

# Annual Report and Accounts 2014

for the year ended 31 December 2014





# **Construction Industry Training Board (CITB)**

## **Annual Report and Accounts 2014**

for the year ended 31 December 2014

Presented to Parliament pursuant to s8 (4) of the Industrial Training Act 1982.

Ordered by the House of Commons to be printed on 30 June 2015.

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This publication is available at <https://www.gov.uk/government/publications>

Print ISBN: 9781474119955

Web ISBN: 9781474119962

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office

ID 22051502      06/15

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## Performance highlights

### A fairer, simpler Levy

We're making the Levy simpler, easier, quicker and cheaper to complete than ever before. For the last 18 months, we've been working with industry to re-shape the Levy and help maintain a level playing field. For most employers, new rules will either not change or will reduce the Levy they pay. For a few, bills will rise from 2017.

### Guiding the way on health and safety

CITB worked with the Health and Safety Executive and Construction Industry Advisory Committee (CONIAC) to shape the latest Construction Design Management (CDM) regulations, which will be simpler and come with guidance for a new Approved Code of Practice. The regulations were rolled out in January 2015 and CITB has put together a package – including a free-to-download app – to help SMEs and is providing a low cost, two-hour workshop to help businesses get to grips with the changes.

### Meeting skills demand

Construction needs a range of skills to deliver a growing pipeline of infrastructure work. CITB developed a Level 3 Construction Institute of Leadership and Management (ILM) Award and Certificate in Leadership and Management to help site managers and supervisors boost their skills. The courses, delivered at the NCC, support the higher tolerances demanded for Nuclear New Build and other major infrastructure projects.

### Skills boost for cities

CITB injected £10m into a unique Joint Investment Strategy to address skills shortages and boost economies in England's major cities. The programmes in London, Manchester, Nottingham, Sheffield and Birmingham aim to provide training, work placements and support to help thousands of local people back into work.

### Be fair in construction

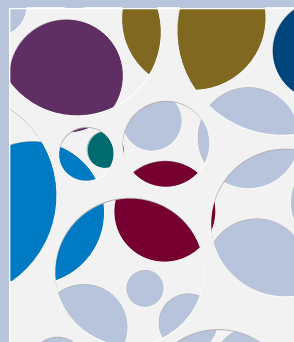
In April 2014, CITB introduced the Be Fair framework to create a positive working environment for the workforce and challenge stereotypical views of the industry. This helps address the demands of new markets and the need to attract quality employees. It has already delivered quantifiable improvement in people management skills and employee engagement for participants.

### First port of call

Building workforce capability is our primary focus and a network of dedicated advisers undertakes more than 15,000 visits annually, giving advice on how businesses can improve productivity, putting together training plans and signposting them to organisations that can help employers survive and thrive.

### What our customers think

Les Owens, Managing Director of the Trustland Group, started his career as an apprentice with CITB in 1976 and, since then, he's used CITB to help him grow his business: *"CITB is always our first port of call for training or advice. What I like about CITB is that they might not always have what we ask for, but they are very good at thinking about a solution. After 40 years we are still using CITB services and we won't be stopping in the future."*



#### Cover images

- Wyffa Nuclear Power Station, Anglesey
- Heartlands Project, Cornwall
- Leadenhall Building, London
- The Lowry, Manchester
- The Sage, Gateshead
- Clyde Auditorium, Glasgow

## Chair's foreword

There is no doubt that the construction industry has firmer grounds for optimism now than for some years. We went through some very tough times after the economic collapse of 2008 and it looks like our industry is ready for a rebirth.

Indeed, CITB's Construction Skills Network (CSN) forecasts for 2015-2019 suggest that we are headed for sustained growth, not just in the economic hotbed of London and the South East, but in every UK region and nation. These projections indicate that more than 200,000 jobs could be created in construction between now and 2019 – a real boon for the industry. This changed picture means there is pressure to find skilled people to deliver the exciting housing, retail, leisure and infrastructure projects in the pipeline, and to achieve productivity improvements – to which training can make a substantial contribution.

There are already concerns about a skills shortage, which we *all* need to help to tackle. A long-term, sustainable solution – involving employers, individuals, Governments and industry bodies, including CITB, is needed and so I am delighted to have CITB's new Board in place, from the beginning of 2015, to help create a new strategy.

My colleagues from the Board which stepped down at the end of 2014 had the courage and foresight to recognise that CITB's governance had to be streamlined and modernised and I would like to pay a heartfelt tribute to their hard work and commitment on behalf of the sector over many years. They constructed a solid foundation on which the new team can build.

My new, smaller Board of eight Trustees will be supported by a Council drawn from across the wider construction sector, and by national advisory committees from England, Scotland and Wales. This will ensure that the Trustees have excellent insights into industry needs and priorities, and about the different circumstances affecting skills and training policy in these three home nations. A more focused Board will help CITB respond more quickly to industry needs, while guidance from the Council and national committees will ensure we keep close to construction employers of all kinds.

I am delighted that the UK Governments are behind the Board's plans for continuing improvement and that our industry remains supportive of the statutory Levy and grant mechanism. We look forward to the publication of the Triennial Review report later in 2015.

Looking forward, I relish the opportunity to work with a new Government after the forthcoming General Election and to becoming a true industrial partnership for industry and Government, supporting continued economic recovery and enhancing competitiveness in the sector. We will want to look with fresh eyes at how our industry approaches skills and training and how to overcome the barriers and constraints that limit employer commitment.

Over the next year, I am looking forward to seeing how the employer-led approach to skills standards in England will develop. Employer leadership of the skills agenda, supported and facilitated by CITB acting as a key industrial partner, must be a good thing for the industry. In both Wales and Scotland, our teams have excellent links with stakeholders and devolved Governments, so that we can keep pace with changing circumstances.

I believe that, while challenges remain, particularly around addressing skills gaps and shortages, CITB and the construction industry is in healthier shape than for many years. We must all now make the most of better economic times to take increased responsibility for creating a highly skilled and productive industry for the long term.



**James Wates**  
Chairman

# Chief Executive's introduction

Since I joined CITB early last year, it has been my great privilege to work with many of the excellent construction companies and talented people driving this industry forward. Much of my job so far has been listening to employers, getting to grips with the issues which can help construction businesses succeed, and working out how CITB can continue to play an important role in serving and supporting the industry.

It is essential that CITB acts as a trusted partner for the construction sector and for Governments, so designing its future should, quite rightly, be something in which the industry itself plays a fundamental role. Listening to what employers tell us about where change is needed is a real priority for me. I know that CITB needs to change to improve the ways in which we support your skills and training needs in future, as we have done in our first fifty years. That change will inevitably be far-reaching to ensure CITB becomes the organisation you need.

We have already taken some big steps. Appointing a new Board – about which James Wates writes in his foreword – is one of the biggest changes any business can make, and I look forward to building an excellent relationship with the new team during 2015.

Changing the way in which Levy is assessed is another big development. Based on what you told us, simplifying Levy arrangements on the sub-contracted workforce will be a good thing for most employers. Giving two years' notice of the change – which will first affect bills in 2017 – we hope will give the small minority of employers who are negatively affected time to prepare.

But, perhaps as important as these developments, has been the reorganisation of the leadership team at CITB, which means we are now working within four key strategic areas:

- **Strategic Leadership** – making CITB the 'go to' body for construction skills and training
- **Image and Recruitment** – inspiring talented people to join the construction industry
- **Training and Development** – increasing the capability of the construction workforce
- **Industry Engagement** – enabling the industry to be efficient, productive and effective.

With a dynamic leadership team now in place and effective organisation, I am confident that CITB can provide the construction sector with great service, helping it create the skilled workforce that is so vital to us all.

While there has been, and will continue to be, much change, I want to take this chance to offer my thanks to the people who have left CITB over the past year, many of whom have made very significant contributions to the industry. Any business is only as good as the people within it, and I know that those who are with us and those who have gone on to other opportunities have shown great commitment to the construction industry.

Finally, I would like to say that, as CEO, I want to deliver for you. I want to ensure that we give you the CITB you deserve and I am listening to your needs and your concerns. Please make sure, if you think we could be doing our job differently or better, to get in touch – my email address is [adrian.belton@citb.co.uk](mailto:adrian.belton@citb.co.uk)

It is clear from the latest Construction Skills Network forecast for the next five years that we are heading for a period of much-needed growth. CITB will do its very best to support you in this exciting new era for construction.



**Adrian Belton**  
Chief Executive



# About CITB



Canary Wharf  
tube station,  
London

## Who we are

CITB provides support for registered employers undertaking training and aims to raise the level and quality of training for the construction workforce, for people joining the sector as apprentices, technicians or graduates and for experienced workers improving their skills and qualifications.

We believe that better trained and qualified people deliver better results and make the companies they work for more competitive and more productive. More than this, a better skilled construction workforce can help create a better quality built environment that benefits the public at large.

### We support employers in two ways

First, by giving grants that help offset the costs employers incur in training their workforce, and which recognise (for example) gaining a qualification or participating in a training event.

Second, by providing or funding training facilities and services used by employers, either on our own or in partnership with others. These include:

- Helping employers develop national occupational standards for construction skills
- Offering qualifications to recognise the achievement of standards
- Supporting apprentices and employers while they complete Apprenticeship frameworks
- Supplying the industry-standard health, safety and environment test
- Administering schemes that record individual qualifications and competence
- Advising employers on skills and training needs and offering specialist facilities
- Researching and analysing skills needs for now and in the future.

The statutory training Levy provides roughly 60% of our annual income, with almost all of the rest coming from our products and services. The Levy/grant system helps ensure that employers who do not train contribute to the costs of those that do while our charitable trading provides valuable services to employers with any surplus helping us return more to the industry than is raised by the Levy.

What we do, with whom, and how, is defined by the Industrial Training Act 1982 and, as well as being a registered charity in England and Wales and in Scotland,

as a non-departmental public body, we report to the Department for Business, Innovation and Skills (BIS).

The distinguishing features of our business are that:

- Working with employers, we develop, set and support standards to ensure qualifications and skills are transferable in a highly mobile workforce. This is vital for individuals – who need to know what skills they need to work and make progress in construction, for employers – who need to know what skills the workforce needs now and in the future – and for the UK economy – which needs to give its citizens access to sustainable employment
- Demand for grants and our other services reflects wider market conditions in construction. When the industry is in recession, the volume of grant claims falls, and when it recovers, so does demand for grant. Levy income lags behind any upturn in grant claims but we understand and prepare for these cycles
- We engage with employers from across the construction industry, aiming to ensure our financial and service support meets the sector's collective priorities
- The close links we have with national stakeholders in Scotland and Wales mean that we understand their different policies and skills needs and can flex our support within an overall Great Britain framework
- We are experts in skills forecasting and provision on a national scale; no other business has this breadth of knowledge, engagement and experience.

By continuing to work closely with our beneficiaries, customers and stakeholders, we have given a valuable and constantly developing service to the construction sector for the past 50 years and plan to offer increased value in future.

### Our locations

We operate in England, Scotland and Wales from 12 centres including specialist training facilities in London, Birmingham, Glasgow, Derbyshire and Norfolk.

However, many of our staff are mobile, visiting customers at their own premises or on site to deliver advice and support. Also, by working with many other providers (such as Further Education (FE) colleges, universities and private trainers) we ensure non-specialist training is available as close to

the customer as possible, whilst specialist facilities are concentrated in regional and national centres, making for more efficient provision.

### **Our statutory basis**

CITB's charitable activities are partly funded by the statutory Levy established by the Industrial Training Act 1982 and confirmed by Levy Orders passed by both Houses of Parliament. The most recent is the Industrial Training Levy (Construction Industry Training Board) Order 2015 (2015 No. 701) enacted on 10 March 2015 and coming into force on 11 March 2015. Full details of CITB's powers and responsibilities, as well as the restrictions placed on it, can be found in the Industrial Training Act 1982 and subsequent amendments.

Levy assessments payable by registered employers in 2012, 2013 and 2014 were based on 0.5% of the total of payments made to employees and 1.5% of the payments made under labour-only agreements, offset by 1.5% of labour-only receipts from employers in the construction industry. An exclusion level of £80,000 means that the smallest employers do not have to pay a Levy but can still access support for training, and a 50% small business reduction band applies to employers with declarations of between £80,000 and £100,000.

CITB is registered as a charity in England and Wales (264289) and in Scotland (SC044875).

### **Public benefit**

CITB aims to improve the training of people working or wanting to work in construction and has been registered as a charity since 1972.

The Board has regard to the Charity Commission's general guidance on Public Benefit when planning activities to achieve its aims. Amongst other factors, the Board believes that:

- Enhancing the skills and competence of people in construction benefits the competitiveness of an industry that employs more than 1.9m people, contributes 8% of UK Gross Domestic Product (GDP), and improves the quality of the built environment
- Spotting and mitigating skills gaps and shortages and maintaining training capacity is vital for the UK economy; and

- Encouraging individuals to develop their skills through lifelong learning benefits them personally and contributes to a stable and productive society.

Our aims are delivered mainly by:

- Giving grants to employers engaged in training
- Offering advice and support to employers about their training needs
- Creating and maintaining standards and qualifications in consultation with employers
- Managing schemes for recording achievement; and
- Providing training where the market does not offer adequate coverage.

This report illustrates how, in 2014, these aims have been delivered across England, Scotland and Wales.

## Our leadership

The names of those serving as charitable Trustees of CITB on 13 May 2015 are shown below, together with the names of those who stepped down during 2014.

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 five years, following a public appointment process governed by the Office for the Commissioner of Public Appointments (OCPA), including the advertising of vacancies on the Government's Public Appointments website ([publicappointments.cabinetoffice.gov.uk](http://publicappointments.cabinetoffice.gov.uk)).

At the end of 2014, as part of the Board's plan to modernise and streamline its governance, a new, smaller, group of Trustees was appointed (including members of the previous Board) and the Chair's term of office was extended until 31 December 2017. To ensure continuing engagement with a broad range of sector stakeholders, a Council drawn from the construction sector was appointed by the new Board. The new governance arrangements are discussed further in the Governance Statement on pages 48 to 58.

Trustees are introduced to CITB's work through an induction meeting with the senior management team and receive ongoing support from the Corporate Governance Unit. 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 and Risk Committee. Links with individual Executive Team members are put in place and periodically rotated to ensure knowledge and understanding of the business is systematically developed, and a programme of visits and meetings with stakeholders and staff ensures that insights into operating practice are available.

Trustees are responsible for developing and agreeing CITB's policies, business and financial plans, delegating operational decision-making to the Executive Team. In addition to serving on the Board, most will also take part in policy making as members of the Board's sub-committees, as shown in Appendix A (page 96). These non-executive bodies are also supported by other volunteers from the industry.

New committees will be established in 2015 to support the new Board.

Declarations of Interests by Trustees serving in 2014 are listed in Appendix B on pages 98 to 100. Where no entry appears, the Trustee concerned has declared that he or she has no conflicting interests.

### Trustees (2014)

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#### **The following Trustees (unless otherwise stated) served until 31 December 2014.**

James Wates, CBE, FCIoB, FRSA – Chair

Judith Ann Lowe, BA, FCIL, FRSA, FIOD – Deputy Chair (retired 30 September 2014)

Harry Adam

John Allott

Ian Billyard

Darin Burrows

Professor Barry Clarke, Eur Ing, FICE, FGS, PhD, BSc (retired 16 September 2014)

Bob Collins (resigned 24 February 2014)

John Dickson

Jim Gilmour

Geoff Holt, FloR, MInstD

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

Billy Kirkwood

John Lorimer, BSc Civil Engineering, CEng, MICE

Stephen Murphy

Tim Peach

Martyn Price, FIOC

Harold Rackham (resigned 30 June 2014)

Ray Wilson, MSc, CMIO SH, MIIRSM, CSP

Graham Wren, BSc, CEng, MICE (resigned 31 March 2014)

### Trustees (2015)

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#### **The following Trustees were appointed with effect from 1 January 2015.**

James Wates, CBE, FCIoB, FRSA – Chair

Maureen Douglas, FCIPD, MIoD

Diana Garnham, MA, LLD (Honoris Causa)

David Harris, MBE, FICE, FCIoB, FRICS

Karen Jones, MCIPD

Maria Pilfold, MBA, FCIPD

Frances Wadsworth, FRSA, FCIM

Ray Wilson, MSc, CMIO SH, MIIRSM, CSP



### James Wates



James Wates has worked in the construction industry most of his life, starting on site as a schoolboy during holidays. He read Estate Management at college, then joined Wates Construction as a management trainee, progressing

through line management to running sites before taking on a general manager role in 1989. He has now progressed to become Chairman of the main Group Board.

He was awarded the CBE in January 2012 for Services to Construction and the charitable sector.

James serves on a number of public and private corporations as well as chairing CITB's Board. He is:

- Chairman of the UK Contractors Group
- Senior Vice President of the British Council for Offices
- A Commissioner for the UK Commission for Employment and Skills
- A trustee of the BRE (Building Research Establishment) Trust
- Vice Chairman of Queen Elizabeth's Foundation for Disabled People
- Regional Council member of The Prince's Trust (London); and
- A Patron of the Wates Family Enterprise Trust.

### Maureen Douglas



Maureen Douglas has extensive experience in the construction industry spanning a decade. Her present role as Forster Group HR Director means that she leads the Group's people strategy from board level, pioneering its organisation

development, skills and training and health and safety programmes.

During her time at Forster Group, Maureen has demonstrated considerable ability to create and implement bespoke business strategies and HR solutions, providing strong leadership both within the business and the wider industry. This has been key to the wider growth strategy for the business which has seen Forster Group continue to drive efficiency, perform successfully year-on-year and even move into new markets.

Due to the shortage of skills in the industry, Maureen's major focus for 2014 has been setting up a roofing Skills Academy for launch in 2015. The Academy is a custom designed centre delivering specialist modern apprenticeship qualifications, geared specifically for new-build housing and solar PV. This will address the acute skills shortage in the construction industry, recruiting new entrants and upskilling and qualifying the existing workforce. It aims to raise current standards whilst enriching and growing the construction talent pool, ensuring best practice and driving innovation.

### Diana Garnham



The Science Council is a membership organisation for learned societies and professional bodies from across science and its applications and Diana Garnham has been chief executive since 2007. The Science Council fosters collaboration and

cooperation across science, informs and influences science policy; encourages the study and application of science, supports the professional practice of science through professional registration (Chartered Scientist, Registered Scientist, Chartered Science Teacher, and Registered Science Technician) and works towards diversity, equality and inclusion in the science workforce.

After a first degree in politics and an MA in war studies, Diana undertook research at Aberystwyth University into the conduct of World War 2 in the Far East. After leaving academic life, she worked with several umbrella organisations and coalitions specialising in developing strategy and ensuring that structures and communications underpinned increased cohesion and impact. Her early career focused on areas of policy and communications relating to the social consequences of science, including the use of animals, human embryo research, nuclear weapons and patient engagement in research. Current professional interests include funding the science base, diversity and inclusion in science, careers awareness, developing multi-disciplinary co-operation and collaboration, skills development, and quality and accreditation in STEM education and training. Diana chaired the Department for Business Innovation and Skills Science for Careers Expert Group from 2009 to 2011 and was a founding member of the Big Bang Fair CIC. She has a personal interest in working to enable young people to achieve their potential, particularly within the STEM environment.

Diana Garnham was a member of the Council of the University of Nottingham for eight years until June 2011 and has been a governor of Sussex Coast College in Hastings since December 2012. She is a trustee of the science campaigning charity, Sense about Science and patron of a mental health charity in North Wales. Involvement in voluntary organisations has been part of Diana's life since her teens and includes direct experience of trusteeship or volunteering with over 30 different organisations.

### David Harris



David is Managing Director of WRW Construction Ltd; a significant Welsh based private regional construction company.

After obtaining a BSc (Hons) degree at the University of Aston, Birmingham in 1983, David developed his career

through site management and office based experience with both regional and national contractors, starting with Pearce Construction before spending some time with Cowlin/Balfour Beatty.

He has a great passion for construction, its image and skills profile and is a strong advocate of attracting the correct talent and developing skills within the industry.

On top of his role at WRW Construction Ltd, David is a member of the Wales Construction Sector Panel, reporting to the Minister for Economy, Science and Transport in the Welsh Government. He also serves on the Construction Procurement Strategy Steering Group reporting to the Minister for Finance in the Welsh Government on matters relating to best practice in public procurement and the construction industry in Wales.

David is a member of the CITB Wales Construction Skills Group and was the Welsh representative for the CITB Strategic Partnership Panel. He is also Past Chair of Glamorgan Construction Training Group.

David is a Fellow of the Institution of Civil Engineers, of the Royal Institute of Chartered Surveyors, and of the Chartered Institute of Building.

### Karen Jones



Karen has been in the construction industry since 1997 with Redrow, a major housebuilder employing 1,500 people headquartered in North Wales.

A Fellow of the Chartered Institute of Personnel and Development, Karen is the

Group Human Resources Director with responsibility for all aspects of human resources and learning and development. Karen sits on Redrow's Executive Board with specific responsibility for expanding and developing the workforce and advises the Board on all people aspects with an emphasis on retention, succession planning and addressing skill shortages.

A graduate in philosophy from Nottingham University, Karen worked in recruitment and training before moving into human resources management.

### Maria Pilfold



Maria Pilfold has worked in the Construction industry since 1994 when she joined Taylor Woodrow. She operated in several areas of the business before completing MBA studies and subsequently joining George Wimpey in 2004. Following

the merger of these two companies she was appointed as Group HR Director for Taylor Wimpey.

Maria's early career was in training and development and she held roles within the retail and manufacturing sectors. From 2012-2014, she worked with the Buckinghamshire University Technical College to establish its Construction faculty with Taylor Wimpey as its key partner, and to promote Apprenticeships.

Maria represented the homebuilding industry at the Construction Industry Joint Council and was a member of the CBI's Employment Policy Committee. She also sits as a member of the Employment Tribunal Service.

## Frances Wadsworth



Frances Wadsworth joined Croydon College, one of the larger London colleges, as Principal and Chief Executive in January 2011, following six years as Principal and CEO of East Surrey College. Frances has significant and extensive experience of leading organisational change and quality improvement in complex organisations, effecting turnaround, achieving sustainability and restoring reputation.

As part of this process, Frances led a £64m complete rebuild of East Surrey College and the completion of a £63m build programme at Croydon College.

Frances' career history includes retail management, working in Washington DC at the British Embassy and teaching and managing in a number of Schools and FE Colleges across the UK.

Frances is a Fellow of the Chartered Management Institute, a Fellow of the RSA and sits on the Association of Colleges' Performance and Quality Portfolio Group. She is a trustee of GASP Motor Project, a trustee for Croydon MENCAP, a Governor of Royal Alexandra and Albert School and a Board member of Croydon BID, where she Chairs their Employment and Skills Working Group.

Frances' formal qualifications include a BA (Hons) in English and Philosophy, a Diploma in Management Studies, a Masters in Management Practice and a PGCE (Postgraduate Teaching Certificate in Education). Frances has attended management development programmes at Ashridge and INSEAD.

## Ray Wilson



Carillion is a leading integrated support services company with a large portfolio of Public Private Partnership projects and extensive construction capabilities. The Group had annual revenues in excess of £4bn, employs around 40,000 people and operates across the UK, in the Middle East and Canada.

Training for over 50 years, Carillion Training Services (CTS) operates a 'host employer' apprentice training model, which means that it recruits and trains circa 1,000 young people each year as employed apprentices and has over 1,700 apprentices in training at any one time.

Ray started his career in 1982 as a hardware engineer for IBM UK and, after several other roles during his time with the company, moved to Barclays in 1999 to support the Group's Property Facilities Management outsource procurement and mobilisation programmes as Technical Services Manager. He was then appointed Risk & Governance Director for Barclays Corporate Real Estate Services before joining Carillion Training Services as Director & General Manager at the end of 2008.

Ray has extensive experience in driving organisational change, business performance improvements and compliance in complex regulatory environments. Ray is passionate about Apprenticeships, social mobility and helping young people transition from education or non-employment into the world of work. On top of his business responsibilities, Ray:

- Chairs the UK Contractors Group Training Committee
- Serves on the UK Contractors Group Apprenticeship Group
- Serves on the Cross Industry Construction Apprenticeships Task Force
- Is a Commissioner on the recently formed Commission on Apprenticeships in Construction led by Lord Glassman and Robert Halfon MP; and
- On behalf of the Department of Business, Innovation and Skills, chairs the Common Gateway group, seeking to improve recruitment into the construction sector and find a 'common gateway' through which all interested parties can find information, jobs or work experience in construction as part of the Industrial Strategy.

## Our vision and priorities

As the Industry Training Board for the construction sector and a key industrial partnership to Government, it is our role to support industry skills. We help our industry develop the skills that will enable it to deliver its growing pipeline of work and achieve the step change in performance required to meet the industry's Construction 2025 ambitions.

We have planned and organised our activities into Strategic Priorities, designed to achieve this aim in 2015–2017.

These are:

- Strategic Leadership
- Image and Recruitment
- Industry Engagement
- Training and Development
- Charitable Trading; and
- Running the Business.

### Strategic Leadership

We engage with construction businesses both large and small, so we're best placed to act as the 'go to' body for construction industry skills and training. Throughout 2015–2017 we will:

- Identify current and emerging skills needs and provide intelligence on skills gaps
- Identify and influence the actions required by industry, Governments, education and training providers and CITB, to deliver the required skills
- Improve the way we support industry to invest in skills through our funding, so that it is more pro-active, more relevant, easier to use and delivers greater value for money; and
- Work with employers, sub-national bodies and devolved administrations to ensure that skills provision meets skills needs.

#### Our desired outcome in this area is:

- That intelligence provided by CITB helps the industry to form partnerships and develop the skills it needs to deliver projects now and in the future.

### Image and Recruitment

Construction is an attractive career, with a range of roles and opportunities available to people with different talents. The rise of digital construction, offsite manufacture and other modern methods of construction, increase the appeal of the industry to groups that have traditionally been difficult to attract. Our ambition is to inspire talented people to join the construction industry, so throughout 2015–2017 we will:

- Work to improve the image of the construction sector
- Provide engaging and accessible information to target audiences
- Enable the industry to engage with education providers; and
- Support skills and careers events, facilitate the Construction Ambassador programme and work experience programmes.

#### Our desired outcomes in this area are that:

- Employers will be able to recruit from a wider pool of talent, following an increase in the number of people joining the industry to take advantage of new opportunities; and
- The appeal of the industry increases for those who could choose a construction career, and those who guide that choice.

### Industry Engagement

By engaging with our industry and its skills needs, we can provide support and help businesses to improve their competitive edge and take advantage of new opportunities. We target small and medium sized and micro businesses, offering practical ways to help them grow their business and improve their practices. One area of focus is to continually improve safety within the industry and improve industry's understanding of the impact its activities have on the health and well-being of its workforce. Our ambition is to enable the construction industry to develop the skills to be efficient and effective so throughout 2015–2017 we will:

- Carry out tailored discussions with employers to establish their skills needs and direct them to the most appropriate provision, whether this is provided in-house or by other organisations
- Facilitate the sourcing of the most effective skills solutions for employers



- Learn from our engagements as a source of evidence to shape our support and priorities for the wider industry; and
- Provide increased opportunities for developing work readiness.

**Our desired outcomes in this area are that:**

- Employers increase their investment in training
- A broader range of employers value training for the benefit it brings; and
- Employers are more competitive and use new skills to win work and grow their business.

### Training and Development

We will work with industry, education, and skills and training providers to ensure that the supply of training meets what is really needed. Our ambition is to increase the capability of the construction workforce so throughout 2015–2017 we will:

- Engage with the providers of training in Great Britain to ensure that the management of the training supply develops the skills construction demands
- Align the provision of construction education and skills across the wider built environment so it is more joined up and effective for employers
- Improve the work ready quality of training at all levels; and
- Agree paths for professional development and career progression in UK construction, guided by skills and training.

**Our desired outcomes in this area are:**

- Training providers will provide courses that meet the demands of our industry; and
- More employers believe they can access the right training to meet their skills needs.

### Charitable Trading

Industry needs to adapt and upskill to meet the demands of its pipeline and to help workers demonstrate their competence. We will work with employers to develop the products and services that they need and that the market is

not already providing. Our ambition is to deliver the products and services the construction industry needs and that the market is not yet providing so throughout 2015–2017 we will:

- Develop and deliver a portfolio of products and services that meets industry's skills development and skill recognition needs
- Deliver products and services through effective channels in line with industry needs; and
- Assess the markets that industry needs CITB to work in, so we can provide the products and services they need, in the most effective way.

**Our desired outcomes in this area are:**

- Industry will benefit from a range of new products and services that are easy to access and that help them to grow their business; and
- Customer satisfaction of our products and services will increase.

### Running the Business

We've spent the last year listening to feedback from our customers, stakeholders and partners and reviewing our practices and procedures so that we're more accessible and straight forward to deal with. We're committed to putting the customer at the centre of our work and we're adapting to make sure that we're fit for business and better able to meet industry needs. Our ambition is to operate an efficient, transparent, effective, responsible and accountable organisation so throughout 2015–2017 we will:

- Improve our approach to resource management
- Deliver effective corporate governance
- Deliver a more effective operating model; and
- Embed cultural change.

