

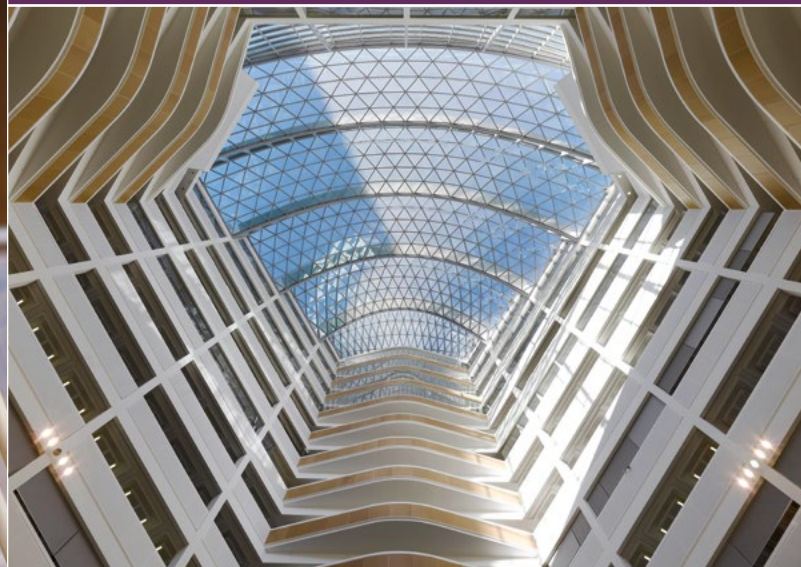


CONSTRUCTION INDUSTRY TRAINING BOARD (CITB)

# Annual Report and Accounts 2016



For the year ended  
31 December 2016





# CONSTRUCTION INDUSTRY TRAINING BOARD (CITB) ANNUAL REPORT AND ACCOUNTS 2016

FOR THE YEAR ENDED 31 DECEMBER 2016

ANNUAL REPORT AND ACCOUNTS PRESENTED TO PARLIAMENT PURSUANT TO  
S8 (4) OF THE INDUSTRIAL TRAINING ACT 1982.

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 29 JUNE 2017.

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SECTION 88 OF THE SCOTLAND ACT 1998.

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## Chairman's foreword

2016 was a remarkable year for the UK, and particularly so for the construction sector. June's referendum decision to exit from the European Union had an immediate impact and will continue to have reverberations in the foreseeable future.

The Government responded to uncertainty created by the referendum result with confirmation of its commitment to invest in infrastructure and increased availability of housing, but the anticipated restrictions in access to labour from other EU countries will significantly affect many in the construction sector, requiring a renewed effort to ensure the availability of a stronger domestic pool of skilled labour across the built environment trades and professions.

'Change' had already been on the agenda even before the referendum result. The need to invest more in developing skills and modern methods of construction was confirmed in a Government-commissioned report by Mark Farmer, released in October. Notwithstanding the report's stark message in its title, 'Modernise or Die,' it provided a helpful analysis of what is wrong in the industry and what it needs to do to improve. It is now complemented moreover by a Government-sponsored review of the Industrial Training Boards, being led by former Chief Construction Advisor Paul Morrell.

I welcomed these developments and the acknowledgement that CITB needs to play a central role in tackling the skills gaps currently felt in the construction industry. The Farmer Report confirmed that the reform CITB has already initiated is moving in the right direction.

This direction includes continuing the journey of simplifying the Grants Scheme and making sure that it strategically addresses the industry's precise skills needs, now and in future. It is also about CITB playing a more strategic role, providing guidance to construction companies, training providers, and relevant governmental bodies, and not just delivering schemes and programmes. It is not just about 'Levy in; Grant out': it is about investing in skills.

It is also about moving towards ensuring quality, and helping the whole training system to run more efficiently by making sure that there is a common understanding of qualifications, by identifying gaps in training provision, and by providing incentives to ensure the economic viability of offering those courses.

Any one organisation cannot do everything. So CITB will be clearly focused on how it can best add value and drive the improvement of the UK's skills base in construction, working in partnership with employers, training providers, and Government. We have listened to our stakeholders and, as we enter into dialogue in 2017 with the federations as part of the consensus process, we are determined to deliver the skills industry needs.



Following 2016's change in Prime Minister and governmental reorganisation, the skills agenda now rests firmly under the responsibility of the Department for Education, and CITB continues to have a strong working relationship with Government, as well as numerous Members of Parliament who share our passion for construction. This is particularly important in 2017 as we work with Paul Morrell and team on the Industrial Training Board review, and as we proceed through the consensus process.

CITB has worked closely with Government to ensure that as the Apprenticeship Levy is implemented, the right standards and assessment systems are in place to allow construction companies to make full use of the opportunities that the Levy creates – not just in bringing young people into the industry, but in helping those in mid-career to adjust to the changing skills needs in an evolving economy.

Going forward, CITB will continue to emphasise to Government the importance of addressing skills needs in construction. The construction industry employs more than two million people in the UK and produces 8% of its GDP. The sector delivers the homes, offices, and infrastructure fundamental to society and our very quality of life.

However, the skills shortage threatens all this. So everything CITB does is geared to addressing these skills gaps and strengthening the construction industry to help build a better Britain.

Late in 2016, Adrian Belton resigned as Chief Executive. On behalf of the Board and industry my thanks go to Adrian for his dedicated service to CITB. In his three years as Chief Executive, Adrian led the development of key organisational reforms that have enabled and shaped CITB's future offer to industry. Sarah Beale has stepped up to become Interim Chief Executive. She has excellent knowledge of the organisation and our industry, and a practical, hands-on approach that will be needed for this next phase of engagement and delivery. The board and I place our full confidence in her and the rest of the executive team, and I look forward to working with them to take on the challenges facing CITB and the whole construction industry in 2017.

**James Wates, CBE**

Chairman

## Chief Executive's introduction

When I reflect on last year and look forward to the future, I ask two questions: is CITB adding value to industry; and, can we do better?

The short answer to both questions is 'yes'.

2016 was a year in which we made good progress. We listened to industry and responded with a range of new initiatives to help employers of all sizes across the three nations train the workforce they need.

- We continued to provide excellence in our Apprenticeship offer, supporting 15,000 apprentices. In Wales, inspectors Estyn gave CITB an award of excellence in Management and Leadership, which comes on top of our Ofsted Grade 1 rating in England.
- We changed the way we fund projects through our Flexible and Structured funding. The changes helped us focus on initiatives that make the most difference and can be scaled up to benefit more employers, and we can also better monitor how well projects are doing. Importantly, we created the Skills and Training Fund, aimed at meeting the training needs of the SMEs who dominate our industry. Through this fund, we have distributed £2million to almost 500 employers, many of whom had never before claimed funding from CITB.
- We launched a scaffolding training centre in Aberdeen, partnering with a top college to respond to an urgent skills need in North East Scotland.
- This partnership model is also being used in Wales. We joined forces with the University of Wales Trinity St David to create the Construction Wales Innovation Centre. It will train over 1,100 people each year in the most needed skills, delivering new and innovative approaches to learning.

- We launched the Home Building Skills Partnership, with the Home Builders Federation and dozens of employers, to meet the skills and training needs of the home building sector.
- We sharpened up our evidence base. Using our Labour Forecasting Tool, we provided a more accurate picture of local and regional skills needs. We have also made good progress in developing our understanding of the skills supply side from education and training. This knowledge will help us better target our industry support to meet critical skills needs.

What these few examples show is an increasingly focused organisation, working to support employers where we can have the greatest impact.

Which bring us to 2017. It is already proving to be a pivotal year, not just for CITB, but across the economic and political landscape, as James Wates outlined in his foreword.

To meet these challenges and by working with industry we have created a new CITB offer, focusing on ensuring that the Levy is used to maximum effect and to develop the skills that are required now and in the future. The future plan concentrates on three priorities:

- Careers;
- Standards and Qualifications; and
- Training and Development.



On Careers, this will mean further developing our award-winning service, Go Construct, co-designed with industry. It has already helped more than 72,000 18–24 year olds with career information. This year, we will introduce a matching service to bring employers and potential learners and workers together. This, together with new and improved content, will go some way to ensuring construction is seen as a serious contender in attracting future talent.

We will support the development of the right standards and qualifications. We have started this process by working with industry on the new Trailblazer Apprenticeships, and will continue it by developing new and improved standards that support our changing industry.

Finally, under the Training and Development banner we will ensure that our industry can train the right number of people in the right skills, using the latest teaching and learning methods. We will also look at the impact of that training in a more detailed way than ever before, sharing our evidence base to help training providers really respond to local employer needs. We will develop a comprehensive directory of quality-assured training, so employers can be sure the training they use is of a good industry standard. To complement this, we will also develop a national register of skills so that employers can verify the skills a worker has, in a consistent way across England, Scotland and Wales.

We will continue to develop our new Grants Scheme, rolled-out from April next year. Once in place, this will support employers to invest in skills that will benefit the industry as a whole, and make it much clearer what training has taken place and what it is achieving. We will also remove the need to manually claim grant by automating this process.

When we publish our annual report next year, CITB will ask itself the same questions. With the plans we have in place and a greater collaborative approach to 'Levy in – Skills out', I am confident that we will be adding even more value to industry than we do now.

But we will always be striving to do better and work more closely with employers to build the skilled, qualified and professional workforce our industry needs.

**Sarah Beale**

Interim Chief Executive

# 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. A better skilled construction workforce also helps create a better quality built environment that benefits society as a whole.

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## Vision

For British construction to have a recognised world-class innovative approach to developing its workforce to deliver quality in the built environment.

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## Mission

Attract and support the development of people to construct a better Britain.

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## 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 came 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.

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

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## 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 and the Charities Act 2011 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 1.9 million 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
- 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:

- Using our **Grant Scheme** to provide grants to employers engaged in training
- Investing in industry through our **programme-based, flexible and structured funding**
- Creating and maintaining standards and qualifications in consultation with employers
- Providing support to learners through **CITB Apprenticeships**
- Providing direct **Training** where the market does not offer adequate coverage.
- The provision of **Training Products**, such as publications, to support industry.

# Our leadership

## Trustees

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The names of those serving as charitable Trustees of CITB as at 7 June 2017 were as follows:

- James Wates CBE, FCIOB, FRICS, FICE, FCGI, FRSA CCMi (Chair)
- Maureen Douglas, FCIPD, MIoD
- Diana Garnham, MA, DSc, LLD
- David Harris MBE, FICE, FCIoB, FRICS
- Karen Jones, MCIPD
- Maria Pilfold, MBA, FCIPD
- Frances Wadsworth, FRSA, FCIM
- Ray Wilson, MSc, CMloSH, MIIRSM, CSP.

No Trustees stepped down during 2016 and all were in position throughout the year.

As specified in Schedule 1 of the Industrial Training Act 1982, Trustees were appointed by the Secretary of State, (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)).

No Trustee appointments were made during 2016.

Future appointments will be made by the Secretary of State for Education (DfE).

Trustees were introduced to CITB's work through an induction meeting with the senior management team and they receive ongoing support from the Corporate Governance team. All members are required to have relevant senior experience: six Trustees work within the construction industry, the remaining two Trustees have been appointed as independents and bring other appropriate experience.

In addition further training (whether formal or informal) is provided to support specific duties, such as participation in the Audit and Risk Committee. Trustees and individual Executive Team members also liaise regularly in relation to specific Committee work items, and they receive a brief policy update each week. Furthermore, a programme of visits and meetings with stakeholders and staff also ensures that insights into operating practice are available.

