



ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD

Report of the trustees and accounts
for the year-ended 31 December 2016

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CHAIRMAN'S INTRODUCTION

In a year of seismic political and economic events, 2016 proved no less eventful for the ECITB and the engineering construction industry.



The economic outlook remained challenging across many parts of the industry. In the offshore oil and gas sector in particular, companies continued to adapt to the 'new normal' of lower oil prices, with further job cuts and new exploration opportunities placed on hold. Elsewhere, investment remained muted and although there were some signs of optimism on the horizon, with new commitments on infrastructure and a green light on nuclear new build, the short-term outlook at the end of the year remained difficult.

In spite of the challenges facing industry, the need to train and upskill the workforce remains a constant and arguably, in the face of the decision to leave the European Union, has never been more important. In an industry characterised by fluctuating demand and a mobile workforce, training budgets are often the first to be cut during a downturn. Yet industry must also be prepared for the next upturn and without ongoing investment in people and skills, the delivery of future projects will be put at risk.

Over the last 25 years, the ECITB has ensured training occurs regardless of the economic climate and remains critical to driving up skills levels across the engineering construction industry. In 2016, the ECITB responded to the challenges facing industry by consulting on a new industrial training levy proposition. This received significant backing from levy-payers across the industry. It was a notable achievement and real vote of confidence, demonstrating the significant value that the industry continues to place in the ECITB.

2016 also saw a number of Government policy initiatives, with major strategic implications for the ECITB. The first of these was the machinery of government changes announced in July 2016, which resulted in sponsorship of the ECITB moving from the Department of Business, Innovation and Skills to the Department for Education. This has necessitated establishing new relationships and partnerships within Government, a process which we will continue to build on during 2017.

In July 2016, the government announced plans to reform technical education in England, drawing on the recommendations of the Sainsbury Review. As part of this plan, the government announced a review into the Industrial Training Boards to report in 2017. This has been a major focus of activity for the ECITB Board and Executive Teams and will continue to be so in 2017. Its findings will be taken into account in the ECITB's strategy.

As we look to the year ahead, I am conscious that we have a great deal to do. With the strong new mandate secured through our levy consultation, the ECITB is in an excellent position to build on its successes and continue to drive skills growth across the industry. This vital work is essential to ensure that the industry builds a secure and sustainable workforce for the future.

A handwritten signature in black ink, appearing to read 'S. Watson', written over a light blue horizontal line.

Shirley Watson
Interim Chairman

CHIEF EXECUTIVE'S REVIEW

2016 saw the ECITB mark its 25th Anniversary. The fundamental need for the ECITB has not disappeared and over the last 25 years the organisation has been a beacon of stability in an otherwise changing skills landscape, having consistently provided industry-focused training solutions, qualifications and awards. However, we have not stood still either and 2016 saw the ECITB further evolve in response to challenges within the engineering construction industry and the introduction of new Government policy initiatives.

New capabilities were added including a policy team and an enhanced labour market intelligence function, which will enable the ECITB to more effectively capture emerging skills trends and become a more valued partner with national governments and industry. We also undertook a thorough review of the organisation and carried out a successful restructuring exercise to reduce the headcount, streamline processes and save money. Furthermore, international operations were de-risked and scaled down by ending training provision overseas.

The announcement of the apprenticeship levy in July 2015 prompted a consultation exercise with the industry on the future of the industrial training levy which was concluded in October 2016. An overwhelming majority of levy payers confirmed their support for the ECITB. Overall, support grew by 10% from the previous consultation with 78% (2014: 68%) of levy payers, representing 87% (2014: 76%) of the aggregate levy, confirming their support for the ECITB. The breadth of support within the industry also increased, with companies from across the industry backing the proposals, including those in the nuclear, subsea and renewables sectors, as well as the traditional ECI sectors.

The significant strength of this new mandate provided the foundation of the development of a new strategy for the ECITB. The new 3 year strategy, nested in a 10 year horizon, will enable the organisation to continue to provide the existing high level service to industry, while also addressing skills policy initiatives from the English, Scottish and Welsh governments. How we will achieve this is outlined in the 'Looking Ahead' section of this document.

After the apprenticeship levy, the most significant skills policy initiative undertaken by the UK Government in 2016 was the Post-16 Skills Plan, published in July. The plan outlines the Government's approach to reforming technical education in England, centred on the creation of a clear, dual track system of post-16 learning. The overarching goals of the plan have significant implications for the future engineering construction workforce and are to be welcomed.

In Scotland and Wales, the current approach to apprenticeships will continue, albeit with some additional initiatives. However, there are no plans to adopt the apprenticeship reforms being enacted in England. The Scottish Government will continue to expand its modern apprenticeship programme, as well as foundation apprenticeships, which are targeted at school pupils, and higher level graduate apprenticeships. A new Science, Technology, Engineering and Mathematics (STEM) strategy for Scotland has also been published for consultation.

Despite the ongoing challenges facing parts of the industry, the provision and cultivation of high-quality technical skills remain a necessity. Indeed, without appropriately trained workers, the industry would be unable to operate. While new projects are on hold in some sectors, it is important that companies continue to invest in



developing a pipeline of skilled workers to ensure they are 'delivery ready'. It will also be important to ensure any changes that affect the engineering construction industry are coherent across England, Scotland and Wales.

As part of the Post-16 Skills Plan the Government announced a review of the Industrial Training Boards to explore ways in which both ITBs can further drive up skills and productivity in their respective industries. It will make recommendations to Government to take effect following the current levy period. A call for evidence is scheduled to be published in early 2017 inviting feedback from interested stakeholders, with the final report expected a few months later. The focus of the review to date has been mainly on the construction industry and it is likely the report will be predominantly for the CITB. The ECITB policy team will remain closely involved with the review until it is complete.

Engineering construction is a highly skilled industry which supports the nation's critical infrastructure. Throughout 2016, I was privileged to meet many of our in-scope employers across a wide range of sectors, with learners, stakeholders in Government and training providers. It is clear that we must continue to attract and retain talent, despite often difficult trading conditions. Our graduate retention and pre-apprentice programmes made a significant contribution to supporting young entrants into the industry this year and are set to continue in 2017.