**Our desired outcome in this area is:**

- A faster, smarter and more effective CITB that is more accountable to its customers and is minimising its costs and maximising its impact.

*We believe that better trained and qualified people deliver better results and make the companies they work for more competitive and more productive. More than this, a better skilled construction workforce can help create a better quality built environment that benefits the public at large.*

# Our work



The Rose Bowl Building, Leeds Metropolitan University

## CITB in England

### Apprenticeships

During 2014, we continued to engage with employers, industry stakeholders and BIS on plans for implementing Apprenticeship funding reforms and developing new Occupational Standards under the Trailblazer initiative. As a result, BIS recognised some of the issues employers may face, and made a commitment to take a fresh look at its response to the Richard Review and explore possible alternatives. CITB has played an active role in supporting and guiding the Construction Trailblazer group, chaired by an employer with the group involving employers from SMEs to larger companies. We will continue to engage with BIS and stakeholder groups throughout 2015 to develop models best suited to the needs of sector employers.

Whilst overall sector Apprenticeship recruitment is yet to reflect growing confidence in a post-recession economy, CITB's Managing Agency (MA) in England again delivered significant growth in Apprenticeship numbers. In 2014, in partnership with mainly SME businesses, the MA recruited some 5,250 apprentices, significantly above target and a 33% year on year growth. We continue to support successful Level 2 apprentices moving on to Advanced Level 3, with the numbers doing so through CITB's MA being well above the sector average.

Employers and applicants increasingly used our pre-Apprenticeship work experience product (the Experience Construction Programme (ECP)). This gives employers the chance to assess potential apprentices in a work environment, whilst giving young people structured insights into, and experience of, a career in construction. During 2014, over 1,100 young people were placed with employers using the ECP with circa 75% converting to full-time Apprenticeships afterwards. The number of employers and young people accessing the ECP has grown by 50% year-on-year and it is making a valued contribution to growth in MA recruitment, breaking down barriers to recruitment and improving retention rates once in employment.

Our Shared Apprenticeship Schemes developed in line with expectations, with seven schemes operational in England. These are not a substitute for traditional employer recruitment, but help maximise skills development when traditional routes may not be feasible. Our Schemes deliver successful outcomes for employers, industry, and regional stakeholders (more information, including video case studies, is available on our website).

### Business Information, Advice and Guidance (BIAG)

Throughout 2014, we continued to develop, improve and increase the level of advisory support offered to in-scope employers and industry stakeholders. This includes implementing our Free-to-Access service for newly registered companies which aims to equip new businesses with the guidance and support services they need. Through a continuous improvement process, including employer feedback, we have redeveloped and enhanced our Business and Skills Review (BSR) product to provide more in-depth and relevant solutions to our employers. We also undertook pilot delivery of a new workshop format for delivering BIAG targeted by company size – which enables us to deliver generic guidance to a broader employer audience. This pilot will be evaluated through employer feedback. In 2015, we launch our Management and Leadership Diagnostic Tool (MLDT), targeted at developing SMEs and larger companies and aiming to identify gaps within the skill set or knowledge of a company's leadership team.

Advisory staff in England undertook more than 13,000 visits to employers to provide guidance and solutions bespoke to their business needs. These facilitate delivery of many value-added products and services – such as BSRs – that help employers with business planning, identify training needs and improve productivity, as we move our offer towards closer partnership working focused on business improvement. During 2014, our Company Development Advisors carried out more than 1,200 of the improved BSRs with in-scope employers and continue to work with this group to build capability and growth.

Our supply chain development programmes are delivered in partnership with larger employers and include interventions and support aimed at increasing training and development, promoting Apprenticeship recruitment, and building capability and business sustainability. Our Construction Area Partnerships, which establish a more structured approach to training and development in partnership with regional procurement bodies and local employers, continue to operate with positive feedback received from all partners engaged in the initiatives.

Advisory Forums were delivered in 18 locations across England. These give in-scope companies (mainly SMEs) the chance to engage with their ITB and to help shape and improve our products and services. Employer attendance in 2014 was the highest to date, showing the value placed by employers on this kind of engagement.

Many Forums are supplemented by activity-specific workshops on topics such as Building Information Modelling (BIM), tendering for contracts, and access to regional or national funding opportunities.

### Careers Information, Advice and Guidance

Careers Advisors delivered over 900 events and school talks in England in 2014. These promote construction as a career of choice and are often co-presented with the industry's Construction Ambassadors.

During National Apprenticeship Week, we delivered 90 careers events, many in partnership with national and local employers, to promote Apprenticeships and recruitment to young people and employers. These were popular and successful in terms of attendance and outputs. We ran a similar number of events in July under the National Recruitment Week banner, primarily aimed at employers with the intention of stimulating Apprenticeship vacancies.

Our Careers team also facilitated the delivery of (and training linked to) our Construction Ambassadors Programme, which enables employees of construction companies to engage with young people acting as an ambassador or role model. In 2014, we trained 560 new Construction Ambassadors. We also delivered more than 200 Careers Surgeries, in partnership with stakeholders such as JCB, which give young people access to a qualified Construction Careers Advisor in an informal setting.

### National Construction College

2014 was a record year for the NCC, during which it trained 33,408 people, 24% more than in 2013 and over 10% more than in 2008 (before the recession). Construction and Specialist Building experienced strong growth in adult and apprentice learner numbers, and scaffold training saw high levels of demand at every college campus. Health and safety training also performed strongly, adding extra courses to meet customer demands. Managing capacity to match growth will remain important in 2015. As a result, the NCC delivered a strong financial performance and over-achieved its bottom line by around £3m.

Apprenticeship achievement rates stayed well above the national average at 71.4%, and retention improved from 74% (2013) to 77.3% (2014). Customer satisfaction also grew with a Net Promoter Score rising from +61 to +67 on a scale of -100 to +100.

New contracts secured in 2014 saw NCC working with clients such as the Environment Agency, the Health and Safety Executive and the London Borough of Greenwich, while major project support included working with short-listed bidders for the HS2 College to ensure that construction training is in their thoughts and plans. Our backing for the West Midlands Construction UTC continued; a new site has been secured, the education funding agreement signed and a contractor appointed. We were also delighted to record success for NCC apprentices at Skillbuild with two Gold Medals and one Silver across our roofing courses.

NCC received the BSI Sword of Honour for health and safety at two more facilities (TUCA and NCC Midlands) while BSI accreditation visits on health and safety, the environment and our management system were very successful; we passed with flying colours.

Over 20 new courses were developed in 2014, including a steel fixing Apprenticeship, an external wall insulation course, tunnelling courses and environmental courses to support the Government's Green Deal initiative.

Work in the local community continues with support for charitable and educational projects and we are mentoring local schools as well as supporting the "Class of Your Own Initiative" (a national programme to raise the profile of construction in schools). In 2014, we focused on delivering taster days for teachers, which really helped to get the message across about the breadth of opportunities for careers in construction and teachers went away enthused by the industry and the opportunities for their pupils.

Other developments include work with manufacturers to trial plant simulators, with Heriot-Watt University to develop a virtual reality training aid to support working at height, and with the Building Research Establishment (BRE) on initiatives such as BIM.

These achievements are notable given the programme of transformational change that CITB embarked on in 2014. Growing and changing at the same time is challenging for any business and the NCC has risen to this challenge to deliver some excellent results.

The NCC's 10-year vision to be 'a unique and inclusive, employer-led education, training and skills development body ... working as part of a collaborative network of training delivery' moved forward with detailed delivery planning. This work was completed in the second half of 2014, providing the basis for short-term enhancements to NCC's systems,



processes and curriculum, and longer-term strategic developments in areas such as higher level provision and research and development, working increasingly in partnership and with the wider provider network. At the start of 2015, the Greater Cambridge and Greater Peterborough Local Enterprise Partnership (GCGP LEP) announced that it was providing £4m of matched-funding to development, and CITB is now working with the LEP to prioritise investment in NCC facilities.

### **Be Fair Framework**

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CITB is helping the industry to achieve improvement in its working practices by taking the lead in Fairness, Inclusion and Respect (FIR). The Be Fair Framework provides the structure to help the industry achieve the positive change it desires around FIR. At the conclusion of the Be Fair Framework Pilot in 2014, 36 construction companies successfully gained accreditation, of which 20 were main contractors. To date, 48 employers have registered for the accreditation, which puts the framework in a good position to continue its support for the construction and built environment in 2015.

### **SkillBuild**

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SkillBuild went from strength to strength in 2014. Between April and early July, a team of organisers and judges covered the country, delivering SkillBuild Heats from Glasgow to Plymouth and from Norwich to Llanelli, while 1,000 competitors competed for 100 places at the national final. Building on last year's success, this took place at the NEC Skills Show along with the Construction Industry Feature Stand which was well supported by employers keen to meet the thousands of young people showing an interest in an exciting construction career. Feedback from competitors, employers and staff highlighted the impressive skills on show and reinforced how excited young people were when finding out about the range of careers on offer.

### **CITB products and services**

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We worked hard to make sure that our products met the needs of the industry in 2014. We provided record numbers of cards and Site Safety Plus certificates. Health and Safety publications also saw record demand for the 2014 versions, and we are ready with the support and information the industry needs for the 2015 CDM regulation changes.

We introduced more digital ways to obtain and use our products, including a new e-commerce site and a well-received mobile app development programme that will be expanded in 2015.

As 2014 began, we struggled to meet demand, particularly in our operation of the CSCS scheme which we provide under contract to Construction Skills Certification Scheme Ltd. Our customers told us very clearly that service levels needed to improve, so we mobilised a team to make this a priority, recruiting and training new staff, developing card checking systems and new ways of applying and invested in developing our back office systems. Our customers now tell us that our quality and speed of service is something to be proud of.

### **Stakeholder engagement**

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During 2014, the National Specialist Team developed and introduced more than 80 Partnership Action Plans with stakeholders in support of the longer term identification and planning of sector requirements. This will help contractors meet industry demand, support productivity levels and enable businesses to compete within the market place.

Through this activity, the National Specialist Accredited Centre delivered more than 1,400 Vocational Qualifications via On-Site Assessment and Training (OSAT) on top of numerous Specialist Up-Skilling and Apprenticeship Programmes. 11 new upskilling products were introduced, including an in-company training scheme, six Specialist Up-skilling programmes at Level 2 and 3, a pilot NVQ Level 6 Management Training programme and a Level 2 Heritage Qualification Pathway. A high level of assessor training and support was provided by NSAC so as to develop the infrastructure needed to qualify the workforce.

In addition, the team contributed to the broader Energy Efficiency Retrofit of Traditional (pre-1919) Buildings programme. A wide range of sector information advice and guidance collateral was developed to support contactors and address the significant legislation changes. Support was provided to promote the image of the industry via sponsorship of training awards, bursaries and also in promoting traditional skills events. These activities helped identify the vast range of opportunities for candidates to either join the construction industry or for those already within the industry to consider other construction roles.

## CITB in Scotland

The Federation Support Team provides the conduit into the broader Team CITB to ensure that stakeholder's queries are directed to the appropriate parties and links made to follow up requests for support outside of the proactive partnership planning activity. Much of this work included assisting with projects via the Growth Fund and numerous programmes were delivered benefiting several thousand individuals, delivered through a multitude of interventions.

In the second half of 2014, a streamlined Account Management Service was introduced for stakeholders combining a proactive service to all federations, associations and stakeholders. It further developed links with key stakeholders, consulting them about funding, governance and Levy Simplification. The new team is well placed to increase support to the industry in 2015.

### **The skills and training environment**

In 2014, Scotland's skills policy was developed through several reports and strategies. The Commission for Developing Scotland's Young Workforce published its recommendations in June, and the Scottish Government responded in December, launching its Youth Employment Strategy. This seeks to strengthen partnerships between colleges, schools and employers and to facilitate career pathways in the senior phase of school through to sustainable employment. The Procurement Reform Act mandated the inclusion of community benefits on contracts worth more than £4m, paving the way for more apprentice and work experience opportunities on public sector contracts.

In terms of output, the autumn's CSN forecast showed an annual average growth rate of 0.7%, well below the UK average of 2.9%. Despite healthy forecasts for housing, commercial and industrial sectors, some large infrastructure projects will come to an end in 2016, leading to a slightly more negative picture overall. At 5,130, the annual recruitment requirement is still high as a result of big outflows from the industry. However, the number of redundant apprentices fell again in 2014, highlighting more confidence in the sector than at the same time last year. CITB has succeeded in restarting some 80% of redundant apprentices through our managing agency since the recession began, with the support of the Scottish Government's ScotAction initiative.

CITB celebrated 50 years of supporting the construction industry and training apprentices with an event in the Member's Restaurant of the Scottish Parliament on 4 June. More than 80 people attended and the event was supported by exhibitors who have partnered with CITB in a range of training initiatives.

### **Standards and qualifications**

Scottish employers played a key role in reviewing National Occupational Standards (NOS) and Qualifications during 2014. Practitioner working groups were held in Scotland for Sub-structural Work Occupations, Roofing Occupations, Cladding Occupations, Plastering and Insulation and Building Treatments. New Modern Apprenticeships were also introduced in Timber Frame Erection and Roofing for House Building at SVQ level 2, ensuring that our Modern Apprenticeship framework reflects the home-building sector's needs.

Work also began to develop Apprenticeships for Timber Frame Manufacturing and Timber Frame Design reflecting growth in the sector as well as in offsite construction.

Linked to the Scottish Government's new Youth Employment Strategy, CITB worked with the Scottish Government, SQA and Education Scotland to review construction-related qualifications in the senior phase of secondary school. Wide employer consultation took place to ensure that young people will experience construction within the school curriculum and enter employment with the skills that employers value. Work is under way to ensure there are career pathways from school into construction careers at operative, craft and professional levels.

### Careers in construction

The Curriculum for Excellence changed in 2014 across Scottish Secondary Schools with Standard Grades, Intermediate and Access level awards being phased out and replaced by new National Awards at SCQF level 1-5. Curriculum for Excellence aims to achieve a transformation by providing a coherent, more flexible and enriched curriculum from 3 to 18. This includes the totality of experiences planned for children and young people through their education, wherever this takes place. Further work in this area will be done through the recently announced Youth Employment Strategy which focuses on progression in the senior phase of school on to sustainable employment.

CITB Scotland led a showcase of events across Scottish Apprenticeship Week (19-23 May 2014) including MSP visits and employer seminars. There were 160 events around the country and CITB was represented at around a quarter of these with a number of visiting politicians, apprentices, school pupils and employers in attendance. Our delivery managers, Apprenticeship officers, and careers advisers spent this week expertly delivering dozens of construction-focused events across the country, from Shetland to Stranraer and at many places inbetween. Construction employers, from family-run firms to multi-national organisations, backed the campaign along with training providers, colleges, councils, politicians and schools, making Scottish Apprenticeship Week 2014 our most successful yet.

MSPs were also on hand at an event at St Andrew's Square Gardens in Edinburgh. Attendees included 11 MSPs including Sarah Boyack MSP (Shadow Cabinet Secretary for Local Government and Planning) who tried her hand

at several of the trades and tabled a motion in Parliament regarding the importance of specialist skills in Scotland.

In Inverness, an event at the Black Isle Showground gave secondary school pupils the chance to take part in interactive construction related workshops and meet companies and individuals who work within construction in the Scottish Highlands. They were also able to try a demolition simulator, learning that this is a very precise skill, with tremendous progression opportunities.

In Edinburgh, the Forth Crossing Education Centre was the venue with spectacular views that played host to an event jointly hosted by CITB and the Institute of Civil Engineering. Sara Thiam (Regional Director, ICE Scotland) inspired second year schoolgirls by speaking of the international opportunities of a career in civil engineering, and explained that civil engineers are often the first people on the ground to restore infrastructures after natural disasters. Third year apprentice Chris Hunt, who is working on the new Queensferry Crossing, explained his role and how the bridge involved the longest concrete pour in the world. Second year schoolgirls then took part in a workshop to build their own impressively huge bridge indoors.

In total, our careers advisers visited 350 of Scotland's 364 secondary schools in 2014.

### Apprenticeships

There has been an increase in Modern Apprenticeships in construction in the last year, with CITB recruiting 1,417 new starters and re-starting a further 246 people. This represents an increase of 150 apprentices over the same point in 2013. CITB also received an excellent rating for its Apprenticeship service from Skills Development Scotland.

There has been a strong message from employers across Scotland to increase the promotion of construction as a career of choice to young people and there is more capacity to create opportunities for young people in a number of public sector contracts. For example, a preferred bidder has been announced and site preparation started for the new £200m Dumfries and Galloway Royal Infirmary, with main construction on track to start in April 2015. This scheme has been joined in the pipeline by a proposal to develop a new hospital and healthcare centre in Orkney to replace the current Balfour hospital. A preferred bidder for the £60m construction project is due to be chosen next October, with work starting in spring 2016. Work is ongoing on the new campus for the City of Glasgow college and is not due to



complete until the second half of 2016, while the University of Edinburgh is looking to add a new Bio-Quarter to its campus at a cost of £32m, with work due to start early in 2015. Work has also begun on the Wick Community Campus, a £48.5m project including a new high school, primary and nursery facilities as part of Scotland's Schools for the Future programme. The project is due for completion in 2016.

Skills Testing did well in 2014, with achievement rates rising to 92% (86% in 2013). A new test for Floor Covering was developed and online materials launched to help improve achievements. These can be found on the CITB website (skills test section) and have received very positive reactions from employers, colleges, apprentices and registration bodies.

### **Skills research and policy development**

The Scottish Government has recognised construction as a key economic sector, and CITB Scotland is well placed to work with the Scottish Government and employers to influence delivery of these emerging policies. It is also acknowledged as the 'go to' organisation on skills issues as part of Construction Scotland Industry Leadership Group, and integral to the Scottish construction industry strategy as set out in "Building for the Future 2013-2016".

Construction Scotland is the sector's leadership organisation in Scotland. Its strategy is supported by the Scottish Government and identifies key objectives that will support sector growth in coming years. To meet these goals, an action plan has been developed to guide Construction Scotland and the industry. This will be supported through Theme and Working Groups which will develop and deliver their own work plan to achieve outcomes. Our Scottish Advisory Committee acts as the Theme Group for Skills and Training with the Chair of Construction Scotland also chairing this forum. Construction Scotland also launched the first ever Construction Innovation Centre at its annual conference in October.

The major infrastructure and housing developments coming on stream are opportunities for industry and Government engagement, with a definite focus on the North East. Skills Development Scotland (SDS) recognises that people must be given the skills required for future success and CITB is undertaking a research project into skills requirements in this area.

In partnership with industry, SDS is developing a national Skills Investment Plan for construction and this will be launched in the spring of 2015. The Plan will set out a number of themes covering equality, BIM, innovation, modernising training provision, Continuing Professional Development, and career progression. This will be linked to CITB's Scotland Business Plan and our Joint Investment Strategy.

The Client-Based Approach (CBA) has continued to receive support from the Scottish Government, Local Authorities, Housing Associations and other public bodies. In 2014, six new clients adopted the CBA and the West hub achieved Programme Based Approach status. Interest in the approach has increased following the Procurement Reform Act.

Joint Investment Strategy projects progressed well and received positive feedback from the Scottish Government and project partners. To date, over 55% of all young people completing work experience placements have gone on to find Modern Apprenticeship places or full time employment. The Constructionarium project has progressed well with a number of universities now on board, and work has also continued apace with Heriot-Watt University to develop ground-breaking augmented-reality technology to simulate working at height for apprentices entering the construction industry. The First Minister of Scotland even tried the new technology at the Construction Scotland conference.

A report from Pye Tait highlighted the scale of the work required to develop a new generic energy efficiency unit for inclusion in every Modern Apprenticeship Framework in Scotland. A series of workshops have been run across Scotland to provide marketing support and assistance to SMEs wishing to sell energy efficiency measures.

## CITB in Wales

### Strategic Leadership

2014 was a challenging year for the industry in Wales with growth in Infrastructure, Industrial and Repair and Maintenance sectors but contraction in all others, including private housing. Much of our focus has been to ensure that construction kept its status as a key economic sector and that CITB was viewed by the Welsh Government as a key partner to help the industry implement future Government policies, through company support and skills development, whilst the industry prepared itself for the predicted upturn.

We worked with CollegesWales to establish a new Built Environment Strategic Group to address recommendations set out by Estyn in a report that evaluated current standards and quality of provision in further education institutions and work-based learning providers. The group's focus has been to ensure that construction provision aligns more closely with labour market needs; it is due to present its final report to the Deputy Minister for Skills during 2015.

We worked closely with the three Regional Learning partnerships to influence the contents of their employment and skills plans to ensure the skills and business needs of the industry are understood and are reflected in those plans.

Whilst the Triennial Review was ongoing, we have worked closely with our three regional forums and the Wales Construction Skills Group to ensure new governance arrangements were fit for purpose and aligned with operating and governance structures across the three nations.

During 2014, we celebrated CITB's 50th anniversary and it was fantastic to take the opportunity to recognise the contribution that the construction sector has made to the social and economic development across Wales, and CITB's role in supporting this. CITB's Pride of Construction Awards were held as part of the anniversary celebrations and Wales saw two winners, Jones Brothers of Ruthin were presented with the Outstanding Training Provider award and Lloyd and Gravell Ltd with the Outstanding Employer award. These were two great examples of the way a commitment to training across the workforce can help a company thrive.

Whilst we await a review from the Welsh Language Commissioner which will seek to ascertain which of the Welsh Language (Wales) Measure standards will apply to us, continuing implementation of our existing Welsh Language Scheme has ensured and supported Welsh language-related action across CITB. This has included joining and contributing to National Training Federation

Wales' (NTFW) network of bilingual champions; further work on the Welsh CITB website; further mainstreaming of Welsh language requirements and awareness into CITB policies, and bilingual branding development for CITB Wales.

### Training and Development

2014 saw National Skills Academy for Construction in Wales (NSAfC) grow to a total of four initiatives. The South East regional contractors' framework is delivering a programme-based Academy which includes capital new build and repair and maintenance of the Welsh Government 21C schools programme. Costain is delivering a project-based academy on section 2 of the dualling of the A465 project (the project is helping to improve journeys and drive regeneration along the Heads of the Valleys). The co-ordinators from Carillion on section 3 and Costain on section 2 have worked closely together with our team to ensure seamless continuation of skills and training provision. We intend to build on the success of these approaches by working closely with Value Wales to support the delivery of the Communities Benefits policy with the launch of the Client Based Approach guidance and also through the Network Wales NSAfC project co-ordinators to help shape the development of a proposal to support projects in Wales.

During 2014, we engaged KPMG to complete a business case, drawing from the various reviews and research reports for CITB-supported training facilities in Wales. Our colleagues across CITB and in the NCC have been actively involved in contributing to this work, in line with the industry-backed strategy for the College. Business case conclusions and recommendations will form part of the next steps and will be presented to our Executive and Board during 2015.

Currently there is only one Higher Apprenticeship Framework in the Specification for Apprenticeship Standards in Wales (SASW) but more are available in the Specifications for Apprenticeship Standards in England (SASE) and so numbers are particularly low. CITB has been approached to see if a more attractive Higher Apprenticeship model could be developed and we have made a lot of progress with employers, stakeholders and the Welsh Government to identify the most effective delivery method to meet industry's needs. We hope that the first cohort will start in autumn 2015.

Through the regional forums, CITB was tasked with co-ordinating the development of a level 3 multi trade

Repair and Maintenance qualification which is supported by social landlords, employers and stakeholders from across Wales.

We have continued to work across Higher Education institutions, particularly through the European Funded project BEST led by Cardiff University. This has resulted in funding for higher-level provision for employers across several disciplines including BIM, Low Carbon leadership and CPD for Architecture.

Through our Company Development support, we delivered 170 BSRs to companies in Wales, visited over 1,900 companies and stakeholders, and once again expanded our Training Group membership and outputs.

### Image and Recruitment

The role of the Wales Construction Careers and Skills Provision Advisory Group (WCCSPAG) has matured during 2014, with its role as one of the two pilot Sector Qualifications Advisory Panels developing as the establishment of Qualifications Wales comes closer. The advisory group has formally responded to the Welsh Government on the proposed provision in FE which seeks to help FE and Regional Partnerships improve provision and meet employers' needs. The group has also contributed to the initial work looking at the need for the development of more effective Information Advice and Guidance for young people and potential new entrants.

We acknowledge the industry is not attracting enough of the right people to fulfil its forecast requirements over the next few years and we have been working to develop the knowledge and understanding of those factors that influence young people. We worked closely with the professional services group, who have agreed to establish a small working group to look at how they can engage more effectively with schools and young people, through skills competitions, careers events and also with Careers Wales to ensure our Image and Recruitment strategy meets the needs of the industry and stakeholders in Wales. Work continued to promote the Construction Ambassador scheme with over 150 ambassadors trained and delivering over 260 careers events and visits.

Another way we have been looking to address potential skills shortages is to develop closer working with the DWP and its network of Jobcentre Plus offices. Building on CITB's partnership agreement with DWP, which sets out a framework for collaborative working, we have been

developing a similar approach initially in North Wales, with the view to rolling this out across the rest of Wales. We identified opportunities for sharing labour market intelligence and developing joint communications so that both employers and prospective workers within the sector can have the best and latest information on business and job opportunities and we can better anticipate where employment and skills 'pinch-points' may occur. This will enable us to better source local talent – be it employers or individuals – and plan to have the right skills available when they are needed.

### Industry Engagement

The Joint Investment Strategy in Wales has resulted in a project (Construction Futures Wales) which is working in partnership with Department for Economy, Science and Transport and aims to improve the competitiveness and business performance of construction companies and their employees through a variety of support packages. All contracts across the four lots were let during 2014 and work has begun in earnest. The Customer Relationship Management (CRM) system, holistic diagnostic and research packages have been instigated as have several interventions with companies including Lean, quality standards, collaborative bidding and CE Marking, whilst a construction management and leadership programme began in the autumn.

During 2014, we also delivered two smaller projects with competitive funding won from the Welsh Government. One aimed to bring the skills associated with the repair, maintenance and conservation of traditional buildings into the mainstream of construction education and training across Wales. This delivered extra training to existing apprentices and developed capacity in the FE sector by upskilling lecturers from across Wales. The second project sought to develop the capability of managers and supervisors in construction businesses by raising their leadership, management and sustainability skills and awareness of sustainability issues. Both projects were developed using feedback from regional forums and in response to changing demands for skills.

2014 saw a notable 20% increase in Apprenticeship recruitment of 800. Despite this growth, the environment remains difficult with current skills funding restricting our ability to expand our Apprenticeship programmes. With the growth in Apprenticeship numbers, the main challenge was to maintain high Framework achievement rates, and it is pleasing to note that we again achieved over 80%.

## CITB yng Nghymru

Our close working with the Welsh Government, employers and training providers ensures that training initiatives are developed to meet the skills needs of the Welsh construction industry so that we have a workforce fit for the future. Planning ahead to ensure the workforce is future-fit will ensure we don't let invaluable opportunities via major infrastructure investment pass us by. The innovative Shared Apprenticeship Scheme saw the Carmarthenshire Construction Training Association Ltd (CCTAL) scheme expand its regional base across five local authority areas and become Cyfle Building Skills. The second scheme (Y Prentis) is based in South East Wales. In total, the schemes recruited 110 apprentices in 2014.

### Arweinyddiaeth strategol

Roedd 2014 yn flwyddyn heriol ar gyfer y Diwydiant yng Nghymru â meysydd o dwf mewn sectorau Seilwaith, Diwydiannol ac atgyweirio a chynnal-a-chadw ond â chyfangiad ym mhob un arall gan gynnwys tai preifat. Mae llawer o'n ffocws wedi bod ar sicrhau y cadwdd y sector ei statws fel sector economaidd allweddol ac y gwelwyd CITB fel partner allweddol gan Lywodraeth Cymru i gefnogi'r Diwydiant yn ei weithrediad o bolisiau Llywodraeth dyfodol gan ddarparu cymorth i gwmnïau a datblygu sgiliau tra paratôdd y Diwydiant ei hun ar gyfer y gweliant rhagweledig.

Gweithiom â Cholegau Cymru i sefydlu Grŵp Strategol Amgylchedd Adeiledig newydd i fynd i'r afael ag argymhellion a wnaethpwyd gan Estyn mewn adroddiad a werthusodd safonau ac ansawdd presennol o ddarpariaeth mewn sefydliadau addysg bellach a darparwyr dysgu seiliedig ar waith. Mae ffocws y grŵp wedi bod ar sicrhau yr alinir darpariaeth adeiladu'n fwy agos ag anghenion marchnad lafur; mae i fod i gyflwyno'i adroddiad terfynol i'r Dirprwy Weinidog Sgiliau yn ystod 2015.

Gweithiom yn agos â'r tair Partneriaeth Dysgu Rhanbarthol wahanol i ddylanwadu ar gynnwys eu cynlluniau cyflogaeth a sgiliau er mwyn sicrhau y deallir anghenion sgiliau a busnes y Diwydiant a'u bod yn cael eu hadlewyrchu yn y cynlluniau hynny.