Declarations of Interests by Trustees serving in 2016 are listed on Appendix B on pages 67 and 68. Where no entry appears, the Trustee concerned has declared that he or she has no conflicting interests. Further details of the Trustees are also included on the CITB website: [citb.co.uk/trustees](http://citb.co.uk/trustees)

## Our professional advisors

### **CITB's bankers**

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Barclays Bank plc  
17 Market Place  
Fakenham  
Norfolk NR21 9BE

### **CITB's investment advisers**

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

### **Principal Office**

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See Appendix D (page 70) for details of principal and registered offices.

### **CITB's auditors**

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

### **CITB's legal adviser**

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CITB Legal Team  
Bircham Newton  
King's Lynn  
Norfolk PE31 6RH

## BOARD OUTCOMES

Full implementation of the Right Training Strategy (previously the Provider Strategy) was superseded in the year by developments in the plans for the future CITB operating model. Core elements of the Right Training Strategy have been integrated into the wider Training and Development strategy for 2017.

The three-year average for employer funding as a percentage of Levy income was 86%, below the target of 90% (in year ratios being 2014 84%, 2015 89%, 2016 84%). Though Grant Scheme expenditure was above plan in 2016, the take up of new bid-based Flexible and Structured Funds has not been as high as anticipated, and with payment on outcomes achieved, expenditure on projects in progress has been less than planned.

The result for 'reduction in % of employers citing hard to fill vacancies' shows marginal change from the 2015 result of 20%. Research found employers were most likely to mention a shortage of carpenters and joiners (32%) and bricklayers (24%).

Go Construct, the industry co-designed careers channel, has been well received though not all development goals were met in 2016 it did receive the User Experience and Design award at the 2016 Masters of Marketing Awards.

Customer satisfaction measures across CITB incorporating both relational (perception) and transactional (interaction) have been aligned across product and service areas to ensure consistency of measures for quality, efficiency and satisfaction.

The 2016 financial plan incorporated the target savings within Operating Expenditure, which have been exceeded. The savings against plan have been delivered in back office services.

In addition we supported:

- Over **1million** training days through our core Grants Scheme;
- Over **8,400** employers train more than **24,600** apprentices;
- Over **90** Training Groups across Great Britain, helping SMEs access cost effective training;
- The development of the Construction Wales Innovation Centre and the ASET scaffold training facility in Scotland; and
- The development of **31** new Trailblazers Apprenticeship standards in England.

Our Shared Apprentice Schemes allowed small employers to take on over **500** apprentices and we promote careers in construction through Go Construct, developed with over **100** industry employers, achieving in excess of **600,000** visitors to the website in the first year.

Strategic priority	Board performance measures	2016 target	2016 result
<b>Strategic Leadership</b>	Provider Strategy launched (Phase Two)	September 16	Not complete
	% of Levy income issued as employer funding (three-year rolling average)	90%	86%
<b>Image, Culture &amp; Recruitment</b>	Go Construct Skills Matching Service launched	December 16	Not complete
	Reduction in the % of employers citing hard to fill vacancies (skills gap)	20%	21%
<b>Charitable Trading</b>	Consistent set of customer satisfaction measures	September 16	Complete
<b>Running the Business</b>	Reduce level of operating costs (excluding grant & change portfolio costs)	£4m	£8m

# Financial Review for Year Ended 31 December 2016

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## Result for the year

Net incoming funds were £8.1m (compared to net outgoing funds of £3.8m in 2015) due mainly to increased Levy income of £15.4m. Non-Levy income recorded a slight decline of £3.0m to £110.6m, while charitable activities expenditure rose by £1.8m to £298.7m, which includes increased grant expenditure of £148.6m, a rise of £11.0m over 2015. The Balance Sheet shows net assets of £102.0m as at 31 December 2016 compared to £93.5m at the same date in 2015.

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## Levy

Levy income in 2016 was £198.2m (2015 £182.8m) comprising £201.0m (2015 £180.6m) in respect of the current year's assessment less a downward adjustment of £2.8m (2015 upwards adjustment of £2.25m) for the reassessment of prior year charges.

Levy rates remained unchanged at 0.5% on direct labour payments (PAYE) and 1.5% on labour-only sub-contractor 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 payments falling between £80,000 and £99,999.

The growth in Levy assessment value in 2015 is mainly due to employment growth in the sector and higher wages being paid.

The number of employers on the Levy and Grant register was reduced by 1,923 to 69,812 at 31 December 2016.

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## Non-Levy income

Restricted income derived from the CITB Apprenticeships' activities (on behalf of SFA and others) rose by £1.2m to £51.0m; this income can only be used for the purposes defined by the relevant funders, including the SFA, SDS and the Welsh Government. Income from training fell by £1.1m over the same period to £11.3m.

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## 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 £137.6m to £148.6m in 2016, helping to support 24,625 apprentices (including 6,599 framework achievements), 3,145 Training and Development Plans, 18,444 VQ achievements and 23,816 plant tests. The total number of employers in receipt of grant in 2016 was 16,101 (2015 15,374).

## What the industry gets back

£'m	Total	Grant Scheme	Funding to employers/ industry	Other support	Third party funding
Apprenticeship grants	100.6	61.4	1.7	26.9	10.6
Training Plans	46.9	46.9			
Other Training Courses	39.0	38.3	0.7		
Training Groups	4.4	2.0	2.4		
Flexible Funding (incl Skills and Training)	3.9		3.9		
Structured Funding	1.4		1.4		
Programme based funding	3.9		3.9		
Joint Investment Strategy (England)	2.4		1.2		1.2
Joint Investment Strategy (Scotland)	0.8		0.4		0.4
Joint Investment Strategy (Wales)	0.6		0.3		0.3
National Skills Academies	1.0		1.0		
UWTSD & Scottish Scaffolders	0.8		0.8		
<b>Total employer funding</b>	<b>205.7</b>	<b>148.6</b>	<b>17.7</b>	<b>26.9</b>	<b>12.5</b>
<b>Net Levy</b>	<b>198.2</b>				
<b>Percentage return on Levy</b>	<b>104%</b>				

*Grants Scheme* represents training grant payments (see Note 6 to the Financial Statements on page 42).

*Funding to employers/industry* includes other grants to employers representing direct payments made on behalf of employers including NCC apprentice support, apprentice travel and lodging allowances and specialist courses together with grants to industry bodies representing 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 that do not enter CITB Financial Statements, such as college fee discounts.

CITB receives no grant-in-aid. Overall, funding from Government and other public authorities declined from £6.1m to £2.9m (see Note 3 to the Financial Statements on page 42).

## **Investment income**

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CITB holds a large portfolio of investments mainly within segregated equities, bonds and cash on deposits with financial institutions. Investment income (£1.7m) fell by 4% from 2015 because of investment performance and market conditions. There was an unrealised gain on the value of those investments at 31 December 2016 of £0.6m (2015 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.

## **Reserves**

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Reserves are required to cover exposure to delays in income receipts and acceleration of grants and costs that are outside the control of CITB and to ensure continuity of funding to support the construction industry through achievement of CITB's charitable objectives.

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. In 2016 CITB recorded a surplus which accumulated funds in excess of the range of plus 5%. The Board keep this measure under regular review and use it to inform business planning and strategy. A variety of other factors are also considered when agreeing the target level of reserves, including but not limited to, agreements with the Trustees of 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.

CITB recorded a surplus for 2016. This was forecast during the year and accepted due to the expectation that transitional funding payments linked to the new Apprenticeship Levy would be paid in 2017, which would significantly decrease unrestricted reserves in 2017.



## 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 (FReM). The FReM 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 page 16 of our Annual Report and Accounts 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 18 to 20), in our Governance section (pages 21 to 31), and in our detailed Financial Performance section (pages 32 to 60).

**Sarah Beale**

Accounting Officer and Interim Chief Executive

7 June 2017

# Remuneration Report

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## 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, and three Board members.

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

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## 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 2015. Note is also taken of the findings of the Senior Salaries Review Body in reaching the final settlement. The latest review recommended a 1% increase for senior public servants.

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.

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## 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 CITB contractual terms and conditions. No additional or discretionary payments are made outside of contractual terms.

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## Non-cash remuneration

With the exception of company cars, health insurance, dental insurance and critical illness cover, no non-cash remuneration is made. The provision of company cars and health insurance are part of the standard terms and conditions of employment for senior grades of staff. As alternatives, a cash option for cars and business mileage allowance are paid.

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## 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.

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## Board members' remuneration

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

Payments to the Chair are authorised under Schedule 1 (4) of the Industrial Training Act 1982. No other Board members are remunerated. Note 22 Board Members' Remuneration (page 55) provides more information about this.

## 2016 Remuneration

	Salary	Benefits in kind	Bonus	Pension benefits	In lieu of notice	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adrian Belton</b> – Chief Executive (resigned with effect from 31st December 2016)	145–150	9.0	0–5	52.7	77.0	285–290
<b>Stephen Radley</b> – Policy and Strategic Planning Director	110–115	1.5	0–5	6.2	-	120–125
<b>Carl Rhymer</b> – Commercial Director	110–115	0.6	0–5	6.2	-	115–120
<b>Andy Walder</b> – NCC Principal (resigned with effect from 6th May 2016)	40–45	0.7	0–5	6.3	-	45–50
<b>Sarah Beale</b> – Chief Financial Officer and Corporate Performance Director	105–110	3.3	0–5	25.3	-	135–140

The full time equivalent salary bandings of those staff that left during 2016 were:

Adrian Belton	£145,000 to £150,000
Andy Walder	£110,000 to £115,000

## 2015 Remuneration (comparative table)

	Salary	Benefits in kind	Bonus	Pension benefits	Redundancy	2015 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adrian Belton</b> – Chief Executive	140–145	8.8	10–15	34.2	-	195–200
<b>Mike Bialyj</b> – Employer Services Director (resigned with effect from 31 January 2015)	5–10	1.9	0–5	5.8	129.4	145–150
<b>Stephen Radley</b> – Policy and Strategic Planning Director	105–110	1.5	5–10	6.1	-	120–125
<b>Carl Rhymer</b> – Commercial Director	105–110	0.6	5–10	5.9	-	115–120
<b>Andy Walder</b> – NCC Principal	110–115	2.2	5–10	21.2	-	140–145
<b>Sarah Beale</b> – Chief Financial Officer and Corporate Performance Director	110–115	0.9	5–10	22.2	-	140–145

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 in pension at normal retirement date	Total accrued pension at normal retirement date as at 31 Dec 2016	Cash equivalent transfer value as at 1 Jan 2016	Real increase in cash equivalent transfer during the year	Cash equivalent transfer value at 31 Dec 2016
	£'000	£'000	£'000	£'000	£'000
<b>Adrian Belton</b>	-	-	72	53	126
<b>Carl Rhymer</b>	-	-	14	54	68
<b>Steve Radley</b>	-	-	17	15	32
<b>Andy Walder</b>	0-2.5	20-25	422	18	442
<b>Sarah Beale</b>	0-2.5	15-20	229	121	351

## 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). CITB is also required to disclose the range of remuneration received of all employees.

	2016	2015
Highest earning executive director's total remuneration (£000)	155-160	160-165
Median total remuneration (£000)	29,311	28,048
Ratio of median remuneration to remuneration of highest earning executive	5.4	5.8

In 2016 no (2015 - 0) employees received remuneration in excess of the highest paid director. Remuneration ranged from £11,448 to £158,170 (2015 £13,614 to £151,287).

Details about exit packages are disclosed in Note 23 – Particulars of Staff on page 56.

### James Wates, CBE

Chair

7 June 2017

### Sarah Beale

Interim Chief Executive

7 June 2017

# Annual Governance Statement

## How we are structured

The Board of CITB comprises eight Trustees, six of whom work within the construction industry and two of whom are independent. As CITB is also a registered charity the Board members are also charitable Trustees.