2016 was difficult for the engineering construction industry in many of our sectors, with the sharp drop in new apprenticeship starts providing stark evidence of the challenges faced by many companies. The outlook for 2017 looks a little better, particularly for nuclear new

build, which we know has enormous potential for the UK economy, skills and jobs. With budgets remaining tight, it becomes ever more important to invest in people to ensure that we have the right skills and people when a more sustained recovery begins.

Our priorities for 2017 are clear and outlined in the 'Looking Ahead' section in this year's Trustees Report. We will continue to engage closely with Government to ensure the needs of the engineering construction industry are reflected in policy making and it will be equally important that we can meet the government's aspirations for skills in the industry. Establishing a successful labour market and technology intelligence function will provide valuable input into future plans and industry forums.



Chris Claydon
Chief Executive



Our mission:

**Delivering engineering
construction excellence
through leadership
on skills.**



Established in 1991 the ECITB was formed in recognition of the engineering construction industry's vital role in the UK economy, and the requirement for a statutory body to meet the special training needs of the industry: an industry that is characterised by a highly mobile labour force and where there are few incentives for individual employers to train.

The engineering construction industry (ECI) delivers and maintains the nation's critical energy infrastructure, including in the oil and gas, nuclear and renewables sectors, alongside major process industries, such as chemicals, pharmaceuticals, food processing, water and waste treatment. The ECITB is the skills, standards and qualifications body with statutory responsibility for the development of the engineering construction workforce in Great Britain. It works closely with employers and governments to attract, develop and qualify engineering construction personnel in a wide range of craft, technical and professional skills and disciplines.

The ECITB's vision is to be the leading industry authority on engineering construction skills, working in partnership with business and government to deliver a highly skilled workforce, offering value by enabling industry to compete globally. This means constantly evaluating and improving our focus, our operations, our relationships and our governance

Charitable Activities

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

APPRENTICESHIPS & CAREERS

- Meeting national economic needs for skills.
- Supporting the next generation of apprentices.
- Industry relevant apprenticeships.
- Quality assured training.

TECHNICAL PROGRAMMES

- Ensuring skills are retained and utilised.
- Flexible training programmes.
- Upskilling and reskilling existing employees.

MANAGEMENT & PROFESSIONAL

- Developing tomorrow's managers.
- Comprehensive range of technical, supervisory and managerial training.
- Continuous professional development.

AWARDS & QUALIFICATIONS

- Guaranteeing quality in the system.
- Setting standards, assuring competence, developing VQs and accrediting and assuring training providers and assessment.
- The ECITB is the industry Awarding Body.

PERFORMANCE REVIEW 2016

Operating Environment

The British economy turned in a steady performance in 2016, growing at the fastest rate among the G7 economies. Growth in the six months following the EU referendum was stronger than some had feared, with many economists predicting a vote to leave the European Union would result in recession. However, the strength of the economy has not been reflected across much of the engineering construction industry, particularly the oil and gas sector, and 2016 continued to present a challenging operating climate. The downward pressure on the oil price has seen companies continue to make redundancies and there has been little new business.

One positive following the EU referendum is that we have seen some significant large infrastructure announcements, including the approval of Hinkley Point C and a third runway at Heathrow. While these programmes are in the early stages and have yet to deliver more work for the industry, they strike a note of optimism. The UK Government published its latest National Infrastructure and Construction Pipeline update in December 2016. It sets out planned investment in infrastructure across the public and private sectors, containing over 700 projects with a total value of £500bn and demonstrates a commitment to infrastructure delivery that is encouraging. Further detail will be contained in the National Infrastructure Commission's strategy to be published in 2017.

Objectives and Achievements in 2016

The ECITB worked hard in 2016 to maximise the value from the levy and ensure that employers received the best possible return. The restructuring programme, which was successfully completed in 2016, will ensure we retain a sharp focus on supporting employers to develop the necessary engineering skills for their business.

The changed structure will deliver reductions in the ECITB's operating costs and overheads from 2017, thereby improving the organisation's cost-effectiveness.

Nevertheless, we have had to adjust our support to the economic realities within the industry. The lack of new business has made it a real challenge to take on apprentices. However, we have worked closely with employers to upskill the existing workforce and, overall, training activity across the industry increased in 2016 compared with last year. In the Technical Programmes and Management and Professional Programmes there has been a 7% increase in training activity. However, much of this was offset by the 47% reduction in apprentice intake, a clear reflection of the difficult economic environment being faced by the industry.

While the actual number of Technical and Management & Professional programme activities and Total number of Qualifications achieved in 2016 were less than the target, they still represented an increase on the total achieved in 2015. Apprenticeship completions are lower because of a slowdown in the access to work that enables the apprentices to achieve their training objectives.

Support for small and medium-sized businesses (SMEs)

The ECITB continues to invest in SMEs to ensure a healthy supply chain for the industry. In 2016, 32% of SMEs, classified as employers who pay less than £100k in levy, received more grant support for training than they paid through levy. Of these, 34% of employers who pay no levy received some financial support for training. Supporting these companies to train enables them to boost skills, improve productivity and grow their business, as well as supporting the overall strength of the supply chain.

Achievements	2015 Actual	2016 Objective	2016 Actual	% achieved against 2016 objective
Number of in-scope employers receiving grant for ECITB and non-ECITB programmes.	281	302	254	84%
Number of apprenticeship starts.	638	513	274	53%
Number of apprenticeship completions.	526	467	457	98%
Number of Technical and Management & Professional programmes supported by the ECITB.	53,976	62,988	58,059	92%
Total number of Qualifications (excluding Apprenticeships) issued and/or funded by the ECITB.	46,803	49,100	38,264	78%
Customer satisfaction levels.	77%	79%	Deferred ⁽¹⁾	n/a
Commercial activity profit/surplus.	£1.28m	£1.47m	£1.27m	86%

1) In view of the levy consensus exercise that was undertaken during 2016, it was decided to defer the Customer Satisfaction Survey from which this measure would have been derived. The results of the consensus exercise indicated that the overwhelming majority (78%) of levy-paying employers – representing 87% of the aggregate levy – supported the Board's proposals relating to future levy arrangements

APPRENTICESHIPS

Apprenticeships continue to be the main focus for bringing new people into the industry and in 2016 the ECITB supported 1781 learners with 457 apprentices completing their programmes.