Tra oedd adolygiad tair blynedd CITB yn mynd ymlaen, rydym wedi gweithio'n agos â'n tri fforwm rhanbarthol a Grŵp Sgiliau Adeiladu Cymru i sicrhau yr oedd ein trefniadau llywodraethu'n addas i'r diben a'u bod yn alinio â'r strwythurau gweithredu a llywodraethu ar draws y tair cenedl.

Yn ystod 2014, dathlom 50fed pen-blwydd CITB ac roedd yn fendigedig cymryd y cyfle i gydnabod y cyfraniad y mae'r sector adeiladu wedi'i wneud i ddatblygiad cymdeithasol ac economaidd ar draws Cymru, a rôl CITB mewn cefnogi hwn. Cynhaliwyd Gwobrau Pride of Construction CITB fel rhan o'r dathliadau pen-blwydd a daeth dau o'r enillwyr o Gymru. Cyflwynwyd Brodyr Jones o Ruthun â'r wobwr Darparwr Hyfforddiant Eithriadol ac enillodd Lloyd a Gravelly Cyf, wobwr Cyflogwr Eithriadol. Roedd y rhain yn ddwy enghraifft wych o'r ffordd y gall ymrwymiad i hyfforddiant ar draws y gweithlu helpu cwmni i ffynnu.

Tra rydym yn aros am ymchwiliad gan Gomisiynydd y Gymraeg a fydd yn ceisio canfod pa rai o 'safonau' Mesur y Gymraeg (Cymru) fydd yn berthnasol i ni, mae gweithrediad

parhaol o'n Cynllun Iaith Gymraeg presennol wedi sicrhau a chefnogi gweithgaredd cysylltiedig â'r Gymraeg ar draws y sefydliad. Mae hwn wedi cynnwys ymuno a chyfrannu at rwydwaith NTFW o bencampwyr dwyieithog; gwaith pellach ar wefan Gymraeg CITB; prif ffrydio pellach o ofynion ac ymwybyddiaeth iaith Gymraeg i bolisiau CITB a datblygu brand dwyieithog ar gyfer CITB Cymru.

### Hyfforddi a datblygu

Yn 2014, ehangwyd Academi Sgiliau Genedlaethol ar gyfer Adeiladu (NSAFC) yng Nghymru i gyfanswm o bedair menter. Mae fframwaith contractwyr rhanbarthol de-ddwyrain Cymru yn cyflenwi Academi Seiliedig ar Raglen sy'n cynnwys adeiladu cyfalaf newydd ac atgyweirio a chynnal-a-chadw rhaglen Ysgolion yr 2.1ain Ganrif Llywodraeth Cymru. Mae Costain yn cyflenwi academi seiliedig ar broject ar adran 2 o waith deuoli'r A465 (mae'r project yn helpu i wella teithiau a gyrru adfywiad ar hyd Blaenau'r Cymoedd.) Mae'r cydlynwyr, o Carillion ar adran 3 a Costain ar adran 2, wedi gweithio'n agos â'n tîm i sicrhau parhad di-dor o sgiliau a darpariaeth hyfforddiant. Bwriadwn adeiladu ar lwyddiant y dulliau hyn gan weithio'n agos â Gwerth Cymru i gefnogi cyflawniad polisi Budd i'r Gymuned â lansiad y canllaw Dull Seiliedig ar Gleientiaid a hefyd trwy gydlynwyr project rhwydwaith NSAFC Cymru i helpu i ddatblygu cynnig i gefnogi projectau yng Nghymru.

Yn ystod 2014, comisiynom KPMG i gwblhau achos busnes, gan dynnu ar yr adolygiadau ac adroddiadau ymchwil amrywiol, ar gyfer cyfleusterau hyfforddi yng Nghymru a fydd yn cael eu cefnogi gan CITB. Mae ein cydweithwyr ar draws CITB ac yn y Coleg Adeiladu Cenedlaethol wedi bod wrthi'n cyfrannu at y gwaith hwn, yn unol â'r strategaeth ar gyfer y Coleg a gefnogir gan y diwydiant. Bydd casgliadau ac argymhellion yr achos busnes yn ffurfio rhan o'r camau nesaf a bydd yn cael eu cyflwyno i'n Gweithrediaeth a Bwrdd yn ystod 2015.

Ar hyn o bryd, dim ond un Fframwaith Prentisiaeth Uwch sydd yn SASW (Pennu Safonau Prentisiaethau i Gymru) ond mae mwy ar gael yn SASE (Pennu Safonau Prentisiaethau i Loegr) ac felly mae niferoedd yn arbennig o isel. Cysylltwyd â CITB i weld os gallai model Prentisiaeth Uwch mwy deniadol gael ei ddatblygu ac rydym wedi gwneud cynnydd sylweddol â chyflogwyr, rhanddeiliaid a Llywodraeth Cymru yn adnabod y dull darparu mwyaf effeithiol i gwrdd ag anghenion y diwydiant. Rydym yn obeithiol y bydd y cohort cyntaf yn cychwyn yn ystod tymor yr hydref 2015.

Trwy'r fforymau rhanbarthol, gosodwyd tasg i CITB gydlynw datblygiad cymhwyster Atgyweirio a Chynnal-a-chadw aml-grefft lefel 3, cefnogir y datblygiad gan landlordiaid cymdeithasol, cyflogwyr a rhanddeiliaid ar draws Cymru.

Rydym wedi parhau i weithio ar draws sefydliadau Addysg Uwch yn enwedig trwy'r project BEST a ariennir gan gyllid Ewropeaidd ac a arweinir gan Brifysgol Caerdydd; mae hyn wedi arwain at gyllid ar gyfer darpariaeth lefel uwch ar gyfer cyflogwyr ar draws nifer o ddisgyblaethau gan gynnwys BIM, arweinyddiaeth Garbon Isel a DPP ar gyfer Pensaerniaeth.

Trwy ein cymorth Datblygu Cwmni, cynhaliom 170 o Adolygiadau Sgiliau Busnes i gwmnïau yng Nghymru, wedi ymweld â dros 1,900 o gwmnïau a rhanddeiliaid, ac unwaith eto, wedi ehangu ein haelodaeth Grŵp Hyfforddi ac allbynnau.

### Delwedd a recriwtio

Mae rôl Grŵp Cyngori Gyrfaoedd Adeiladu a Darpariaeth Sgiliau Cymru (WCCSPAG) wedi aeddfedu yn ystod 2014 â'i rôl fel un o'r 2 Banel Cyngori Cymwysterau Sector peilot yn datblygu wrth i sefydliad Cymwysterau Cymru ddod yn agosach. Mae'r grŵp cyngori wedi cyflwyno sylwadau ffurfiol i Lywodraeth Cymru ar y ddarpariaeth arfaethedig mewn Addysg Bellach sy'n ceisio cynorthwyo Addysg Bellach a Phartneriaethau Rhanbarthol i wella darpariaeth a chwrdd ag anghenion cyflogwyr. Mae'r grŵp hefyd wedi cyfrannu at y gwaith cychwynnol sy'n edrych ar yr angen i Wybodaeth, Cyngor ac Arweiniad mwy effeithiol gael eu datblygu ar gyfer pobl ifanc a newydd-ddyfodiaid posibl.

Rydym yn cydnabod nad yw'r Diwydiant yn denu digon o'r bobl gywir i gyflawni ei ofynion rhagolygol dros yr ychydig o flynyddoedd nesaf ac rydym wedi bod yn gweithio i ddatblygu gwybodaeth a dealltwriaeth y rheiny sy'n dylanwadu ar bobl ifanc. Gweithiom yn agos â'r grŵp gwasanaethau proffesiynol sydd wedi cytuno sefydlu gweithgor bach i edrych ar sut y gallant ymgysylltu'n fwy effeithiol ag ysgolion a phobl ifanc, trwy gystadlaethau sgiliau, digwyddiadau gyrfaoedd a hefyd â Gyfa Cymru i sicrhau bod ein strategaeth Delwedd a Recriwtio'n cwrdd ag anghenion y Diwydiant a rhanddeiliaid yng Nghymru. Parhaodd gwaith i hyrwyddo'r cynllun Llysgenhadon Adeiladu â dros 150 o lysgenhadon yn derbyn hyfforddiant a dros 260 o ddigwyddiadau gyrfaoedd ac ymweliadau'n cymryd lle.

Ffordd arall rydym wedi bod yn edrych arno i fynd i'r afael â phrinder sgiliau posibl yw datblygu'r gwaith agosach hwn â'r Adran Gwaith a Phensiynau a'i rhwydwaith o swyddfeydd Canolfan Byd Gwaith. Gan adeiladu ar gytundeb partneriaeth CITB â'r Adran Gwaith a Phensiynau sy'n gosod fframwaith ar gyfer gweithio ar y cyd, rydym wedi bod yn datblygu dull tebyg, yng Ngogledd Cymru i gychwyn, â'r nod o'i roi ar waith ar draws gweddill Cymru. Adnabyddom gyfleoedd i rannu gwybodaeth am y farchnad lafur a datblygu cyd-gyfathrebiadau er mwyn y gall cyflogwyr a darpar weithwyr o fewn y sector gael yr wybodaeth orau a diweddaraf ar fusnes a chyfleoedd swydd a gallwn ni rhagweld yn well lle y gallai 'mannau cul' yn nhermau cyflogaeth a sgiliau ddigwydd. Bydd hwn yn ein galluogi i ddod o hyd i dalent gynhenid yn well – boed hynny'n gyflogwyr neu unigolion – a chynllunio'r gweithredoedd sydd eu hangen i gael y sgiliau cywir ar gael pan fydd eu hangen.

### Ymgysylltu â diwydiant

Mae'r Strategaeth Fuddsoddi yng Nghymru wedi arwain at broject (Dyfodol Adeiladu Cymru) sy'n gweithio mewn partneriaeth ag Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth ac sy'n anelu at wella cystadleurwydd a pherfformiad busnes cwmnïau adeiladu a'u cyflogeion trwy amrywiaeth o becynnau cymorth. Gwobrwywyd yr holl gontractau ar draws y pedair lot yn ystod 2014 ac mae gwaith wedi'i gychwyn yn frwd. Mae'r system CRM, diagnosteg cyfannol a pheccynnau ymchwil amrywiol wedi'u symblu yn ogystal â nifer o ymyriadau â chwmnïau gan gynnwys methodolegau darbodus, safonau ansawdd, ceisiadau cydweithredol a marcio CE, tra dechreuwyd rhaglen reoli ac arwain adeiladu yn ystod yr hydref.

Yn ystod 2014, cyflawnom ddau broject llai hefyd â chyllid cystadleuol a enillwyd oddi wrth Lywodraeth Cymru. Anelodd un o'r projectau at ddod â'r sgiliau cysylltiedig ag atgyweirio, cynnal-a-chadw a chadwraeth adeiladau traddodiadol i mewn i addysg a hyfforddiant adeiladu prif ffrwd ar draws Cymru. Darparodd hwn hyfforddiant ychwanegol yn llwyddiannus i brentisiaid presennol a datblygodd e'r gallu o fewn y sector addysg bellach trwy uwchsgilio darlithwyr ar draws Cymru. Ceisiodd yr ail broject ddatblygu gallu rheolwyr a goruchwylwyr mewn busnesau adeiladu trwy godi'u sgiliau arwain, rheoli a chynaliadwyedd a'u hymwybyddiaeth o faterion cynaliadwyedd.

Cafodd y ddau broject eu datblygu gan ddefnyddio adborth gan fforymau rhanbarthol ac roeddent mewn ymateb i'r galwadau newidiol am sgiliau.

Yn 2014, gwelwyd cynnydd nodedig o 20% mewn recriwtio prentisiaeth o 800. Er gwaethaf y twf hwn, mae'r amgylchedd yn aros yn anodd â chyllid sgiliau cyfredol yn cyfyngu ar ein gallu i ehangu'n rhaglenni Prentisiaeth. Â'r twf mewn niferoedd Prentisiaeth, y brif her oedd cynnal cyfraddau cyflawni Fframwaith uchel, ac mae'n dda nodi ein bod wedi cyflawni dros 80% unwaith eto.

Mae ein gwaith agos â Llywodraeth Cymru, cyflogwyr a darparwyr hyfforddiant yn sicrhau bod mentrau hyfforddi'n cael eu datblygu i gwrdd ag anghenion sgiliau'r diwydiant adeiladu presennol yng Nghymru fel bod gennym weithlu sy'n barod at y dyfodol. Bydd cynllunio at y dyfodol i sicrhau bod y gweithlu'n barod at y dyfodol yn sicrhau nad ydym yn gadael i gyfleoedd amhrisiadwy trwy fuddsoddiad mewn seilwaith mawr fynd heibio. O dan y cynllun rhannu prentisiaeth arloesol, ehangodd cynllun CCTAL ei sail ranbarthol ar draws pum ardal awdurdod lleol i sefydlu Cyfle Building Skills. Lleolir yr ail gynllun (y Prentis) yn Ne-ddwyrain Cymru. Cafodd cyfanswm o 110 o brentisiaid eu recriwtio gan y cynlluniau yn 2014.



# Review of 2014



Falkirk Wheel,  
Falkirk

# The business and economic environment

## Industry profile

The outlook for construction has changed for the better over the course of the past 12 months, reflecting a general recovery in the UK economy as a whole. Growth in 2013 resulted in a modest increase in construction outturn of 1% for the year but, perhaps more importantly, it was seen as a precursor to the more sustained growth forecast for 2014.

Despite a slowdown in GDP growth in the second half of the year, 2014 is estimated to have been a good year for the UK economy as a whole and forecasts for construction growth look to have proved correct.

All three main elements of the economy – investment, household spending and public consumption – experienced expansion last year, inflation has continued to fall and employment has grown strongly.

However, earnings growth remained weak and only started to exceed the inflation rate at the end of 2014. Exports are estimated to have declined on the back of poor Eurozone performance, making continued recovery increasingly reliant on consumer spending growth. Furthermore, public finances did not see the recovery expected in 2014, with tax receipts below expectations, and thus austerity measures are likely to continue for some time.

The construction industry has been one of the main engines of economic growth during 2014, with estimated expansion in the sector of around 7% in real terms, the best performance since 2010. New orders data also shows a degree of consolidation with orders in Q3 2014 increasing by 3.2% compared with Q3 2013.

For construction, this has resulted in increasing levels of activity and a stabilisation of workforce numbers. However, reduced cashflow, rising costs, and skills shortages are increasingly becoming issues for the industry.

Indeed, the Construction Trade Survey compiled by the Construction Products Association, which includes insights from the Civil Engineering Contractors Association (CECA), Federation of Master Builders (FMB), National Federation of Builders (NFB), National Specialist Contractors Council (NSCO) and the UK Contractors Group (UKCG), reported that the rise in demand was not all good news for the industry. Costs for both materials and labour continued to rise in the third quarter of 2014, reflecting the rise in demand. And, while tender prices rose in Q3, the benefits of these price rises are only likely to feed through when activity on these projects takes place in 2015. However, the Q3 cost rises have had an immediate impact and, as a

consequence, it was unsurprising to see falling margins in the industry.

The impact on margins highlights the difficulties for large and medium-size building contractors, many working on contracts won at low prices when the industry was struggling two years ago, but which have also had to deal with rises in costs that cannot be passed through to the client.

The Construction Products Association reports that payments have improved, but reduced cashflow remains an issue. The impact of reduced cashflow means that many firms are unable to invest in future growth, and remain at risk of insolvency despite the brightening picture.

Other results from CITB's Employer Panel research point to the changing fortunes of the sector and the emergence of skills issues.

Results on recent business performance confirm improved trading conditions. In terms of sales and turnover, many more report this has been higher over the last 12 months than the 12 months before (39%) than say it has fallen (21%). Further, this is a reverse of the situation even as recently as 2012, when many more reported decreases (42%) than increases (23%).

The proportion of firms mentioning the need to increase sales, which was a challenge for around half during the period 2009-2012, has continued to fall, from 43% in 2013 to 24% in 2014. It remains a key issue for many, but is not now the predominant theme.

While increased recent turnover is clearly encouraging, because there has been a sustained downturn, the base point for many employers may be quite low. As a result, and reflecting the findings of the Construction Products Association, firms are far more likely to report lower current profit levels than prior to the recession and overall, higher turnover has not yet had a significant impact on employment.

Nevertheless, the rise in workforce numbers (although small) is significant in that it is the first rise in construction employment since the 2008 recession.

At the same time, there has been a marked increase in skills shortages, with a fifth (21%) saying finding suitably skilled staff is a key business challenge, up from 9% in 2013 and similar to pre-recession levels.

Of course there are still concerns looking forward. More recent economic indicators suggest a mixed picture for the



global economy, which would negatively impact the UK. The Eurozone is in danger of falling into renewed recession; US data has shown solid but not outstanding growth, whilst growth in China has shown signs of slowing.

At home in the UK there is a risk that slow and low growth in earnings will continue to squeeze household incomes and that this will subdue household demand, and ultimately construction activity, in the near term. However, prospects remain positive despite the seeming inability to shake off political and economic uncertainty.

### Workforce profile

Construction employment now stands at about 1.9m people, or 2.6m if the wider supply chain of building professional and M&E services are included.

The combined employment of construction workers and professional services accounts for 8.8% of the UK workforce, having grown by around 2.6% between 2013 and 2014.

Data from the CSN suggests that employment in the industry will rise by an annual average of 1.5% from 2015, but it will still be about 4% below its 2008 peak in 2019. CSN data suggests that, over the 2013-2017 forecast periods, an average of 44,700 workers per year will be required to deliver the forecast growth and replace those leaving the industry.

While this is up from the 36,400 projected in 2013 for the 2014 to 2018 period and more than 15,000 higher than the nadir of 29,050 predicted in 2012 for the 2013 to 2017 period, it is very much lower than the 2006 forecast of over 87,000 – in spite of the best projected output growth rate since then.

Furthermore, there are already worrying indicators that the industry is suffering from labour shortages in specific areas, which strongly suggests that it permanently lost a large proportion of those made unemployed over the past five years, as it did during the early 1990s recession.

The FMB's quarterly State of Trade survey showed a rising trend in difficulties recruiting skilled staff during 2014, with 41% of respondents citing problems finding bricklayers, carpenters and joiners in the third quarter of 2014. A similar pattern can be seen in the results from the CECA's survey, with 47% of respondents dissatisfied with the supply of skilled operatives in the third quarter of 2014. In contrast, CITB's Employer Panel showed only a fifth (21%) of construction

employers spontaneously mentioning the shortage of skilled workers as a key business challenge, albeit rising to two-fifths (40%) when prompted.

Some of the reported 'shortage' may in part be due to perception, but clearly skills shortages are a pressing issue.

Skills shortages are more than just a short-term inconvenience. Those experiencing recent skill shortages mentioned a range of negative impacts including having to turn work down, projects overrunning, it limiting their growth, and it leading to increased wage costs. Where they are experienced they are very real.

All regions are expected to see employment growth over the next five years, with strong growth expected in Greater London and Wales (2.4%) resulting from investment in infrastructure.

Growth is expected across all occupations, including the traditional trades despite the likelihood that the use of modern methods of construction will continue to grow over the medium-term. It is expected, however, that employment growth will be generally stronger for the professional occupations – civil engineers, surveyors etc. – and managerial/supervisory occupations than the trades. Demand is also expected to be strong for logistics personnel.

### Industry performance

Whilst indicators for 2014 have been largely positive and the prospects for growth are significantly brighter, construction output is still well below pre-recession levels. Indeed, output in 2014 is still estimated to be around 9% lower than its 2007 peak while employment remains about 11% below its 2008 peak.

Growth in employment will always tend to lag growth in output, both from a timing perspective and in terms of magnitude as a result of some productivity gains, so the current situation although positive, serves to demonstrate how far the industry fell in recession.

In terms of growth the sector's performance continued to be characterised by strong sectoral and geographic variation.

Across the sector as a whole, 2014 has undoubtedly been the year of the housing market, with both public and private housing output showing very strong growth. Of the estimated £5.7bn (2010 prices) increase in total construction output between 2013 and 2014, the two new housing sectors accounted for 63% of the rise while making up only 22% of total output.

Apart from the industrial and repair and maintenance (R&M) sectors, growth elsewhere was disappointing or non-existent. Infrastructure activity subsided in 2014 despite the plans to update the UK's transport and energy networks. The public non-housing sector continued to be impacted by public expenditure cuts and growth in the private commercial sector has yet to build up a strong head of steam.

Analysis of output and employment suggests that the greater south east (Greater London, South East, and East of England) has generally continued to fare better than northern regions of England. However, there has been growth across all regions and nations.

### Industry prospects

Despite the mixed picture for growth during 2014, the annual average growth rate of 2.9% forecast for the construction industry for 2015 to 2019 is expected to be much more evenly spread across the sectors.

Increases in housing output will almost inevitably fall back to more sustainable levels in the medium to long-term. The infrastructure sector is expected to return to growth as some very large projects (such as nuclear new build at Hinkley Point) finally get going in earnest.

The impact of expenditure cuts on public non-housing output should have largely played out by 2015; further austerity measures are likely to be in resource rather than capital spending.

The industrial construction sector is likely to benefit from strong demand for new distribution and logistics facilities, while in the private commercial sector, the expanding offices sub-sector is likely to be joined by the retail and leisure ones.

The R&M sectors will continue to be driven in part by efforts to reduce energy costs by the installation of energy efficiency measures and/or renewable energy generation technologies, despite the limited impact of the Green Deal.

While most regions and devolved nations are expected to experience quite strong growth in private housing output to 2016, with a slowdown to more sustainable levels thereafter, the prospects for public housing are much more uncertain as the current Affordable Housing Programme (AHP) winds down to April 2015. The overall pot of funding available

from central government for 2015-18 is much the same on an annualised basis as in 2011-15 and there are concerns that many housing associations may find increasing their borrowing levels from private sources more problematic in the future.

Outside of the South West, infrastructure growth is likely to be strongest in the North East and Wales, the former being driven by £400m of roads work in the Highways Agency's Area 14, which covers the region and the latter benefitting from Great Western Line electrification, road upgrades, energy works such as Swansea's tidal lagoon and, of course, nuclear new build at Wylfa in Anglesey.

The strongest growth in commercial construction is expected in Yorkshire and the Humber (annual average growth of 6.3%), the North West (6.3%), Wales (5.9%) and Greater London (5.7%). South Yorkshire in particular seems to be benefiting from the reactivation of retail-led projects mothballed during the 'great recession', while Wales is seeing an upsurge in conference and exhibition venue construction.

Despite the beginnings of a comeback for construction, the sector still faces many challenges, some more apparent than others, but – economic or political – all have the ability to affect the prospects for building on current growth. Indeed, the sector is still very sensitive to external factors that could easily set growth back if not well managed.

The indication is for continued improvements into 2015 and beyond, but uncertainty still abounds even in the near term.

## Measuring performance

2014 was a good year for the UK economy overall, though growth did slow through the second half of the year.

Construction proved to be one of the engines of economic growth with the sector expanding by an estimated 7% in real terms.

2014 also marked the 50th anniversary of CITB. Though we took pride in our achievements over this period, it was also a year of transition and renewal to ensure CITB is ready to face the challenges of the next fifty years.

During 2014, CITB appointed a new chief executive and a new senior leadership team. A streamlined Board supported by an industry Council was appointed in January 2015.

Other changes included the roll out of the Be Fair framework, working in conjunction with industry to address fairness, inclusion and respect in the workforce; a Levy Simplification project designed to make the Levy process simpler, quicker and more efficient; and the publication of our first sustainability report.

Card Services saw a significant uplift in demand in 2014 as the industry grew and, coupled with the launch of the new CSCS Green Labourer Card, the service came under increasing pressure. A project to address service levels produced excellent results, with double the amount of calls handled, processing times reduced and response times improved, including answering email enquiries consistently within 24 hours.

Employers signalled high levels of satisfaction with our products and services, demonstrated through our Employer and Stakeholder Satisfaction Survey. We achieved an overall satisfaction result of 77% in line with target, exceeding the prior year's result of 75%.

By the end of 2014, Joint Investment activity across all three nations had progressed well with six targeted localities in England having Joint Investment plans agreed, meeting the target set for 2014 (target 1), and both Scotland and Wales plans on track against outcomes agreed with Government (target 2).

The familiarity and favourability research survey, which reflects the perspectives of three different respondent groups (influencers, parents and young people), saw a result of 59% against the target of 60% for 'Improve the appeal of construction careers' (target 3). This maintains the same level overall as 2013. Among targeted populations, gains were made in influencers and parents remained steady, with both these audiences exceeding the 60% target.

The overall result was impacted by lower results from young people themselves – which gives a focus for our work in 2015. Our Employer and Stakeholder survey results also indicated that our Image and Recruitment objectives should be our highest priority.

Due to reporting timescales, the result for 'Up-skill the existing workforce by increasing Level 3 achievements by 3%' (target 4) is currently not available – the results are drawn from official OFQUAL and SQA data likely to be published in mid-2015. The indicators of Level 3 activity by CITB used as a proxy for progress towards the outcome target signalled we were line with our 2013 results, suggesting we may not achieve the 2014 target.

Although both grant aided training days (target 6) and grant aided apprentices (target 7) exceeded targets set – demonstrating our continued support in these areas – we were unable to meet a target to 'increase the overall number of employers claiming grant by 10%' (target 5). Overall, results came in slightly above 2013 levels.

In 2014, there was lower uptake of OSAT and VQ achievement grants with Short Duration and Technical and Professional attendance grants at comparable volumes to 2013.

The surplus generated for the Charitable Trading activity was below plan (target 8). This was driven by a lower than expected England Apprenticeships contract value. Gains were experienced in both Testing and Card Services and CSkills Awards but this was not enough to offset declines in other product and services.

Salary costs as a percentage of income did not meet the plan (target 9). The changes experienced by CITB during 2014 and work on a new organisational design delayed implementation of original plans to achieve this target.

| Strategic priority       | Impact measure  | Our 2014 target | Our 2014 performance |
|--------------------------|---|-----------------|----------------------|
| Strategic Leadership     | 1. Progress Joint Investment Plans with Tier 1 targets in England                         | 6 plans agreed  | 6                    |
|                          | 2. Refresh Joint Investment Plans in Scotland and Wales                                   | Refresh         | ✓                    |
| Image and Recruitment    | 3. Improve the appeal of Construction careers   | 60%             | 59%                  |
| Training and Development | 4. Up-skill the existing workforce by increasing Level 3 achievements by 3%               | 18,903          | tbc*                 |
| Industry Engagement      | 5. Increase the overall number of employers claiming grant by 10%                         | 15,709          | 14,506**             |
|                          | 6. Increase the number of grant-aided training days                                       | 788,500         | 884,740              |
|                          | 7. Increase the number of grant-aided Apprenticeships                                     | 18,170          | 18,471               |
| Charitable Trading       | 8. Generate a surplus through our Charitable Trading activity to offset our running costs | £16m            | £11m                 |
| Corporate Services       | 9. Reduce our salary costs as a percentage of income by 5%                                | 55.6%           | 59.6%                |

\* Data not published until mid-2015

\*\* Excludes employers receiving Exceptional Training Grant (ETG) payments only

## Financial performance

### Result for the year

Net outgoing funds were £33.8m (compared to net incoming funds of £5.9m in 2013) due mainly to a big rise in expenditure to support CITB's charitable activities, coupled with a fall in non-Levy income of £1.2m and a fall in Levy income of £8.6m. The Balance Sheet shows net assets of £97.3m as at 31 December 2014 compared to £131.2m at the same date in 2013.

### Levy

Levy income in 2014 was £161.1m (2013 £169.7m), comprising £160.4m (2013 £157.9m) in respect of the current year's assessment plus an adjustment of £0.7m (2013 £11.9m) for the reassessment of prior year charges.

During 2013, the estimation technique for the provision for reassessments and bad debts was updated. Last year's prior years' reassessment adjustment (£11.9m more Levy income) was primarily due to a release of a reassessment provision set up in 2012 to allow for lower Levy income due to the delay in raising the assessments in 2012 and to the impact of the amended definition of a labour-only sub-contractor agreement, which did not materialise.

Levy rates remained unchanged at 0.5% on direct labour payments (PAYE) and 1.5% on labour-only sub-contract payments (LOSC), as did the small business exemption level of £80,000 and the small business Levy reduction of 50% for employers with total PAYE and LOSC payment falling between £80,000 and £99,999.

The growth in Levy Assessment value in 2014 is mainly due to employment growth in the sector and a 6.9% shift from lower-rated direct employment to higher-rated indirect employment.

The number of employers on the Levy and Grant register fell by 1,670 to 70,792 at 31 December 2014 – see Statistical information table 3 on page 90. During the year, employers may be added to the register as they fall in the scope of the Levy or they may be deleted from the register e.g. firms going out of business or out-of-scope to CITB.

### Grants

CITB publishes a Grants Scheme annually and registered employers are entitled to claim training grants in line with its conditions. Grant expenditure rose from £117.8m to £130.9m in 2014, helping to support 18,471 apprentices (including 5,101 framework achievements), 2,796 Training and Development Plans, 13,941 VQ achievements and 28,229 plant tests.