The Board is supported by an Executive team and the following Board sub-committees – Audit & Risk Committee, Appointments & Remuneration Committee, Investment Funding Committee, English Committee, Scottish Committee and Cymru Welsh Committee.

The Board is ultimately accountable to Ministerial office and is required to comply with directions of a general nature given by its sponsoring department. It is also held to account by industry through the CITB Council, made up of 21 stakeholders.

### Board performance

The Board is responsible for shaping CITB's future direction and strategy and is accountable for corporate governance. It provides leadership, advice and challenge in the management performance of the organisation. It has identified certain matters, in relation to policy making and/or key strategic change, over which only it can approve key decisions. In other matters, responsibilities are delegated to Committees and the CEO. The Committee structure and delegated authorities provides assurance and appropriate challenge to the Board and enables the Executive to undertake effective and transparent decision-making.

<b>Board Meeting attendance</b>	<b>90%</b>
James Wates (Chair)	6/6
Maureen Douglas	6/6
Diana Garnham	6/6
David Harris	6/6
Karen Jones	4/6
Maria Pilfold	6/6
Frances Wadsworth	3/6
Ray Wilson	6/6
<b>Total</b>	<b>43/48</b>

## Council

The purpose of the Council is to support the Board in its strategic leadership by providing insight into industry challenges, and as a 'critical friend' to the Trustees in relation to the development of proposals, including the development and robustness of the Strategic Business Plan. During the year the Council has received information from the Board, discussed and fed back on CITB's business plan and future offer, Board governance, Grants Scheme modernisation and the Apprenticeship Levy.

<b>Council attendance</b>	<b>79%</b>
James Wates (Chair)	3/3
John Allott	0/3
Carole Bailey	1/1
John Bailey	1/3
Kevin Bennett	3/3
Gary Bishop	1/3
Sarah Bowers	3/3
Craig Bruce	2/3
Bob Collins	3/3
Gareth Davies	3/3
Ian Dickerson	3/3
Phillip Hall	3/3
Rebecca Hartshorn	3/3
Malcolm Horner	3/3
Faye Jenkins	2/3
John Lorimer	3/3
Jo Pottinger	3/3
Rob Tansey	2/3
Kevin Taylor	1/1
Alison Watson	2/3
Robert Williams	2/3
Mark Wusthoff	2/3
<b>Total</b>	<b>49/62</b>

## Audit & Risk Committee

During 2016, the Audit & Risk Committee provided assurance to the Board and Accounting Officer on CITB's risk and control environment. It received update reports on the business's key strategic risks, progress against the internal audit plan and the external auditor's opinion on the Annual Report & Accounts. It sought further information from individual areas of the business where members felt they would benefit from a more in-depth explanation on the control environment from the senior manager responsible. The information received during the year enabled the Committee, following the review of a draft, to provide a recommendation to the Accounting Officer and the Board to approve and sign the Annual Report & Accounts.

<b>Audit &amp; Risk Committee attendance</b>	<b>82%</b>
Diana Garnham (Chair)	4/4
Maureen Douglas	3/4
Hugh Hunter	1/1
Chris Richardson	4/4
Frances Wadsworth	2/4
<b>Total</b>	<b>14/17</b>

## Appointments & Remuneration Committee

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During 2016, the Appointments & Remuneration Committee has continued to provide specialist advice to the Board on matters relating to Executive Pay Packages and providing negotiating parameters for the annual pay review. Specifically, the Committee oversaw the departure of the CEO in December 2016 and the appointment of the Interim CEO, ensuring that appropriate governance was exercised and the necessary notifications undertaken. The Committee has engaged well with the new Head of HR, appointed in September 2016, and has benefited from the support of Aon Hewitt whose representative attends the Committee's meetings and provides data and assurances regarding Executive Pay benchmarking and structuring in the UK.

<b>Appointment &amp; Remuneration Committee attendance</b>	<b>92%</b>
Ray Wilson (Chair)	6/6
Diana Garnham	4/6
Karen Jones	6/6
Maria Pilfold	6/6
<b>Total</b>	<b>22/24</b>

## Investment Funding Committee

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During 2016, the Investment Funding Committee provided assurance on behalf of the Board on CITB's funding, covering the current Grants Scheme, the reform of the Grants Scheme, and Flexible and Structured funding. It has had oversight as the funding team has reviewed Flexible and Structured funding criteria and the application process; Committee members have also met the funding team to understand the processes more clearly. In addition, the Committee has received a strategic overview for Grants Scheme reform and future Apprenticeship funding (including the incorporation of higher Apprenticeship funding), the funding criteria for charitable organisations and assisted the development of CITB's approach to Commissioning. The Committee has provided feedback on the principles for the proposed reformed Grants Scheme and also guidance on wider industry engagement.

<b>Investment Funding Committee attendance</b>	<b>92%</b>
Karen Jones (Chair)	5/5
Julia Evans	4/5
Chris Jones	5/5
Gerald Oppenheim	4/5
Maria Pilfold	5/5
<b>Total</b>	<b>23/25</b>

## English Committee

The Committee provides insights and strategic input on industry challenges and opportunities in England, and how industry and CITB can best address them. The Committee comprises two trustees and industry members with knowledge and experience of the construction industry across the regions and sectors in England. The group takes a particular interest in CITB's policy and research activity in England and how this work can best influence the environment in which construction firms operate. Discussions covered a wide range of skills and training issues in England including: the Skills Plan, the Apprenticeship Levy, CITB's future role, work experience for new entrants, progress on new Trailblazer standards, and how industry is likely to respond to changes in the skills landscape in England.

English Committee attendance	
Frances Wadsworth (Chair)	4/4
Debbie Aplin	3/4
Debbie Akehurst	0/4
Caroline Blackman	2/4
Ian Dickerson	2/4
Stuart Green	2/4
Richard Hardy	0/3
Steve Hindley	0/4
Richard Hlland	2/4
Mike Jaggs	1/1
Chris Jones	1/4
Lucy Jones	2/2
Hannah O'Sullivan	2/4
Liz Stokes	1/4
Andrew Wall	1/4
Ray Wilson	2/4
<b>Total</b>	<b>25/58</b>

## Scottish Committee

The Committee comprises two Trustees and a range of Scottish stakeholders, including employers, federations and Government representatives. It provides an interface between Scottish Construction stakeholders and CITB, as a means to shape and influence national and regional priorities and developments in careers, standards and qualifications, and training and skills development, within the Scottish construction and built environment contexts. The Committee's discussions during the year included a review of progress on CITB investment priorities in Scotland, partnership projects, Apprenticeships, and skills and training.

Scottish Committee attendance		46%
Maureen Douglas (Chair)	3/3	
Douglas Anderson	2/3	
Nicola Barclay	3/3	
Grahame Barn	3/3	
Neil Baxter	2/3	
Craig Bruce	1/3	
Sharon Drysdale	0/2	
Harry Frew	1/3	
Jim Gilmour	0/3	
David Harris	2/3	
Vaughan Hart	0/3	
Gavin Hay	0/3	
Malcolm Horner	1/3	
Brendan Keenan	1/3	
Billy Kirkwood	0/3	
Stuart Lyon	0/3	
Donald McDonald	0/3	
Stewart McKillop	1/3	
Newell McGuinness	3/3	
John McKinney	2/3	
Paul Mitchell	3/3	
Ian Morrison	1/3	
Gordon Nelson	2/3	
Gemma Gourlay	2/3	
Andre Reibig	1/2	
Ian Rogers	1/3	
Billy Scott	1/1	
Stephan Sheridan	1/2	
Ian Stirrat	1/1	
Colin Tennant	0/3	
<b>Total</b>	<b>38/83</b>	



## Cymru Welsh Committee

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This Committee has continued to work within the established framework, which includes regional and sector networks across construction in Wales, and has strong links with the Welsh Assembly and policymakers in Wales. Discussions covered a review of policy and strategic planning in Wales, education, careers and qualifications, Government policy and proposals, reports from regional construction forums across Wales and funded training in Wales.

<b>Cymru Welsh Committee attendance</b>	<b>53%</b>
David Harris (Chair)	3/3
Nick Blundell	3/3
Paul Bogle	1/1
Chris Chapman	2/3
Anthony Davies	2/3
Gareth Davies	3/3
Maureen Douglas	3/3
Martyn Evans	0/3
Trevor Francis	2/3
Lisa Garfield	2/3
Ifan Glyn	2/3
Mark Harris	0/3
Richard Heaton	0/3
Nicolette Hunt-Davison	2/2
Owain Jones	3/3
Rhodri-Gwynn Jones	1/3
Richard Price	0/3
Paul Senior	1/3
Ann-Marie Smale	2/3
Anthony Thomas	0/3
Clive Webb	1/3
Ffrancon Williams	0/3
Robert Williams	3/3
Mark Wusthoff	1/3
Chris Wynne	1/3
<b>Total</b>	<b>38/72</b>

## Risk Management

Our system of internal control is designed to manage risk to a reasonable level, to evaluate the likelihood of those risks occurring, the impact should they be realised, and to manage them efficiently, effectively and economically. We manage risk by regular oversight and scrutiny, at corporate and team level, and with effective assurance from Audit & Risk Committee.

The system of internal control has been in place for the year ended 31 December 2016 and, working to Public Sector Internal Audit Standards, accords with Treasury guidance.

A number of specific sources contribute to my annual review of these risks, including:

- reports and recommendations from the Audit & Risk Committee;
- the Head of Internal Audit's annual opinion to me;
- reports and recommendations from the National Audit Office;
- annual accountability statements from members of the Executive and senior managers, outlining the governance, risk and control arrangements in their business areas;
- external reports on CITB, produced by independent organisations, such as OFSTED; and
- legislative and regulatory guidelines, including those relating to charitable status, state aid, tax arrangements.

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### **Risk management process**

As a registered charity the organisation has a prudent and balanced attitude to risk, placing emphasis on its risk management and control framework. The chart below shows the accountability and assurance on the effectiveness of Risk Management at CITB.

There are several ways that CITB manages risks, specifically during 2016:

- Risks were considered from a strategic, operational and project level and accountability of the risks was appropriate.
- The Risk Management strategy, framework and policy were reviewed by the Executive and Leadership Team members, including existing risks and identification of new risks aligned to strategic objectives.
- The Risk Management framework categorises risks as financial, reputational, strategic, compliance and trading income and is used to set the acceptable tolerance thresholds for risks across the organisation.
- Internal Audit reviews the effectiveness of Risk Management.
- Each meeting of the Audit & Risk Committee received a 'Risk Update', including a dashboard showing the business risks, and details of the organisation's 'Key Strategic Risks'.