In 2016, 19 learners on the ECITB sponsored, Oil and Gas Technician Apprenticeship Programme (OGTAP) completed their Higher National Certificates with Forth Valley College. 18 attained A grades and 1 attained a B grade pass.

Despite the many positive examples of ECITB apprenticeships being undertaken, 2016 has seen a considerable drop off in the number of apprenticeships in the industry. For many employers there has barely been the work to keep their apprentices occupied and there has been little capacity to recruit additional apprentices. In 2016, 262 new apprentices were funded by the ECITB, a shortfall of approximately 250 against the challenging target set for the industry. The main variances by discipline between 2015 and 2016 are shown in the table below:

Apprentice Discipline	% variance from 2015
Instrument and Control Maintenance	90% drop
Plating	90% drop
Design and Draughting	84% drop
Mechanical Maintenance	84% drop

Due to the continued and prolonged difficulties facing the industry, apprentice numbers continue to decline. In recognition of this, the ECITB is focusing on facilitating pathways into industry working for learners, by working closely with employers and our network of training providers.

Pre-Apprenticeship Programme

The pre-apprenticeship programme started by the ECITB in 2015 to help offset the fall in new apprentices in the industry continued in 2016.

In 2016 the ECITB increased the intake of learners on this type of programme to 58. This included adding learners to employers own apprenticeship schemes to boost cohort sizes, as well as topping up cohorts on the 2016 Oil and Gas Technician Apprenticeship Programme. This reduced training costs by £80K and enhanced the learning experience through larger cohort size. Many of those on the programme were not in education, employment or training (NEET) and who, otherwise, could not secure an apprenticeship.

“I have thoroughly enjoyed my time on the ECITB pre-apprenticeship course and feel that the skills I have gained will prove valuable in the future. The guidance and support I have received from both the ECITB and Forth Valley College can only benefit me as I prepare to return back to a working environment and I am greatly appreciative of this opportunity.”

Martin Connolly,
ECITB Pre-apprentice, Forth Valley College

Working with delivery partners, the ECITB helped find employment for 78% of the pre- apprentices recruited in 2015. While not all learners found employment in the ECI, other engineering sectors benefitted while some learners moved into further and higher education.

Provider support

Ensuring high quality and consistent standards in apprenticeship training is fundamental to delivering the best quality apprenticeships. The ECITB Provider Account Management team carried out over 30 support visits to Apprentice Providers to monitor delivery, check progress of learners, provide advice and help resolve issues relating to ECITB employers' apprentices.



Apprenticeship Reforms

The UK Government has made significant progress in setting out how it will deliver the apprenticeship reforms for England and implement the apprenticeship levy.

We have supported this work by convening a series of employer focus groups to help ECI companies understand the rules under which the apprenticeship levy will operate and ensure industry is fully prepared prior to implementation of the reforms in April 2017. Additional outreach and support was provided through employer visits and regular written communications.

We have also worked with the UK Government to refine the funding rules and answer industry enquiries, while at the same time maintaining a close dialogue with devolved administrations to understand how the apprenticeship levy will impact apprentice provision across Great Britain.

In England, the ECITB has also been closely involved in initiating and supporting a number of Apprenticeship Standards groups on behalf of the industry. We have prepared standards and assessment plans for submission to government, promoting the standards work and bringing stakeholders together to ensure the industry wide relevance of the standards and transferability across sectors.

Promoting Apprenticeships

Throughout 2016, the ECITB has promoted the engineering construction industry and apprenticeships to young people in schools and colleges around the country. There have been many initiatives including the following:

- Over 200 attendees from schools and colleges in the Humber region attended an ECITB apprenticeship event.
- Working with the Careers and Enterprise Company to bring 40 pupils from schools and a UTC together for a STEM challenge. All of these young people have registered for a bronze CREST award.
- ECITB presence at a range of regional and national Big Bang events.
- Supporting the Careers Wales careers convention at Parc Y Scarlets.
- Working with the Aspire Careers Event reaching approximately 1000 students from across Berkshire.
- Supporting a STEM Challenge for the Young Engineers and Science Club in Glasgow, which included apprentices from local companies.

TECHNICAL PROGRAMMES

In 2016 the ECITB supported nearly 40,000 technical training interventions. This represented a 10% growth from 2015. There were notable increases in Plant Operations, Technical Programmes and testing against industry standards and Electrical Competence. In other areas there was a reduction in support, most clearly in Estimating and Project Controls.

Demand for Mechanical Joint Integrity and Small Bore Tubing training and testing remains strong, reflecting the priority placed by industry on the importance of preventing hydrocarbon release. ECITB trained 2640 new learners on Mechanical Joint Integrity and tested 2249 candidates, while for Small Bore Tubing we trained 1280 new learners and tested 1362 candidates.

Demand for ECITB approved technical training and testing based on industry standards grew with over 1000 delegates attending a variety of courses including Lifting courses; the Appointed Persons and the ReSkill Rigger course; Confined space; Pipefitting; Root Cause Analysis; Welding and Offshore Decommissioning Awareness.

In 2016, there was a 30% uptake of ECITB standards to develop training courses compared with 2015. This is an important metric which demonstrates the value and relevance of ECITB training standards to the industry. There are now over 220 ECITB approved courses. These programmes ensure the transferability of skills, trained against industry standards, across the different sectors of industry.

Standardisation of qualifications in Oil and Gas

In 2016 the ECITB successfully scoped the requirement to standardise qualifications and awards for technician and craft trades used in the upstream oil and gas sector. The ECITB's Standardisation of Technical Qualifications and Awards programme (STQA) is based on ECITB tests and is helping to reduce the duplication in training and testing which often occurs when a contractor mobilises its workforce to deliver projects across different clients. This will help to eliminate unnecessary costs and boost the productivity of training for the industry.



“This industry initiative provides greater visibility of workforce competence and will enable the main contractors to assure the supply of competent resources to client assets against a consistent standard. This simplified process will be more effective and efficient and as a result. There will be a reduction in training duplication, increased transparency in the recording of data and reduction in the over-specification of trade competence.”