Training activity within the industry increased in 2014 when compared with 2013, but continued at relatively low levels when compared to the pre-recession position, due to reduced employment numbers and cuts in training budgets. The uplift in grant expenditure resulted from increased activity with employment increasing within the sector by 2.6% in 2014.

The Board announced the Exceptional Training Grant (ETG) in July 2013 whereby £15m was allocated to reward employers who undertook training under the 2012/13 Grants Scheme and £15m was allocated to incentivise employers to train under the 2013/14 Grants Scheme.

The total charge for 2013 amounted to £19.2m, including provisions for 2012/13 Training Plans (some of which run through to July 2014) and to cover 2013/14 Grants Scheme training undertaken in the 2013 financial year.

For 2014, the charge to the accounts amounted to £10.8m including the movement in provisions. £2.5m has been accrued for 2013/14 Training Plans (some of which run through to July 2014) as well as for 2013/14 late claims that will be paid in 2015.

The ETG rate for the 2012/13 grant claims was 14% of the value of 2012/13 employers' grant claims or a minimum payment of £250 per employer. For 2013/14 the rate was 13.5% or a minimum payment of £250 per employer.

The total number of employers in receipt of grant in 2014 was 15,725 (2013 15,330).

**What the industry gets back**

In 2014, CITB collected £156.0m in Levy after deducting the costs (£5.1m) of collecting Levy and processing grants and generated £100.6m in self-funded commercial activity, which enabled the organisation to return £180.2m in benefits (see table below).

|  | <b>Total</b> | <b>Grants Scheme</b> | <b>Other grants to employers</b> | <b>Grants to industry bodies</b> | <b>Other support</b> | <b>Third party funding</b> |
|--|--------------|----------------------|----------------------------------|----------------------------------|----------------------|----------------------------|
|  | <b>£'000</b> | <b>£'000</b>         | <b>£'000</b>                     | <b>£'000</b>                     | <b>£'000</b>         | <b>£'000</b>               |
| Apprentices  | <b>82.9</b>  | 47.8                 | 6.1                              | –                                | 19.9                 | 9.1                        |
| Consultancy and research, marketing campaigns and press coverage | <b>0.6</b>   | –                    | –                                | 0.6                              | –                    | –                          |
| Exceptional Training Grant                                       | <b>10.8</b>  | 10.8                 | –                                | –                                | –                    | –                          |
| Graduates/undergraduates   | <b>4.9</b>   | 4.5                  | 0.2                              | 0.2                              | –                    | –                          |
| Joint Investment Strategies                                      | <b>2.5</b>   | –                    | –                                | 0.8                              | –                    | 1.7                        |
| Management and Supervisory Development Programme/Growth Fund     | <b>3.0</b>   | –                    | –                                | 3.0                              | –                    | –                          |
| National Skills Academies for Construction                       | <b>1.6</b>   | –                    | –                                | 1.6                              | –                    | –                          |
| Plant  | <b>6.8</b>   | 6.8                  | –                                | –                                | –                    | –                          |
| Specialist support   | <b>1.4</b>   | –                    | 1.0                              | –                                | –                    | 0.4                        |
| Training courses   | <b>52.5</b>  | 51.5                 | –                                | 0.3                              | –                    | 0.7                        |
| Training Groups  | <b>4.4</b>   | 2.0                  | –                                | 2.4                              | –                    | –                          |
| VQ Achievements (non-apprentice) and Qualifying the Workforce    | <b>8.8</b>   | 7.5                  | –                                | 1.3                              | –                    | –                          |
| <b>Total Benefits</b>  | <b>180.2</b> | <b>130.9</b>         | <b>7.3</b>                       | <b>10.2</b>                      | <b>19.9</b>          | <b>11.9</b>                |
| <b>Net Levy</b>  | <b>156.0</b> |                      |                                  |                                  |                      |                            |
| <b>Percentage Return on Levy</b>                                 | <b>116%</b>  |                      |                                  |                                  |                      |                            |

**Grants Scheme** represents training grant payments (see Note 6 to the Financial Statements).

**Other grants** to employers represent direct payments made on behalf of employers including NCC apprentice support, apprentice travel and lodging allowances and specialist courses.

**Grants to industry** bodies represent payments to groups of employers, such as Training Groups, and includes funding through the Growth Fund.

**Other support** includes amounts paid in relation to apprentices. This represents college fees paid on behalf of employers and other payments as well as expenditure on industry-wide initiatives such as the cost of providing business advice and guidance to employers and marketing, consultancy and research projects.

**Third party funding** represents leveraged funds and benefits for the industry which do not enter CITB Financial Statements, such as college fee discounts.

### Government and other public authorities

CITB receives no grant-in-aid. Overall, funding from Government and other public authorities fell from £6.3m to £5.4m (see Note 3 to the Financial Statements on page 69).

### Investment income

CITB holds a large portfolio of investments mainly within segregated equities, bonds and cash on deposits with financial institutions. Investment income (£2.2m) grew by 8% from 2013 because of investment performance and market conditions. There was an unrealised gain on the value of those investments at 31 December 2014 of £0.3m (2013 an unrealised loss of £0.6m).

Investment objectives and strategy are in line with strict guidelines set by Government. These are designed to ensure that the risk of loss is minimised and the range of investments available is consequently tightly controlled. Environmental, social and ethical factors are considered to the extent permitted by current guidelines.

Funds invested directly by CITB generated a return of 0.83% for the year (2013 0.76%) compared to the benchmark COIF Charities Deposit Fund return of 0.42% (2013 0.49%). Funds invested by CITB's third party investment manager, Investec, increased in value by £5.2m to £30.9m.

### Reserves

Net current assets, which are taken as a measure of CITB's reserves, decreased from £115.1m at 31 December 2013 to £82.6m at 31 December 2014 as a result of disposals of fixed assets, a reduction in debtors and a reduction in investments and cash at bank arising from the increased expenditure and reductions in both Levy and non-Levy income. Net current assets at £82.6m were above the year-end target level of £40.8m.

The target range for reserves is calculated using a risk-based formula (see the section 'Reserves' within Note 1 to the Financial Statements). During periods of recovery CITB experiences increased grant claims as the construction industry strengthens. Levy income lags behind this upturn but the current high level of reserves will enable CITB to respond to the anticipated higher demand for grant.

*The construction industry has been one of the main engines of economic growth during 2014, with estimated expansion in the sector of around 7% in real terms, the best performance since 2010. New orders data also shows a degree of consolidation with orders in Q3 2014 increasing by 3.2% compared with Q3 2013.*



# Our people and values



## Corporate responsibility

CITB has an exemption from the requirement to provide a sustainability report as part of this annual report.

During 2014, our corporate responsibility activities have made some progress. One significant step was the decision to report on our sustainability in a stand-alone report, which was published on our website in October 2014. Our Chair, James Wates, welcomed the new report which was styled along the lines of HM Treasury reporting requirements.

Change at CITB has continued with a new Leadership Team being finally established towards the end of 2014. From the new team, our Corporate Responsibility Leadership Group will be refreshed in 2015.

CITB's Chief Executive, Adrian Belton, is keen to show how effectively CITB is meeting its corporate responsibility aspirations;

*"Corporate responsibility is still in the early stages of development and we are particularly keen to make a positive impact on the environment and society by improving our sustainability performance and being able to demonstrate our improvements to our stakeholders.*

*We continue to frame our corporate responsibility around the four core principles, the workplace, the marketplace, the environment and the local community. These principles encompass our Health, Safety and Environment, Safeguarding, and Fairness, Inclusion and Respect policies. These are available to the public through our CITB website.*

*It has always been our objective to deliver our core corporate responsibility principles by developing policies and initiatives that will bring a consistent approach to relevant issues across the organisation. It is our strategic intent to add value and to deliver real benefits to the core business by aligning corporate responsibility with our behaviour."*

### The workplace

We aim to create a positive workplace that provides a safe, healthy and supportive environment which enables our colleagues to develop their talents. Key achievements in this area were:

- The BSI Sword of Honour for Health and Safety was awarded at two more NCC facilities (TUCA and NCC Midlands)
- BSI accreditation audits on health and safety, the environment and our management system were passed with flying colours

- As part of our One CITB approach, we further developed our internal communications and launched Team CITB magazine with issues produced bi-monthly, that inform and engage our colleagues about business and social news across the organisation. We produced a bumper issue in September as part of 50th anniversary celebrations, which included a message from HRH The Prince Philip, Duke of Edinburgh
- The annual staff survey saw an increased response rate from 2013 with an average of 78.5% across the organisation. This gives colleagues the chance to express views about the way we do things.

### The marketplace

Our aim is to encourage positive relationships with our stakeholders and customers alike and building a reputation as a responsible business. Key achievements in this area were:

- CITB forged partnership agreements with industry stakeholders, other careers service organisations and Government departments, to help provide accurate, consistent and inspirational construction careers information
- We established the Military 'Buildforce' Initiative – which looks to help military personnel transferring into the construction industry (63 service leavers attended the first Construction Awareness Day) as well as the Creativity in Science and Technology (CREST) awards enabling employers to inspire new entrants to the industry
- Throughout June 2014 we hosted the 'Big Conversation', inviting employers and stakeholders to give us their views on where they thought we should allocate our activity funding and resources. This responded to the expectation that demand for our grant funding and training services would increase as the outlook for the sector continues to improve. It shows our customers that we listen to what they have to say.

### The environment

Our aim is to continue to reduce our impact on the environment and to seek continual improvement.

Key achievements were:

- The production of our sustainability report which focused our attention in understanding our environmental impacts better and to seek ways to improve the reporting of our

key data which constitute a carbon footprint. This sparked work to improve our data collection and analysis to enable us to establish an accurate baseline year in 2015 along with a carbon footprint

- CITB successfully retained our certification to ISO 14001, the environmental management system, across the organisation where either continuation or re-certification audits were carried out by a third party certification body
- The start of a biodiversity action plan was instigated with further work being developed during 2015.

### The local community

Our aim is to make a positive impact on the communities within which we operate. Key achievements were:

- Establishing a relationship with a school local to our head office in Bircham Newton through the Business in the Community scheme, Business Class. This will be further developed during 2015 along with our support to the Go4SET project also being run at the school. We are also supporting the 'Class of Your Own Initiative' (a national programme to raise the profile of construction in schools)
- Staff undertook a range of activities in support of national and local charities
- We continue to contribute to community projects providing valuable experience for our learners and staff alike, giving benefit to the local community.

### Our plans

Our plans for 2015 are to focus on our environmental impacts and we have set three objectives:

- To improve data collection, engage with our landlords to discuss sustainability plans, and set a baseline year from which to develop initiatives
- To develop a more formal response to our volunteering and community investment by producing guidelines for colleagues, to enable them to focus their efforts where they are most needed and to provide a benefit which enhances their development whilst, at the same time, generating tangible benefits to the community
- To further develop our biodiversity planning initially at our Bircham Newton site (some 400 acres in a rural setting).

### Fairness, Inclusion and Respect

CITB's Be Fair Framework, an industry standard grounded in research and good practice for developing effective working environments, which provides a structure for employers to develop and introduce effective Fairness, Inclusion and Respect (FIR) behaviours, is beginning to gain momentum. At the June 2014 launch event in London, representatives from over 50 organisations, including leading figures from the industry, reviewed progress and agreed that the scheme was not only good for business and good for the workforce, but had the potential to become the industry hallmark for FIR.

The Construction Industry Leadership Forum for Fairness, Inclusion and Respect (including key industry stakeholders such as UKCG, Construction Alliance, CIC, ICE, CIOB) brings sector leaders together with experts in FIR to develop and deliver a single strategy for industry, supported by activity including the Be Fair Framework. Be Fair is the first industry-specific equality and diversity standard, designed with the sector, for the sector.

Organisations are encouraged to progress through four levels of learning, Accredited, Bronze, Silver and Gold, gradually building their knowledge of FIR and their understanding of the issues specific to their situation.

Debbie Kehoe of Holloway Cook Associates, who recently achieved Bronze level accreditation, was in no doubt as to the benefits for her staff. *"We think it's really good for our people. Our employees see that they work in an organisation that values diversity, where people can be recognised for their talents and where there are no barriers to progress."*

The Framework is supported by an online portal giving access to content and resource material online.

Employers can also upload/download information, record and track their progress and receive feedback on the evidence they submit. In addition, CITB offers an incentive of £1,000, awarded upon accreditation, to encourage employers to take part.

36 companies achieved accreditation status during the pilot phase and many more expressed interest in signing up. Participating companies reported improved employee engagement, better working practices, a more effective approach to meeting regulatory requirements and the ability to access new areas of work.

## Our strategic report

Our approach to the structure and content of our Annual Report and Accounts is in line with the objectives and scope of the Government Financial Reporting Manual (FRM).

The FRM is the technical accounting guide for the preparation of financial statements and an interpretation of the Companies Act 2006 for the public sector context.

The information presented from page 6 to 40 of our Annual Report and Accounts (our Strategic Report) has described our strategic information, our business and our performance in a way that I believe to be fair, balanced and understandable.

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that CITB's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which CITB's auditors are not aware.

I hope you have found this information helpful to your understanding of our high-level aspirations and intentions, and of our performance. More information follows in our Remuneration Report (pages 42 to 46), in our Governance section (pages 48 to 58), and in our detailed Financial Performance section (pages 59 to 86).



**Adrian Belton**

Chief Executive

2015



# Remuneration



Leadenhall Building,  
London

# Remuneration report

## Membership

The Remuneration Committee is a sub-committee of the Board. Its purpose is to determine general policy on remuneration and individual remuneration packages for directors.

Its membership is made up of the Chair, Deputy Chair (who retired on 30 September 2014) and three Board members (Tim Peach, Ray Wilson and Harry Adam served throughout the year).

The Corporate Performance Director and Head of Human Resources provide information to the committee to inform its decisions.

## Policy on the remuneration of directors

Salaries and benefits are benchmarked against external market comparators on a triennial basis to ensure appropriate remuneration packages are paid to attract and retain capable individuals. This was last carried out in July 2012.

Individual remuneration for directors is reviewed annually with regard to external market changes and an assessment of individual performance evidenced by the performance management process. Individual performance payments, which are not consolidated into annual salaries, range from 0–6% of basic pay.

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

## Policy on contracts, notice periods and termination payments

Directors are permanent employees of the organisation. Notice periods are six months.

Termination payments, if applicable, are paid in accordance with standard CITB staff terms and conditions.

## Non-cash remuneration

Other than the provision of company cars, no non-cash remuneration is made. The provision of company cars are part of the standard terms and conditions of employment for senior grades of staff. As an alternative, a cash option and business mileage allowance are paid. Until the end of March 2014 free fuel – offset by a private use contribution – was also provided to those employees who had a company car.

## Salary and pension entitlements (audited)

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

## Board members' remuneration

The Remuneration Committee is not responsible for considering Board members' remuneration.

Payments to the Chair and Deputy Chair are authorised under Schedule 1(4) of the Industrial Training Act 1982. No other Board members are remunerated. Note 23 (page 82) provides more information about this.



## 2014 Remuneration

|   | Salary  | Benefits<br>in kind | Bonus | Pension<br>Benefits | Redundancy | 2014<br>Total |
|---|---------|---------------------|-------|---------------------|------------|---------------|
|   | £'000   | £'000               | £'000 | £'000               | £'000      | £'000         |
| <b>William Burton</b><br>Interim Chief Executive<br><i>(contract ended on 7 April 2014)</i>                       | 75-80   | –                   | –     | 4.6                 | –          | 80-85         |
| <b>Adrian Belton</b><br>Chief Executive<br><i>(appointed with effect from 1 April 2014)</i>                       | 105-110 | 6.5                 | –     | 6.4                 | –          | 115-120       |
| <b>Mike Bialyj</b><br>Employer Services Director  | 100-105 | 9.5                 | –     | 9.8                 | –          | 120-125       |
| <b>Colin Evans</b><br>Business Services Director<br><i>(resigned with effect from 30 June 2014)</i>               | 55-60   | 1.8                 | –     | 6.5                 | 38.1       | 100-105       |
| <b>Steve Geary</b><br>Skills Strategy Director<br><i>(resigned with effect from 30 June 2014)</i>                 | 60-65   | 2.4                 | –     | 7.4                 | 29.1       | 100-105       |
| <b>Tony Medawar</b><br>Interim Director of Transition<br><i>(contract ended on 19 December 2014)</i>              | 80-85   | –                   | –     | –                   | –          | 80-85         |
| <b>Stephen Radley</b><br>Policy and Strategic Planning Director<br><i>(appointed with effect from 6 May 2014)</i> | 70-75   | 1.3                 | –     | 3.9                 | –          | 75-80         |
| <b>Carl Rhymer</b><br>Commercial Director<br><i>(appointed with effect from 28 July 2014)</i>                     | 40-45   | 0.5                 | –     | 2.4                 | –          | 45-50         |
| <b>Nicola Thompson</b><br>Communications and Change Director<br><i>(resigned with effect from 30 June 2014)</i>   | 55-60   | 1.3                 | –     | 1.0                 | 83.0       | 140-145       |
| <b>Andy Walder</b><br>NCC Principal   | 110-115 | 2.0                 | –     | 14.3                | –          | 125-130       |
| <b>Sarah Beale</b><br>Chief Financial Officer and Corporate<br>Performance Director                               | 105-110 | 0.8                 | 5-10  | 20.5                | –          | 140-145       |

The full time equivalent salary bandings of those staff that left and started during 2014 were:

|                |                      |                 |                      |
|----------------|----------------------|-----------------|----------------------|
| William Burton | £285,000 to £290,000 | Tony Medawar    | £95,000 to £100,000  |
| Adrian Belton  | £140,000 to £145,000 | Stephen Radley  | £95,000 to £100,000  |
| Colin Evans    | £105,000 to £110,000 | Carl Rhymer     | £90,000 to £95,000   |
| Steve Geary    | £110,000 to £115,000 | Nicola Thompson | £100,000 to £105,000 |

**2013 Remuneration (comparative table)**

|   | Salary  | Benefits in kind | Bonus | Pension Benefits | In lieu of notice | 2013 Total |
|---|---------|------------------|-------|------------------|-------------------|------------|
|   | £'000   | £'000            | £'000 | £'000            | £'000             | £'000      |
| <b>Mark Farrar</b><br>Chief Executive<br><i>(resigned with effect from 31 May 2013)</i>                 | 110-115 | 1.8              | –     | 6.4              | 128.9             | 245-250    |
| <b>Mike Bialyj</b><br>Employer Services Director  | 100-105 | 11.2             | –     | 13.1             | –                 | 125-130    |
| <b>Colin Evans</b><br>Business Services Director  | 110-115 | 1.8              | –     | 17.6             | –                 | 130-135    |
| <b>Steve Geary</b><br>Skills Strategy Director  | 115-120 | 1.9              | 0-5   | 18.7             | –                 | 140-145    |
| <b>Erika Stoddart</b><br>Corporate Services Director<br><i>(resigned with effect from 14 June 2013)</i> | 60-65   | 1.1              | –     | 5.5              | –                 | 65-70      |
| <b>Nicola Thompson</b><br>Communications and Change Director  | 105-110 | 1.4              | 0-5   | 18.1             | –                 | 125-130    |
| <b>Andy Walder</b><br>NCC Director  | 105-110 | 1.8              | 0-5   | 19.2             | –                 | 130-135    |
| <b>Sarah Beale</b><br>Corporate Services Director   | 105-110 | –                | 0-5   | 59.7             | –                 | 165-170    |
| <b>William Burton</b><br>Interim Chief Executive<br><i>(started with effect from 28 May 2013)</i>       | 170-175 | –                | –     | 10.0             | –                 | 180-185    |

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

Benefits in kind include the use of allocated cars, flexible benefits (including critical illness cover and dental insurance) and medical insurance.

For members of defined benefit pension schemes the value of pension benefits accrued in the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. For members who accrue only defined contribution pension benefits the value represents the total of employer contributions paid in respect of the individual.

**Pension benefits**

|                        | Real increase<br>in pension<br>at normal<br>retirement<br>date | Total accrued<br>pension<br>at normal<br>retirement<br>date as at<br>31 Dec 2014 | Cash<br>equivalent<br>transfer<br>value as at<br>1 Jan 2014 | Real increase<br>in cash<br>equivalent<br>transfer<br>during<br>the year | Cash<br>equivalent<br>transfer<br>value as at<br>31 Dec 2014 |
|------------------------|--|--|---|--|--|
|                        | £'000  | £'000  | £'000   | £'000  | £'000  |
| <b>Adrian Belton</b>   | –  | –  | –   | 31   | 31   |
| <b>Mike Bialyj</b>     | 0-2.5  | 25-30  | 379   | 97   | 483  |
| <b>Colin Evans</b>     | 0-2.5  | 5-10   | 69  | 11   | 81   |
| <b>Steve Geary</b>     | 0-2.5  | 5-10   | 67  | 11   | 80   |
| <b>Carl Rhymer</b>     | –  | –  | –   | 6  | 6  |
| <b>Steve Radley</b>    | –  | –  | –   | 7  | 7  |
| <b>Nicola Thompson</b> | 0-2.5  | 15-20  | 220   | 13   | 238  |
| <b>Andy Walder</b>     | 0-2.5  | 15-20  | 286   | 76   | 368  |
| <b>William Burton</b>  | –  | –  | 17  | 7  | 24   |
| <b>Sarah Beale</b>     | 0-2.5  | 10-15  | 124   | 62   | 188  |

**Comparison of median pay to highest earner's remuneration**

CITB is required to disclose the relationship between the remuneration of its highest-paid director and the median remuneration of the organisation's workforce (based on full time equivalents).

|   | January to<br>April 2014 | May to<br>December<br>2014 | 2013    |
|---|--------------------------|----------------------------|---------|
| Highest earning executive director's total remuneration (£000)            | 285-290                  | 145-155                    | 285-290 |
| Median total remuneration (£000)  | 25-30                    | 25-30                      | 25-30   |
| Ratio of median remuneration to remuneration of highest earning executive | 10.2                     | 5.2                        | 9.7     |

**James Wates**

Chair

13 May 2015

**Adrian Belton**

Chief Executive

13 May 2015

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

# Governance



# Governance statement

## Statement of the Board and Accounting Officer's responsibilities

Under section 8(1) of the Industrial Training Act 1982, the Board is required to prepare for each financial year a statement of accounts 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 CITB's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing that statement of account, the Board is required to comply with the relevant requirements of the Government financial reporting manual and in particular to:

- a) 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
- b) Make judgements and estimates on a reasonable basis
- c) 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
- d) Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that CITB will continue in operation.

The Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive of CITB as Accounting Officer for CITB. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding CITB assets, are set out in *Managing Public Money* published by the HM Treasury.

Approved by the Board on 13 May 2015 and signed on its behalf by:

**Diana Garnham**  
Chair, Audit and Risk Committee 2015

**Adrian Belton**  
Chief Executive 2015

## Scope of Accounting Officer's responsibility

As Chief Executive and Accounting Officer, I, Adrian Belton, am responsible for ensuring there is a sound system of governance and internal control to support the achievement of CITB's policies, aims and objectives whilst safeguarding the funds and assets entrusted to me, ensuring they are properly accounted for and used economically, efficiently and effectively in line with responsibilities assigned to me in *Managing Public Money*.

During the first part of the period covered by this report, William Burton (Interim Chief Executive and Accounting Officer) held these responsibilities. I took over on 1 April 2014. In signing this statement, I have relied on a letter from William Burton describing CITB's governance during his period of appointment, and the other assurances identified in the following pages.

## The Purpose of the Governance statement

The Governance statement, for which as Accounting Officer I take personal responsibility, is intended to help readers understand the dynamics of the business and its control structure. It records the organisation's stewardship (supplementing financial information in the accounts) and gives an insight into how the governance structure directs, challenges and reviews plans and performance.

This statement explains how CITB has complied with the principles of Good Governance and reviews the effectiveness of these arrangements.

## How CITB is governed

CITB is directed by its employer-led Board, which is composed primarily of unpaid volunteers whose make-up in 2014 reflected the main stakeholders in the construction sector. Members were appointed through a process managed by BIS and the Office of the Commissioner for Public Appointments (OCPA).

Appointments were generally for five years, a second term depending on performance over that period and members cannot serve for more than ten years.

During 2014, the Board proposed that its structure, which had been in place since 1990, be streamlined and modernised. Consultation about proposed changes was undertaken with the construction sector, with devolved Governments and with BIS. Proposals were benchmarked against best practice and independently reviewed.



Stakeholders indicated their support in September 2014 and recruitment began shortly afterwards.

The new structure is based on a small employer-led Board of Trustees, appointed on the basis of their skills and experience (using the same BIS/OCPA process referred to above, supported by a larger, employer-led Council involving members from across the construction industry and from England, Scotland and Wales. Appointments to these bodies have been made with effect from 1 January 2015.

Future Board appointments will generally be made for a period of four years, with one further term of four years permitted if performance has been sufficiently strong. Council members will generally be appointed for three years with a second term of three years permitted if performance has been sufficiently strong. The Board, Council, and all supporting committees, will review their effectiveness and members' individual performance annually.

One of the new Board and Council's first tasks is to establish a small supporting committee structure – including Audit and Risk, Appointment and Remuneration and Finance Committees, and national Advisory Committees for the three home nations in which CITB operates. For a transitional period of up to six months at the start of 2015, the existing committee structure will remain in place.

Board members are charitable trustees, and have an over-riding obligation to place the interests of beneficiaries before all others, including their own. More information about those who served as Trustees during 2014 and 2015 is shown on pages 8 to 11.

During 2014, three Board members (Bob Collins, Harold Rackham and Graham Wren) resigned, and two (Judy Lowe and Barry Clarke) retired at the end of their terms of office. In view of the planned recruitment of a new and smaller Board, no replacements were sought. One member (Martyn Price) returned from leave of absence when a project which might have given rise to a conflict of interest came to an end.

In 2014, the Board was supported by several employer-led advisory and functional bodies, the most significant being the Audit and Risk, Finance, Remuneration and Training Committees. Members were drawn from the Board and were also nominated by stakeholders, including the principal sector trade associations. The new Board will review the functions of these and other supporting committees early in 2015.

The Board met four times in 2014 to give strategic direction, maintain oversight of business and financial planning and performance, make key decisions about the raising and spending of Levy, and authorise (if appropriate) significant policy or investment proposals.

Average attendance at the Board in 2014 was 75% (2013 76%) and individual attendance records are shown below.

| <b>Name</b>    | <b>Attended</b> | <b>Possible</b> |
|----------------|-----------------|-----------------|
| James Wates    | 4               | 4               |
| Judy Lowe      | 3               | 3               |
| Harry Adam     | 2               | 4               |
| John Allott    | 3               | 4               |
| Ian Billyard   | 4               | 4               |
| Darin Burrows  | –               | 4               |
| Barry Clarke   | 2               | 3               |
| Bob Collins    | 1               | 1               |
| John Dickson   | 4               | 4               |
| Jim Gilmour    | 4               | 4               |
| Geoff Holt     | 4               | 4               |
| Chris Jones    | 4               | 4               |
| Billy Kirkwood | 3               | 4               |
| John Lorimer   | 4               | 4               |
| Stephen Murphy | –               | 4               |
| Tim Peach      | 2               | 4               |
| Martyn Price   | 2               | 4               |
| Harold Rackham | 2               | 3               |
| Ray Wilson     | 3               | 4               |
| Graham Wren    | –               | –               |

**Board Performance**

Board evaluation indicates that the quality of information received by the Board is of a satisfactory standard, with 75% of responding members agreeing or strongly agreeing that they receive enough information in an understandable form to enable them to make decisions. Papers and reports are normally concise, relevant and timely and are made available via a secure on-line portal.

84% of members agreed or strongly agreed that their contributions were encouraged and made a difference to the quality of Board discussions, and 92% agreed that the Board effectively challenged proposals and recommendations submitted to it. Members were less satisfied with their strategic direction, with 58% believing that the Board had set a direction they could articulate clearly and 42% believing that their relationship with the Executive was based on trust and confidence – although explanatory comments also indicated that members felt that this situation was improving.

In the light of the impending appointment of new Board members at the start of 2015, no individual performance evaluation was carried out in 2014.

As a registered charity, CITB follows the Charity Commission’s Statement of Recommended Practice (SORP) rather than the UK Corporate Governance Code. However, it complies with the Code’s principles, with the following exceptions:

- The Board is wholly non-executive
- Apart from the Chair and Deputy Chair, whose remuneration is set by the UK government, with changes linked to the Senior Civil Service annual review, no Trustee is remunerated; and
- The Board holds dialogue with stakeholders through engagement programmes but does not have shareholders or investors or hold an AGM.