## Risk overview

The most significant risks faced by CITB during 2016, which could impact on the delivery of its strategic objectives, together with the key mitigating actions are shown below:

Strategic risk	Mitigating actions
<p><b>Delivery of change</b></p> <p>There is a risk to the delivery of the Future Operating Model leading to reputational damage with stakeholders and BAU being affected as employees disengage.</p>	<ol style="list-style-type: none"> <li>1. Proactive governance system.</li> <li>2. Supplemented internal resource.</li> <li>3. Internal and external communications plan.</li> <li>4. Full reporting to the Board.</li> <li>5. Quarterly review by the Audit &amp; Risk Committee.</li> <li>6. External and expert review periodically.</li> </ol>
<p><b>Funding management</b></p> <p>There is a risk we are challenged on our Grant, Structured and/or Flexible funding leading to stakeholder dissatisfaction and reputational damage within industry.</p>	<ol style="list-style-type: none"> <li>1. Investment Funding Committee reporting to Board.</li> <li>2. Evidence forum agreeing priorities with industry.</li> <li>3. Continuous working with industry to support employers in accessing funding.</li> <li>4. Communication to industry, employers and federations.</li> </ol>
<p><b>Fraud</b></p> <p>There is a risk to the Health &amp; Safety within the industry being compromised due to fraudulent misappropriation of CITB accreditation leading to the credibility and reputation of the organisation being damaged.</p>	<ol style="list-style-type: none"> <li>1. Monitor impact on quality assurance, fraud exposure, and financial controls.</li> <li>2. Dedicated fraud investigator.</li> <li>3. 'One Agreement' with centres.</li> <li>4. Full review of all accredited centres.</li> <li>5. Installation of CCTV in testing centres.</li> <li>6. Increasing prevention/disruption tactics.</li> <li>7. Forensic information provided by third parties.</li> </ol>
<p><b>Consensus</b></p> <p>There is a risk that industry suffers a loss of products, services and investment funding leading to a reduction in the volume and quality of training available, and reputational damage if we fail to achieve consensus.</p>	<ol style="list-style-type: none"> <li>1. Consensus Project Group.</li> <li>2. Engagement at all levels of Government.</li> <li>3. Working with employers and federations.</li> <li>4. One year transitional package.</li> <li>5. Working with our Sponsoring Department.</li> <li>6. Established Levy Working Party.</li> <li>7. Regular communication with industry and employees.</li> <li>8. Seconded staff working with the Government review team.</li> </ol>
<p><b>Challenges</b></p> <p>There is a risk that CITB is unable to respond effectively to requests for information leading to a possible reduction in operations and/or reputational damage within industry.</p>	<ol style="list-style-type: none"> <li>1. Experienced Legal team.</li> <li>2. Specialist Legal services available to assist with the challenges.</li> </ol>

During 2016 the following risks were redistributed to operational team registers for management or incorporated into the Strategic Risks:

- Apprenticeship Levy – There is a risk to CITB's operating model and reputation because of the proposal by Government to introduce an 'Apprenticeship Levy'
- Challenges to Levy order and scope – Following Levy simplification there is a risk employers could raise a legal challenge to the Levy order and scope
- Future direction – There is a risk our Sponsoring Department and other external bodies divest in CITB's future direction which could lead to CITB not having a feasible model to move forward.

## **Internal Audit opinion**

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The Internal Audit team, working to Public Sector Internal Audit Standards, focused on areas of control and risk considered 'core' to the system of internal control; areas of known development needs and areas of low assurance and high risk. An Annual Report, summarising the work undertaken and containing the Head of Internal Audit Opinion was presented to the Audit & Risk Committee, which stated that the quality of internal control, governance and risk management at the end of 2016 was 'Satisfactory' – in that 'isolated areas of control weaknesses were identified which, whilst not systemic, put some business objectives at risk'. This is based on delivery of the 2016 plan of work across activities, and inputs from risk management activity and governance arrangements.

## Statement by Accounting Officer

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### **Our approach to Data Security**

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

We are 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 routinely review systems and processes for handling data securely against revised Government guidelines and to ensure we continue to meet expected standards. We anticipate that we will meet the requirements of ISO 27001 in relation to Information Security later this year and have plans in place to ensure we meet the requirements of the General Data Protection Requirements (GDPR) in advance of next year's implementation deadline. We follow Cabinet Office guidance in relation to incidents involving protected personal data, and as such are required to publish information about any serious data-related incidents, which have to be reported to the Information Commissioner. There were none in 2016.

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### **Our approach to whistle-blowing**

We are committed to achieving and maintaining high standards of behaviour at work, service to the public, and in all our working practices, and maintaining a culture where people are encouraged to speak out, confident that they can do so without adverse consequences and that appropriate action will be taken. Our arrangements for managing whistle-blowers have been reviewed by the Audit & Risk Committee. During 2016 there were four incidents recorded by Internal Audit on their Allegation, Loss and Fraud Register. Where appropriate, these incidents were investigated and recommendations made to improve the control environment.

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### **Register of interests**

As a Non-Departmental Public Body (NDPB), CITB must abide by principles of regularity and propriety, ensuring that its work is not adversely impacted by a conflict of interest. Board Trustees, Council and Board Committee members, and Executive Directors are required to complete a declaration of any interests. No significant company directorships or other interests were held by members that conflicted with their role and responsibilities.

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### **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 link with federations, trades unions and educational bodies. We work with Government (with the DfE at Westminster and the Scottish and Welsh Governments) and we are involved in a range of stakeholder events, consultative groups and forums and stakeholder surveys.

We are required to seek consensus from industry for our role as an Industrial Training Board in collecting the Levy for use in incentivising and supporting industry in training. The Levy order is for three years and was passed by Parliament in 2014.

## **Conclusion**

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As Accounting Officer, I am satisfied that the governance arrangements that were in place during 2016 are sufficient to continue managing risks effectively and that operating and financial risks are fully understood by both the Board of Trustees and the Executive Board. This is informed by the work of executive directors, Leadership Team members and internal auditors within the organisation, who are responsible for developing and maintaining the governance structures and internal control framework and working in conjunction with, and overseen by, the Audit and Risk Committee of the Board of Trustees. It is also informed by comments made by the National Audit Office 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.

Based on the review I have outlined above, I conclude that CITB has a satisfactory system of governance, risk management and internal control that supports the aims and objectives of the organisation.

### **Sarah Beale**

Accounting Officer

7 June 2017

Acknowledged on behalf of the Board

### **Diana Garnham**

Chair of Audit & Risk Committee

7 June 2017

## 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; as a registered charity this statement is in the form stipulated within the Charities SORP.

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 has complied with the relevant requirements of the Government financial reporting manual and in particular to:

- a) Comply with the Charities SORP, 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 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 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 7 June 2017 and signed on its behalf by:

**James Wates, CBE**

Chairman  
7 June 2017

**Sarah Beale**

Interim Chief Executive  
7 June 2017

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

I certify that I have audited the financial statements of CITB for the year ended 31 December 2016 under the Industrial Training Act 1982. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Board, Accounting Officer and auditor**

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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**

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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

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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

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In my opinion:

- The financial statements give a true and fair view of the state of CITB's affairs as at 31 December 2016 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 Charities SORP (FRS 102).

## Opinion on other matters

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In my opinion:

- The part of the Remuneration Report to be audited is fairly presented; and
- The information given in the sections headed Our Leadership, Review of 2016 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  
21 June 2017

### National Audit Office

157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## SECTION 5: FINANCIAL PERFORMANCE

### Statement of financial activities for the year ended 31 December 2016

Notes	2016 Restricted Fund	2016 Unrestricted Fund	2016 Total	2015 (restated)
	£'000	£'000	£'000	£'000
<b>INCOME</b>				
Income from charitable activities				
Non-Levy income				
Apprenticeships	50,993	-	50,993	49,793
Trading Products	-	44,789	44,789	44,386
Training	-	11,290	11,290	12,426
Other	2	610	612	952
Government and other public authorities	2,336	583	2,919	6,082
Total non-Levy income	53,331	57,272	110,603	113,639
Levy income	-	198,246	198,246	182,810
Income from other trading activities				
Income from Investments	-	1,690	1,690	1,754
Other income	-	31	31	116
	53,331	257,239	310,570	298,319
<b>EXPENDITURE</b>				
Expenditure on raising funds	-	4,103	4,103	4,062
Charitable activities				
Grants Scheme	-	153,623	153,623	143,185
Programme based funding	2,113	15,847	17,960	16,253
Apprenticeships	52,098	14,387	66,485	66,628
Trading Products	-	28,377	28,377	32,101
Training	-	30,894	30,894	35,715
Other	983	401	1,384	3,075
Expenditure on charitable activities	55,194	243,529	298,723	296,957
Non charitable activities	-	37	37	99
Net(gains)/losses on investments	-	(433)	(433)	1,092
<b>Expenditure</b>	<b>55,194</b>	<b>247,236</b>	<b>302,430</b>	<b>302,210</b>
<b>Net Income/(Expenditure)</b>	<b>(1,863)</b>	<b>10,003</b>	<b>8,140</b>	<b>(3,891)</b>
<b>Net movement in funds – transfer from unrestricted funds</b>	<b>1,863</b>	<b>(1,863)</b>	<b>-</b>	<b>-</b>
	<b>-</b>	<b>8,140</b>	<b>8,140</b>	<b>(3,891)</b>
<b>Other gains and losses</b>				
Realised gain on sale of freehold property	-	-	-	38
Gain/(loss) on revaluation of freehold property held for own use	-	315	315	52
<b>Net movement in funds</b>	<b>-</b>	<b>8,455</b>	<b>8,455</b>	<b>(3,801)</b>
Total accumulated funds at 01 January	-	93,530	93,530	97,331
<b>Total accumulated funds at 31 December</b>	<b>-</b>	<b>101,985</b>	<b>101,985</b>	<b>93,530</b>

The above results include all recognised gains and losses and are derived from continuing activities. Notes 1–27 on pages 37 to 60 form an integral part of these accounts.

**Balance Sheet as at 31 December 2016**

	Notes		2016		2015
<b>FIXED ASSETS</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Tangible assets	10		13,519		13,136
<b>CURRENT ASSETS</b>					
Debtors	11	<b>63,466</b>		59,838	
Investments	12, 14, 19	<b>45,369</b>		54,865	
Cash at bank	14, 19	<b>48,622</b>		36,538	
		<b>157,457</b>		151,241	
<b>CREDITORS</b>					
Amounts falling due within one year	13, 14	<b>(27,819)</b>		(29,637)	
Net current assets			<b>129,638</b>		121,604
Total assets less current liabilities			<b>143,157</b>		134,740
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	15		<b>(41,172)</b>		(41,210)
<b>NET ASSETS</b>					
			<b>101,985</b>		93,530
<b>FINANCED BY TOTAL ACCUMULATED FUND (unrestricted)</b>					
	17		<b>101,985</b>		93,530

Notes 1–27 on pages 37 to 60 form an integral part of these accounts.

Approved by the Board on 7 June 2017  
and signed on its behalf by:

**Sarah Beale**

Interim Chief Executive

## Statement of Cash Flows for the Year Ended 31 December 2016

	Notes	2016	2015 restated
		£'000	£'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income/(expenditure)		<b>8,140</b>	(3,891)
Income from investments		<b>(1,690)</b>	(1,754)
Depreciation charges	9, 10	<b>1,502</b>	1,750
Profit on sale of tangible fixed assets		<b>(31)</b>	(5)
Realised loss on disposal of fixed assets		<b>119</b>	1,881
Unrealised (gain)/loss on investments	12, 14	<b>(594)</b>	616
Gain on revaluation of freehold property	10	<b>(315)</b>	(52)
(Increase) in debtors		<b>(3,703)</b>	(28,667)
(Decrease)/Increase in creditors and provisions		<b>(1,745)</b>	9,050
<b>Net cash inflow/(outflow) from operating activities</b>		<b>1,683</b>	(21,072)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	18	<b>1,842</b>	2,144
Payments to acquire tangible fixed assets	18	<b>(1,645)</b>	(1,893)
Receipts from sales of tangible fixed assets	18	<b>114</b>	13
Proceeds from sale of investments	18	<b>57,169</b>	92,485
Purchase of investments	18	<b>(47,079)</b>	(52,092)
<b>Net cash inflow from investing activities</b>		<b>10,401</b>	40,657
<b>Increase in cash and cash equivalents</b>	19	<b>12,084</b>	19,585
<b>Cash and cash equivalents at 01 January</b>	19	<b>36,538</b>	16,953
<b>Cash and cash equivalents at 31 December</b>	19	<b>48,622</b>	36,538

Notes 1–27 on pages 37 to 60 form an integral part of these accounts.