Craig Wiggins

Senior VP, Production Asset Services, Europe, Middle East and Africa, Aker Solutions

Support to NEETs

In 2016 the ECITB supported NEETs through several initiatives. ECITB's pre-apprenticeship programme provides a pipeline for young people unable to get an apprenticeship into a career in the ECI. Our high-integrity welding programme has also provided routes to skilled employment for NEETs, as well as the upskilling of existing welders.

In addition, we have supported the Danny Fellows Training Trust in Wales:

“The Danny Fellows Training Trust provides loans for industry recognised training qualifications in the engineering construction sectors. Funded by local industry, individuals and the ECITB, the Trust gives interest free loans to Pembrokehire people, both in and out of work, who do not qualify for established funding support. Thanks to financial backing by the ECITB we are helping individuals upgrade their skills, get back into work and enlarging the local skilled labour pool.”

Nick Ainger

Danny Fellows Training Trust Trustee

MANAGEMENT AND PROFESSIONAL PROGRAMMES

ECITB support for management and professional training grew significantly in 2016. A key driver for this growth was a conscious effort by industry to upskill its existing workforce during a period of weak demand for new work – an approach which should mean that benefits will be felt when the economic situation improves and companies are better placed to win business. In 2016, ECITB supported over 18,000 management and professional learning interventions representing nearly 40% growth since 2015.

Support for Higher Education and the attainment of Professional Engineering status remained strong in 2016 with £1.9m spent on HE programmes, MSc, BEng and HNC courses while over £600K was invested in developing industry engineers to a professional status.

The ECITB's successful Graduate Retention Programme accounted for a large proportion of management and professional training expenditure in 2016. This programme is designed to ensure the industry retains the talented graduate engineers it has recruited and started to develop during the downturn, so that the skills are in place when the economic situation improves and new business opportunities arise. In 2015 the ECITB invested nearly £2m in supporting offshore graduates who were at significant risk of displacement due to the downturn. In 2016 this support continued with more than 130 graduates on full-time development programmes which were delivered through employers' business units on defined training plans. The investment in 2016 was over £3.5m and extended to engineering companies in the Engineering design and procurement (EDP) community.

Supervisory training continued at a lower level than 2015. However, the ECITB worked hard to bring learners together through open courses to ensure the continued development of our supervisors. A typical example was the IOSH Management Safely course run at the ExxonMobil Fawley Refinery in late 2016:

"I have been asked by ExxonMobil at Fawley to pass on their sincere gratitude to you for arranging the recent IOSH course at Fawley. The overall feedback from site is overwhelmingly positive. Please don't underestimate how important this is both for FMJC and Fawley Contracting Employers."

Tim Millard
Employers Chairman for the Fawley Mechanical Joint Council, FMJC

One area of growth for supervisory development was the new ECITB induction programme for offshore supervisors, which is licensed by the Chartered Management Institute (CMI). In 2016 over 360 supervisors went through a series of knowledge programmes, through the ECITB programme, prior to taking up posts offshore.

"2016 has been a very positive year as far as engagement with the ECITB has been concerned. The levy continues to provide strategic levels of support in critical areas such as Graduate Retention and the ECITB has responded well to requests to help maximise the mobilisation of the workforce. In 2016 AMECFW were able to use the ECITB licensed CMI programme as part of an on-boarding and leadership skills initiative for front line supervisors entitled "SuperVision". The industry overwhelmingly agrees that this is a critical area of focus, and ECITB support has been excellent."

Jim Lenton
President, Asset Support, Oil, Gas and Chemical, AMECFW

"The Active Cup is a long, intense but enjoyable weekend, encouraging learning, teamwork and collaboration. While profit is the target of the simulation, the key take-away is not related to a team's success or failure as such, but in each team member's ability to develop key project management principles and skills, and implement them in a controlled environment, gaining confidence for future projects."

Paul Otway CEng MIMechE
Head of Piggings, Jee Engineering Ltd



Also in 2016 the ECITB, through its delivery partner, Cranfield School of Management, supported 24 teams in ACTIVE Cup Project Management competitions. The competition delivers effective experiential training in a simulated environment and in 2016 supported 119 participants. The ECITB also supported a senior level programme: Improving Project Performance. This programme takes more senior project managers and develops their competence to manage more complex projects. In 2016 the ECITB supported 44 delegates on this programme.

The ECITB has continued to make significant progress in supporting the development of offshore oil and gas project managers as the industry continues to focus on efficiencies and improvements to reduce operating costs.

The ECITB PM mentoring scheme

During 2016 the ECITB mentoring scheme paired up 15 new mentees and mentors across the industry. This programme supports the development of the less experienced project managers from both operators and contractors and brings the clients and contractors together to share project experience.

“The ECITB Mentoring Scheme provides a unique opportunity to connect oil and gas professionals working in projects. I believe mentoring provides the support that Project Professionals need in order to deliver better outcomes.”

Shona Campbell
Project Director, Maersk Oil
PM Mentoring Workgroup Chair and Mentor

IMPROVING THE DELIVERY OF PROJECTS

Project Collaboration Toolkit

In 2016 the ECITB, working with the Offshore Project Management Steering Group, developed and delivered the ECITB Project Collaboration Toolkit; a guidance document providing pragmatic tools and best practice for working collaboratively across projects.

The product has been very well received across industry and is now referenced as an enabler to achieve Robust Project Delivery within the Oil and Gas Authority (OGA) Asset Stewardship Guidelines¹.

“The ECITB Offshore Project Management Steering Group continued to enhance its status and credibility in 2016, despite tough market conditions. The continued commitment and dedication of the ECITB team was fundamental in driving through initiatives and deliverables to industry. Of particular note was the development, publication and online launch of the Project Collaboration Toolkit – a direct response to an industry need from inception to launch in just 5 months. This was in addition to continuing the Project Management WebinEYE series, running the first full year PM Mentoring programme, and sponsoring a pilot to get more APM Registered Project Professionals in Oil & Gas. An exceptional effort by the ECITB team.”

Jim Thompson

Head of Projects, Aker Solutions, Aberdeen

Oil & Gas UK welcomes this piece of work and believes it makes a very positive contribution to addressing the challenges facing the industry. This comprehensive toolkit will encourage the changes in culture and behaviour essential to make the UK industry competitive and maximise economic recovery.