During 2014, the Board addressed the following items at its meetings:

| February                                  | April                                       | July   | October   |
|---|---|--|---|
| <b>Interim Chief Executive's Report</b>   | <b>Chief Executive's Report</b>             | <b>Chief Executive's Report</b>                                | <b>Chief Executive's Report</b>                     |
| Corporate Performance – 2013 Results      | CITB Refreshing the Strategic Plan for 2015 | Mid-year Business Performance and Financial Review             | Quarter 3 Business Performance and Financial Review |
| Commercial Policy – Progress Update       | NCC Strategic Vision – Business Plan        | Refreshing the Strategic Plan for 2015                         | Strategic Business Plan 2015                        |
| Richard Review Update                     | 2014/15 Grants Scheme                       | Handling Card Applications – Call Waiting and Customer Service | Employer Funding                                    |
| Draft 2014 Levy Return and Guidance Notes | Levy Simplification Proposals               | Levy Consultation 2014   | 2015-2017 Levy Proposals                            |
| Pension Deficit Recovery Options          | 2013 Draft Annual Report and Accounts       | CITB Governance and Business Management Arrangements           | Transition Plan to new Board and Committees         |
|   | Construction Team Leader Framework Pilot    | Appointments Process for Board and Council                     |   |
|   | NCC Midlands Relocation Business Case       |  |   |
| Audit Committee Report                    | Audit Committee Report                      | Audit and Risk Committee Report                                | Audit and Risk Committee Report                     |
|   | Scottish Advisory Committee Report          | Scottish Advisory Committee Report                             | Scottish Advisory Committee Report                  |

### Audit and Risk Committee performance

The Audit and Risk Committee (A&RC), chaired by Harry Adam, met four times in 2014. It advises the Board and the Accounting Officer on the adequacy of strategic and other processes for the management of risk, control and governance, maintains oversight of the internal audit function, agrees its annual audit plan and ensures this is well co-ordinated with the work of external auditors. During the year, one member (Nazir Haji) resigned. Because of the planned review of Board committees, no replacement was sought. Diana Garnham replaced Harry Adams as chair of the A&RC at its first meeting held 26 March 2015.

The A&RC receives an update at each meeting on corporate risks facing CITB and the steps being taken to address them. The Committee advises the Board on the adequacy of risk management arrangements, considers the Internal Audit plan and the External Audit strategy, considers Whistleblowing and Fraud issues and monitors the progress of management in implementing agreed actions following audits.

Average attendance in 2014 was 82% (2013 67%); individual records are shown below.

| Name              | Attended | Possible |
|-------------------|----------|----------|
| Harry Adam        | 4        | 4        |
| Kevin Fitzpatrick | 4        | 4        |
| Nazir Haji        | –        | 1        |
| Hugh Hunter       | 3        | 4        |
| John Lorimer      | 3        | 4        |

During 2014, the Audit and Risk Committee considered the following items at its meetings:

| March   | June   | September                                   | November                                    |
|---|--|---|---|
| Review and Approval of 2014 Internal Audit Plan                 |  |   | Review Draft 2015 Plan                      |
| Internal Audit Progress Report against Plan                     | Internal Audit Progress Report against Plan      | Internal Audit Progress Report against Plan | Internal Audit Progress Report against Plan |
| Assurance on the Adequacy of Risk Management at CITB            | Corporate Risk Management                        | Corporate Risk Management                   | Corporate Risk Management                   |
| Review External Audit Completion Report                         | External Auditors Management letter: Action Plan | Review External Audit findings              | External Audit Planning Report for 2014     |
| Review of Draft 2013 Annual Report and Accounts                 |  |   | Review Internal Audit Charter               |
| Best practice Guidance<br>• NAO fact sheets<br>• Whistleblowing | Future Governance                                |   | Governance: future terms of reference       |
| Whistleblowing, fraud   | Whistleblowing, fraud                            | Whistleblowing, fraud                       | Whistleblowing, fraud                       |

During 2014 there was no formal self-assessment of the Committee's performance as the Committee was due to be reconstituted upon appointment of the new Board. A formal self-assessment is scheduled to be carried out during 2015.

**Finance Committee performance**

The Finance Committee, chaired by Tim Peach, met three times in 2014. Its role is to advise the Board about its financial strategy, policies and practices, to monitor performance against forecast and approve expenditure, including capital investment, above specified levels.

In 2014, the Committee reviewed CITB's investment strategy and received a presentation from the trustees of the ITB Pension Funds as well as considering CITB's financial and business planning strategy.

During the year, two members (Judy Lowe and Harold Rackham) stepped down. Because of the planned review of committees, they were not replaced and the vacancy created by Derek Field's death in 2013 was not filled.

Average attendance in 2014 was 76% (2013 77%); individual records are shown below.

| Name           | Attended | Possible |
|----------------|----------|----------|
| Tim Peach      | 3        | 3        |
| Harry Adam     | 3        | 3        |
| John Dickinson | 3        | 3        |
| Judy Lowe      | 3        | 3        |
| Steve Murphy   | –        | 3        |
| Harold Rackham | 1        | 2        |

During 2014, the Finance Committee considered the following items at its meetings.

| March   | June   | September   |
|---|--|---|
| Strategic changes/Performance against Plan      | Report from CFO and Corporate Performance Director | Report from CFO and Corporate Performance Director        |
| Business Financials Performance/latest forecast | Business Financials – Business as Usual            | Financial Strategy and business planning Workshop         |
|   | Business Financials – Exceptional Items            | Pensions Update: presentation by Pensions Trustee         |
| Annual Report and Accounts                      |  |   |
| Investment Strategy performance                 | Investment Strategy performance                    | Investment Strategy performance: presentation by Investec |

**Remuneration Committee performance**

This committee, chaired by James Wates, met three times in 2014. Its remit is described more fully on page 42. During the year, Judy Lowe (Deputy Chair) retired at the end of her term of office. Because of the planned review of Board committees, she was not replaced.

Average attendance in 2014 was 86% (2013 81%) and individual records are show below.

| Name        | Attended | Possible |
|-------------|----------|----------|
| James Wates | 3        | 3        |
| Harry Adam  | 3        | 3        |
| Judy Lowe   | 1        | 2        |
| Tim Peach   | 2        | 3        |
| Ray Wilson  | 3        | 3        |

As well as undertaking the annual review of rewards across the business, this group led the recruitment process for the appointment of a permanent Chief Executive, including careful consideration of the terms and conditions needed to attract the right candidate.

## Training Committee performance

This committee, chaired by Judy Lowe until her retirement from the Board at the end of September 2014, and thereafter by Chris Jones, met four times in 2014. Its members come from across the sector and it advises the Board on the best way to allocate funding support for skills and training.

During 2014, Richard Easton resigned and was replaced by Martin Quille. Average attendance was 71% (2013 85%); individual records are shown below.

| Name                         | Attended | Possible |
|------------------------------|----------|----------|
| Judy Lowe                    | 4        | 4        |
| Chris Jones                  | 5        | 5        |
| Geoff Lister                 | 4        | 5        |
| Trevor Gamble                | 1        | 5        |
| Kevin Bennett <sup>1</sup>   | 1        | 1        |
| Ian Billyard                 | 2        | 5        |
| Richard Clarke               | 3        | 5        |
| Ian Dickerson                | 5        | 5        |
| Keith Donnelly               | 3        | 5        |
| Richard Easton               | 1        | 2        |
| Bob Harper                   | 3        | 3        |
| Peter Hitchcock <sup>2</sup> | 2        | 2        |
| Geoff Holt                   | 5        | 5        |
| Richard Latham               | 4        | 5        |
| Hayden Mead                  | 2        | 4        |
| Martyn Price                 | 5        | 5        |
| Martin Quille                | 2        | 3        |
| Mick Shepherd                | 4        | 5        |
| Kevin Smith <sup>3</sup>     | –        | 1        |
| Geoff Snow                   | 3        | 5        |
| Billy Sweeney                | 4        | 5        |
| Neil Vernon                  | 2        | 5        |

<sup>1</sup> Alternate for Hayden Mead

<sup>2</sup> Alternate for Bob Harper

<sup>3</sup> Alternate for Geoff Snow

In 2014, the Training Committee's focus continued to be on seeking to ensure that employers received the maximum sustainable level of support for training. This included keeping Grants Scheme provisions under review, and recommending the maintenance of higher levels of support for training plans, considering a range of bids for support for major infrastructure projects and sector-based pilot programmes through CITB's other funding schemes, working with national Governments on shared investment programmes and beginning a strategic review of CITB's approach to funding. The group considered future changes to governance associated with the expected appointment of a new Board and establishment of streamlined governance arrangements.

Overall, as shown on page 34, the committee oversaw the investment of £148.4m of employer funds.

During 2014, the Training Committee considered the following items at its meetings.

| <b>March</b>   | <b>May</b>  | <b>July</b>   | <b>September</b>  | <b>November</b>   |
|--|---|---|---|---|
| Construction Team Leader   | Business Improvement Funding Support Review   | Financials (presentation)                                     | Training Review   | Review of Growth Fund Criteria                                |
| House building Sector Bid to the Growth Fund                         |   | Qualifying the Workforce Fund                                 | Investment Funding Review                                     | Investment Funding Strategy Review Group                      |
| Buildforce Growth Fund Bid   |   |   |   | Grant-Funding Interim Administration Group                    |
| Grant Scheme Working Party proposals                                 | Structured Learning Exercise  |   | Governance Review   | Governance of Grant-Funding Arrangements for 2015 and Beyond  |
| Employer Funds   | Employer Funds  | Employer Funding  | Employer Funding  | Employer Funding for 2015                                     |
| Joint Investment Strategy for Scotland                               | Joint Investment Strategy for England   | Joint Investment Strategy for England                         |   | Joint Investment Strategy for England                         |
| Joint Investment Strategy for Wales                                  | Energy Efficiency Curriculum Project  | Business Information Modelling                                |   |   |
| Rail Tunnelling and London projects                                  | Be Fair Framework   | Richard Review  |   |   |
| Cross-industry Construction Apprenticeship Task Force update (CCATF) | Cross-industry Construction Apprenticeship Task Force (CCATF) submission of demonstrable targets for approval | Cross-industry Construction Apprenticeship Task Force (CCATF) | Cross-industry Construction Apprenticeship Task Force (CCATF) | Cross-industry Construction Apprenticeship Task Force (CCATF) |
| Long Term Strategy   |   |   |   |   |
| Flexible Qualifications for Industry                                 |   |   |   |   |

**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. It is based on a process designed to identify and prioritise risks to the achievement of business policies, aims and objectives. It is also designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 December 2014 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

**The risk and control framework**

As a registered charity, the organisation has a prudent and proportionate attitude to risk, placing emphasis on its risk management and control framework. Risk management is integral to business planning and performance monitoring, and risks are considered corporately and at team level. A risk management strategy, framework and policy are in place which will identify new risks, while the principal risks facing the business are reported regularly to the Executive, to management's Risk Committee (see opposite), and to the Audit and Risk Committee.

The organisation has built risk management and wider assurance capability. Each team's risk profile is monitored by review meetings between the director and the Corporate Risk Manager, during which the quality and timeliness of risk management documentation is central to discussion.

Our risk management framework categorises risks as financial, reputational, strategic, compliance and trading and



is used to set the acceptable tolerance thresholds for risks across the organisation.

Definitions of the various business risk appetites, together with assessment, appear in risk guidance located on the Intranet. The appetite was last reviewed in January 2014 by the Risk Committee and Executive.

Risk Registers, completed by risk owners, are in place for each team, consolidated at leadership level. These are held on an electronic platform, enabling trained risk owners to maintain their identified risks on-line, and permitting monitoring of their involvement (actions) in the process. Progress is reviewed on an ongoing basis.

An annual Accountability Statement completed by senior managers and directors gives further assurance that risk is handled effectively. This involves making a personal commitment to CITB's Accounting Officer, formally stating the manager's assessment of the effectiveness of control over activities for which they have been responsible. Where a gap in control or scope for improvement is identified, the manager is asked to provide a solution.

Risk Management is a responsibility of all individuals, with operational managers and directors receiving guidance and challenge from a dedicated Corporate Risk Manager.

### **Risk Committee**

Organisational changes during the year prompted a review of the Risk Management framework. This led to a revised approach focusing on clear accountability of risks and opportunities while ensuring that there is a clear correlation between risks at the Strategic, Leadership and Operational/Project levels.

As the revised approach developed, and accountability was devolved to the Executive and Leadership Team, the Risk Committee meetings became less prominent. Regular reports continued to be presented to the Audit and Risk Committee; these reports summarised the organisation's top risks and provided a progress statement on the embedding of risk management.

### **Management of risks to information**

We routinely review systems and processes for handling data securely against revised Government guidelines and to ensure we continue to meet best practice. The Information Management Group, made up of senior staff

from information management related areas of the business, considers how information is managed and controlled. This Group reports periodically to the Executive.

To achieve its aims effectively and efficiently, CITB collects and make use of personal information about individuals, such as employers, employees and applicants for posts, suppliers and apprentices.

CITB is committed to protecting the rights and freedoms of individuals in respect of the processing of their personal data, and undertake to comply with our obligations and responsibilities under the Data Protection Act 1998 at all times. We will ensure:

- Information is protected from unauthorised access
- Integrity of information is maintained
- Information is available when needed
- Regulatory and legislative requirements are met
- We consider and implement as appropriate any requirements, recommendations and best practice guidance from Government and industry
- Fair Processing Notices are issued each year asking employers to update the details we hold and giving them the chance to opt in or out of receiving marketing information
- Business continuity plans are produced, maintained and tested
- Staff are trained to fulfil their responsibilities to process information securely; and
- All breaches of information security are investigated.

We follow Cabinet Office guidance in relation to incidents involving protected personal data.

In 2014, there were four incidents involving the incorrect transmission of personal data. All four incidents were investigated; those affected were notified and corrective action taken.

Two 2GB encrypted USB memory sticks, one digital pen, an iPhone and a Nokia telephone were lost or stolen during the year.

In August 2014, a general performance issue with the CITB website escalated into a significant incident. Third party support partners helped CITB diagnose a Distributed Denial of Service (DDOS) attack. Such attacks are made by generating overwhelming demand for a website from multiple computers around the globe. The demand is

designed to overwhelm a target website, making the service slow or even unreachable. The effect of this attack was that our website was intermittently made unavailable; at no stage was CITB data or website content compromised and the situation was quickly resolved.

These incidents were not reported to the Information Commissioner as it was considered that there was immaterial risk of data loss.

### Current emphasis

In 2014, the focus of risk management continued with the potential significant change arising from the Triennial Review and the Richard Review of Apprenticeships, and on internal organisational change and delivering key systems improvement projects. This has been in addition to the ongoing management of risks across the organisation at both corporate and directorate levels, including health and safety risks related to construction training activities and ongoing monitoring of compliance with charitable objectives and State Aid regulations.

The Triennial Review will set out the Government's view of CITB and how it should operate. We have engaged closely with BIS throughout the process to ensure that the Review team consulted appropriately with the industry and gained a balanced understanding of current working arrangements. We will continue to maintain close engagement to ensure that the organisation is prepared for implementing any resulting recommendations.

Similarly, close engagement and consultation with BIS throughout the Richard Review, coupled with a proactive approach to change, has allowed for key issues to be discussed and the influencing of proposals to be taken forward. These actions have helped reduce the impact on the recruitment of apprentices into the construction sector, and the implications on this for CITB.

The Board has also been alert throughout the year to the potential risks stemming from the delivery of the organisational restructure at the senior levels within CITB, in particular ensuring engagement of staff throughout this period of change.

During the year, systems development focused on key projects to enhance the capability to support the business in the future. In addition, the operational issues with the finance system, implemented in 2012, remained but are not considered to be significant; a focus on action planning and

progress monitoring led to significant progress being made. Management of project risks are reported through the risk management framework.

In addition to the strategic risks already identified, the Executive and Leadership Team consider the challenges that the business faces; if these are deemed significant they will continue to be captured via the risk management framework.

### Maintaining stakeholder support

To continue to meet industry expectations CITB must maintain support from a range of stakeholders. We liaise with industry at all levels and an independent survey of employers' attitudes is carried out annually. Results are used to gauge industry support for the Levy and to inform business planning and longer-term strategies.

Links with federations, trades unions and educational bodies are very important for supporting strategic reviews of training priorities. Work with Government (for example, the Departments for Business, Innovation and Skills and for Education, the Scottish and Welsh Governments) ensures mutual understanding and alignment of policies and goals.

### Internal Audit opinion

CITB operates a dedicated Internal Audit unit working to Public Sector Internal Audit Standards in accordance with professional guidelines. Overall, the internal audit work for the year was focused on those areas of control and risk which presented the greatest risk to CITB, areas where there were known development needs and areas which are considered 'core' to the system of internal control.

The Head of Internal Audit has regularly updated the Audit and Risk Committee of the work undertaken throughout the year. An Annual Report, summarising the work undertaken and containing the Head of Internal Audit Opinion has been presented to the Committee, which states that the quality of internal control, governance and risk management at the end of 2014 was "Satisfactory" – in that "isolated areas of control weaknesses were identified which, whilst not systematic, put some business objectives at risk" (2013 opinion: "Satisfactory").

This is based on delivery of the 2014 plan of work across activities, and inputs from risk management activity and governance arrangements.

## Conflicts of interest

CITB provides a unique focal point for integrating strategic skills planning, standard setting and the delivery of national training resources.

It operates a formal conflicts of interest policy for staff and Board members. All potential conflicts are required to be declared and where relevant actions are taken to mitigate such situations. The arrangements also extend to reporting of compliance with our Gifts and Hospitality policy.

As a Non-Departmental Public Body (NDPB), CITB is accountable to the Secretary of State for Business, Innovation and Skills and must abide by principles of regularity and propriety, ensuring that its work is not adversely impacted by a conflict of interest. It believes that transparency of decision making and rigorous scrutiny by stakeholders combined with well-maintained information and other structural barriers, will help it attain these goals.

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

It adopts a balanced approach to developing standards, qualifications and training, to ensure sustainable solutions are embedded for the benefit of those who need training and those who supply it.

Its composite nature allows for the integration and testing of developments across all stages of the educational process, acting as a provider of training resources in specialist or other market sectors which are not otherwise supported.

## Whistle blowing

CITB is committed to achieving and maintaining high standards of behaviour at work, service to the public and in all our working practices, and to maintaining a culture where people are encouraged to speak out, confident that they can do so without adverse consequences, will be listened to and can be confident that appropriate action will be taken.

In 2014, two allegations were brought to the attention of the Head of Internal Audit under CITB's whistle blowing policy. Both of these were investigated and neither allegation was sustained.

## Off-payroll arrangements

In May 2012, the government published a review of the tax arrangements of public appointees, including recommendations to be applied by public bodies intended to improve the tax transparency of arrangements made with contractors. The review recognised that such arrangements could be sensible – to bring in specialist skills, or to help address fluctuating demand for services – and that the cost of placing such individuals on the payroll might not offer best value. However, the public sector should be more transparent than other employers about such matters.

CITB applies the more stringent guidance from BIS that requires:

- The most senior staff in a public body to be on the payroll (unless there are exceptional temporary circumstances); and
- There is a right to seek assurance about the tax arrangements of all long-term specialist contractors.

These obligations apply to all arrangements lasting six months or longer entered into after 23 August 2012 and I confirm compliance with the Requirements. No exceptional arrangements have been made in 2014 (and none were made in 2013).

### Review of effectiveness

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. This is informed by the work of executive managers and internal auditors within the organisation who are responsible for developing and maintaining the governance structures and internal control framework and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

I have been advised on the implications of the result of the review of the effectiveness of the system of governance, internal control and risk management by the Audit and Risk Committee. This includes a review of the draft Annual Report and Accounts. Having received the Head of Internal Audit's opinion, this Committee discusses the judgements about the system and then advises the Board. A plan to address weaknesses and ensure continuous improvement of the system is in place.

I have considered the evidence linked to the production of the Annual Governance Statement. The conclusion is that the CITB's overall governance and internal control structures are 'Satisfactory'.

Accounting Officer

**Adrian Belton**

Chief Executive

Acknowledged on behalf of the Board

**Diana Garnham**

Chair of the Audit and Risk Committee

13 May 2015

# Financial performance





# 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 Construction Industry Training Board (CITB) for the year ended 31 December 2014 under the Industrial Training Act 1982. The financial statements comprise the Statement of Financial Activities, the Income and Expenditure Account, 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of the Board and Accounting Officer's Responsibilities, the Board 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 CITB's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by CITB, 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 CITB's affairs as at 31 December 2014 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 the Secretary of State directions made under the Industrial Training Act 1982; and
- The information given in the sections headed Our Leadership, Measuring Performance, Financial Performance and Appendix B: Register of Interests of Board Members for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Matters on which I report by exception**

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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**

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I have no observations to make on these financial statements.

**Sir Amyas C E Morse**

Comptroller and Auditor General

18 June 2015

**National Audit Office**

157–197 Buckingham Palace Road

Victoria

London

SW1W 9SP

## Financial statements

**Statement of Financial Activities for the Year Ended 31 December 2014**  
**(incorporating an income and expenditure account)**

|   | Notes | 2014            | 2013<br>(restated) |
|---|-------|-----------------|--------------------|
|   |       | £'000           | £'000              |
| <b>[UNRESTRICTED FUND]</b>  |       |                 |                    |
| <b>INCOMING RESOURCES</b>   |       |                 |                    |
| Incoming resources from charitable activities                     |       |                 |                    |
| Non-Levy income   |       |                 |                    |
| Charitable Trading  |       | 82,392          | 86,379             |
| Training and Development  |       | 12,185          | 8,405              |
| Strategic Leadership  |       | 302             | 298                |
| Industry Engagement   |       | 55              | 282                |
| Image and Recruitment   |       | 110             | 144                |
| Running the Business  |       | 160             | 6                  |
| Government and other public authorities                           | 3     | 5,360           | 6,252              |
| Total non-Levy income   |       | 100,564         | 101,766            |
| Levy income   | 4     | 161,126         | 169,733            |
| Incoming resources from generated funds                           |       |                 |                    |
| Investment income   |       | 2,158           | 2,005              |
| Incoming resources from non-charitable activities                 | 5     | 116             | 155                |
|   |       | <b>263,964</b>  | <b>273,659</b>     |
| <b>RESOURCES EXPENDED</b>   |       |                 |                    |
| Cost of generating funds  |       |                 |                    |
| Investment management costs                                       |       | 43              | 38                 |
| Charitable activities   |       |                 |                    |
| Grants  | 6, 7  | 130,851         | 117,811            |
| Charitable Trading  |       | 56,180          | 60,749             |
| Training and Development  |       | 22,821          | 17,603             |
| Strategic Leadership  |       | 9,669           | 12,615             |
| Industry Engagement   |       | 11,238          | 11,944             |
| Image and Recruitment   |       | 4,102           | 1,250              |
| Corporate Services  |       | 56,537          | 37,415             |
| Levy collection and grant processing costs                        |       | 5,053           | 5,302              |
| Total cost of charitable activities                               | 8     | 296,451         | 264,689            |
| Non charitable activities   | 5     | 112             | 134                |
| Governance costs  | 9     | 1,152           | 1,262              |
| Impairment of assets  | 11    | 29              | 1,638              |
| <b>Total resources expended</b>                                   |       | <b>297,787</b>  | <b>267,761</b>     |
| <b>Net (outgoing)/incoming funds for the year</b>                 |       | <b>(33,823)</b> | <b>5,898</b>       |
| <b>Other recognised gains and losses</b>                          |       |                 |                    |
| Realised loss on investments                                      |       | (225)           | (630)              |
| Unrealised gain/(loss) on investments                             | 14    | 339             | (636)              |
| Transfer from restricted funds                                    | 18    | (119)           | 1,088              |
| <b>Net movement in unrestricted funds</b>                         | 18    | <b>(33,828)</b> | <b>5,720</b>       |
| Accumulated unrestricted fund at 01 January                       |       | 131,159         | 125,439            |
| <b>Accumulated unrestricted fund at 31 December</b>               | 18    | <b>97,331</b>   | <b>131,159</b>     |
| <b>[RESTRICTED FUND]</b>  |       |                 |                    |
| Incoming resource – NCC East development fund                     |       | (119)           | 1,088              |
| Accumulated restricted fund at 01 January                         |       | –               | –                  |
| Net movement in restricted funds – transfer to unrestricted funds | 18    | 119             | (1,088)            |
| <b>Accumulated restricted fund at 31 December</b>                 | 18    | <b>–</b>        | <b>–</b>           |
| <b>Accumulated funds at 31 December</b>                           | 18    | <b>97,331</b>   | <b>131,159</b>     |

The above results include all recognised gains and losses and are derived from continuing activities.

The notes 1-28 on pages 65 to 85 form an integral part of these accounts.

The 2013 comparatives have been restated as detailed in Note 2 to these accounts.

**Balance Sheet as at 31 December 2014**

|   | Notes  | <b>2014</b>     |               | 2013     |
|---|--------|-----------------|---------------|----------|
| <b>FIXED ASSETS</b>                           |        | <b>£'000</b>    | <b>£'000</b>  | £'000    |
| Tangible assets                               | 11     |                 | <b>14,994</b> | 16,295   |
| <b>CURRENT ASSETS</b>                         |        |                 |               |          |
| Debtors                                       | 12, 16 | <b>31,070</b>   |               | 50,681   |
| Properties held for sale                      | 13     | <b>400</b>      |               | 400      |
| Investments                                   | 14, 16 | <b>109,032</b>  |               | 115,800  |
| Cash at bank                                  | 16     | <b>3,795</b>    |               | 8,230    |
|   |        | <b>144,297</b>  |               | 175,111  |
| <b>CREDITORS</b>                              |        |                 |               |          |
| Amounts falling due within one year           | 15, 16 | <b>(61,738)</b> |               | (59,980) |
| Net current assets                            |        |                 | <b>82,559</b> | 115,131  |
| Total assets less current liabilities         |        |                 | <b>97,553</b> | 131,426  |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b> |        |                 |               |          |
|   | 17     |                 | <b>(222)</b>  | (267)    |
| <b>NET ASSETS</b>                             |        |                 |               |          |
|   |        |                 | <b>97,331</b> | 131,159  |
| <b>FINANCED BY</b>                            |        |                 |               |          |
| <b>Accumulated fund</b>                       | 18     |                 | <b>97,331</b> | 131,159  |

The notes 1-28 on pages 65 to 85 form an integral part of these accounts.

Approved by the Board on 13 May 2015  
and signed on its behalf by:

Chief Executive  
**Adrian Belton**

**Cash Flow Statement for the Year Ended 31 December 2014**

|   | Notes  | 2014                   | 2013                  |
|---|--------|------------------------|-----------------------|
| <b>Reconciliation of net resources used to net cash inflow from operating activities</b>                        |        | <b>£'000</b>           | <b>£'000</b>          |
| <b>Net income for the year</b>  |        | <b>(33,823)</b>        | <b>5,898</b>          |
| Interest receivable   |        | <b>(2,158)</b>         | (2,005)               |
| Operating (deficit)/surplus   |        | <b>(35,981)</b>        | 3,893                 |
| Depreciation charges  | 10, 11 | <b>1,350</b>           | 1,283                 |
| Profit on sale of tangible fixed assets   |        | <b>(162)</b>           | (1)                   |
| Realised loss on disposal of fixed assets   | 11     | <b>1,223</b>           | –                     |
| Realised gain on investments  | 14     | <b>(225)</b>           | –                     |
| Impairment of assets  | 11     | <b>29</b>              | 1,638                 |
| Decrease/(increase) in debtors  |        | <b>18,924</b>          | (6,098)               |
| Increase in creditors and provisions  |        | <b>1,787</b>           | 10,045                |
| <b>Net cash (outflow)/inflow from operating activities</b>  |        | <b><u>(13,055)</u></b> | <u>10,760</u>         |
| <b>CASH FLOW STATEMENT</b>  |        |                        |                       |
| <b>Net cash (outflow)/inflow from operating activities</b>  |        | <b>(13,055)</b>        | 10,760                |
| <b>Returns on investments and servicing of finance</b>  | 19     | <b>2,845</b>           | 1,576                 |
| <b>Capital expenditure (net)</b>  | 19     | <b>(1,332)</b>         | (3,359)               |
| <b>Management of liquid resources (call accounts, term deposits, money market and externally managed funds)</b> | 19     | <b>7,107</b>           | (2,186)               |
| <b>(Decrease)/increase in cash at bank</b>  | 20     | <b><u>(4,435)</u></b>  | <u>6,791</u>          |
| <b>Reconciliation of net cash flow to movement in net funds</b>   |        |                        |                       |
| <b>(Decrease)/increase in cash at bank in the period</b>  |        | <b>(4,435)</b>         | 6,791                 |
| Management of liquid resources (call accounts, term deposits, money market and externally managed funds)        | 19     | <b>(7,107)</b>         | 2,186                 |
| Other non-cash movements in the year  | 14     | <b>339</b>             | (1,266)               |
| <b>Movement in net funds in the year</b>  |        | <b>(11,203)</b>        | 7,711                 |
| <b>Net funds at 01 January</b>  |        | <b>124,030</b>         | 116,319               |
| <b>Net funds at 31 December</b>   | 20     | <b><u>112,827</u></b>  | <u>124,030</u>        |
| <b>Represented by:</b>  |        |                        |                       |
| <b>Investments</b>  | 14     | <b>109,032</b>         | <b>115,800</b>        |
| <b>Cash at bank</b>   |        | <b>3,795</b>           | <b>8,230</b>          |
|   |        | <b><u>112,827</u></b>  | <b><u>124,030</u></b> |

The notes 1-28 on pages 65 to 85 form an integral part of these accounts.