# Notes to the Financial Statements for the Year Ended 31 December 2016

## 1. Accounting policies

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### GOING CONCERN

These accounts are prepared on a going concern basis following a review of the activities of CITB planned for the future and the external factors which will have an impact on its future. The Board have taken into account the current consensus process for the new Levy-order regime, the ITB review that is currently being undertaken by Government and the future role of CITB, the need possibly to amend Levy rates to reflect the introduction of the new Apprenticeship Levy regime and the highly liquid nature of CITB's assets and level of reserves held.

### ACCOUNTING CONVENTION

The Financial Statements are prepared in accordance with the Industrial Training Act 1982 and comply with the requirements of Accounting and Reporting by Charities: Charities SORP (FRS 102).

The accounts also follow the disclosure requirements of the 2015–16 Government Financial Reporting Manual (FReM) and also provide additional disclosures where this goes beyond the requirements of the Charities SORP (FRS 102).

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 original invoiced value as any impairment is covered by provisions.

## INCOME

### 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 SoFA in the period in which they are raised.

### Government and other public authorities

Government and other public sector funding received for services is recognised in the SoFA so as to match it with the expenditure towards which it is intended to contribute, which may give rise to deferred income for grants received in advance of expenditure incurred.

### Charitable Activities - non-Levy income

Non-Levy income is recorded by charitable activity and is accounted for on an accruals basis.

### Deferred income

An accrual for deferred income is made where it has been received during the accounting period, but for which associated activities will not be carried out until subsequent accounting periods.

### Investment income

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

## EXPENDITURE

### 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 and provisions made in earlier years. Grants are considered to be legally binding when the terms have been agreed by both parties.

### Charitable activities

The charges in the SoFA are recognised on an accruals basis. The Apprenticeships 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.

### Support costs

In order to comply fully with the Charities SORP support costs are allocated across the different business streams by headcount. Notes 8 and 9 set out the basis of allocation which utilises the respective headcounts from those departments as a basis for that calculation which is deemed the most appropriate method of allocation. Support costs have been allocated to the grant-making activity and this has required a restatement of the 2015 comparative.

### Allocation of expenditure

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

- Expenditure on raising funds – direct costs only
- Charitable and non-charitable activities – direct costs and staff headcount
- Support costs are allocated across activities solely on the basis of the staff headcount involved in those activities.

## 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 brought forward market value at the beginning of the accounting period 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.

Non-Levy debtors are shown at their amortised value after any provision for impairment.

## Tangible fixed assets

Tangible fixed assets (excluding freehold land and buildings) 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:

Asset	Depreciation range
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	5–10 years
Office equipment	4–10 years
Computer equipment	4 years

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

## Investments

Investments are stated at market value at the balance sheet date. Investments are considered to be liquid resources as they can all be easily converted to cash. 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 for accruals and provisions

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 training as at year-end. Training Plan grant claims not yet received are provided for on the basis of historical payment patterns adjusted for any known changes in circumstances. Provisions and 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 provided for 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.

Trade and taxation creditors: Amounts payable in relation to supplier invoices are based on those due as at the year end where goods or services have been received.

## 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 assets or liabilities expressly for trading purposes.

Material classes of financial instruments are separately identified under the following categories (Note 14).

### **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 shown in the accounts at the amortised cost after calculating any relevant impairment.

### **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.

### **Other financial liabilities**

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

### **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. Provision is also made in respect of training grants which is explained above under estimation techniques for accruals and provisions.

## **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 102 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 SoFA in the period to which they relate.

### **Redundancy**

Any unpaid costs are accrued for dependant on the rules applied per employee.



## 2. Reclassification of prior years' non-Levy income and expenditure for charitable activities

The activities that CITB undertakes in support of the industry have been re-defined during 2016 in order to realign our strategic priorities. The table below shows the reclassification from the 2015 audited SoFA to the restated comparatives in the SoFA on page 34.

	2015 Total	Expenditure on Raising Funds	Grants	Programme based Funding	Apprenticeships	Trading Products	Training	Other	Government and Other Public Authorities
INCOME	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charitable Trading	106,787	-	-	-	49,586	44,386	12,426	389	-
Training and Development	37	-	-	-	37	-	-	-	-
Strategic Leadership	539	-	-	-	161	-	-	378	-
Industry Engagement	6	-	-	-	-	-	-	6	-
Image and Recruitment	87	-	-	-	9	-	-	78	-
Other	101	-	-	-	-	-	-	101	-
Government and other public authorities	6,082	-	-	-	-	-	-	-	6,082
<b>Total non-Levy income</b>	<b>113,639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,793</b>	<b>44,386</b>	<b>12,426</b>	<b>952</b>	<b>6,082</b>
EXPENDITURE									
Expenditure on Raising Funds	49	49							
Grants	137,606	-	137,606	-	-	-	-	-	-
Charitable Trading	92,759	-	-	2,292	47,723	26,332	19,660	(3,248)	-
Training and Development	1,321	-	-	-	659	-	-	662	-
Strategic Leadership	19,926	-	874	10,708	140	-	-	8,204	-
Industry Engagement	4,832	-	-	1,512	-	-	-	3,320	-
Image and Recruitment	3,013	-	-	1,371	204	-	-	1,438	-
Running the Business	35,812	-	3,017	370	17,902	5,769	16,055	(7,301)	-
Cost of Levy collection	5,701	4,013	1,688	-	-	-	-	-	-
<b>Expenditure on Charitable Activities</b>	<b>300,970</b>	<b>-</b>	<b>143,185</b>	<b>16,253</b>	<b>66,628</b>	<b>32,101</b>	<b>35,715</b>	<b>3,075</b>	<b>-</b>
<b>Expenditure on Raising Funds</b>	<b>49</b>	<b>4,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3. Income from government and other public authorities

	2016	2015
	£'000	£'000
UK Government departments and Skills Development Scotland (SDS)	2,846	5,361
UK Commission for Employment and Skills (UKCES)	73	721
	<b>2,919</b>	<b>6,082</b>

No grant-in-aid is receivable by CITB

### 4. Levy

	2016	2015
	£'000	£'000
Current year's Levy Assessment receivable	206,294	185,233
Less: provision for bad debts	(5,224)	(4,673)
Net value current year's Levy Assessments	201,070	180,560
Reassessment of previous years' Levy	(2,824)	2,250
Net Levy income for the year	<b>198,246</b>	182,810

### 5. Non-charitable activities

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

### 6. Training grants

	2016	2015
	£'000	£'000
Paid or offset during the year	142,547	133,125
Less: Provisions and Accruals brought forward	(38,725)	(34,244)
Add: Provisions and Accruals for further payments	44,823	38,725
	<b>148,645</b>	137,606
<b>Apprenticeship grants</b>		
Attendance grants	38,742	32,402
Achievement grants	21,278	18,289
	<b>60,020</b>	50,691
Exceptional training grant	10	1,645
Other grants	80,123	85,270
Enhanced Technical and Professional	8,492	-
<b>Total grants (all claimed as institutional grants)</b>	<b>148,645</b>	137,606

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

Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 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. Training grants make a contribution towards an employer's training costs. Aggregate payments/offsets over £213,000 made during the year:

Recipient	£'000	Recipient	£'000
Carillion Plc*		J Murphy & Sons Ltd	385
– CITC £4,445		Crest Nicholson Plc	381
– Other £2,504	6,949	Keltbray Group Ltd	381
Kier Group Plc	5,208	The Clancy Group Plc	378
O'Rourke Investments Plc	3,052	Jones Bros Ruthin Co Ltd	364
Royal BAM Group	2,277	F M Conway Ltd	362
Balfour Beatty Plc	2,177	Ringway Jacobs Ltd	356
Barratt Developments Plc	1,957	Gap Holdings Ltd	336
Mears Group Plc	1,764	Volkerwessels UK Ltd	324
Keepmoat Ltd	1,522	VP Plc	311
Persimmon Plc	1,495	Seddon Construction Ltd	311
Taylor Wimpey Plc	1,428	ISG Plc	302
Vinci	1,391	Ainscough Crane Hire Ltd	289
Bouygues	1,172	Bovis Homes Group Plc	288
Ferrovial Sa	1,170	Ian Williams (Holdings) Ltd	285
Morgan Sindall Group Plc	1,095	Lend Lease Corporation Ltd	282
Galliford Try Plc	1,029	John Graham Holdings Ltd	273
Skanska UK	1,005	Bellway Plc	271
Interserve Plc	996	Garbol Ltd	265
Willmott Dixon Group	987	Wates Group Ltd	254
Mitie Group Plc	982	Champion International Ltd	252
Redrow Plc	935	Dyer & Butler Holdings Ltd	248
Costain Group Plc	798	Alfred Bagnall & Sons Ltd	239
Newarthill Ltd	647	Brickwork Services Ltd	234
Renew Holdings Plc	612	North Midland Construction Plc	229
Ashtead Group Plc	555	She Group Ltd	223
E S H Holdings Ltd	528	Geoffrey Osborne Ltd	220
Bloor Holdings Ltd	487	Cruden Holdings Ltd	217
Speedy Hire Plc	480	Lakehouse Holdings Ltd	215
Bowmer & Kirkland Ltd	436	C C G (Holdings) Ltd	214
R G Carter Group Ltd	435	Cape Intermediate Holdings Plc	213
Bentley Holdings Ltd	430		54,130
Bell Group UK Ltd	423		
Carey Group Plc	409	Other recipients	88,417
The Berkeley Group Holdings Plc	397	<b>Total paid or offset during the year</b>	<b>142,547</b>
		(Note 6)	

The above table details cash payments for grants made to major employers, see Note 6 above for reconciliation to accruals basis.

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

The number of employers claiming grant increased from 15,374 in 2015 to 16,101 in 2016 (4.7%).

## 8. Expenditure on charitable activities

Activity	Grants (Note 6)	Activities undertaken directly	Support costs (Note 9)	2016 Total including grants	2015 Total including grants (restated)
	£'000	£'000	£'000	£'000	£'000
Grants	148,645	2,571	2,407	<b>153,623</b>	143,185
Programme-based Funding	-	17,673	287	<b>17,960</b>	16,253
Apprenticeships	-	52,098	14,387	<b>66,485</b>	66,628
Trading Products	-	24,536	3,841	<b>28,377</b>	32,101
Training	-	18,971	11,923	<b>30,894</b>	35,715
Other	-	983	401	<b>1,384</b>	3,075
	<u>148,645</u>	<u>116,832</u>	<u>33,246</u>	<b><u>298,723</u></b>	<u>296,957</u>

## 9. Net movement in funds

	2016	2015 (restated)
	£'000	£'000
The net movement in funds for the year was arrived at after (crediting)/charging:		
Profit on disposal of fixed assets	<b>(31)</b>	(5)
Rentals paid under operating leases		
• Hire of plant and machinery	<b>359</b>	332
• Other operating leases	<b>2,194</b>	1,787
Fees paid to external auditor		
• Statutory audit fee	<b>90</b>	75
• Other assurances	<b>3</b>	3
Depreciation on owned assets	<b>1,502</b>	1,750
Indemnity insurance	<b>15</b>	14
Support costs (see below)	<b>33,246</b>	44,385

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 support costs as detailed below represent the unrestricted costs of running the business. The material elements of the support costs are outlined below:

	2016	2015
Support costs	£'000	£'000
Business Performance	<b>5,990</b>	10,031
Change	<b>3,321</b>	7,804
Customer Operations	<b>1,663</b>	3,224
Policy & Research	<b>660</b>	3,218
Estates	<b>5,311</b>	5,222
Management	<b>505</b>	462
Finance	<b>3,877</b>	3,326
Information technology	<b>8,921</b>	7,623
Human Resources	<b>1,421</b>	1,560
Governance	<b>1,214</b>	1,158
Legal	<b>363</b>	757
	<b><u>33,246</u></b>	<u>44,385</u>

The 2015 numbers have been restated as they now include department costs before internal allocations.

