustees Ltd Director, ECIA (Insurance Services) Ltd Director, Engineering Construction Management Ltd

Appendix C

Membership of Board and Committees as at 26th April 2016

Member	Main Board	Management Board	Audit Committee	Q&A Committee	CCNSG Committee
Trustees					
Miss S Watson	INTERIM CHAIR	CHAIR	✓		
Employer Representatives					
Mr M Fletcher	✓				
Mr A Smith	✓				
Mr C Claypole	✓				
Mr D Boath	✓				
Mr J Andrew	✓			CHAIR	
Mr K Ferguson	✓				
Regional Chairs					
Offshore – awaiting BIS appt					
Scotland– awaiting BIS appt					
North East - Mr I Muscroft	✓	✓			
North West - position vacant					
Yorkshire & Humber - awaiting BIS					
Midlands - Mr K Benson	✓	✓			
Wales & South West - Mr P	✓				
South East & East - position vacant					
EDP Forum - Mr S Hoskins	✓				
Employer Association Representatives					
Mr P Atkinson (OCA)	✓	✓	✓		
Mr M Hockey (ECIA)	✓	✓	CHAIR		
Mr M Wilkins (ECIA)	✓				
Mrs T Shelley (BCECA)	✓				
Trade Union Representatives					
Mr P Whitehurst	✓				
Mr B McAulay	✓	✓			
Client Representatives					
Awaiting BIS appointment					
Position vacant					
Nuclear Industry Representative					
Ms D James	✓				
Audit Committee (independent members)					
Mr G Cole			✓		
Mr H Spicer			✓		
Mr C Wood			✓		
Qualifications and Awards Committee					
Mr T Stone				✓	
Mr D Whitehouse				✓	
Mr J White				✓	✓
Mr R Davies				✓	
Mr J Redmond				✓	
Mr J Reekie				✓	
Mr R Clarke				✓	✓
Client Contractor National Safety Group (CCNSG) Committee					
Mr R Ash					CHAIR
Mr K Hall					✓
Mr J Denis					✓
Mr S Nettleton					✓
Mr S Leyshon					✓
Mr G Duncan					✓
Mr A Mason					✓
Mr D Crampsie					✓
Mr M Thomas					✓
Mr P Counce					✓

Appendix D

Additional Governance information referred to in The Governance Statement

The Main Responsibilities of the Board

The main issues that require the support and/or action of the relevant Secretaries of State (in England and Wales and Scotland) are set out below. These all

require endorsement and recommendation from the Board.

- | | |
|--|---|
| <ul style="list-style-type: none">• Recommending to Parliament the raising of a levy.• Laying the Annual Report and Accounts before Parliament.• Endorsement of the Strategic Plan.• Approval of grant schemes. | <ul style="list-style-type: none">• Approval of information to be collected from employers.• The delegation of functions to a Committee and approval of any allowances to Committee members for loss of remunerative time. |
|--|---|

The Board also has the following responsibilities:-

- | | |
|---|--|
| <ul style="list-style-type: none">• Appointing the Management Board, agreeing Codes of Practice and recommending any remuneration for the non-executive members.• Recommending the Terms of Reference of and powers delegated to the Management Board and to other Committees.• Setting and endorsing the Strategic Plan and agreeing the annual Business Plan and Budget, together with appropriate performance measures to be used to monitor progress.• Approving the Annual Report and Accounts. | <ul style="list-style-type: none">• Receiving reports from the Management Board on progress against the Business Plan.• Setting the Risk Management strategy and reviewing its operation.• Appointing the Audit Committee Chair and Members, and the Internal Auditors.• Considering the Annual Report from the Audit Committee supported by reports from the external and internal auditors.• Appointing the Qualifications & Awards Committee Chair and Members. |
|---|--|

The Management Board's Responsibilities are to:-

- | | |
|---|--|
| <ul style="list-style-type: none">• Direct the operations of the ECITB.• Ensure that the ECITB operates within the approved budget with power to agree virement between heads of expenditure.• Propose to the Board the rates of levy to be applied.• Monitor performance using agreed key performance indicators.• Act as the Remuneration Committee of the ECITB, setting overall policies and levels and approving the remuneration of the Directors.• Propose to the Board the annual Budget and Business Plan.• Agree the powers delegated to staff. | <ul style="list-style-type: none">• Agree the products and services to be offered to meet the needs of the industry and any charging policies (as defined in Section 5 of The Industrial Training Act 1982 and the appeal function defined in Section 14(5) of the Act).• Appoint Investment Managers and monitor their performance within the guidelines set by the Secretaries of State and The Charity Commission.• Appoint bankers and agree appropriate mandates.• Report to the Board at agreed intervals on performance. |
|---|--|

Audit Committee

The main duties of the Audit Committee are to:-

- Review the ECITB's Risk Management Policy and recommend it to the Board for approval. To review and monitor its implementation.
- Review the ECITB's financial statements and reports to ensure that they reflect best practice and relevant guidance.
- Review the nature and scope of each forthcoming audit and to ensure that the external auditor has the fullest co-operation of staff.
- Consider all relevant reports by the appointed external auditors, including reports on the ECITB's accounts, achievement of value for money and the response to any management letters.
- Ensure that the internal auditors monitor the effectiveness of the ECITB's internal control system established to ensure that the aims, objectives and key performance targets of the ECITB are achieved in the most economic and effective manner.
- Ensure that the ECITB's internal audit service meets, or exceeds, the standards specified in the Government Internal Audit Manual and complies in all other respects with these guidelines and meets agreed levels of service.
- Consider and advise the Board on the ECITB's annual and long-term audit programme.
- Consider any internal audit reports, including value for money reports and the arrangements for their implementation.
- Review the operation of the ECITB's Code of Practice for Board Members and Code of Conduct for staff.
- Consider any other matters where requested to do so by the Board.
- Report at least once a year to the Board on the discharge of the above duties.