# Notes to the financial statements for the year ended 31 December 2014

## 1. Accounting policies

### Going concern

These accounts are prepared on a going concern basis due to fact that net current assets are in excess of the minimum level set by UK Government.

### Accounting convention

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

The accounts also meet the disclosure requirements of the 2013–14 Government Financial Reporting Manual in so far as they are applicable and do not conflict with the requirements of SORP 2005.

These accounts are prepared under the historical cost convention as modified to reflect the revaluation of fixed assets and investments. Debtors and creditors are shown at face value as any impairment is covered by provisions.

### Incoming resources

#### Levy

Levy income is that receivable from assessments based on the employment details returned by employers, with an estimate for those from which employment details have not been received. Estimated assessment income is reduced by a provision for reassessments, based on historical trends, to allow for their normal write down in value following the receipt of a Levy Return declaring actual direct employment and labour-only subcontract payments. A provision for bad debts, based on identified doubtful debts, prior years' experience and the economic state of the industry, is also applied against Levy debts and both the movement in the provision between 1 January and 31 December and the actual bad debts written off in the year are set off against Levy income. Levy Assessments are recognised in the Statement of Financial Activities (SOFA) in the period in which they are raised.

#### Government and other public authorities

Government grants received are recognised in the SOFA so as to match them with the expenditure towards which they are intended to contribute, which may give rise to deferred income for grants received in advance of expenditure incurred.

### Activities

Income is allocated to the activities either directly or apportioned by staff time spent. Income in respect of all activities is accounted for on an accruals basis except for Image and Recruitment where income from output-related funding is included in the period in which the trainee attains the specified achievements. Income may also be received in advance of goods and services being delivered which is treated as deferred income.

### Investment income

Income from investments is included in the SOFA on an accruals basis.

### Resources expended

#### Grants

The charge in the SOFA consists of the training grants paid during the year together with an estimate of the liability for unpaid grants for the period and any adjustments to accruals made in earlier years. Grants are considered to be legally binding when the terms have been agreed by both parties.

#### Activities

The costs of activities are allocated to each activity either directly or apportioned by staff time spent. The charges in the SOFA are recognised on an accruals basis. The Image and Recruitment activity includes payments in relation to New Entrant Training made during the year together with an estimate of the liability for unpaid course fees for the period.

#### Leasing

Rentals paid under operating leases are charged in the SOFA on a straight line basis over the lease term.

#### Allocation of resources expended

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

Cost of generating funds – *direct*

Charitable and non-charitable activities – *direct and by staff time*

Governance costs – *direct and by staff time, including the costs of Board and committees, Internal Audit, Business Planning, Legal, Finance and Audit fees.*

## Other recognised gains and losses

### Realised on investments

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

### Unrealised on investments

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

## Assets

### Estimation techniques

Levy debtors represent the estimated recoverable amounts of unpaid Levy Assessments having taken account of provisions for bad debts and for reassessing estimated assessments following the late receipt of Levy Returns. CITB only writes off Levy debts when it has evidence that an employer has become insolvent, ceased to trade, is dissolved or, CITB having made all reasonable efforts to locate the debtor, is untraceable.

### Tangible fixed assets

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

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

Freehold buildings

- 50 years (*permanent buildings*)
- 20 years (*improvements and temporary buildings*)
- Nil (*buildings under construction*)

Leasehold land and buildings – *the lease term*

Plant and machinery – 5 to 10 years

Office equipment – 4 to 10 years

Computer equipment – 4 years

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

### Properties held for sale and investments

Properties held for sale and investments are stated at market value at the balance sheet date. Investments are considered to be liquid resources as they are all redeemable on demand. Bonds, equities and cash are held at market value. Managed funds are valued at a price provided by the third party investment manager.

## Liabilities

### Estimation techniques

Grant creditors: Amounts payable in relation to the Grants Scheme are performance-related and are therefore recognised as resources expended to the extent that the recipients of the grants have provided the specified services as at year-end. Training Plan grant claims not yet received are accrued for on the basis of historical payment patterns adjusted for any known changes in circumstances. Accruals for apprentice grant claims are based on the number of new entrant trainees known to have been enrolled on the scheme. As the Grants Scheme runs from 1 August to 31 July, all other grant claims for the period from 1 August to 31 December each year are accrued at the year-end on the basis of 5/12ths of the annual forecast expenditure for the Grants Scheme year, less payments made, as this is considered to best reflect the recipients' delivery of the specified services.

College fee creditors: Amounts payable in relation to college fee invoices are calculated on the basis of known learners' records. College fees relating to students whose details have not yet been received are accrued for on the basis of historical payment patterns adjusted for any known changes in circumstances.

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are classified in the following categories: loans and receivables, available-for-sale and other financial liabilities. CITB's financial instruments are not considered to be held-to-maturity investments, nor does CITB hold financial



## Notes to the financial statements for the year ended 31 December 2014 (continued)

assets or liabilities expressly for trading purposes. Material classes of financial instruments are separately identified under these categories in the notes to the accounts.

#### Loans and receivables

'Loans and receivables' financial instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, for example trade debtors and deposits held in banks. Subsequent to initial recognition, these assets are carried at cost less impairment where material.

#### Available-for-sale

'Available-for-sale' financial instruments are non-derivatives that are either designated in this category or not classified in any of the other categories. CITB's investments are considered to fall within this category. Subsequent to initial recognition these assets are recorded at fair value, with any realised and unrealised gains or losses reflected in the SOFA.

#### Provisions

Provisions are made for dilapidations on leasehold properties to represent a provision for estimated settlements with landlords on the expiry of leases over the next seven years. The estimations are based on previous financial experience.

#### Other financial liabilities

'Other financial liabilities' financial instruments are short-term creditors.

### Other

#### VAT

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

#### Pensions

CITB is a participating employer in the ITB Pension Funds, a multi-employer defined benefit scheme. In accordance with the provisions of FRS 17 relating to multi-employer schemes, the scheme has been accounted for as a defined contribution scheme, as the proportion of assets and funding level attributable to CITB are not separately

identified. Costs related to the pension scheme are shown within the Statement of Financial Activities in the period to which they relate.

#### Reserves

Reserves are required to cover exposure to delays in income receipts and acceleration of grants and costs which are outside the control of CITB and to ensure continuity of funding to the construction industry.

A risk-based formula, as agreed with the UK Government, is used to calculate an appropriate year-end target level of reserves, which is measured against net current assets. Actual net current assets should fall within the range of plus or minus 5% of the agreed target. A variety of other factors are also considered when agreeing the target level of reserves, including but not limited to, agreements with the ITB Pension Funds, capital requirements and working capital requirements.

The unrestricted fund is available for use at the discretion of the Board in furtherance of the general objectives of the charity. Restricted funds are those funds that have been received for a particular purpose and may not be used for any other.

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**2. Restatement of prior years' non-Levy incoming resources and resources expended for charitable activities**

The activities that CITB undertakes in support of the industry have been re-defined in 2014. The new activities are explained in detail on pages 12 and 13. The table below shows the reconciliation from the 2013 audited SOFA to the restated comparatives in the SOFA on page 62.

| Incoming resources (previous activity)        | Total          | Grants         | Charitable Trading | Training and Development | Strategic Leadership | Industry Engagement | Image and Recruitment | Corporate Services | Government and other public authorities | Levy collection and grant processing costs |
|---|----------------|----------------|--------------------|--------------------------|----------------------|---------------------|-----------------------|--------------------|---|--|
|   | £'000          | £'000          | £'000              | £'000                    | £'000                | £'000               | £'000                 | £'000              | £'000                                   | £'000                                      |
| Productivity                                  | 43,165         | –              | 38,312             | 4,767                    | 41                   | 7                   | 36                    | 2                  | –                                       | –  |
| Low Carbon                                    | 137            | –              | –                  | 46                       | 91                   | –                   | –                     | –                  | –                                       | –  |
| Leadership                                    | 517            | –              | –                  | 513                      | 1                    | 3                   | –                     | –                  | –                                       | –  |
| Recruitment                                   | 50,544         | –              | 47,993             | 2,363                    | 48                   | 100                 | 36                    | 4                  | –                                       | –  |
| Employer Engagement                           | 588            | –              | 74                 | 305                      | 1                    | 172                 | 36                    | –                  | –                                       | –  |
| Education and Training                        | 563            | –              | –                  | 411                      | 116                  | –                   | 36                    | –                  | –                                       | –  |
| Government and other public authorities       | 6,252          | –              | –                  | –                        | –                    | –                   | –                     | –                  | 6,252                                   | –  |
|   | <b>101,766</b> | <b>–</b>       | <b>86,379</b>      | <b>8,405</b>             | <b>298</b>           | <b>282</b>          | <b>144</b>            | <b>6</b>           | <b>6,252</b>                            | <b>–</b>                                   |
| <b>Resources expended (previous activity)</b> |                |                |                    |                          |                      |                     |                       |                    |   |  |
| Grants  | 117,811        | 117,811        | –                  | –                        | –                    | –                   | –                     | –                  | –                                       | –  |
| Productivity                                  | 49,510         | –              | 24,629             | 5,169                    | 44                   | 1,276               | 130                   | 18,262             | –                                       | –  |
| Low Carbon                                    | 4,206          | –              | 8                  | 377                      | 2,870                | –                   | 133                   | 818                | –                                       | –  |
| Leadership                                    | 9,700          | –              | 204                | 857                      | 5,022                | 497                 | 102                   | 3,018              | –                                       | –  |
| Recruitment                                   | 61,813         | –              | 34,938             | 8,166                    | 1,359                | 3,790               | 613                   | 12,947             | –                                       | –  |
| Employer Engagement                           | 12,895         | –              | 960                | 2,198                    | 1,547                | 6,381               | 119                   | 1,690              | –                                       | –  |
| Education and Training                        | 3,452          | –              | 10                 | 836                      | 1,773                | –                   | 153                   | 680                | –                                       | –  |
| Levy collection and grant processing costs    | 5,302          | –              | –                  | –                        | –                    | –                   | –                     | –                  | –                                       | 5,302                                      |
|   | <b>264,689</b> | <b>117,811</b> | <b>60,749</b>      | <b>17,603</b>            | <b>12,615</b>        | <b>11,944</b>       | <b>1,250</b>          | <b>37,415</b>      | <b>–</b>                                | <b>5,302</b>                               |

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**3. Incoming resources from Government and other public authorities Levy**

|   | 2014         | 2013         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| UK Government departments and Skills Development Scotland | 3,141        | 5,644        |
| UK Commission for Employment and Skills (UKCES)           | 2,219        | 608          |
|   | <u>5,360</u> | <u>6,252</u> |

No grant-in-aid is receivable by CITB.

**4. Levy**

|   | 2014           | 2013           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Current year's Levy Assessment receivable | 165,333        | 162,888        |
| Less: provision for bad debts             | (4,979)        | (5,009)        |
| Net value current year's Levy Assessments | 160,354        | 157,879        |
| Reassessment of previous years' Levy      | 772            | 11,854         |
| Net Levy income for the year              | <u>161,126</u> | <u>169,733</u> |

**5. Non-charitable activities**

Non-charitable activities represent the income generated from the use of CITB's social and leisure facilities and its related expenditure.

**6. Training grants**

|  | 2014           | 2013<br>(restated) |
|--|----------------|--------------------|
|  | £'000          | £'000              |
| Paid or offset during the year                     | 128,916        | 108,309            |
| Less: Accruals brought forward                     | (32,309)       | (22,807)           |
| Add: Accruals for further payments                 | 34,244         | 32,309             |
|  | <u>130,851</u> | <u>117,811</u>     |
| <b>Apprenticeship grants</b>                       |                |                    |
| Attendance grants                                  | 27,778         | 25,480             |
| Achievement grants                                 | 19,987         | 16,684             |
|  | <u>47,765</u>  | <u>42,164</u>      |
| Exceptional training grant                         | 10,828         | 19,172             |
| Other grants                                       | 72,258         | 56,475             |
| Total grants (all claimed as institutional grants) | <u>130,851</u> | <u>117,811</u>     |

The restatement of 2013 figures is a reclassification of the exceptional training grant between attendance grants, achievement grants and other grants within the note to more accurately reflect the nature of the grant.

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**7. Material cash support payments in respect of training**

Accounting and Reporting by Charities: Statement of Recommended Practice 2005 requires material grants made to be disclosed. Disclosure must include the name of the recipient and the aggregate amount of grants made to that recipient. The definition of grants includes grants, trainee allowances and college fee payments, and these are reconciled below. Training grants make a contribution towards an employer's training costs. Aggregate payments/offsets over £175,000 made during the year:

| Recipient                     | £'000  | Recipient                                     | £'000          |
|-------------------------------|--------|---|----------------|
| Carillion Plc*                |        | Wates Group Ltd                               | 427            |
| CITC                          | £5,094 | Persimmon Plc                                 | 426            |
| Other                         | £2,047 | Byrne Group Plc                               | 387            |
| Kier Group Plc                | 2,898  | Ian Williams (Holdings) Ltd                   | 366            |
| O'Rourke Investments Plc      | 2,662  | Bentley Holdings Ltd                          | 358            |
| The Berkeley Group Plc**      | 2,465  | Insight Solutions GRP Recruitment Ltd         | 331            |
| Royal BAM Group               | 2,234  | Cape Intermediate Holdings Plc                | 326            |
| Balfour Beatty Plc            | 2,203  | Gap Holdings Ltd                              | 306            |
| Mears Group Plc               | 1,612  | Brand Energy & Infrastructure Services UK Ltd | 300            |
| Morgan Sindall Group Plc      | 1,462  | ISG Plc                                       | 295            |
| Barratt Developments Plc      | 1,313  | Bellway Plc                                   | 291            |
| Vinci                         | 1,232  | R G Carter Group Ltd                          | 281            |
| J Murphy & Sons Ltd           | 1,152  | Forrest Corporate Ltd                         | 275            |
| Amey UK Plc                   | 1,031  | Jones Bros Ruthin Co Ltd                      | 273            |
| Costain Group Plc             | 969    | F M Conway Ltd                                | 262            |
| Keepmoat Ltd                  | 933    | Bell Group UK Ltd                             | 259            |
| Galliford Try Plc             | 883    | Astins Ltd                                    | 254            |
| Willmott Dixon Group          | 843    | Crest Nicholson Plc                           | 253            |
| Volkerwessels UK Ltd          | 789    | Cruden Holdings Ltd                           | 249            |
| Bouygues                      | 750    | Alfred Bagnall & Sons Ltd                     | 235            |
| Taylor Wimpey Plc             | 698    | Lakehouse Holdings Ltd                        | 231            |
| Sir Robert McAlpine           | 615    | Bloor Holdings Ltd                            | 227            |
| Skanska UK                    | 613    | E S H Holdings Ltd                            | 225            |
| Mitie Group Plc               | 603    | Ainscough Crane Hire Ltd                      | 220            |
| Speedy Hire Plc               | 563    | Geoffrey Osborne Ltd                          | 218            |
| Redrow Plc                    | 541    | British Gas Trading Ltd                       | 212            |
| Renew Holdings Plc            | 513    | C C G (Holdings) Ltd                          | 205            |
| Hero Topco Ltd                | 473    | Broadthorpe Ltd                               | 189            |
| The Clancy Group Plc          | 462    | M P B Structures Ltd                          | 184            |
| Morrison Utility Services Ltd | 459    | Novus Property Solutions Ltd                  | 182            |
| Carey Group Plc               | 456    |   |                |
| Ashtead Group Plc             | 455    |   |                |
| VP Plc                        | 434    |   |                |
| Interserve Plc                | 429    |   |                |
|                               |        |   | <b>48,133</b>  |
|                               |        | Other recipients                              | 80,783         |
|                               |        | <b>Total payments</b>                         | <b>128,916</b> |

\* This employer operates a managing agency (providing training opportunities for more than its own needs) and so could claim a greater number of New Entrant Training grants.

\*\*The total paid to The Berkeley Group Plc of £2,465,000 described above includes £161,000 relating to grant scheme year 2013/14 and £2,304,000 relating to previous grant scheme years which has been paid in the current year in conclusion of historical grants claimed.

The number of employers claiming grant increased from 15,330 in 2013 to 15,725 in 2014 (2.6%).

## Notes to the financial statements for the year ended 31 December 2014 (continued)

| Reconciliation with charges: | Accruals B/F    | Payments       | Accruals C/F  | Charges        |
|------------------------------|-----------------|----------------|---------------|----------------|
|                              | £'000           | £'000          | £'000         | £'000          |
| Training grants (Note 6)     | (32,309)        | 128,916        | 34,244        | 130,851        |
| Trainee allowances           | –               | 4,732          | –             | 4,732          |
| College fees                 | (9,749)         | 21,986         | 7,637         | 19,874         |
|                              | <b>(42,058)</b> | <b>155,634</b> | <b>41,881</b> | <b>155,457</b> |

College fees and trainee allowances are included within expenditure attributed to Charitable Trading and Training and Development in the Statement of Financial Activities (page 62).

**8. Cost of charitable activities**

|  | Activities undertaken directly | Support costs (Note 10) | 2014 Total including grants | 2013 Total including grants (restated) |
|--|--------------------------------|-------------------------|-----------------------------|--|
|  | £'000                          | £'000                   | £'000                       | £'000                                  |
| Grants                                     | 130,851                        | –                       | <b>130,851</b>              | 117,811                                |
| Charitable Trading                         | 56,180                         | –                       | <b>56,180</b>               | 60,749                                 |
| Training and Development                   | 22,821                         | –                       | <b>22,821</b>               | 17,603                                 |
| Strategic Leadership                       | 9,669                          | –                       | <b>9,669</b>                | 12,615                                 |
| Industry Engagement                        | 11,238                         | –                       | <b>11,238</b>               | 11,944                                 |
| Image and Recruitment                      | 4,102                          | –                       | <b>4,102</b>                | 1,250                                  |
| Corporate Services                         | 45,879                         | 10,658                  | <b>56,537</b>               | 37,415                                 |
| Levy collection and grant processing costs | –                              | 5,053                   | <b>5,053</b>                | 5,302                                  |
|  | <b>280,740</b>                 | <b>15,711</b>           | <b>296,451</b>              | <b>264,689</b>                         |

Activities undertaken under the Activity headings: Grants, Charitable Trading, Training and Development, Strategic Leadership, Industry Engagement, Image and Recruitment and Corporate Services are described in more detail on pages 12 and 13.

2013 comparatives restated under the new Activities as described in Note 2.

**9. Governance costs**

|                              | 2014         | 2013         |
|------------------------------|--------------|--------------|
|                              | £'000        | £'000        |
| Board and committee costs    | <b>249</b>   | 278          |
| Corporate Assurance          | <b>335</b>   | 355          |
| Business Planning            | <b>28</b>    | 28           |
| Legal                        | <b>90</b>    | 95           |
| Finance                      | <b>76</b>    | 100          |
| External audit               | <b>75</b>    | 73           |
| Chairman and Chief Executive | <b>226</b>   | 324          |
| Other                        | <b>73</b>    | 9            |
|                              | <b>1,152</b> | <b>1,262</b> |

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**10. Net movement in funds**

|   | <b>2014</b>   | 2013   |
|---|---------------|--------|
|   | <b>£'000</b>  | £'000  |
| The net movement in funds for the year was arrived at after (crediting)/charging: |               |        |
| Profit on disposal of fixed assets  | <b>(162)</b>  | (5)    |
| Board members' remuneration (see Note 23)   | <b>28</b>     | 35     |
| Rentals paid under operating leases   |               |        |
| • Hire of plant and machinery   | <b>154</b>    | 131    |
| • Other operating leases  | <b>1,265</b>  | 774    |
| Audit fees  | <b>75</b>     | 73     |
| Depreciation on owned assets  | <b>1,350</b>  | 1,283  |
| Indemnity insurance   | <b>15</b>     | 14     |
| Support costs (see below)   | <b>15,711</b> | 15,318 |

Indemnity insurance covers breach of professional duty by reason of any neglect, error or omission committed in good faith by any employee or agent. The material element of support costs are outlined below:

|                        | <b>2014</b>   | 2013          |
|------------------------|---------------|---------------|
|                        | <b>£'000</b>  | £'000         |
| Levy and grant         | <b>4,333</b>  | 4,571         |
| Management             | <b>1,334</b>  | 1,033         |
| Finance                | <b>1,835</b>  | 1,617         |
| Information technology | <b>6,247</b>  | 5,931         |
| Human Resources        | <b>1,159</b>  | 1,320         |
| Legal                  | <b>803</b>    | 846           |
|                        | <b>15,711</b> | <b>15,318</b> |



## Notes to the financial statements for the year ended 31 December 2014 (continued)

**11. Tangible fixed assets**

|                                      | Freehold property | Plant and machinery | Motor vehicles | Office and computer equipment | Assets under development | Total         |
|--------------------------------------|-------------------|---------------------|----------------|-------------------------------|--------------------------|---------------|
| <b>(a) Summary Cost or valuation</b> | <b>£'000</b>      | <b>£'000</b>        | <b>£'000</b>   | <b>£'000</b>                  | <b>£'000</b>             | <b>£'000</b>  |
| 01 January 2014                      | 9,510             | 5,665               | 1,757          | 9,627                         | 4,271                    | 30,830        |
| Additions                            | 19                | 186                 | –              | 501                           | 650                      | 1,356         |
| Disposals                            | –                 | (581)               | (493)          | (168)                         | (1,222)                  | (2,464)       |
| Transfers                            | –                 | –                   | –              | 1,832                         | (1,832)                  | –             |
| Impairments                          | (29)              | –                   | –              | –                             | –                        | (29)          |
| <b>31 December 2014</b>              | <b>9,500</b>      | <b>5,270</b>        | <b>1,264</b>   | <b>11,792</b>                 | <b>1,867</b>             | <b>29,693</b> |
| Valuation 2014                       | 8,900             | –                   | –              | –                             | –                        | 8,900         |
| Cost                                 | 600               | 5,270               | 1,264          | 11,792                        | 1,867                    | 20,793        |
|                                      | 9,500             | 5,270               | 1,264          | 11,792                        | 1,867                    | 29,693        |
| <b>Depreciation</b>                  |                   |                     |                |                               |                          |               |
| 01 January 2014                      | 166               | 5,261               | 1,204          | 7,904                         | –                        | 14,535        |
| Charges for the year                 | 30                | 201                 | 156            | 963                           | –                        | 1,350         |
| Disposals                            | –                 | (581)               | (437)          | (168)                         | –                        | (1,186)       |
| <b>31 December 2014</b>              | <b>196</b>        | <b>4,881</b>        | <b>923</b>     | <b>8,699</b>                  | <b>–</b>                 | <b>14,699</b> |
| <b>Net Book Value</b>                |                   |                     |                |                               |                          |               |
| <b>31st December 2014</b>            | <b>9,304</b>      | <b>389</b>          | <b>341</b>     | <b>3,093</b>                  | <b>1,867</b>             | <b>14,994</b> |
| <b>31st December 2013</b>            | <b>9,344</b>      | <b>404</b>          | <b>553</b>     | <b>1,723</b>                  | <b>4,271</b>             | <b>16,295</b> |

At 31 December 2014, CITB received professional, external valuations of its freehold property. Montagu Evans undertook the valuations of the property at Bircham Newton, valuing the training centre and head office on an existing use basis and the agricultural land at market value, the freehold property held at Glasgow, Birmingham and Erith on an existing use basis. These valuations were made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, which resulted in a reduction in value of £29,000, being the reduction in value below historical cost.

|   | 2014          | 2013          |
|---|---------------|---------------|
| <b>(b) Historical cost information</b>  | <b>£'000</b>  | <b>£'000</b>  |
| If the valuations had not been included then freehold property would have been included at the following amounts: |               |               |
| Cost  | 20,563        | 20,205        |
| Accumulated depreciation  | (4,278)       | (4,123)       |
|   | <b>16,285</b> | <b>16,082</b> |
| <b>(c) Freehold property</b>  |               |               |
| Freehold land cost  | 3,850         | 3,625         |
| Freehold property cost  | 5,650         | 5,885         |
| Accumulated depreciation freehold property only   | (196)         | (166)         |
|   | <b>9,304</b>  | <b>9,344</b>  |

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**(d) Modified historic cost accounting**

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

**(e) Capital commitments**

There were capital commitments of £133,000 at 31 December 2014 (2013 £3,327,000) for the development of the Constructionarium and for computer equipment.

**(f) Plant equipment on loan**

The NCC has the use of equipment on loan, free of charge, from plant equipment suppliers equivalent to a purchase value of approximately £1,840,000 (2013 £961,000).

**(g) Tangible fixed assets 2013 (comparative table)**

|                          | Freehold property | Plant and machinery | Motor vehicles | Office and computer equipment | Assets under development | Total         |
|--------------------------|-------------------|---------------------|----------------|-------------------------------|--------------------------|---------------|
|                          | £'000             | £'000               | £'000          | £'000                         | £'000                    | £'000         |
| <b>Summary</b>           | <b>£'000</b>      | <b>£'000</b>        | <b>£'000</b>   | <b>£'000</b>                  | <b>£'000</b>             | <b>£'000</b>  |
| <b>Cost or valuation</b> |                   |                     |                |                               |                          |               |
| 01 January 2013          | 9,326             | 5,698               | 1,949          | 9,887                         | 1,966                    | 28,826        |
| Additions                | 1,751             | 10                  | 14             | 475                           | 2,124                    | 4,374         |
| Disposals                | –                 | (43)                | (206)          | (483)                         | –                        | (732)         |
| Transfers                | 71                | –                   | –              | (252)                         | 181                      | –             |
| Impairments              | (1,638)           | –                   | –              | –                             | –                        | (1,638)       |
| <b>31 December 2013</b>  | <b>9,510</b>      | <b>5,665</b>        | <b>1,757</b>   | <b>9,627</b>                  | <b>4,271</b>             | <b>30,830</b> |
| Valuation 2013           | 8,910             | –                   | –              | –                             | –                        | 8,910         |
| Cost                     | 600               | 5,665               | 1,757          | 9,627                         | 4,271                    | 21,920        |
|                          | <u>9,510</u>      | <u>5,665</u>        | <u>1,757</u>   | <u>9,627</u>                  | <u>4,271</u>             | <u>30,830</u> |
| Depreciation             |                   |                     |                |                               |                          |               |
| 01 January 2013          | 137               | 5,048               | 1,140          | 7,627                         | –                        | 13,952        |
| Charges for the year     | 29                | 256                 | 242            | 756                           | –                        | 1,283         |
| Disposals                | –                 | (43)                | (178)          | (479)                         | –                        | (700)         |
| 31 December 2013         | <b>166</b>        | <b>5,261</b>        | <b>1,204</b>   | <b>7,904</b>                  | <b>–</b>                 | <b>14,535</b> |
| <b>Net book value</b>    |                   |                     |                |                               |                          |               |
| <b>31 December 2013</b>  | <b>9,344</b>      | <b>404</b>          | <b>553</b>     | <b>1,723</b>                  | <b>4,271</b>             | <b>16,295</b> |
| 31 December 2012         | 9,189             | 650                 | 809            | 2,260                         | 1,966                    | 14,874        |

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**12. Debtors: amounts falling due within one year**

|   | 2014     | 2014          | 2013     | 2013          |
|---|----------|---------------|----------|---------------|
|   | £'000    | £'000         | £'000    | £'000         |
| Levy debtors                              | 28,804   |               | 41,785   |               |
| Less: provision for bad debts (see below) | (14,269) |               | (14,121) |               |
| Total Levy debtors                        |          | 14,535        |          | 27,664        |
| Trade and other debtors                   | 12,905   |               | 18,281   |               |
| Less: provision for bad debts             | (447)    |               | (390)    |               |
| Total trade and other debtors             |          | 12,458        |          | 17,891        |
| Accrued Income                            |          | 2,614         |          | 3,549         |
| Prepayments                               |          | 1,463         |          | 1,577         |
| <b>Total Debtors</b>                      |          | <b>31,070</b> |          | <b>50,681</b> |
| Balances with Intra-Government bodies     |          |               |          |               |
| Central Government bodies                 |          | 8,531         |          | 15,042        |
| Public corporations                       |          | 76            |          | 252           |
| Local authorities                         |          | 54            |          | 74            |
|   |          | 8,661         |          | 15,368        |
| Balances with non-Governmental bodies     |          |               |          |               |
| Other debtors (see note 16)               |          | 5,393         |          | 4,366         |
| Balances with other bodies                |          | 17,016        |          | 30,947        |
| <b>Total Debtors</b>                      |          | <b>31,070</b> |          | <b>50,681</b> |

As stated in the Accounting Policies (see Note 1 on page 65), CITB only writes off Levy debts when it has evidence that an Employer has become insolvent, has ceased to trade, has been dissolved or, having made all reasonable efforts to locate the debtor, is untraceable. As a consequence, there is a high proportion of prior years' assessments for which full provision is required. At 31 December 2014, £12,399,000 was outstanding for 2013 and prior Levy assessments (2013 £13,152,000 for 2011 and prior assessments), against which a provision for bad debts of £10,158,000 – 81.9% (2013 £10,073,000 – 76.6%) has been made.

**13. Property held for sale**

Properties held for sale represents one Scottish property (2013:1) that is surplus to requirements and is stated at market value at 31 December 2014.