Deirdre Michie

Chief Executive, Oil & Gas UK

Also in 2016 the ECITB continued to run the popular WebinEye series of project masterclasses. These provide a platform for experienced project professionals to share their views on project delivery and the different phases of the project life cycle to hundreds of delegates across ECI sectors. Over a thousand participants took part in 5 webinars in 2016.

Webinar	Watched Live	Watched Recording	Total
Challenge & Change Masterclass	101	50	151
Project Collaboration Toolkit	152	102	254
# 6 Define - Contracting Strategies & Behaviours	179	103	282
# 7 Execute – Delivering the mission	164	97	261
# 8 Execute – Management of Change	102	96	198



¹ Asset Stewardship Integrity – Oil and Gas Authority 2016;



Supporting the Nuclear Sector

In 2016 the ECITB provided significant support for professional development for the nuclear sector. In September, we hosted the ECITB Nuclear Project Management Conference in Manchester which was attended by 120 delegates including a number of senior practitioners in the industry. The aim of the conference was to support the sharing of best practice on nuclear projects.

We have also worked closely with partners including the Nuclear Skills Strategy Group and the Nuclear Decommissioning Authority across a number of areas. This includes supporting apprenticeship and nuclear training standards development and providing sponsorship and data to the Nuclear Workforce Assessment.

NDA have benefitted from working with ECITB this year on a number of nuclear industry initiatives, all aligned to the objectives set out in the NDA People and Skills Strategy. We look forward to working with them over the coming year to ensure that these interventions can develop and that they reap benefits for developing future capability and capacity within the nuclear workforce.

David Vineall
HR Director, NDA

ECITB is also supporting future learners by providing support to the value of £800k for the National College for Nuclear over the next four years. This is in addition to supporting curriculum design and acting as the Awarding Organisation for the college. We are also sponsoring the Arkwright Scholarship programme, which provides financial support, mentoring and work experience to young engineers seeking to pursue a career in the nuclear industry.

We have also been working closely with EDF Energy at Hinkley Point to develop the competence and qualifications matrix for the new build project. This matrix is now being used to mobilise the workforce.

“ECITB is working closely with the National College for Nuclear and its partners, providing expertise and guidance in the creation of qualifications and curriculum for the nuclear sector. We are grateful to ECITB for its support in education and skills by sharing experience and capability in the development of a strong and dynamic nuclear sector for the UK.

There have been many changes over the last year in personnel within Sellafield. The ECITB's support and understanding of the constraints of our sites process and systems has been invaluable in enabling us through this transition and in the completion of our SIM Statutory (manpower and payroll return). We look forward to continuing to develop this mutually beneficial relationship over the next year in support of development of education and skills development within our own workforce and the nuclear sector

Dr Donna Connor
Head of Education and Skills, Sellafield Ltd

Towards the end of 2016 plans were put in place to establish a defined Nuclear Sector within the ECITB with its own Chairman and forum, to provide direction and funding on strategic nuclear skills issues. The project has strong support from the nuclear industry.

AWARDS AND QUALIFICATIONS

Awarding Organisation

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

With regards to qualification development, the Awarding Organisation concluded its consultation workshops with industry to determine the framework and structure of the new qualifications. These took place in the first quarter of 2016 and were further refined throughout the year as a result of various Government announcements, most significantly the proposal to introduce fifteen Post 16 Technical Education routes and associated qualifications. Development priorities have now been established and these will be progressed during 2017

2016 was a challenging year for the Awarding Organisation, due in the main to the continuing effect of the industry economic downturn and peaking of demand for certain qualifications.

Uncertainty regarding the new apprenticeship system and reductions in public stand-alone funding also posed challenges. Demand for the Moving Loads qualification marketplace appears to have peaked in respect of existing industry workers seeking competence validation and recognition. However, despite this there were 1405 registrations and 1412 certifications. The year closed with there being 66 approved centres who each received a minimum of two monitoring visits.

2016 also saw the development and implementation of the first non-regulated company tailored awards. These new occupational competence-based vocational awards focus on the specific needs of the company and are based on workplace evidence. They will be subject to the same rigorous quality assurance processes as the regulated qualifications.

The Awarding Organisation also moved to an online candidate registration and certification process utilising the new ECITB Membership Services Portal.

Provider Account Management

In addition to the regulated qualifications, the ECITB also delivers a number of non-regulated awards, such as Certificates of Achievement for a variety of training and testing programmes. These are implemented by a network of Approved Training Providers (ATPs) through Product and Services licences.

In 2016, 262 licences were issued to 204 ATPs. These providers are regularly monitored to ensure consistent and high quality delivery and they all received a minimum of two audit and technical support visits. 84% of the audit visits resulted in an award of a grade 1 or 2, outstanding or good.

IN 2016
262 LICENCES
WERE ISSUED TO
204 ATPs

The Client Contractor National Safety Group (CCNSG) oversees the development and delivery of the Safety Passport scheme, which is managed and administered by the ECITB. In 2016 new versions of the 2 day National Course, the 1 day Renewal Course and the Leading a Team Safety Course were delivered. In addition, in late 2016, the ECITB piloted a test-only renewal process (with no requirement to attend the 1 day course). The results of this pilot will be analysed in 2017 and decisions taken on the way forward. Also in 2016, the first Safety Passport courses were delivered to the University Technical College network at Reading UTC.

Product Development

The ECITB Product Development function works closely with employers, providers and other stakeholders within the industry to develop and provide regulated qualifications, non-regulated awards and training and testing products and services.

Highlights in 2016 included a feasibility study into Degree Apprenticeships, where it was recommended that an industry working group was formed to establish in what areas they are needed. There was also an assessment of Lean Training which recommended that an industry working group be established to standardise training in this area for the industry, including the development of Training Standards and tests. A pilot programme will be run in 2017.

ECITB also conducted a feasibility study into Unmanned Aerial Vehicles in ECI environments. The initial draft report recommended the development of both Training Standards and operating specifications and is currently being reviewed by the National Air Traffic Control Service.