## 10. Tangible fixed assets

	Freehold property	Plant and machinery	Motor vehicles	Office and computer equipment	Assets under development	Total
(a) Summary	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
01 January 2016	9,499	5,768	1,196	11,997	186	28,646
Additions	-	825	-	101	608	1,534
Disposals	-	-	(431)	(684)	-	(1,115)
Transfers	-	43	-	143	(186)	-
Revaluation	315	-	-	-	-	315
<b>31 December 2016</b>	<b>9,814</b>	<b>6,636</b>	<b>765</b>	<b>11,557</b>	<b>608</b>	<b>29,380</b>
<b>Depreciation</b>						
01 January 2016	4	5,046	965	9,495	-	15,510
Charges for the year	149	257	57	1,039	-	1,502
Disposals	-	-	(348)	(680)	-	(1,028)
Revaluation	(123)	-	-	-	-	(123)
<b>31 December 2016</b>	<b>30</b>	<b>5,303</b>	<b>674</b>	<b>9,854</b>	<b>-</b>	<b>15,861</b>
<b>Net Book Value</b>						
<b>31 December 2016</b>	<b>9,784</b>	<b>1,333</b>	<b>91</b>	<b>1,703</b>	<b>608</b>	<b>13,519</b>
31 December 2015	9,495	722	231	2,502	186	13,136

At 31 December 2016, CITB received professional, external valuations of its freehold property. Savills undertook the valuations of all freehold property. They valued the training centre and head office at Bircham Newton 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 an increase in value of £315,000.

	2016	2015
(b) Historical cost information	£'000	£'000
If the valuations had not been included then freehold property would have been included at the following amounts:		
Cost	20,556	20,556
Accumulated depreciation	(4,578)	(4,429)
	<b>15,978</b>	16,127
(c) Freehold property	£'000	£'000
Freehold land valuation	3,970	4,000
Freehold property valuation	5,844	5,499
Accumulated depreciation freehold property valuation only	(30)	(4)
	<b>9,784</b>	9,495

#### (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 £580,000 at 31 December 2016 (2015 £876,000) for the purchase of plant and equipment.

#### (f) Plant equipment on loan

CITB has the use of equipment on loan, free of charge, from plant equipment suppliers equivalent to a purchase value of approximately £1,536,000 (2015 £1,748,000).

#### (g) Tangible fixed assets 2015 (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>						
Cost or valuation						
01 January 2015	9,500	5,270	1,264	11,792	1,867	29,693
Additions	547	554	-	443	186	1,730
Disposals	(600)	(56)	(68)	(549)	(1,556)	(2,829)
Transfers	-	-	-	311	(311)	-
Impairments	52	-	-	-	-	52
<b>31 December 2015</b>	<b>9,499</b>	<b>5,768</b>	<b>1,196</b>	<b>11,997</b>	<b>186</b>	<b>28,646</b>
<b>Depreciation</b>						
01 January 2015	196	4,881	923	8,699	-	14,699
Charges for the year	151	220	101	1,278	-	1,750
Disposals	(343)	(55)	(59)	(482)	-	(939)
<b>31 December 2015</b>	<b>4</b>	<b>5,046</b>	<b>965</b>	<b>9,495</b>	<b>-</b>	<b>15,510</b>
<b>Net Book Value</b>						
<b>31 December 2015</b>	<b>9,495</b>	<b>722</b>	<b>231</b>	<b>2,502</b>	<b>186</b>	<b>13,136</b>
31 December 2014	9,304	389	341	3,093	1,867	14,994

## 11. Debtors: Amounts falling due within one year

	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
Levy debtors	70,129		60,451	
Less: provision for bad debts (see below)	(18,016)		(14,771)	
Total Levy debtors		52,113		45,680
Trade and other debtors	8,671		9,970	
Less: provision for bad debts	(99)		(427)	
Total trade and other debtors		8,572		9,543
Accrued income		1,185		2,619
Prepayments		1,596		1,996
<b>Total Debtors</b>		<b>63,466</b>		<b>59,838</b>
Balances with Intra-Government bodies				
Central Government bodies		3,435		6,867
Public corporations		64		3
Local authorities		113		50
		3,612		6,920
Balances with non-Governmental bodies				
Other debtors (see Note 14)		5,501		4,523
Levy debtors, prepayments and accrued interest		54,353		48,395
<b>Total Debtors</b>		<b>63,466</b>		<b>59,838</b>

As stated in the Accounting Policies (see Note 1 on page 37), 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 2016, £19,425,000 was outstanding for 2014 and prior Levy assessments (2015 £15,380,000 for 2013 and prior assessments), against which a provision for bad debts of £12,860,000 – 66.2% (2015 £10,141,000 – 65.9%).

## 12. Investments

	2016	2015 restated
Analysis of movement of investments	£'000	£'000
Market value at beginning of year	54,865	95,875
Additions to investments at cost	47,079	52,092
Disposals at carrying value	(57,008)	(92,010)
Gain/(loss) on investments	433	(1,092)
Market value at end of year	45,369	54,865
Listed securities in UK	19,152	20,963
Listed securities outside UK	11,197	8,889
Deposits with banks and building societies in UK	5,020	5,013
Deposits with banks and building societies outside UK	10,000	20,000
	45,369	54,865
Balances held outside of the Government Banking Service	45,369	54,865

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

	2016	2015 restated
Investments	£'000	£'000
<b>Term deposits</b>		
BNP Paribas	10,000	10,000
Lloyds TSB	5,000	5,000
National Bank of Abu Dhabi	-	5,000
Svenska Handelsbanken	-	5,000
<b>Money market funds</b>		
Daimler Ag @ 2.375%	3,997	3,961
Legal & General GP @ 5.875%	3,035	2,820
National Gr Gas Fi @ 1.125%	2,964	-
British Telecom @ 8.625%	2,483	-
Total Capital Intl @ 2.25%	2,395	-
Nat West liquidity Select 95 day	-	10,015
GE Capital UK Fund @ 5.625%	-	4,518
Rolls Royce @ 6.75%	-	2,862

The investment balances were adjusted during 2016 to include some balances as cash with 2015 comparatives adjusted accordingly. This amendment also affects Notes 14, 18 and 19. At 31 December 2016 the adjustment made is £21,470,000 (2015 £30,468,000).





### 13. Creditors: Amounts falling due within one year

	2016	2015 restated
	£'000	£'000
Trade creditors	3,086	3,059
Taxation and social security	2,302	2,349
Deferred Income	1,137	1,456
Accruals:		
Training grants and allowances payable to 31 December	3,917	1,465
College Fees	7,785	7,951
Other	9,592	13,357
<b>Total Creditors</b>	<b>27,819</b>	<b>29,637</b>
Balances with intra-Government bodies		
Central Government bodies	2,539	2,386
Public corporations	57	-
Local authorities	20	32
	<b>2,616</b>	<b>2,418</b>
Balances with other bodies	<b>25,203</b>	<b>27,219</b>
<b>Total Creditors</b>	<b>27,819</b>	<b>29,637</b>

### 14. Financial instruments

FRS 102 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 2016, 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 section 11 of FRS 102.

Their carrying value (less impairment provision of trade debtors (see Credit Risk below)) is assumed to be approximate to their fair value.

	Loans and receivables	Available for sale	Other Financial liabilities	Total 2016	Total 2015 restated
	£'000	£'000	£'000	£'000	£'000
Debtors excluding prepayments	61,870	-	-	<b>61,870</b>	57,842
Investments	-	45,369	-	<b>45,369</b>	54,865
Cash at bank	48,622	-	-	<b>48,622</b>	36,538
Creditors	-	-	(27,819)	<b>(27,819)</b>	(29,637)
<b>2016</b>	<b>110,492</b>	<b>45,369</b>	<b>(27,819)</b>	<b>128,042</b>	-
2015	94,380	54,865	(29,637)	-	<b>119,608</b>

## 14. Financial instruments (continued)

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### FINANCIAL RISK MANAGEMENT

Qualitative information on CITB's approach to financial risk management is disclosed in the Review of 2016 financial performance section page 14 of the Annual Report above, and in the Governance Statement page 21. Quantitative disclosures are included here. All investments are reported at market value at 31 December 2016.

### CREDIT RISK

CITB is exposed to credit risk of £5,501,000 (2015 £4,523,000) in other trade debtors (see Note 11 on page 47), which are stated as original invoice value, after making an impairment provision of £99,000 (2015 £427,000) for bad debts. 97% 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 2016, term deposits and cash holdings are placed with approved banks, both within and outside the UK and are spread across several institutions. CITB has not suffered any loss during 2016 (2015 nil) in relation to cash held by bankers.

### LIQUIDITY RISK

63.8% of CITB's income in 2016 was derived from the statutory Levy (2015 61.3%), and the right to raise this Levy was confirmed for the three years 2015 to 2017.

CITB believes that the level of cash or near cash at the end of 2016, combined with secure matching of expenditure to funding income for the year ahead and the continuation of Levy receipts in 2017, is such that CITB is not currently 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 12 on page 48.

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

Interest income for the year made up 0.5% (2015 0.6%) 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 2016 would have been approximately £836,000.

#### 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.

## 15. Provisions for liabilities and charges

	Grant provision	Redundancy costs	Leasehold property dilapidations	Total provisions	Total provisions
	2016	2016	2016	2016	2015 restated
	£'000	£'000	£'000	£'000	£'000
Balance as at 01 January 2016	37,259	3,565	386	41,210	222
Utilised	(36,985)	(4,194)	(46)	(41,225)	-
Released provisions	(274)	-	(141)	(415)	(29)
Additional provisions	40,905	629	68	41,602	41,017
<b>Balance as at 31 December 2016</b>	<b>40,905</b>	<b>-</b>	<b>267</b>	<b>41,172</b>	<b>41,210</b>

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 provided for 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 reflect best the recipients' delivery of the specified services. The provision is expected to be utilised in 2017.

2015 balance for additional provisions has been adjusted to show the reclassification between accruals and provision of £37,259,000.

Redundancy costs represented estimates of the costs of the restructure of our middle management teams.

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; £40,000 of this provision is in respect of leases that expire in 2017 and the remainder relates to future years.