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**14. Investments**

|   | 2014           | 2013           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Analysis of movement of investments</b>              |                |                |
| Market value at beginning of year                       | 115,800        | 114,880        |
| Additions to investments at cost                        | 329,194        | 410,401        |
| Disposals at carrying value                             | (336,076)      | (408,215)      |
| Realised loss on investments                            | (225)          | (630)          |
| Unrealised gain/(loss) on investments                   | 339            | (636)          |
| Market value at end of year                             | <u>109,032</u> | <u>115,800</u> |
| <br>  |                |                |
| Listed securities in UK                                 | 25,050         | 18,420         |
| Listed securities outside UK                            | 5,802          | 7,221          |
| Deposits with banks and building societies in UK        | 52,398         | 59,377         |
| Deposits with banks and building societies outside UK   | 25,000         | 30,000         |
| Managed funds outside UK                                | 782            | 782            |
|   | <u>109,032</u> | <u>115,800</u> |
| <br>  |                |                |
| Balances held within the Government Banking Service     | 10,412         | 15,000         |
| Balances held outside of the Government Banking Service | 98,620         | 100,800        |
|   | <u>109,032</u> | <u>115,800</u> |

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

|                                  | 2014   | 2013   |
|----------------------------------|--------|--------|
|                                  | £'000  | £'000  |
| <b>Investments</b>               |        |        |
| <b>Term deposits</b>             |        |        |
| Bank of Scotland                 | 10,000 | 10,000 |
| Nationwide                       | 10,000 | –      |
| Credit Agricole                  | –      | 10,000 |
| National Bank of Abu Dhabi       | –      | 10,000 |
| Santander                        | –      | 10,000 |
| <br>                             |        |        |
| <b>Money market funds</b>        |        |        |
| Nat West liquidity Select 95 day | 9,956  | –      |
| Goldman Sachs                    | –      | 10,000 |

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**15. Creditors: amounts falling due within one year**

|   | <b>2014</b>   | 2013   |
|---|---------------|--------|
|   | <b>£'000</b>  | £'000  |
| Trade creditors                                       | <b>4,267</b>  | 2,992  |
| Taxation and social security                          | <b>2,615</b>  | 1,243  |
| Deferred Income                                       | <b>1,567</b>  | 1,924  |
| Accruals:   |               |        |
| Training grants and allowances payable to 31 December | <b>34,244</b> | 32,309 |
| College Fees  | <b>7,637</b>  | 9,749  |
| Other   | <b>11,408</b> | 11,763 |
| <b>Total Creditors</b>                                | <b>61,738</b> | 59,980 |
| Balances with intra-Government bodies                 |               |        |
| Central Government bodies                             | <b>2,966</b>  | 1,791  |
| Public corporations                                   | <b>25</b>     | 333    |
| Local authorities                                     | <b>83</b>     | 97     |
|   | <b>3,074</b>  | 2,221  |
| Balances with other bodies                            | <b>58,664</b> | 57,759 |
| <b>Total Creditors</b>                                | <b>61,738</b> | 59,980 |

**16. Financial instruments**

FRS 29 requires the disclosure of information to enable users to evaluate the significance of financial instruments for CITB's financial position, the nature and extent of risks arising from financial instruments to which it was exposed during the period and at the reporting date and how these are managed.

**Financial assets and liabilities by category**

Set out below are the accounting classifications of each class of financial assets and liabilities as at 31 December 2014, together with any associated gains and losses. Due to the nature of the investments held, all are considered to be Level 1 investments in the fair value hierarchy in line with the requirements of FRS29.

Their carrying value less impairment provision of trade debtors (see Credit Risk on page 78) are assumed to be approximate to their fair value.

Notes to the financial statements for the year ended 31 December 2014 (continued)

|   | Loans and<br>receivables | Available<br>for sale | Other<br>Financial<br>liabilities | <b>Total<br/>2014</b> | Total<br>2013         |
|---|--------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------|
|   | £'000                    | £'000                 | £'000                             | £'000                 | £'000                 |
| Debtors excluding prepayments                                   | 29,607                   | –                     | –                                 | <b>29,607</b>         | 49,104                |
| Investments   | –                        | 109,032               | –                                 | <b>109,032</b>        | 115,800               |
| Cash at bank  | 3,795                    | –                     | –                                 | <b>3,795</b>          | 8,230                 |
| Creditors   | –                        | –                     | (61,738)                          | <b>(61,738)</b>       | (59,980)              |
| <b>2014</b>   | <b><u>33,402</u></b>     | <b><u>109,032</u></b> | <b><u>(61,738)</u></b>            | <b><u>80,696</u></b>  | <b><u>113,154</u></b> |
| 2013  | <u>57,334</u>            | <u>115,800</u>        | <u>(59,980)</u>                   | <u>113,154</u>        |                       |
| Investment losses   |                          |                       |                                   | <b>£'000</b>          | £'000                 |
| Loss on disposal of investments                                 |                          |                       |                                   | <b>(225)</b>          | (630)                 |
| Net movement in fair value of<br>available-for-sale investments |                          |                       |                                   | <b>339</b>            | (636)                 |
|   |                          |                       |                                   | <b>114</b>            | (1,266)               |

### Financial risk management

Qualitative information on CITB's approach to financial risk management is disclosed in the 'Investments' and 'Reserves' sections of the Annual Report above, and in the Governance Statement. Quantitative disclosures are included here. All investments are reported at market value at 31 December 2014.

### Credit risk

CITB is exposed to credit risk of £5,393,000 (2013 £4,366,000) in other trade debtors (see Note 12 on page 75), which are stated at fair value, after making an impairment provision of £447,000 (2013 £390,000) for bad debts. However, this is not considered to be significant as major customers are familiar and loss experience has been small. 96% of non-Levy debts have been recovered over the past year and it is expected that the majority of the current outstanding figure will be settled within normal payment terms. Any amounts that are overdue or impaired are adequately provided for. No collateral is held in respect of any debtors. Levy debtors arise as a consequence of raising statutory assessments on in-scope employers and are not perceived to be a credit risk.

As at 31 December 2014, term deposits and cash holdings are all placed with approved UK banks and are spread across several institutions. CITB has not suffered any loss during 2014 (2013 nil) in relation to cash held by bankers.

### Liquidity risk

61.0% of CITB's income in 2014 was derived from the statutory Levy (2013 62.0%), and the right to raise this Levy was confirmed for the three years 2013 to 2015.

The reserves policy is set out under accounting policies (Note 1 on pages 65 to 67). CITB believes that the level of unrestricted reserves at the end of 2014, combined with secure matching of expenditure to funding income for the year ahead and the continuation of Levy receipts, is such that CITB is not exposed to unacceptably high liquidity risks.

### Market risks

#### Interest rate

CITB's financial assets, excluding short-term debtors and creditors, are made up of investments and cash. Information about material investments is disclosed at Note 14 on page 76.

Cash is held in a variety of non-interest bearing bank accounts.

Interest income for the year made up 0.8% (2013 0.7%) of CITB incoming resources and no loans are held, so exposure to interest rate risk is minimal. The effect of a 1% movement in interest rates in 2014 would have been approximately £1,296,000.



## Notes to the financial statements for the year ended 31 December 2014 (continued)

**Foreign currency**

All of CITB's financial assets are denominated in pounds sterling; therefore there is no exposure to any foreign currency risk.

**Other price**

Exposure to wider price risks is reduced by appropriate procurement controls coupled with competitive tendering and the securing of longer-term fixed price contracts where possible. Whilst some contracts have an element of variability based on the Retail Price Index, any risks arising from these are not deemed to be material.

**17. Provisions for liabilities and charges**

|                                | <b>Leasehold property dilapidations 2014</b> | Leasehold property dilapidations 2013 |
|--------------------------------|--|---------------------------------------|
|                                | <b>£'000</b>                                 | £'000                                 |
| Balance as at 01 January 2014  | 267  | 388                                   |
| Utilised                       | (42)   | (79)                                  |
| Released provisions            | (59)   | (81)                                  |
| Additional provisions          | 56   | 39                                    |
| Balance as at 31 December 2014 | <b>222</b>                                   | <b>267</b>                            |

Leasehold property dilapidations represent a provision for estimated settlements with landlords on the expiry of the leases over the next seven years based on past experience; £79,000 of this provision is in respect of leases that expire in 2015 and the remainder relates to future years.

**18. Accumulated funds**

|                                    | Unrestricted Fund |                                 |                         | Restricted Fund           |                           |                           |
|------------------------------------|-------------------|---------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|
|                                    | General reserve   | Fixed asset revaluation reserve | Total unrestricted fund | NCC East development fund | Total funds at 31/12/2014 | Total funds at 31/12/2013 |
|                                    | £'000             | £'000                           | £'000                   | £'000                     | £'000                     | £'000                     |
| Balance at 01 January 2014         | 131,159           | –                               | 131,159                 | –                         | <b>131,159</b>            | 125,439                   |
| Capital funding receipts           | –                 | –                               | –                       | –                         | –                         | 1,088                     |
| Transfer                           | (119)             | –                               | (119)                   | 119                       | –                         | –                         |
| Net movement in funds              | (33,709)          | –                               | (33,709)                | (119)                     | <b>(33,828)</b>           | 4,632                     |
| <b>Balance at 31 December 2014</b> | <b>97,331</b>     | <b>–</b>                        | <b>97,331</b>           | <b>–</b>                  | <b>97,331</b>             | <b>131,159</b>            |

The accumulated unrestricted fund is available for use at the discretion of the Board in furtherance of the general objectives of the charity. NCC East development fund represents receipts of grant from the Skills Funding Agency towards the cost of constructing new student accommodation at the NCC East.

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**Accumulated funds 2013 (comparative table)**

|                                    | Unrestricted Fund |                                 |                         | Restricted Fund           |                           |                           |
|------------------------------------|-------------------|---------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|
|                                    | General reserve   | Fixed asset revaluation reserve | Total unrestricted fund | NCC East development fund | Total funds at 31/12/2013 | Total funds at 31/12/2012 |
|                                    | £'000             | £'000                           | £'000                   | £'000                     | £'000                     | £'000                     |
| Balance at 01 January 2013         | 125,439           | –                               | 125,439                 | –                         | <b>125,439</b>            | 101,568                   |
| Capital funding receipts           | –                 | –                               | –                       | 1,088                     | <b>1,088</b>              | 2,662                     |
| Net movement in funds              | 5,720             | –                               | 5,720                   | (1,088)                   | <b>4,632</b>              | 21,209                    |
| <b>Balance at 31 December 2013</b> | <b>131,159</b>    | <b>–</b>                        | <b>131,159</b>          | <b>–</b>                  | <b>131,159</b>            | 125,439                   |

**19. Gross cash flows**

|  | 2014           | 2013           |
|--|----------------|----------------|
|  | £'000          | £'000          |
| <b>Returns on investments and servicing of finance</b>           |                |                |
| Interest received on investments                                 | <u>2,845</u>   | <u>1,576</u>   |
| <b>Capital expenditure</b>                                       |                |                |
| Payments to acquire tangible fixed assets                        | (1,432)        | (4,480)        |
| Receipts from sales of tangible fixed assets                     | 219            | 33             |
| Capital grant receipts   | (119)          | 1,088          |
|  | <u>(1,332)</u> | <u>(3,359)</u> |
| <b>Management of liquid resources</b>                            |                |                |
| Placed on deposit and purchase of externally managed investments | (329,194)      | (410,401)      |
| Deposit withdrawals and sale of externally managed investments   | 336,301        | 408,215        |
|  | <u>7,107</u>   | <u>(2,186)</u> |

**20. Analysis of changes in net funds**

|                                   | At 01/01/2014  | Cash flows      | Other non-cash movements | At 31/12/2014  |
|-----------------------------------|----------------|-----------------|--------------------------|----------------|
|                                   | £'000          | £'000           | £'000                    | £'000          |
| Current asset investments on call | 25,159         | (12,002)        | –                        | <b>13,157</b>  |
| Other current asset investments   | 90,641         | 4,895           | 339                      | <b>95,875</b>  |
|                                   | <u>115,800</u> | <u>(7,107)</u>  | <u>339</u>               | <b>109,032</b> |
| Cash at bank                      | 8,230          | (4,435)         | –                        | <b>3,795</b>   |
|                                   | <b>124,030</b> | <b>(11,542)</b> | <b>339</b>               | <b>112,827</b> |

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**21. ITB Pension Fund**

CITB is a participating employer in the ITB Pension Funds, a multi-employer defined benefit scheme. In accordance with the provisions of FRS 17 relating to multi-employer schemes, the Scheme has been accounted for as a defined contribution scheme, as the proportion of assets and funding level attributable to CITB are not separately identified.

**The Scheme comprises:**

1. The '2007 Section', is a defined benefits scheme for staff who joined before 1 January 2013. Employee contributions up to 30 June 2014 were 6%, from 1 July 2014 this increased to 7.55% (2013 6%) and employer contributions from 1 January 2014 to 30 June 2014 were 10.7%, from 1 July 2014 this reduced to 9.15% (2013 7.6%).

The pension cost charge for the year was £21.6m (2013 £6.5m), including employer contributions and agreed fixed monthly deficit payments. Total deficit funding contributions of £17.8m were paid to the Scheme in the year (2013 £3.6m).

The most recent triennial valuation of the Scheme was performed as at 31 March 2013.

The principal future assumptions used are:

- Real rate of return (net of pension increases) would be 0.8% p.a.
- Nominal rate of investment return on assets would be 4.25% p.a.
- Rate of future pension increases would be in line with the Retail Prices Index (RPI) changes (assumed to be 3.4% p.a.)
- 'Real' salary inflation would be 1.1% p.a.

The 2013 valuation indicated that the actuarial value of the assets held by the Scheme in total showed a deficit of £24m against the Scheme liabilities on a statutory funding basis.

2. The 'DC Section', is a defined contribution scheme for staff who joined on or after 1 January 2013. Employee contributions are 4% (2013 4%) and employer contributions are 6% (staff) and 24% (Chief Executive) (2013 6%). CITB's contribution to the Scheme amounted to £0.6m (2013 £0.2m).

Total payments made in 2014 are shown in Note 24 on page 82.

**22. Lease commitments**

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

|                                     | 2014               |                     |            | 2013               |                     |            |
|-------------------------------------|--------------------|---------------------|------------|--------------------|---------------------|------------|
|                                     | Land and buildings | Plant and machinery | Other      | Land and buildings | Plant and machinery | Other      |
| Operating leases                    | £'000              | £'000               | £'000      | £'000              | £'000               | £'000      |
| Leases expiring within 1 year       | 79                 | 22                  | 80         | 90                 | 35                  | –          |
| Leases expiring within 2 to 5 years | 143                | –                   | 733        | 150                | –                   | 311        |
| Leases expiring after 5 years       |                    |                     |            |                    |                     |            |
|                                     | <b>222</b>         | <b>22</b>           | <b>813</b> | <b>240</b>         | <b>35</b>           | <b>311</b> |

## Notes to the financial statements for the year ended 31 December 2014 (continued)

**23. Board members' remuneration**

Remuneration of the Board members was as follows:

|                             | 2014   | 2013   |
|-----------------------------|--------|--------|
|                             | £      | £      |
| Chairman – James Wates      | 24,000 | 23,625 |
| Deputy Chairman – Judy Lowe | 27,600 | 35,063 |

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

James Wates elected to gift aid his earned remuneration back to CITB. No other Board members received any emoluments from CITB during the year. No Board member had pension entitlements under any pension schemes funded by CITB.

Expenses paid to Board members during the year amounted to £35,941 (£43,711 in 2013) in respect of accommodation, travel and subsistence. The total number of recipients was 15 (13 in 2013).

**24. Particulars of staff**

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

|                  | Directly<br>employed | Temporary | 2014<br>number | 2013<br>number |
|------------------|----------------------|-----------|----------------|----------------|
| Training         | 868                  | 50        | 918            | 890            |
| Other activities | 526                  | 13        | 539            | 548            |
|                  | <b>1,394</b>         | <b>63</b> | <b>1,457</b>   | <b>1,438</b>   |

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

|                                     | 2014          | 2013          |
|-------------------------------------|---------------|---------------|
|                                     | £'000         | £'000         |
| Salaries of directly employed staff | 45,488        | 45,595        |
| Temporary staff costs               | 4,869         | 4,926         |
| Redundancy costs                    | 1,865         | 799           |
| Social security costs               | 3,655         | 3,678         |
| Other pension costs (see Note 21)   | 21,606        | 6,518         |
|                                     | <b>77,483</b> | <b>61,516</b> |

The remuneration, pension entitlements and pension transfer values of the most senior members of CITB's staff can be found in the Remuneration Report on pages 41 to 45.

The emoluments, including benefits in kind but excluding pension contributions and redundancy payments, of employees earning more than £60,000, other than those stated in the Remuneration Report (pages 41 to 45), are outlined within the ranges shown in the table at the top of page 83.

## Notes to the financial statements for the year ended 31 December 2014 (continued)

| Number of employees |  |  |       |       |      |
|---------------------|--|--|-------|-------|------|
|                     |  | 2014   |       |       | 2013 |
|                     | Accruing under the DB section of the ITB Pension Funds | Accruing under the DC section of the ITB Pension Funds | Other | Total |      |
| £60,001 – £70,000   | 17   | 1  | 6     | 24    | 23   |
| £70,001 – £80,000   | 4  | 3  | 4     | 11    | 11   |
| £80,001 – £90,000   | 6  | –  | 2     | 8     | 2    |
| £90,001 – £100,000  | –  | –  | –     | –     | 1    |
| £100,001 – £110,000 | 1  | 1  | –     | 2     | –    |
| £110,001 – £120,000 | 2  | –  | –     | 2     | –    |

The total employer contributions paid in 2014 to the defined contribution section of the ITB Pension Funds in respect of those employees earning over £60,000 was £198,904 (2013 £176,339).

Details of staff leaving the organisation during 2014 for whom exit packages were payable, are:

| Exit package cost band        | Number of compulsory redundancies |                | Number of other departures agreed |               | Total number of exit packages by cost band |                |
|-------------------------------|-----------------------------------|----------------|-----------------------------------|---------------|--|----------------|
|                               | 2014                              | 2013           | 2014                              | 2013          | 2014                                       | 2013           |
| <£10,000                      | –                                 | 3              | –                                 | –             | –  | 3              |
| £10,000 – £25,000             | 2                                 | 1              | 1                                 | 1             | 3  | 2              |
| £25,000 – £50,000             | 5                                 | 3              | –                                 | 1             | 5  | 4              |
| £50,000 – £100,000            | 9                                 | 1              | –                                 | –             | 9  | 1              |
| £100,000 – £200,000           | 2                                 | –              | –                                 | –             | 2  | –              |
| > £200,000                    | –                                 | 1              | –                                 | –             | –  | 1              |
| Total number of exit packages | 18                                | 9              | 1                                 | 2             | 19   | 11             |
| <b>Total cost £</b>           | <b>1,080,159</b>                  | <b>463,897</b> | <b>11,922</b>                     | <b>61,284</b> | <b>1,092,081</b>                           | <b>525,181</b> |

## 25. Taxation

As a registered charity, CITB is exempt from corporation tax on its charitable activities under section 505 of the Income and Corporation Taxes Act 1988. However, incoming resources includes income which is deemed to be of a non-charitable nature, resulting in a taxable profit of £4,568 (2013 £20,985). This has given rise to a potential corporation tax liability of £914 (2013 £4,197), provision for which is included under taxation in creditors (Note 15 on page 77).

**26. Related party transactions**

CITB is sponsored by BIS which is regarded as a related party. During 2014, there were some material transactions with other entities for which BIS is regarded as the parent department (namely Skills Funding Agency (SFA)).

In addition, CITB has had various material transactions with other Government departments and various central Government bodies. Most of these have been with Skills Development Scotland, Welsh Assembly Government, DECC and HM Revenue and Customs.

At 31 December 2014 there were material debtor and creditor balances for the following related parties:

|   | Debtors      |        | Creditors    |       |
|---|--------------|--------|--------------|-------|
|   | 2014         | 2013   | 2014         | 2013  |
|   | £'000        | £'000  | £'000        | £'000 |
| Skills Funding Agency                             | <b>6,890</b> | 13,098 | <b>1,243</b> | 935   |
| Skills Development Scotland                       | <b>918</b>   | 882    | –            | –     |
| Welsh Assembly Government                         | <b>724</b>   | 1,053  | –            | –     |
| HM Revenue & Customs                              | –            | –      | <b>2,822</b> | 139   |
| SQA   | –            | –      | <b>4</b>     | –     |
| Historic Scotland                                 | –            | –      | <b>13</b>    | –     |
| Learning and Skills Improvement Service           | –            | –      | <b>30</b>    | 108   |
| UK Commission for Employment and Skills           | –            | –      | <b>20</b>    | 20    |
| Department for the Environment and Climate Change | –            | –      | –            | 562   |

In addition to this, some members of the Board hold positions with, and/or are employees of, organisations with which CITB has transacted during the year. Details of such positions and employments are declared in the following Appendices to this report:

- Appendix A (on pages 96 and 97) lists the members of the Board and its committees, also giving the names of their employers
- Appendix B (pages 98 to 100) shows the Register of interests of Board members.

On this basis, in the normal course of business, most Board members are likely to have commercial interests as Levy payers and grant claimers which, as they are transacted at arm's length, are not considered to be material for either party.

Material cash support payments paid during 2014, including those paid to employers of Board members, are set out in Note 7 (page 70). All of the transactions were under normal terms and carried out at arm's length.

The transactions in the following tables comprised the receipt of Levy and income from the sale of training-related products and services and the payment of grants and payments for the purchase of materials and services to the organisations classified as Board member related employers.



## Notes to the financial statements for the year ended 31 December 2014 (continued)

|  | Amounts received by CITB |              | Amounts owing to CITB as at 31 December |            |
|--|--------------------------|--------------|---|------------|
|  | 2014                     | 2013         | 2014                                    | 2013       |
|  | £'000                    | £'000        | £'000                                   | £'000      |
| Levy   | 5,781                    | 5,582        | 528                                     | 411        |
| Sale of training-related products and services | 819                      | 238          | 106                                     | 268        |
| <b>Total</b>                                   | <b>6,600</b>             | <b>5,820</b> | <b>634</b>                              | <b>679</b> |

|                                    | Amounts paid by CITB |               | Amounts owed by CITB as at 31 December |          |
|------------------------------------|----------------------|---------------|--|----------|
|                                    | 2014                 | 2013          | 2014                                   | 2013     |
|                                    | £'000                | £'000         | £'000                                  | £'000    |
| Payment of grants                  | 10,388               | 10,078        | –                                      | –        |
| Purchase of materials and services | 1,509                | 955           | –                                      | –        |
| <b>Total</b>                       | <b>11,897</b>        | <b>11,033</b> | <b>–</b>                               | <b>–</b> |

During the year, no key manager, employee or other related party has undertaken any material transactions with CITB.

### 27. Losses and special payments

During the year, no special payments were made and there were no reportable losses over £250,000. Total bad debts written off during the year amounted to £2,365,708 (2013 £5,278,607).

### 28. Events after the balance sheet date

There have been no events after the balance sheet date requiring an adjustment to the Financial Statements. The Financial Statements were authorised for issue on the date the Comptroller and Auditor General signed. Events after this date have not been considered.

A claim for judicial review against the Secretary of State for the Department for Business, Innovation and Skills as Defendant with CITB as an Interested Party was served in June 2015.

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

# Statistical information



# Statistical information for the year ended 31 December 2014

**Table 1: Distribution of employers by 2014 Levy Assessment band and main activity**

| Main activity                                | Levy value   |        |         |             |                |           | Total  |
|--|--------------|--------|---------|-------------|----------------|-----------|--------|
|  | Not assessed | £ Zero | £ 1-499 | £ 500-4,999 | £ 5,000-24,499 | £ 25,000+ |        |
| Alteration to building/part of a building    | 207          | 394    | 18      | 151         | 33             | 6         | 809    |
| Architectural steelwork installation         | 18           | 23     | 3       | 26          | 9              | -         | 79     |
| Asbestos removal                             | 34           | 20     | 2       | 44          | 5              | 2         | 107    |
| Asphalt and tar spraying                     | 17           | 126    | 20      | 142         | 47             | 7         | 359    |
| Bricklaying                                  | 135          | 847    | 17      | 80          | 12             | 3         | 1,094  |
| Building and civil engineering               | 254          | 1,727  | 83      | 905         | 328            | 175       | 3,472  |
| Building repair and maintenance              | 399          | 2,158  | 120     | 979         | 241            | 45        | 3,942  |
| Cavity wall insulation or draught proofing   | 13           | 18     | 1       | 30          | 12             | 3         | 77     |
| Civil engineering                            | 213          | 629    | 41      | 549         | 244            | 98        | 1,774  |
| Construction labour agencies                 | 44           | 114    | 4       | 24          | 8              | 6         | 200    |
| Curtain walling/structural glazing           | 11           | 15     | 1       | 17          | 9              | 2         | 55     |
| Damp proofing                                | 79           | 54     | 7       | 31          | 1              | -         | 172    |
| Demolition                                   | 68           | 149    | 14      | 180         | 45             | 12        | 468    |
| Developers                                   | 151          | 639    | 16      | 157         | 35             | 4         | 1,002  |
| Diamond drilling                             | 15           | 49     | 4       | 60          | 8              | -         | 136    |
| Dry lining or partitioning specialist        | 93           | 294    | 11      | 145         | 99             | 40        | 682    |
| Erecting/dismantling exhibition stands       | 2            | 10     | 1       | 12          | 3              | -         | 28     |
| Felt roofing                                 | 13           | 104    | 5       | 50          | 19             | 3         | 194    |
| Fire protection                              | 7            | 15     | 3       | 28          | 15             | 2         | 70     |
| Fitted kitchen/bedroom/bathroom installation | 118          | 542    | 24      | 210         | 15             | 5         | 914    |
| Flat glass glazing                           | 9            | 93     | 10      | 53          | 7              | 2         | 174    |
| Floor covering                               | 11           | 89     | 7       | 75          | 7              | 1         | 190    |
| Flooring                                     | 89           | 219    | 21      | 142         | 34             | 1         | 506    |
| General building                             | 2,464        | 14,226 | 575     | 5,187       | 965            | 190       | 23,607 |
| Hard landscaping                             | 26           | 124    | 4       | 46          | 5              | -         | 205    |
| House building                               | 339          | 1,152  | 45      | 553         | 181            | 122       | 2,392  |
| Interior fit-out                             | 118          | 154    | 8       | 211         | 100            | 13        | 604    |
| Joinery and carpentry (mainly site work)     | 605          | 4,312  | 126     | 738         | 75             | 9         | 5,865  |
| Joinery manufacture                          | 161          | 839    | 100     | 610         | 68             | 3         | 1,781  |
| Mastic asphaltting                           | 4            | 29     | 3       | 21          | 6              | -         | 63     |
| Mastic sealant application                   | 10           | 29     | 5       | 34          | -              | -         | 78     |

| Main activity  | Levy value   |               |              |               |                |            | Total         |
|--|--------------|---------------|--------------|---------------|----------------|------------|---------------|
|  | Not assessed | £ Zero        | £ 1-499      | £ 500-4,999   | £ 5,000-24,499 | £ 25,000+  |               |
| Painting and decorating                                    | 408          | 2,674         | 93           | 793           | 166            | 18         | 4,152         |
| Paving   | 13           | 119           | 6            | 20            | 3              | -          | 161           |
| Piling   | 7            | 9             | 2            | 23            | 12             | 2          | 55            |
| Plant hire/repair and/or tool hire                         | 193          | 878           | 98           | 677           | 166            | 32         | 2,044         |
| Plastering and/or Artexing                                 | 1,058        | 1,322         | 33           | 306           | 102            | 18         | 2,839         |
| Preparing/fixing stone for building including stonemasonry | 38           | 190           | 16           | 105           | 29             | 1          | 379           |
| Reinforced concrete specialist                             | 11           | 59            | 3            | 25            | 11             | 9          | 118           |
| Roof sheeting and cladding                                 | 111          | 180           | 10           | 151           | 95             | 11         | 558           |
| Roofing including slating and tiling                       | 1,136        | 1,589         | 88           | 640           | 153            | 14         | 3,620         |
| Scaffolding  | 311          | 579           | 53           | 724           | 160            | 21         | 1,848         |
| Shopfitting  | 105          | 161           | 16           | 226           | 121            | 24         | 653           |
| Site preparation and groundworks                           | 195          | 627           | 50           | 329           | 109            | 21         | 1,331         |
| Steeplejack/lightning conductor engineering                | 5            | 31            | 4            | 40            | 10             | 1          | 91            |
| Suspended ceiling installation                             | 49           | 176           | 7            | 111           | 61             | 20         | 424           |
| Swimming pool construction                                 | 3            | 16            | 2            | 19            | 5              | -          | 45            |
| Utilities  | 27           | 47            | 2            | 32            | 20             | 12         | 140           |
| Wall and floor tiling                                      | 77           | 360           | 8            | 108           | 29             | -          | 582           |
| Other activities   | 169          | 205           | 17           | 190           | 57             | 15         | 653           |
| <b>Total</b>   | <b>9,643</b> | <b>38,415</b> | <b>1,807</b> | <b>16,009</b> | <b>3,945</b>   | <b>973</b> | <b>70,792</b> |