New Training Standards were developed for; Wind Turbine Hub Rescue; Manual Handling: Commercial Awareness and Wire Rope Inspection. We also provided support for the development of new Apprenticeship Standards in the following areas:

- Engineering Design & Draughts person – This apprenticeship group was fully administered by the ECITB. Both the standard and assessment plan have now been approved by DfE.
- Project Controls Technician – This apprenticeship group was also fully administered by the ECITB. Both the standard and the assessment plan have also been approved.
- ECI Engineer – Working Group established and the general approach agreed. Expression of Interest to be submitted in early 2017 for a Degree apprenticeship at Level 7.
- Pipefitter – This apprenticeship group is fully administered by the ECITB and the standard has been approved subject to some minor revisions to the assessment plan.
- Rigging & Erecting – This apprenticeship group is fully administered by the ECITB. The standard has been approved subject to some minor revisions suggested by the DfE board.
- Cross sector apprenticeship standard groups, with the ECITB as group members of: Welding level 2 and 3; Process Engineering L6;

Project Management; Health & Safety; Lean & CI Transformation; Maintenance Operations Engineering Technician (MOET) and Maintenance Operations Advanced Technician (MOAT).

A number of new training programmes and qualifications were developed for the UK and International markets including: the international Diploma; Rigging and Lifting standards and qualifications; On Site Machining; Pressure Safety Valves; and a revised IOSH Supervisor course. Work commenced in 2016 on Plant Layout and Design; Advanced On Site Machining programmes and standards; and a Nuclear Case Study in Project Controls for the City and Guilds Certificate. All of these projects are scheduled to be completed in 2017.

Other projects that started in 2016 which are also scheduled for completion in 2017 include: an update on the Online Examiners Course for Technical Testing; Standardisation of Offshore Qualifications and Awards; and User Guides for the Membership Services Portal



ESTABLISHING THE ECITB POLICY FUNCTION

In July 2016, as part of the restructuring exercise, the ECITB established a new policy department. This decision was made in response to the need, identified by the Board, for the organisation to strengthen its policy engagement and work more closely with policymakers to address industry skills needs.

The policy department is responsible for overseeing and coordinating ECITB's engagement with central government and all other policy and political stakeholders at the UK level. It acts to ensure the industry's needs are heard by policymakers, helping to inform policy initiatives from design through to implementation. In addition, the policy team supports policy engagement activities in the devolved nations and regions as undertaken by the Heads of Skills Strategy.

The majority of activity in 2016 has focused on setting up the department. This included recruiting personnel, establishing initial priorities and ways of working, and determining departmental objectives as part of the development of ECITB's new strategy. We have also provided advice and support to other policy-facing personnel within the organisation.

Additional activities in 2016 have included:

- Stakeholder engagement: establishing relationships with policy stakeholders. We have established important links with colleagues in the Department for Education, including new personnel within ECITB's sponsorship team, and the policy teams within the Further Education, Funding and Apprenticeship Directorates. Engagement has also commenced with key officials in the Department for Business, Energy, and Industrial Strategy (BEIS), HM Treasury and other ALBs, including the Infrastructure and Projects Authority.
- ITB review: supporting the Chief Executive, the Policy team is responsible for ECITB's day to day engagement with the ITB Review. We have supported the Review team with evidence gathering and industry outreach, and are working to ensure the recommendations and outcomes align as far as possible with ECITB's strategic priorities. The review will consider what more the ECITB can do to boost skills and productivity in the industry and is due to report in 2017.
- Policy analysis and development: we have established new systems for monitoring and analysing Government announcements and how they impact the future ECI workforce and skills. We are also engaged in ongoing policy development, most notably around the Post-16 Skills plan and the establishment of the Institute for Apprenticeships, ensuring the reforms meet the needs of the ECI.
- Supporting implementation of the apprenticeship reforms: alongside the regional operations team, the policy department has supported engagement and outreach work with employers ahead of implementation of the apprenticeship levy and associated funding reforms. The team has raised queries from industry with DfE, which has been reflected in policy development. A recent example includes provisions regarding offshore workers.
- Devolved skills policy: the policy team has supported the Heads of Skills Strategy to work through the implications of the apprenticeship levy on ECI employers in the devolved nations, including our response to the Scottish Government on their consultation on the levy. We have also supported the formulation of ECITB's response to the Scottish Government's STEM consultation, launched in November 2016.
- Labour market intelligence: The policy department will be responsible for overseeing and delivering the ECITB's labour market intelligence (LMI) and research programme. We have undertaken work to assess the ECITB's current and previous capabilities in this area with a view to implementing a new programme in 2017. The aim of the programme will be to develop a robust evidence base on the ECI and the skills needs of the industry, both nationally and regionally. This research will inform ECITB's policy positioning and approach to skills investment and grant funding, as well as the design of new products and services.
- Commissioning research: as part of ECITB's work to enhance its evidence base, the policy team commissioned a report from the Centre for Economics and Business Research (CEBR) studying the economic footprint of the engineering construction industry. The report measures the ECI workforce and will estimate the economic contribution of the industry. It will be published in 2017.

A range of other activities have also been completed in 2016, including supporting the communications team on policy messaging and media articles, and participating in events and workshops in Westminster and further afield. These will continue in 2017.

ENGAGING WITH STAKEHOLDERS

Stakeholder communications and engagement

As the skills, standards and qualifications body with statutory responsibility for development of the engineering construction workforce, ECITB carries out its responsibilities by:

- Development, delivery and assurance of quality training programmes;
- Setting and maintaining industry standards for competence, health & safety etc;
- Leading and managing its training provider network;
- Providing advice, information and support to the industry in developing and qualifying its workforce;
- Collaborating with government and industry initiatives to promote careers and training in engineering construction;
- Identify employers' skills needs – both now and in the future;
- Representing the views and interests of the industry to government and other key decision-makers and influencers.

With a new organisational structure in place, our stakeholder engagement focus in 2016 was on raising awareness of our activities – especially with central and devolved government and agencies – and enhancing the value of our efforts through greater collaboration, communication and engagement with the academic, careers, industry and wider business communities with an interest in development of the engineering construction workforce.

Priority projects in 2016 included:

Apprenticeship reforms and levy

Communications and engagement with employers and training providers to identify and assess the impact on the industry of the forthcoming introduction of the apprenticeship levy and UK Government reforms to apprenticeship funding. ECITB facilitated industry engagement with government consultations and approval processes; sought clarity for employers on specific queries and acted as a conduit for information flow between DfE and ECI employers. A broad range of communication materials were produced and engagement activities undertaken throughout the year. In addition, with a significant number of industry levy payers also expected to be apprenticeship levy payers, bespoke analysis was carried out and communicated to affected employers.