Qualifications and Awards Committee

The main duties and terms of reference of the Qualifications and Awards Committee are to:-

- Oversee the development all new ECITB qualifications and awards, approve them and their implementation.
- Ensure that all qualifications and awards given or recognised by the ECITB are supported with appropriate approval and assessment processes.
- Ensure that the ECITB complies with the regulatory conditions and principles set out by Ofqual, SQA and Qualifications Wales.
- Oversee the development, maintenance and implementation of the ECITB's Qualification Strategy and Action Plan
- Monitor progress towards the achievement of the ECITB's Awarding Body's strategic plans for Ofqual or SQA, including making any recommendations for new awards.
- Advise on procedures for assessment and verification of qualifications and awards, and ensure value for money in their delivery.
- Review audit reports from the relevant regulatory authorities and endorse any resulting action plans.
- Advise on any sanctions imposed upon approved centres and any appeals, which may result from such sanctions.
- Monitor and regulate ECITB provider approval and accreditation processes to ensure quality and rigour.
- Review the operation of the Board's procedures for ensuring the independence and integrity of its systems for awarding qualifications.

The Client Contractor National Safety Group

The composition of The Client Contractor National Safety Group (CCNSG) is:-

- Up to four members from client organisations (including at least one from a Capital Projects Client's Group member).
- Up to four members from engineering construction employers.
- Up to two members from Trades Unions.
- Two members from CCNSG training provider organisations (which are actively providing CCNSG training).
- A member representing the ECITB.

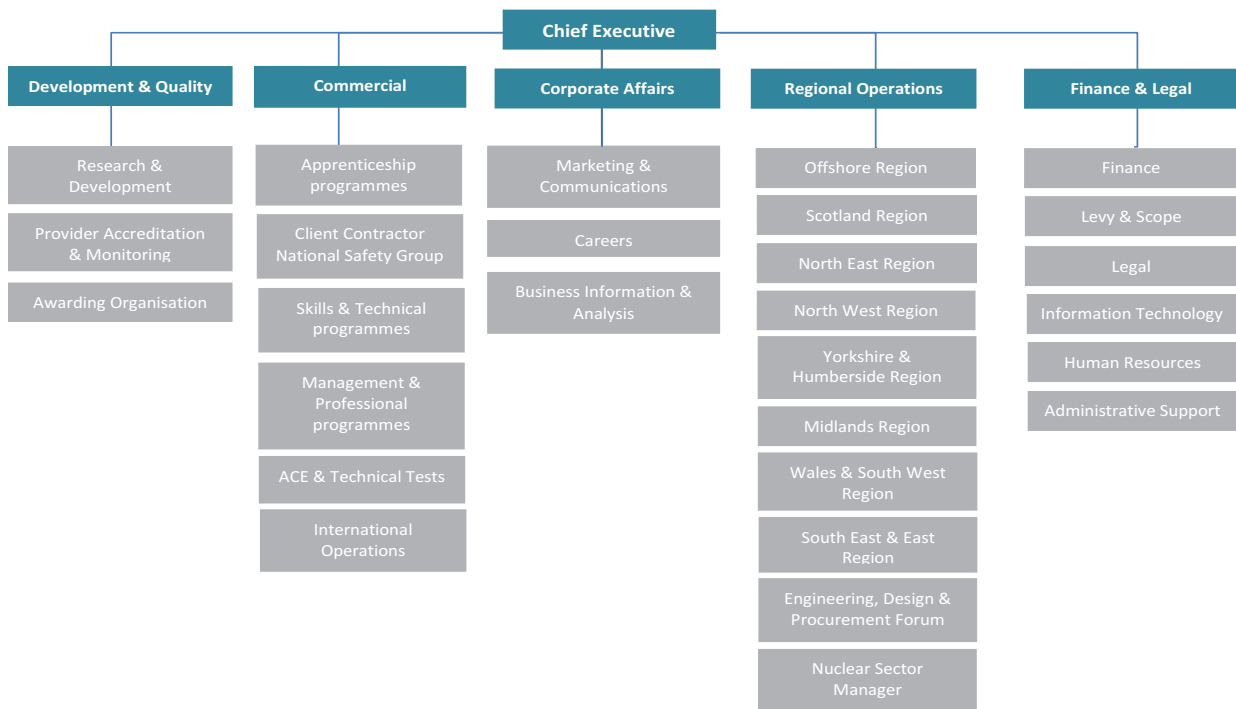
Regional and National Forums

The nine Regional/National forums are as follows:

Regional Forums	National Forums
Midlands	Engineering, Design and Procurement Forum
North East England	Offshore Industry Forum
North West England	
Scotland	
South East and East England	
Wales and South West England	
Yorkshire and Humberside	

The ECITB's Management and Organisation Structure.

It is divided into the following directorates with the principal responsibilities shown below.



Appendix E

Audit Committee Attendance Records

Name	2015 Audit Committee Attendance Record
G Cole	3 of 3
M Hockey (Chair)	3 of 3
W Murray	2 of 3
S Watson	3 of 3





Blue Court, Church Lane,
Kings Langley,
Hertfordshire, WD4 8JP

ecitb.org.uk

01923 260 000

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