## 16. 2015 funds movement

	2015 Restricted Fund	2015 Unrestricted Fund	2015
Income	£'000	£'000	£'000
<b>Non-Levy income</b>			
Apprenticeships	49,793	-	49,793
Trading Products	-	44,386	44,386
Training	-	12,426	12,426
Other	-	952	952
Government and other public authorities	5,527	555	6,082
Total non-Levy income	55,320	58,319	113,639
Levy Income	-	182,810	182,810
Income from other trading activities			
Income from Investments	-	1,754	1,754
Other income	-	116	116
	55,320	242,999	298,319
<b>Expenditure</b>			
Expenditure on raising funds	-	4,062	4,062
<b>Charitable activities</b>			
Grants Scheme	-	143,185	143,185
Programme-based funding	5,213	11,040	16,253
Apprenticeships	48,726	17,902	66,628
Trading Products	-	32,101	32,101
Training	-	35,715	35,715
Other	1,891	1,184	3,075
Expenditure on charitable activities	55,830	241,127	296,957
Non charitable activities	-	99	99
Loss on Investments	-	1,092	1,092
Expenditure	55,830	246,380	302,210
Net Income/(Expenditure)	(510)	(3,381)	(3,891)
Net movement in funds – transfer from unrestricted funds	510	(510)	-
	-	(3,891)	(3,891)

## 17. Accumulated funds

	General reserve	Fixed asset revaluation reserve	Total unrestricted funds at 31/12/2016	Total unrestricted funds at 31/12/2015
	£'000	£'000	£'000	£'000
Balance at 01 January 2016	93,478	52	93,530	97,331
Net movement in funds	8,140	315	8,455	(3,801)
<b>Balance at 31 December 2016</b>	<b>101,618</b>	<b>367</b>	<b>101,985</b>	<b>93,530</b>

### Accumulated funds 2015 (comparative table)

	General reserve	Fixed asset revaluation reserve	Total unrestricted funds at 31/12/2015	Total unrestricted funds at 31/12/2014
	£'000	£'000	£'000	£'000
Balance at 01 January 2015	97,331	-	97,331	113,334
Net movement in funds	(3,853)	52	(3,801)	(16,003)
<b>Balance at 31 December 2015</b>	<b>93,478</b>	<b>52</b>	<b>93,530</b>	<b>97,331</b>

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

## 18. Gross cash flows by category

	2016	2015 restated
	£'000	£'000
Returns on investments and servicing of finance		
Interest received on investments	1,842	2,144
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(1,645)	(1,893)
Receipts from sales of tangible fixed assets	114	13
	<b>(1,531)</b>	<b>(1,880)</b>
<b>Management of liquid resources</b>		
Placed on deposit and purchase of externally managed investments	(47,079)	(52,092)
Deposit withdrawals and sale of externally managed investments	57,169	92,485
	<b>10,090</b>	<b>40,393</b>

## 19. Analysis of movements in financial assets

	At 01/01/16	Cash flows	Other non-cash movements	At 31/12/16
	£'000	£'000	£'000	£'000
Current asset investments (Note 12)	54,865	(10,090)	594	<b>45,369</b>
	54,865	(10,090)	594	<b>45,369</b>
Cash at bank (Note 14)	36,538	12,084	-	<b>48,622</b>
	91,403	<b>1,994</b>	<b>594</b>	<b>93,991</b>

## 20. 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 102 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 were 7.55% (2015 7.55%) and employer contributions were 9.15% (2015 9.15%).

The pension cost charge for the year was £3.2m (2015 £3.5m). There were no deficit funding contributions paid to the Scheme in the year (2015 nil).

The most recent triennial valuation of the Scheme was performed as at 31 March 2016.

The principal future assumptions used are:

- Introduce a dual discount rate with a pre-retirement discount of 2.5% and a post-retirement discount rate of 0.5% in excess of gilt yields
- 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 for the Old section would be in line with the Consumer Prices Index (CPI) changes (assumed to be 3.85% p.a.)

- Rate of future pension increases for the New and 2007 sections would be in line with the Retail Prices Index (RPI) changes (assumed to be 2.95% p.a.)
- 'Real' salary inflation would be 1.1% p.a.

The 2016 triennial valuation indicated that the actuarial value of the assets held by the Scheme in total showed a surplus of £10m against the Scheme liabilities on a statutory funding basis.

As at 31 December 2016 all current members of the DB scheme became deferred members of the scheme and were transferred across to the 'DC Section' as at 01 January 2017.

2. The 'DC Section', is a defined contribution scheme for staff that joined on or after 01 January 2013. Employee contributions are 4% (2015 4%) and employer contributions are 6% (staff) and 24% (Chief Executive) (2015 6% staff and 24% Chief Executive). CITB's contribution to the Scheme amounted to £0.9m (2015 £0.8m). Pension costs are allocated on a headcount basis between restricted and unrestricted funded activities.

From 01 January 2017 employee and employer contribution rates changed as a result of the closure of the DB Section and staff now being part of the DC Section. The range for employee contributions will 4%–7%, and the employer contributions will match the employee contribution plus 2%, but will be capped at 9%.

Total payments made in 2016 are shown in Note 23 on page 56.

## 21. Lease commitments

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

	2016			2015		
	Land and buildings	Plant and machinery	Other	Land and buildings	Plant and machinery	Other
	£'000	£'000	£'000	£'000	£'000	£'000
Operating leases						
Leases expiring within 1 year	88	14	60	25	42	9
Leases expiring within 2–5 years	564	13	2,036	1,038	26	2,090
Leases expiring after 5 years	-	-	-	-	-	-
<b>31 December</b>	<b>652</b>	<b>27</b>	<b>2,096</b>	<b>1,063</b>	<b>68</b>	<b>2,099</b>

## 22. Board members' remuneration

Remuneration of the Board members was as follows:

	2016	2015
	£	£
<b>Chairman – James Wates</b>	<b>24,800</b>	24,800

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

James Wates elected to donate his earned remuneration through GAYE back to CITB for the furtherance of their objectives. 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 £7,233 (£25,454 in 2015) in respect of accommodation, travel and subsistence. The total number of recipients was 6 (10 in 2015).

## 23. 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 employed	Temporary	2016 number	2015 number
Training	894	59	953	939
Other activities	428	45	473	557
	<u>1,322</u>	<u>104</u>	<u>1,426</u>	<u>1,496</u>

During 2016, the average headcount (including full and part time staff) was 1,363.

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

	2016	2015
	£'000	£'000
Salaries of directly employed staff	43,708	45,662
Temporary staff costs	6,745	5,506
Redundancy costs	1,146	7,739
Social security costs	4,095	3,779
Other pension costs (see Note 20)	3,200	3,476
	<u>58,894</u>	<u>66,162</u>



### 23. Particulars of staff (continued)

The remuneration, pension entitlements and pension transfer values of the most senior members of CITB's staff can be found in the Remuneration and Staff Report on pages 18–20.

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 Remuneration and Staff Report (pages 18–20), are outlined within the ranges shown below.

Number of employees				2016	2015
	Accruing under the DB section of the ITB Pension Funds	Accruing under the DC section of the ITB Pension Funds	Other	Total	Total
£60,001–£70,000	14	2	-	16	26
£70,001–£80,000	8	6	-	14	9
£80,001–£90,000	-	-	-	-	5
£90,001–£100,000	-	1	-	1	-

The total employer contributions paid in 2016 to the defined contribution section of the ITB Pension Funds in respect of those employees earning over £60,000 was £48,126 (2015 £33,458).

Details of staff by grade and gender as at 31 December are:

Grade	2016			2015		
	Male	Female	Total	Male	Female	Total
Chief Executive	1		1	1		1
Director	2	1	3	3	1	4
Grade A	11	6	17	13	9	22
Grade B	37	23	60	44	28	72
Grade C	43	43	86	57	53	110
Grade D	94	49	143	97	56	153
Grade E	186	75	261	219	101	320
Grade F	108	224	332	108	217	325
Grade G	25	96	121	27	107	134
Grade H	67	215	282	87	226	313
Apprentice	2	6	8	3	2	5
<b>Grand Total</b>	<b>576</b>	<b>738</b>	<b>1,314</b>	<b>659</b>	<b>800</b>	<b>1,459</b>

Details of staff sickness absence is as follows:

CITB	2016		2015	
	Days Lost	Absence Rate	Days Lost	Absence Rate
	11,961	3.9%	12,491	3.7%

The absence rate is calculated as a percentage of those available.

## 23. Particulars of staff (continued)

Details of staff leaving the organisation during 2016 for whom contractual redundancy 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	
	2016	2015	2016	2015	2016	2015
<£10,000	11	-	-	1	11	1
£10,000–£25,000	28	1	-	1	28	2
£25,000–£50,000	55	2	1	-	56	2
£50,000–£100,000	18	1	-	-	18	1
£100,000–£200,000	8	1	-	-	8	1
£200,001–£400,000	5	-	-	-	5	-
>£400,000	4	-	-	-	4	-
<b>Total number of exit packages</b>	<b>129</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>130</b>	<b>7</b>
<b>Total cost £</b>	<b>8,308,614</b>	<b>270,452</b>	<b>27,487</b>	<b>30,850</b>	<b>8,336,101</b>	<b>301,302</b>

## 24. 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 that is deemed to be of a non-charitable nature, resulting in a loss of £5,947 (2015 taxable profit of £17,294). This has given rise to a corporation tax liability of NIL (2015 £3,459).

## 25. Related party transactions

During 2016 the sponsoring department for CITB changed from BIS to DfE, both of which are regarded as related parties. During 2016, there were some material transactions with other entities for which BIS/DfE is regarded as the parent department, namely the 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 and UK Commission for Employment and Skills.

## 25. Related party transactions (continued)

	Amounts received by CITB		Amounts owing to CITB as at 31 December	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Skills Funding Agency	<b>40,140</b>	38,883	<b>3,092</b>	4,966
Skills Development Scotland	<b>7,936</b>	6,784	<b>338</b>	778
Welsh Assembly Government	<b>4,925</b>	5,048	-	991
UK Commission for Employment and Skills	<b>73</b>	721	-	103

	Amounts paid by CITB		Amounts owed by CITB as at 31 December	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Skills Funding Agency	-	-	<b>235</b>	33
Skills Development Scotland	<b>2</b>	14	<b>2</b>	-
Welsh Assembly Government	<b>360</b>	420	-	-
UK Commission for Employment and Skills	-	-	-	-

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 64 to 66) lists the members of the Board and its committees.
- Appendix B (pages 67 and 68) 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 2016, including those paid to employers of Board members, are set out in Note 7 (page 43). 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. All of the transactions were under normal terms and carried out at arm's length.

## 25. Related party transactions (continued)

	Amounts received by CITB		Amounts owing to CITB as at 31 December	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Levy	4,616	4,067	5,028	562
Sale of training-related products and services	350	214	91	75
Total	4,966	4,281	5,119	637

	Amounts paid by CITB		Amounts owed by CITB as at 31 December	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Payment of grants	9,890	7,416	-	-
Purchase of materials and services	999	638	-	-
Total	10,889	8,054	-	-

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

## 26. Losses and special payments

During the year, no special payments were made and there were no reportable losses over £300,000. Total losses during the year amounted to £2,628,356 related primarily to bad debt write offs (2015 £408,329). A fruitless payment of £77,009 (2015 NIL) was made in respect of pay in lieu of notice (see Remuneration Report).

## 27. Events after the balance sheet date

There have been no events after the balance sheet date requiring an adjustment to the Financial Statements. On 24 May CITB entered in to a contract for the sale of CSkills Awards to NOCN; this represents 1.8% of CITB's total income. The transaction will be detailed in the following year's financial statements. The Board of Trustees have approved a change in the financial year end, the consequence of which is that the next Annual Report & Accounts will be prepared to 31 March 2018. The Financial Statements were authorised for issue on the date the Comptroller and Auditor General signed. Events after this date have not been considered.