Enhancing our policy relationships

In 2016, we also enhanced our links with academic institutions, think-tanks, employer organisations and other skills and industry stakeholder bodies – this included commissioning research from the Centre for Economics and Business Research (CEBR), Loughborough University and the Building Research Establishment (BRE), all of which have informed our strategic development. Further details on our policy priorities are covered in the policy section of this report.

Promoting industry careers

A wide array of initiatives and activities were pursued – in collaboration with stakeholders – to attract new entrants to the industry and to promote entry to industry careers. Links with Local Enterprise Partnerships, the Careers Enterprise Company, schools, further education and higher education establishments were strengthened and opportunities identified with industry to increase collaboration in communications and engagement activities.



Examples of our collaboration activities in 2016 include:

- INSPIRE education programme – working with industry stakeholders and others to help prepare young people in Somerset to take advantage of the opportunities that the construction and operation of Hinkley Point C will bring.
- Arkwright Scholars – continuing our sponsorship of potential future engineers through the Arkwright Scholarship programme and engaging industry employers to encourage mentoring of the students.
- Big Bang Young Scientists and Engineers Show – co-hosting an exhibition stand with the Nuclear Institute and a separate collaboration with apprentices from Grimsby College demonstrating a welding simulator.
- Scottish Council for Development & Industry (SCDI) Young Engineer & Science Club – promoting career pathways in engineering construction and in particular careers in Non-Destructive Testing (NDT).
- Kent Choices For You – inspiring young people to consider engineering construction industry careers through a team challenge to construct a working model wind turbine.

COMMERCIAL ACTIVITIES

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

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

Commercial Activities in Great Britain

The main commercial product within Great Britain is the CCNSG Safety Passport with an increasing demand for ECITB Technical Tests and Training Standards. In many ways 2016 was a difficult year commercially in Great Britain with a drop in both the number of CCNSG Safety Passports and Supervisor programmes, consistent with the lack of work within the industry. However, there was significant growth (9%) in Technical Programmes and Tests which went some way towards re-dressing the drop in income.

- In 2016, there were 204 ECITB Approved Training Providers in the UK (including 12 new ATPs) licensed to deliver ECITB's training products and tests. This was an increase from 2015.
- In 2016, 262 Licences were issued for the delivery of ECITB Products and Services (including 18 new licences) to ATPs in the UK.

International Activities

2016 saw a step change in our approach to commercial activity internationally. The Board decision to move away from training provision was initiated and will be complete by the first quarter in 2017. This has de-risked our international commercial activities and reduced our cost base, enabling us to align our international commercial activity on the same model as the business in Great Britain.

In 2016, we appointed two additional Service Providers, PT Great Dynamic for the South East Asia region and D Rampersad for Trinidad and the Caribbean region. Along with our existing service provider in the Middle East, TUV SUD, this will enable us to expand our network of ATPs, increase delivery, better support all international ATPs and reduce cost in 2017.

We have increased our reach and reputation as a leading skills and training organisation internationally. By the end of 2016, ECITB products and services were being used in some 20 countries across the Middle East, Central Asia, Africa, the Far East and the Caribbean.

- In 2016, there were 35 ECITB International Approved Training Providers (including 8 new ATPs licensed to deliver ECITB's training products and tests.
- In 2016, ECITB 100 Licences were issued (including 22 new licences) to International ATPs.



LOOKING AHEAD: 2017

Priorities

The ECITB has a number of key priorities in 2017:

- Implement the new ECITB strategy and operating plan to secure the skills required for the engineering construction industry.
- Support the completion of the ITB review and implement the relevant review recommendations. This is a critical piece of work, which will shape the future of the ECITB beyond 2017.
- Support the ECI through the implementation of the new apprenticeship levy and apprenticeship reforms to ensure the industry maximises the benefits from these government initiatives.
- Deliver the ECITB governance changes to ensure the ECITB is fit for the next 25 years.
- Continue to run the business more efficiently. To demonstrate to industry and Government, the ECITB's commitment to delivering a strong, effective, efficient and vibrant organisation.

ECITB Strategy

Our 6 strategic themes for 2017 are:

Serial	Theme	Detail
1	Policy leading	Ensure the industry's needs are heard and addressed by policymakers and help the industry implement government policy initiatives.
2	Intelligence led	Inform the future skills needs of the industry through provision of actionable labour market intelligence and by identifying relevant emerging and maturing technologies and opportunities for innovation in training.
3	Delivering productivity through skills	Enable higher productivity performance through the development of skills.
4	Transferability of skills	Support greater transferability of skills between and within sectors.
5	Collaboration	Seek and engage in strategic partnerships that benefit the industry, including collaboration on policy initiatives.
6	Maximising the value from the levy	Ensure that the ECITB is financially sustainable in the long term by keeping close control of costs and increasing commercial income

Key Performance Indicators

The 8 KPIs for 2017 link directly to the new strategy.

Key Performance Indicator	2017 Objective
2017 apprentice starts where the ECITB provides financial support	262
2014 apprentice cohort completions where the ECITB provides financial support	411 (92% of 2014 cohort completed by year end)
Pre-apprenticeship starts	150
Number of 2016 pre-apprentices who progress on an apprenticeship with an ECITB employer	42
Technical programme activity	40,000
Management and Professional programme activity	20,000
Total number qualifications, awards, tests issued by the ECITB	1,500 VQ Registrations 1,300 VQ Certifications 3,500 Technical Tests 43,000 CCNSG Cards
Commercial surplus	£1.85m



Policy

In 2017, we will continue to cultivate relationships across Government and with the policy community and participate in key policy initiatives. This will ensure the needs of the industry are heard and understood in Westminster, the devolved nations and by decision-makers in the English regions.

The main policy areas of interest to ECITB in 2017 include:

- Reforms to technical education in England, notably the implementation of the Post-16 Skills Plan.
- Apprenticeship reforms, including the introduction of the Apprenticeship levy in April 2017 and the establishment of the Institute for Apprenticeships (IfA).
- Infrastructure investment, including the delivery of the National Infrastructure pipeline, and the implications for skills.
- Industrial strategy and the link to skills and the ECI.
- Careers education and guidance, including promoting STEM careers.
- Brexit and its implications for the ECI workforce and skills.
- The ITB Review and its recommendations.