**Notes:**

Not assessed – employers in their first year of registration and untraceable employers

Zero – employers whose payroll and labour-only payments fall below the £80,000 threshold



**Table 2: Levy income by employer size**

| Employer size | Number of employers | Number of employees | Levy £'000 |
|---------------|---------------------|---------------------|------------|
| Large         | 212                 | 178,906             | 50,354     |
| Medium        | 1,328               | 127,663             | 38,123     |
| Small         | 7,656               | 153,129             | 40,636     |
| Micro         | 51,953              | 125,519             | 31,241     |
| Other         | 9,643               | Not known           | Nil        |
| Total         | 70,792              | 585,217             | 160,354    |

**Table 3: Number of employers assessable to Levy**

|                             | Number of employers | Number of employees |
|-----------------------------|---------------------|---------------------|
| Assessable to positive Levy | 22,734              | 506,930             |
| Assessable to zero Levy     | 38,415              | 78,287              |
| Not assessed                | 9,643               | Not known           |
| Total                       | 70,792              | 585,217             |

**Table 4: Grant and support by size and employer**

|        | Number of employers claiming grant and other support | Value of grant and other support payments £'000 | Percentage of total grant and other support |
|--------|--|---|---|
| Large  | 214  | 44,573  | 35%   |
| Medium | 1,187  | 33,441  | 26%   |
| Small  | 4,726  | 26,263  | 20%   |
| Micro  | 9,377  | 23,382  | 18%   |
| Other  | 221  | 1,257   | 1%  |
| Total  | 15,725   | 128,916   | 100%  |

**Key to size of employer**

Large: 250+ employees

Medium: 50-249 employees

Small: 10-49 employees

Micro: 0-9 employees

Other: includes new registrations



**Table 5: Number of employers with new entrant trainees (view 2)**

| Number of trainees | Employer size |        |       |        | Total  |
|--------------------|---------------|--------|-------|--------|--------|
|                    | Large         | Medium | Small | Micro  |        |
| 1                  | 27            | 205    | 1,290 | 8,282  | 9,804  |
| 2-5                | 31            | 355    | 1,450 | 2,714  | 4,550  |
| 6-10               | 30            | 142    | 252   |        | 424    |
| 11-15              | 20            | 80     |       |        | 100    |
| 16-20              | 14            | 25     |       |        | 39     |
| 21-50              | 23            | 39     |       |        | 62     |
| 51-100             | 17            |        |       |        | 17     |
| 101+               | 7             |        |       |        | 7      |
| Total              | 169           | 846    | 2,992 | 10,996 | 15,003 |

**Table 6: Employers claiming grant by Levy band**

| Levy banding                | Employers claiming grant |     | Employers not claiming grant |     |
|-----------------------------|--------------------------|-----|------------------------------|-----|
| Assessable to positive Levy | 8,925                    | 12% | 13,809                       | 19% |
| Assessable to zero Levy     | 6,104                    | 9%  | 32,311                       | 46% |
| Other                       | 696                      | 1%  | 8,947                        | 13% |
| Total                       | 15,725                   | 22% | 55,067                       | 78% |

**Key to size of employer**

Large: 250+ employees

Medium: 50-249 employees

Small: 10-49 employees

Micro: 0-9 employees

Other: includes new registrations

**Table 7: Number of trainees by size of employer and main activity**

| Main activity                                | Employer size |        |       |       | Total  |
|--|---------------|--------|-------|-------|--------|
|  | Large         | Medium | Small | Micro |        |
| Alteration to a building/part of a building  |               | 3      | 55    | 173   | 231    |
| Architectural steelwork installation         |               |        | 10    | 2     | 12     |
| Asbestos removal                             |               |        | 2     | 1     | 3      |
| Asphalt and tar spraying                     |               | 9      | 26    | 9     | 44     |
| Bricklaying                                  |               | 6      | 89    | 652   | 747    |
| Building and civil engineering               | 899           | 4,195  | 737   | 451   | 6,282  |
| Building repair and maintenance              | 990           | 393    | 541   | 737   | 2,661  |
| Cavity wall insulation or draught proofing   |               | 5      | 1     | 5     | 11     |
| Civil engineering                            | 368           | 220    | 113   | 78    | 779    |
| Construction labour agencies                 |               |        | 4     | 5     | 9      |
| Curtain walling/structural glazing           |               |        |       | 3     | 3      |
| Damp proofing                                |               | 1      | 12    | 15    | 28     |
| Demolition                                   | 4             | 51     | 46    | 14    | 115    |
| Developers                                   |               | 11     | 15    | 71    | 97     |
| Diamond drilling                             |               |        | 11    | 5     | 16     |
| Dry lining or partitioning specialist        | 10            | 25     | 120   | 35    | 190    |
| Erecting/dismantling exhibition stands       |               |        | 3     | 5     | 8      |
| Felt roofing                                 |               | 17     | 9     | 8     | 34     |
| Fire protection                              |               | 1      | 5     |       | 6      |
| Fitted kitchen/bedroom/bathroom installation |               | 9      | 47    | 228   | 284    |
| Flat glass glazing                           |               | 11     | 11    | 10    | 32     |
| Floor covering                               | 6             | 2      | 34    | 26    | 68     |
| Flooring                                     |               | 2      | 36    | 76    | 114    |
| General builder                              | 763           | 1,402  | 2,367 | 5,698 | 10,230 |
| Hard landscaping                             |               | 2      | 13    | 28    | 43     |
| House building                               | 316           | 710    | 264   | 608   | 1,898  |
| Interior fit-out                             | 8             | 10     | 69    | 30    | 117    |
| Joinery and carpentry (mainly site work)     | 13            | 62     | 621   | 2,872 | 3,568  |
| Joinery manufacture                          | -             | 76     | 543   | 759   | 1,378  |
| Mastic asphaltting                           | -             | -      | 4     | 3     | 7      |
| Mastic sealant application                   | -             | -      | 1     | -     | 1      |

| Main activity  | Employer size |              |              |               | Total         |
|--|---------------|--------------|--------------|---------------|---------------|
|  | Large         | Medium       | Small        | Micro         |               |
| Painting and decorating                                    | 147           | 181          | 683          | 1,388         | 2,399         |
| Paving   | -             | -            | 4            | 11            | 15            |
| Piling   | 1             | -            | 1            | -             | 2             |
| Plant hire/repair and/or tool hire                         | 273           | 179          | 154          | 179           | 785           |
| Plastering and/or Artexing                                 | -             | 9            | 147          | 694           | 850           |
| Preparing/fixing stone for building including stonemasonry | -             | 3            | 65           | 90            | 158           |
| Reinforced concrete specialist                             | -             | 7            | 15           | 6             | 28            |
| Roof sheeting and cladding                                 | -             | 3            | 20           | 35            | 58            |
| Roofing including slating and tiling                       | -             | 65           | 321          | 367           | 753           |
| Scaffolding  | 32            | 392          | 456          | 411           | 1,291         |
| Shopfitting  | 14            | 110          | 158          | 87            | 369           |
| Site preparation and groundworks                           | 5             | 43           | 89           | 64            | 201           |
| Steeplejack/lightning conductor engineering                | -             | 38           | 39           | 7             | 84            |
| Suspended ceiling installation                             | -             | -            | 49           | 33            | 82            |
| Swimming pool construction                                 | -             | -            | 1            | 1             | 2             |
| Utilities  | 74            | -            | 2            | 3             | 79            |
| Wall and floor tiling                                      | -             | 2            | 24           | 155           | 181           |
| Other activities   | 83            | 43           | 36           | 67            | 229           |
| Other (out of scope)                                       | 52            | 27           | 29           | 1,045         | 1,153         |
| <b>Total</b>   | <b>4,058</b>  | <b>8,325</b> | <b>8,102</b> | <b>17,250</b> | <b>37,735</b> |

#### Key to size of employer

Large: 250+ employees

Medium: 50-249 employees

Small: 10-49 employees

Micro: 0-9 employees

Other: includes new registrations

*By continuing to work closely with our beneficiaries, customers and stakeholders, we have given a valuable and constantly developing service to the construction sector for the past 50 years and plan to offer increased value in future.*

# Appendices



Salford Quays  
lift bridge,  
Manchester

# Appendix A: Membership of the Board and its committees

|   | TB | FC | TC | AC | RC | HSEC |
|---|----|----|----|----|----|------|
| Steve ACASTER, Persimmon Homes                                  |    |    |    |    |    | ✱    |
| Harry ADAM, formerly Ian Williams Ltd                           | ■  | +  |    | ●  | ■  |      |
| Russell ADFIELD, Health and Safety Executive                    |    |    |    |    |    | ❖    |
| Rob ALLEN, Clee Hill Plant Ltd                                  |    |    |    |    |    | ■    |
| John ALLOTT, Unite the Union                                    | □  |    |    |    |    |      |
| John ARMSTRONG, Construction Employers Federation NI            |    |    |    |    |    | ✱    |
| Bruce BARCLAY, Department for Business, Innovation and Skills   |    |    |    | ❖  |    |      |
| Ian BILLYARD, Leeds College of Building                         | ▲  |    | ▲  |    |    |      |
| Paul BROWN, British Association of Construction Heads           |    |    |    |    |    | ❖    |
| Vaughan BURNARD, CIOB   |    |    |    |    |    | ❖    |
| Darin BURROWS, Rullion Alltrades Ltd                            | ■  |    |    |    |    |      |
| Professor Barry CLARKE, Leeds University                        | ▲  |    |    |    |    |      |
| Richard CLARKE, Unite the Union                                 |    |    | □  |    |    |      |
| Bob COLLINS, Stokey Plant                                       | ■  |    |    |    |    |      |
| Phil CULLEN, BAM Nuttall  |    |    |    |    |    | ■    |
| June DAVIS, National Federation of Builders                     |    |    |    |    |    | ✱    |
| Ian DICKERSON, Kier Group Services                              |    |    | ■  |    |    |      |
| John DICKSON, Owen Pugh Holdings Ltd                            | ■  | ■  |    |    |    |      |
| Keith DONNELLY, Carillion Training Services                     |    |    | ▲  |    |    |      |
| Andrew DUNCAN, Department for Business, Innovation and Skills   | ❖  |    |    |    |    |      |
| Hayley ELLIS, Federation of Master Builders                     |    |    |    |    |    | ❖    |
| Peter FISHER, Costain Ltd                                       |    |    |    |    |    | ●    |
| Kevin FITZPATRICK, Wates Group Ltd                              |    |    |    | ■  |    |      |
| Jim GAMBLE, Union of Construction Allied Trades and Technicians |    |    |    |    |    | □    |
| Trevor GAMBLE, Ramble Containers Ltd                            |    |    | +  |    |    |      |
| Jim GILMOUR, Regency Homes (Scotland) Ltd                       | ■  |    |    |    |    |      |
| Peter GODSALL, Interserve Ltd                                   |    |    |    |    |    | ✱    |
| Gareth GUIVER, Distinction Property Services Ltd                |    |    |    |    |    | ✱    |
| Richard HABGOOD, Construction Industry Council                  |    |    |    |    |    | ■    |
| John HALLAM, Simons Construction Ltd                            |    |    |    |    |    | ■    |
| Bob HARPER, Ashtead Plant Hire Co Ltd                           |    |    | ■  |    |    |      |
| Geoff HOLT, Associated Roofing and Maintenance Ltd              | ■  |    | ■  |    |    |      |
| Robert HUDSON, National Association of Shopfitters              |    |    |    |    |    | ▼    |
| Dafydd HUGHES, Welsh Assembly Government                        | ❖  |    |    |    |    |      |
| Hugh HUNTER, Balfour Beatty                                     |    |    |    | ■  |    |      |
| Chris JONES, BAM Construct UK Ltd                               | ■  |    | +  |    |    |      |
| Richard KANE, Stallard Kane Associates                          |    |    |    |    |    | ✱    |
| Billy KIRKWOOD, RDK Construction Ltd                            | ■  |    |    |    |    |      |
| Richard LATHAM, Persimmon plc                                   |    |    | ■  |    |    |      |
| Geoff LISTER, Headingley Developments Ltd                       |    |    | +  |    |    |      |
| John LORIMER, JLO Innovation Ltd                                | ✱  |    |    | ■  |    |      |

|   | TB | FC | TC | AC | RC | HSEC |
|---|----|----|----|----|----|------|
| Judy LOWE, Strategic Consulting Ltd                       | ○  | ■  | ●  |    | ○  |      |
| Simon MANTLE, National House-Building Council             |    |    |    |    |    | ■    |
| Jim MCKECHNIE, JBM Contractors                            |    |    |    |    |    | *    |
| Hayden MEAD, Dyer and Butler                              |    |    | ■  |    |    |      |
| Giles MEREDITH, Health and Safety Executive               |    |    |    |    |    | *    |
| Kevin MINTON, Construction Plant-hire Association         |    |    |    |    |    | *    |
| Stephen MURPHY, UCATT                                     | □  | □  |    |    |    |      |
| Susan MURRAY, Unite - the Union                           |    |    |    |    |    | □    |
| Tim PEACH, Lend Lease                                     | ■  | ●  |    |    | ■  |      |
| Martyn PRICE, Consign (Construction Skills Solutions) Ltd | ■  |    | ■  |    |    |      |
| Harold RACKHAM, G N Rackham & Sons Ltd                    | ■  | ■  |    |    |    |      |
| Mick SHEPHERD, Complete Access Scaffolding Ltd            |    |    | ■  |    |    |      |
| Frank SHEPPARD, Unite – the Union                         |    |    |    |    |    | □    |
| Geoff SNOW, OBE, Snows Construction 1976 Ltd              |    |    | ■  |    |    |      |
| Haydn STEELE, Construction Plant-hire Association         |    |    |    |    |    | +    |
| Billy SWEENEY, Scottish Building                          |    |    | ■  |    |    |      |
| David TERNENT, Stallard Kane Associates                   |    |    |    |    |    | *    |
| Neil VERNON, UCATT  |    |    | □  |    |    |      |
| James WATES, Wates Group Ltd                              | ●  |    |    |    | ●  |      |
| Sarah WICKS, National Specialist Contractors Council      |    |    |    |    |    | *    |
| Ray WILSON, Carillion Training Services                   | ■  |    |    |    | ■  |      |
| Graham WINTER, EA   |    |    |    |    |    | *    |

(This table shows the position as at 31 December 2014)

- Chairman
- Deputy Chairman
- Employer Member
- Trades Union Member
- ▲ Education Member
- ▼ Federation Member
- \* Member
- ⊛ Client Member
- ❖ Observer
- + Ex-officio

- TB** The Board
- FC** Finance Committee
- TC** Training Committee
- AC** Audit Committee
- RC** Remuneration Committee
- HSEC** Health, Safety and Environment Committee



# Appendix B: Register of Interests of Board Members

## Related party transactions

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

The following Board members who served for all or part of the year ended 31 December 2014 have in addition declared other personal or business interests.

### John Allott

**National Secretary for Construction. Unite the Union**

John is a Director of Construction Skills Certification Scheme Ltd.

### Ian Billyard

**Principal and Chief Executive, Leeds College of Building**

Ian is a Governor of the David Young Community Academy, Leeds, a Council member of the City & Guilds of London Institute and a governor of the Leeds Academy Trust. He is a Director of Achieve Through Training Limited and LCB Enterprises – a company set up by Leeds College of Building, and a board member of the Yorkshire Builders Federation (YBF).

### Barry Clarke

**Professor of Civil Engineering Geotechnics, University of Leeds**

Barry is immediate Past President of the Institution of Civil Engineers and a member of the Council of that Institution. He is a member of the Executive of the Construction Industry Council; Chairman of the Engineering Accreditation Board; a member of the Executive Group of the Engineering Professors Council; and a member of the Department for Transport's (DfT's) Scientific Advisory Council.

### Bob Collins

**Stokey Plant Hire Ltd**

Bob is Current President of the Construction Plant-hire Association and a member of CITB's Construction Plant Competence Scheme Management Committee. He is a shareholder of Stokey Plant Hire Ltd, a company potentially in receipt of grant payments.

### John Dickson

**Group Chairman, Owen Pugh Holdings Ltd**

John is Director and controlling shareholder of Owen Pugh Holdings Ltd and a Director of all the companies in the Owen Pugh Group, some of which receive grant from CITB. He is also a Director of Civil Engineering Contractors Association (North East) Ltd.

### Jim Gilmour

**Director of Regency Building, Regency Finance and ODC Ltd**

Jim is Immediate Past President and a Director of the Federation of Master Builders. He is also a Director of FMB Training Services Ltd. In addition, he is Director of Regency Finance Ltd, O.D.C. Ltd., Scotia Extensions, Vigilo Facilities Management and Jim & Laura A-Firm. He is Chairman of Build Assure, of the Lennoxton Initiative, and of the Kirkintilloch Community Sports Centre.

### Chris Jones

**BAM Construct UK Ltd**

Chris is Director of Learning and Development for BAM Construct UK Ltd with responsibility for claiming training grants from CITB. He is a member of the UKCG Training Leadership Group and a member of the governing body for Medway UTC.

### Billy Kirkwood

**Managing Director of RDK Construction Ltd, RobertRyan Timber Engineering Limited and RobertRyan Homes. Director of Constructive Architectural Design.**

Billy is a member and past President of the Scottish Building Federation. He is also a member of Homes for Scotland and a Registered NHBC Builder. RDK Construction Ltd and the other businesses of which Billy is a Director are all potential Levy payers and grant recipients.

### John Lorimer

**Director, JLO Innovation Ltd**

JLO Innovation Ltd provides consultancy services to Public Sector clients and contractors. John is Chair of BIM Academy (Enterprises) Ltd, a joint venture between Northumbria University and Ryder Architecture, a member of the BIS BIM Task Group and Visiting Professor at Salford University.

**Stephen Murphy**

General Secretary, UCATT

Steve is the Employee's Secretary of the Construction Industry Joint Council and a non-executive director of B&CE. He is a director of Construction Skills Certification Scheme Ltd.

**Martyn Price**

Chief Executive of Consign (Construction Skills Solutions) Ltd

Martyn is often engaged as a consultant within the construction sector which has the potential to cause a conflict of interest. Should and if a conflict arise, it would be and has been declared as appropriate. He also chairs the Skillbuild and Skills Competition Strategic board and the Qualifying the Workforce sub group for CITB. He represents the sector on the Apprenticeship Ambassador Network as well as Joint Chairs the Cross-Industry Construction Apprenticeship Task Force.

**James Wates**

Chairman, Wates Group Ltd

James is Chairman of the UK Contractors Group, Commissioner on the UK Commission for Employment and Skills, Vice Chairman of the CBI Construction Council, President of the British Council for Offices, a Trustee of BRE (the Building Research Establishment) and Immediate Past President of the CIOB.

**Ray Wilson**

Director and General Manager, Carillion Training Services Ltd

Ray chairs the UK Contractors Group Training Committee, is a member of the UK Contractors Group Apprenticeship Group and of the Cross Industry Construction Apprenticeships Task Force, a Commissioner on the recently formed Commission on Apprenticeships in Construction, and on behalf of the Department of Business, Innovation and Skills, chairs the Common Gateway group under the Construction 2025 Strategy.

**Board Members 2015**

Board members appointed with effect from 1 January 2015 have declared the following interests.

**Maureen Douglas**

Group HR Director, the Forster Group

Maureen is Group Training Officer of the Angus Construction Training Group (in receipt of CITB's Independent Training Group grant) and a committee member of Arbroath Ski Club. She chairs Homes for Scotland's Skills and Training Technical Group and is a member of the Cross-Parliamentary Group Construction Committee. She is a member of the Chartered Institute of Personnel and Development, the Institute of Directors and the National Federation of Roofing Contractors.

**Diana Garnham**

Chief Executive of the Science Council

Diana is a Director of RDB Insight, a business involved in not-for-profit consultancy. She is also a Trustee of Sense about Science and a Corporation Board Member of Sussex Coast College, Hastings.

**David Harris**

Managing Director, WRW Construction Ltd

David is a Community Councillor for Mathern Village.

**Karen Jones**

Group HR Director, Redrow plc

No conflicting interests declared.

**Maria Pilfold**

Consultant, Aquinna Homes

Maria has declared a shareholding with Taylor Wimpey. She also sits as an Employment Tribunal Member.

**Frances Wadsworth**

Principal and CEO, Croydon College

Frances is a Trustee of the GASP Motor Project and Croydon MENCAP. She is a Governor of the Royal Alexandra and Albert School, and a Board member of the Croydon Business Improvement District (BID).

## Appendix C: Employer organisations

### James Wates

Chairman, Wates Group Ltd

James is Chairman of the UK Contractors Group, Commissioner on the UK Commission for Employment and Skills, Vice Chairman of the CBI Construction Council, President of the British Council for Offices, a Trustee of BRE (the Building Research Establishment) and Immediate Past President of the CIOB.

### Ray Wilson

Director and General Manager, Carillion Training Services

Ray chairs the UK Contractors Group Training Committee and serves on the UK Contractors Group Apprenticeship Group and the Cross Industry Construction Apprenticeships Task Force. He is a Commissioner on the recently formed Commission on Apprenticeships in Construction led by Lord Glassman and Robert Halfon MP. On behalf of the Department of Business, Innovation and Skills, Ray chairs the Common Gateway group, seeking to improve recruitment into the construction sector and find a 'common gateway' through which all interested parties can find information, jobs or work experience in construction as part of the Industrial Strategy.

### During 2014, CITB maintained close contact with the following major employer organisations:

The British Woodworking Federation  
The Civil Engineering Contractors Association  
The Construction Plant-hire Association  
The Federation of Master Builders  
Hire Association Europe  
The Home Builders Federation  
The National Association of Shopfitters  
The National Federation of Builders  
The National Federation of Demolition Contractors  
The National Specialist Contractors Council  
The Scottish Building Federation  
The Scottish Decorators Federation  
The Scottish Plant Owners' Association  
The UK Contractors Group

### CITB also maintains regular contact with the following trade unions over skills and training issues:

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

## Appendix D: Location of CITB offices and National Construction College Centres

### Head Office

Bircham Newton  
King's Lynn  
Norfolk  
PE31 6RH  
Tel: 0300 456 7577

### England

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#### London

Carthusian Court  
12 Carthusian Street  
London  
EC1M 6EZ  
Tel: 0300 456 7700

#### Thurmaston

Suites 1, 2 and 3  
1st Floor, Bridge Business Park  
674 Melton Road  
Thurmaston  
Leicestershire  
LE4 8BB

#### East

Compass House  
Cambridge Vision Park  
Chivers Way  
Histon  
Cambridge  
CB24 9AD

#### West Midlands

The Regus Group  
Birmingham Blythe Valley Park  
Central Boulevard  
Blythe Valley Business Park  
Solihull  
B90 8AG

#### Yorkshire Hub

Ground Floor  
Unit 1  
Deanhurst Park  
Gelderd Road  
Leeds  
LS27 7LG

### Scotland

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#### Scottish Office

4 Fountain Avenue  
Inchinnan Business Park  
Inchinnan  
Renfrewshire  
PA4 9RQ  
Tel: 0344 994 8800

#### Scotland (North)

Alder House  
Cradlehall Business Park  
Inverness  
IV2 5GH

### Wales

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#### Welsh Office

Units 4 and 5  
Bridgend Business Centre  
David Street  
Bridgend Industrial Estate  
Bridgend  
CF31 3SH  
Tel: 01656 655226

### National Construction Colleges

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#### NCC East

Bircham Newton  
King's Lynn  
Norfolk  
PE31 6RH  
Tel: 0344 994 4433

**NCC Midlands**

83 Lifford Lane  
Kings Norton  
Birmingham  
B30 3JH  
Tel: 0300 456 5620

**NCC Central with JCB**

Ladyhole Lane  
Ashbourne  
Derbyshire  
DE6 1LR  
Tel/Fax: 01335 346738

**NCC Waltham Forest/Cathall Road/Leytonstone**

Waltham Forest Construction Training Centre  
Hollydown Way  
Leytonstone  
London  
E11 4DD  
Tel: 0208 539 8729

**NCC South**

Manor Road  
Erith  
Kent  
DA8 2AD  
Tel: 0300 456 5333

**NCC Scotland**

4 Fountain Avenue  
Inchinnan Business Park  
Inchinnan  
Renfrewshire  
PA4 9RQ  
Tel: 0344 994 8800

**TUCA (The Tunnelling and Underground Construction Academy)**

Lugg Approach  
Ilford  
Essex  
E12 5LN  
Tel: 0203 197 5002

**NCC course enquiries**

Tel: 0844 844 0466

**Other**

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**CITB's bankers**

Barclays Bank plc  
17 Market Place  
Fakenham  
Norfolk  
NR21 9BE

**CITB's investment advisers**

Investec Wealth & Investment Limited  
2 Gresham Street  
London  
EC2V 7QN

**CITB's auditors**

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

**CITB's legal adviser**

Claire Shopland  
Head of Business Support  
Bircham Newton  
King's Lynn  
Norfolk  
PE31 6RH

# Appendix E:

## Glossary

|       |   |         |  |
|-------|---|---------|--|
| AM    | Assembly Member   | NNB     | Nuclear New Build  |
| BACH  | British Association of Construction Heads               | NOS     | National Occupational Standards                            |
| BIM   | Business Information Modelling                          | NSAC    | National Specialists Accreditation Centre                  |
| BIS   | Department for Business, Innovation and Skills          | NSAfc   | National Skills Academy for Construction                   |
| BME   | Black and Minority Ethnic                               | NSCC    | National Specialist Contractors Council                    |
| BRE   | Building Research Establishment                         | NVQ     | National Vocational Qualification                          |
| BSC   | British Safety Council                                  | OSAT    | On-Site Assessment and Training                            |
| BSR   | Business and Skills Review                              | OSCR    | Office of the Scottish Charities Regulator                 |
| C&AG  | Comptroller and Auditor General                         | PLA     | Programme Led Apprenticeship                               |
| CBI   | Confederation of British Industry                       | R&M     | Repair and Maintenance                                     |
| CCATF | Cross Industry Construction<br>Apprenticeship Taskforce | RIA     | Roofing Industry Alliance                                  |
| CIOB  | Chartered Institute of Building                         | RTPI    | Royal Town Planning Institute                              |
| COBRA | Complete Business Reference Adviser                     | SAPs    | Specialist Apprenticeship Programmes                       |
| CPCS  | Construction Plant Competence Scheme                    | SASW    | Specification of Apprenticeship<br>Standards for Wales     |
| CPD   | Continuing Professional Development                     | SDS     | Skills Development Scotland                                |
| CQS   | Construction Qualification Strategy                     | SEWSCAP | South East Wales Schools and Capital Projects              |
| CSCS  | Construction Skills Certification Scheme                | SFA     | Skills Funding Agency                                      |
| CSN   | Construction Skills Network                             | SME     | Small and Medium-sized Enterprises                         |
| DECC  | Department of Energy and Climate Change                 | SMSTS   | Site Management Safety Training Scheme                     |
| DWP   | Department of Work and Pensions                         | SPRA    | Single Ply Roofing Association                             |
| ECP   | Experience Construction Programme                       | SQA     | Scottish Qualifications Authority                          |
| ESS   | Employer and Stakeholder Survey                         | SSA     | Sector Skills Agreement                                    |
| EST   | Economy, Science and Transport                          | SSC     | Sector Skills Council                                      |
| FE    | Further Education                                       | STEM    | Science, Technology, Engineering<br>and Mathematics        |
| FMB   | Federation of Master Builders                           | SUPs    | Specialist Upskilling Programmes                           |
| FIR   | Fairness, Inclusion and Respect                         | SVQ     | Scottish Vocational Qualification                          |
| FRA   | Flat Roofing Alliance                                   | TGWU    | Transport and General Workers Union                        |
| GDP   | Gross Domestic Product                                  | TUCA    | Tunnelling and Underground<br>Construction Academy         |
| HE    | Higher Education  | UCATT   | Union of Construction, Allied Trades<br>and Technicians    |
| HRD   | Human Resource Development                              | UKCES   | United Kingdom Commission for Employment<br>and Skills     |
| ICE   | Institution of Civil Engineers                          | UKCG    | UK Contractors Group                                       |
| IiP   | Investors in People                                     | WCSG    | Wales Construction Skills Group                            |
| ITB   | Industrial Training Board                               | WG      | Welsh Government   |
| LFS   | Labour Force Survey                                     | WLGA    | Welsh Local Government Association                         |
| MA    | Managing Agency   | WMCLITC | West Midlands Construction University<br>Technical College |
| MSP   | Member of the Scottish Parliament                       |         |  |
| NAO   | National Audit Office                                   |         |  |
| NAS   | National Apprenticeship Service                         |         |  |
| NCC   | National Construction College                           |         |  |
| NDPB  | Non-departmental Public Body                            |         |  |
| NFRC  | National Federation of Roofing Contractors              |         |  |

# Notes

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The mark of  
responsible forestry



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CITB is registered as a charity in England and Wales (Reg No 264289)  
and in Scotland (Reg No SC044875).