## Statistical information for the year ended 31 December 2016

**Table 1: Distribution of employers by 2016 Levy Assessment band and main activity**

Main activity	Levy value						Total
	Not assessed	£ Zero	£ 1-499	£ 500-4,999	£ 5,000-24,999	£ 25,000+	
Access	352	524	65	924	209	40	2,114
Concreting	17	56	2	40	13	11	139
Demolition	142	172	17	302	96	15	744
Facades and interfaces	439	957	44	383	69	13	1,905
General construction	3,340	13,823	650	8,042	1,373	298	27,526
Groundwork	207	538	49	500	167	51	1,512
Housebuilding	308	987	41	721	205	143	2,405
Infrastructure	509	2,177	125	1,825	722	346	5,704
Insulation and Sealing	83	147	14	203	36	7	490
Interiors	495	1,147	79	1,085	476	136	3,418
Other specialised construction activities	37	131	7	67	10	1	253
Painting and Glazing	426	2,236	95	1,120	202	28	4,107
Plant	171	741	90	743	175	48	1,968
Plastering	442	1,362	44	676	120	27	2,671
Roofing	495	1,731	102	1,202	198	29	3,757
Uncategorised	213	710	17	314	60	20	1,334
Wall and Flooring Covering	193	557	33	464	95	7	1,349
Woodworking	1,176	4,296	197	1,858	166	22	7,715
Other	99	221	15	238	100	28	701
<b>Total</b>	<b>9,144</b>	<b>32,513</b>	<b>1,686</b>	<b>20,707</b>	<b>4,492</b>	<b>1,270</b>	<b>69,812</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	231	197,800	59,487
Medium	1,390	131,153	46,562
Small	7,522	142,247	46,349
Micro	51,525	89,074	45,849
Other	9,144	Not known	Nil
<b>Total</b>	<b>69,812</b>	<b>560,274</b>	<b>198,247</b>

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

	Number of employers	Number of employees
Assessable to positive Levy	28,155	502,374
Assessable to zero Levy	32,513	57,900
Not assessed	9,144	Not known
<b>Total</b>	<b>69,812</b>	<b>560,274</b>

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

	Number of employers receiving grant and other support	Value of grant and other support payments £'000	Percentage of total grant and other support
Large	231	52,760	37%
Medium	1,289	36,408	26%
Small	4,961	27,408	19%
Micro	9,389	23,985	17%
Other	231	1,981	1%
<b>Total</b>	<b>16,101</b>	<b>142,547</b>	<b>100%</b>

**Key to size of employer**

Large: 250+ employees

Medium: 50–249 employees

Small: 10–49 employees

Micro: 0–9 employees

Other: includes new registrations

**Table 5: Number of employers with new entrant trainees**

Number of trainees	Employer size					Total
	Large	Medium	Small	Micro	Other	
1	21	185	1,129	7,225	1,909	<b>10,469</b>
2-5	30	321	1,492	2,710	534	<b>5,087</b>
6-10	29	189	237	118	68	<b>641</b>
11-15	16	83	60	15	24	<b>198</b>
16-20	11	46	21	2	16	<b>96</b>
21-50	48	36	19	2	33	<b>138</b>
51-100	22	3	-	-	9	<b>34</b>
101+	10	12	1	1	5	<b>29</b>
<b>Total</b>	<b>187</b>	<b>875</b>	<b>2,959</b>	<b>10,073</b>	<b>2,598</b>	<b>16,692</b>

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

Levy banding	Employers claiming grant		Employers not claiming grant	
Assessable to positive Levy	9,351	13%	18,804	27%
Assessable to zero Levy	4,494	7%	28,019	40%
Other	2,256	3%	7,264	10%
<b>Total</b>	<b>16,101</b>	<b>23%</b>	<b>54,087</b>	<b>77%</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

## Appendix A: Membership of the Board and its committees

First name	Surname	CITB Board	Council	Audit & Risk Committee	Appointments & Remuneration Committee	Investment Funding Committee	Cymru Welsh Committee	English Committee	Scottish Committee
Debbie	Akehurst							✓	
John	Allott		✓						
Douglas	Anderson								✓
Debbie	Aplin							✓	
Carole	Bailey		✓						
John	Bailey		✓						
Nicola	Barclay								✓
Grahame	Barn								✓
Neil	Baxter								✓
Paul	Bennett								✓
Kevin	Bennett		✓						
Gary	Bishop		✓						
Caroline	Blackman							✓	
Nick	Blundell						✓		
Paul	Bogle						✓		
Sarah	Bowers		✓						
Craig	Bruce		✓						✓
Chris	Chapman						✓		
Chris	Richardson			✓					
Bob	Collins		✓						
Anthony	Davies						✓		
Gareth	Davies		✓				✓		
Ian	Dickerson		✓					✓	
Maureen	Douglas	✓		✓			✓		Chair
Sharon	Drysdale								✓



First name	Surname	CITB Board	Council	Audit & Risk Committee	Appointments & Remuneration Committee	Investment Funding Committee	Cymru Welsh Committee	English Committee	Scottish Committee
Elaine	Ellis								✓
Julia	Evans					✓			
Ed	Evans						✓		
Martyn	Evans						✓		
Trevor	Francis						✓		
Harry	Frew								✓
Lisa	Garfield						✓		
Diana	Garnham	✓		Chair	✓				
Jim	Gilmour								✓
Ifan	Glyn						✓		
Gemma	Gourlay								✓
Stuart	Green							✓	
Phillip	Hall		✓						
Richard	Hardy							✓	
David	Harris	✓					Chair	✓	✓
Mark	Harris						✓		
Vaughan	Hart								✓
Rebecca	Hartshorn		✓						
Gavin	Hay								✓
Richard	Heaton						✓		
Steve	Hindley							✓	
Malcolm	Horner		✓						✓
Hunter	Hugh			✓					
Richard	Hulland							✓	
Nicolette	Hunt-Davison						✓		
Mike	Jaggs							✓	
Faye	Jenkins		✓						
Karen	Jones	✓			✓	Chair			
Chris	Jones					✓		✓	
Owain	Jones						✓		
Rhodri-Gwynn	Jones						✓		
Lucy	Jones							✓	
Brendan	Keenan								✓
Billy	Kirkwood								✓
John	Lorimer		✓						
Stuart	Lyon								✓
Adrian	Martin								✓
Donald	McDonald								✓

First name	Surname	CITB Board	Council	Audit & Risk Committee	Appointments & Remuneration Committee	Investment Funding Committee	Cymru Welsh Committee	English Committee	Scottish Committee
Newell	McGuinness								✓
Stewart	McKillop								✓
John	McKinney								✓
Paul	Mitchell								✓
Ian	Morrison								✓
Gordon	Nelson								✓
Hannah	O'Sullivan							✓	
Gerald	Oppenheim					✓			
Maria	Pilfold	✓			✓	✓			
Jo	Pottinger		✓						
Richard	Price						✓		
Andre	Reibig								✓
Ian	Rogers								✓
Billy	Scott								✓
Paul	Senior						✓		
Stephen	Sheridan								✓
Ann-Marie	Smale						✓		
Ian	Stirrat								✓
Liz	Stokes							✓	
Rob	Tansey		✓						
Kevin	Taylor		✓						
Colin	Tennant								✓
Anthony	Thomas						✓		
Frances	Wadsworth	✓		✓				Chair	
Andrew	Wall							✓	
James	Wates	Chair	Chair						
Alison	Watson		✓						
Clive	Webb						✓		
Ffrancon	Williams						✓		
Robert	Williams		✓				✓		
Ray	Wilson	✓			Chair				
Mark	Wusthoff		✓				✓		
Chris	Wynne						✓		

(This table shows the position as at 31 December 2016)

## Appendix B: Register of Interests of Board Members, relevant to the operation of CITB

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### 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. Therefore, with the exception of the two independent members, all trustees would have had business interests, as Levy payers or potential grant recipients, at the date of their appointment, which may be perceived to conflict with their responsibilities as Board members.

The following Board members who served for the year ended 31 December 2016 have in addition declared other personal or business interests.

#### **MAUREEN DOUGLAS**

##### **Group HR Director, the Forster Group**

Maureen is a member of the Chartered Institute of Personnel and Development, and the Institute of Directors. Forster Group administers Angus Construction Independent Training Group and operates a Skills Academy that delivers qualifications and training.

*Contractual relationship:* The Forster Group are piloting a skills academy and receives funding direct from CITB for the delivery of the training, 24 apprentices are currently going through the programme. As a Levy registered business Forster Group also accesses grants for training its workforce and employing apprentices. It also administers Angus Construction Training Group, an independent training group that receives funding from CITB.

#### **DIANA GARNHAM**

##### **Director and 90% shareholder of RDB Insight**

Diana is a Trustee of Sense about Science, a Corporation Board Member of Sussex Coast College, Hastings, and Chairs the King's College London Alumni Giving Committee.

*Contractual relationship:* None.

#### **DAVID HARRIS**

##### **Director and 51% shareholder of DJH Consult Limited**

David is a Non-Executive Director of Via Developments plc. He sits on the Welsh Government's Construction Sector Panel and on its Construction Procurement Group. He is a Community Councillor for Mathern Village.

*Contractual relationship:* None.

#### **KAREN JONES**

##### **Group HR Director, Redrow Homes Limited**

Karen is a chartered member of the Institute of Personnel Development. Redrow is a British housebuilder and construction company based in Flintshire.

*Contractual relationship:* Currently Redrow uses CITB as its main managing agent for apprentices. As a Levy registered business, Redrow also accesses grants for training its workforce through the training plan and management and professional grant routes, as well as employing over 215 apprentices. Redrow also works closely with the Homebuilders Skills Partnership and West Midlands Construction UTC who both receive funding from CITB.

**MARIA PILFOLD****Consultant**

Maria sits as a member of the Employment Tribunal Service for Central London. She is a Chartered Fellow of the Institute of Personnel and Development, and is a member of the CBI's Women in Construction group.

*Contractual relationship:* Maria provides HR and Training consultancy to a number of organisations within the construction industry including the Home Builders Federation, Aquinna Homes, Invennt, and Burrington Estates.

**FRANCES WADSWORTH****Principal and CEO, Croydon College**

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

*Contractual relationship:* Croydon College has a contract to provide education and training for CITB (currently 94 CITB apprentices), which the College tenders for at intervals.

**JAMES WATES, CBE****Chairman, Wates Group Limited**

In addition to being Chairman of the Construction Industry Training Board, James is Chairman of the BRE Trust, Co-Chairman of Build UK, a Member of the CBI, a Trustee of The University College of Estate Management, a Non-Executive Board Director of Argent Services LLP, Chairman of the think tank Tomorrow's Company, Chairman of the Prince's Trust Built Environment Corporate Advisory Group, Vice Chairman of the Queen Elizabeth's Foundation for Disabled People, a Governor of the Emanuel School and the University of Westminster, and a Patron of the Wates Family Enterprise Trust.

*Contractual relationship:* Wates Group Limited is a Levy Registered employer.

**RAY WILSON****Director and General Manager, Carillion Training Services**

Ray is a member of the BuildUK Training Committee and a member of the CIOB Academy Board.

*Contractual relationship:* Carillion is a Levy Registered employer.

## Appendix C: Employer organisations

During 2016, CITB maintained close contact with the following major employer organisations:

- The British Woodworking Federation
- BuildUK
- 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 Scottish Building Federation
- The Scottish Decorators Federation
- The Scottish Plant Owners' Association.

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

- Unite the Union
- Union of Construction, Allied Trades and Technicians (UCATT).

## Appendix D: Location of principal CITB offices

### Head Office and Registered Office

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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

### Scotland

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

### Wales

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Welsh Office  
Units 4 and 5  
Bridgend Business Centre  
David Street  
Bridgend Industrial Estate  
Bridgend CF31 3SH  
Tel: 01656 6552

## Appendix E: Glossary

BIS	Department for Business, Innovation and Skills	SoFA	Statement of Financial Activities
C&AG	Comptroller and Auditor General	SORP	Statement of Recommended Practice
CPI	Consumer Prices Index	UCATT	Union of Construction Allied Trades and Technicians
DfE	Department for Education	UKCES	United Kingdom Commission for Employment and Skills
FMB	Federation of Master Builders		
FReM	Financial Reporting Manual		
GDP	Gross Domestic Product		
GDPR	General Data Protection requirements		
ITB	Industrial Training Board		
NAO	National Audit Office		
NDPB	Non-Departmental Public Body		
NFB	National Federation of Builders		
OCPA	Office for the Commissioner of Public Appointments		
ONS	Office of National Statistics		
OSCR	Office of the Scottish Charities Regulator		
RICS	Royal Institute of Chartered Surveyors		
RPI	Retail Prices Index		
SDS	Skills Development Scotland		
SFA	Skills Funding Agency		
SME	Small and Medium-sized Enterprises		





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