We will highlight the value of ECITB activities and programmes and raise our profile in policy circles. We will also work to ensure ECITB fulfils its wider remit as an arms-length body by supporting key Government objectives, including high-quality apprenticeships and raising productivity through skills. ECITB has a key role to play in delivering these policy objectives and we will work with Government departments to ensure the needs of the ECI are met.

Additional activities for 2017 include:

- **Implementing the ECITB's new labour market intelligence programme:** we will set up a new programme in 2017, to enhance our evidence base on and understanding of trends within the ECI workforce. This work is a key priority for ECITB and will help to inform strategic grant making, as well as our work to identify new products and services.
- **Supporting the ITB Review:** we will continue to support initiatives to inform the review, ensuring the views of ECI companies are taken into account, and work closely with the department on implementing the recommendations of the Review.

- **Policy development and analysis:** we will devise and communicate ECITB positions on key government policies and will actively participate in Government consultations on the implementation of the Post-16 Skills plan, the industrial strategy and other relevant policy initiatives. We will also engage with regional decision-makers (including the devolved governments, local authorities, LEPs etc).
- **Industry outreach:** We will gather and communicate industry insights on emerging policy to government. This includes providing industry with platforms to engage government representatives on emerging policy. We will also communicate policy initiatives to our employers, to ensure they are aware of the latest developments.

Stakeholder engagement

We will seek to enhance our stakeholder communication and engagement activities, across all areas of our work, through the development of a new stakeholder strategy. This is expected to be finalised in the first half of 2017 with implementation through the remainder of the year.

Research and publications

Following the implementation of the ECITB's new LMI programme, we will publish a series of reports in 2017/18 covering the ECI labour market and providing insights into industry trends. This will include an industry-wide survey on skills and the workforce, and an accompanying regional labour market outlook report. We will also commission academic work and produce analysis on the ECI labour market derived from secondary data sources.

Looking further ahead to 2018, we aim to establish a Technology Insights Programme to research new technologies and their potential impact on the ECI workforce and industry skills requirements.

Apprenticeships

We will take action to support employers arrest the decline in numbers of learners coming into the industry through apprenticeships. This will be done through greater use of the Pre-Apprenticeship programme and through helping employers to comprehensively understand and maximise the potential return from the apprenticeship reforms.

In 2017 we anticipate that the ECITB will continue to support more than 2000 apprentices on their programme and support another 400 coming into the industry. In addition to this the ECITB will recruit 150 learners onto the pre-apprenticeship programme.

It is expected that the ECITB will increase the levels of support for SMEs in the area of apprenticeships and that new build sites such as the MGT biomass plant at Redcar will support the development of apprentices through the ECITB and the contractors.

In recognition of the need for industry to enhance coherence and co-ordination in its approach to the development of future leaders, the ECITB will scope out a leadership programme to identify leadership potential through apprenticeship programmes and to nurture that potential through the careers of those identified.



Technical Programmes

In 2017 the ECITB is expecting to support a similar number of learning activities in the technical training area, around 40,000.

It is expected that offshore projects will benefit from using a standardised set of ECITB tests to mobilise the workforce across the whole Tier 1 contracting community. It is also expected that the ECITB will have started to scope and develop the concept of all Fabric Maintenance contractors using standardised programmes and qualifications.

Management and Professional Programmes

The ECITB will maintain the momentum gained over the last 2 years in developing PM capability across the nuclear and offshore sectors. There will be a third Offshore PM Conference in the autumn and a third mentoring programme initiated.

The Project Collaboration Toolkit will be implemented across 10 projects to identify the cost benefits to projects of working collaboratively.

The ECITB will work collaboratively with the Nuclear Decommissioning Agency and Site Licence Companies to develop PM programmes to support the decommissioning programme. The ECITB will also work with identified employers to assess deficiencies in Project Leadership capability and identify potential solutions.

Development and Quality

In addition to developing and maintaining the suite of licensed training and testing products and services, and monitoring the quality of their delivery, we will also ensure the Awarding Organisation continues to comply with all of the regulatory requirements and monitors the delivery of regulated and non-regulated qualifications. Identifying and exploring commercial opportunities with both providers and employers will continue to be a feature of our work.

There are also a number of specific projects which will be pursued. These are summarised below:

- Development and implementation of a new suite of regulated vocational qualifications to meet the requirements of the new Regulated Qualifications Framework.
- Continued development of new Apprenticeship Standards to replace the existing Apprenticeship Frameworks.
- Provide support to employers delivering the new Apprenticeship Standards to assist them in monitoring progress and ensuring quality.
- Pilot a new Continuous Improvement Development programme to assist employers in developing their own CI programmes.
- Support the National College for Nuclear by providing Awarding Organisation services.
- Provide support to CCNSG providers to ensure they implement the new delivery arrangements effectively.
- Put in place a new International Provider approval and monitoring process to ensure high quality consistent delivery.
- Work with Lamprell Energy to implement ECITB qualifications, training standards and technical tests in the new Ras Al-Kair shipyard construction project.

Corporate Social Responsibility

We recognise that delivery of some of our core functions can be easily shaped and adapted to assist in addressing social policy challenges that fall beyond our direct remit and responsibilities. Our activities in promoting industry careers lend themselves well to consideration of that wider social responsibility and we will continue to adapt our approach and plans accordingly.

In 2017, our successful pre-apprenticeship programme will enter its third year and we anticipate supporting 150 learners, many of whom were previously not in education, employment or training, through the programme. We will also continue to engage with school students and will place particular emphasis on our activities in areas where evidence suggests that potential industry entrants would find it harder to find their way to an industry career without additional support.

We will also take steps to improve the diversity of the industry. This is crucial to the long-term sustainability of the workforce and by opening up a larger talent pool for recruitment, will help to ensure industry has the skilled workforce it needs available to it. A key focus will be on encouraging and supporting more women into engineering construction. In 2017, we will again showcase the achievements of women in the industry at our annual awards ceremony with the prestigious 'Women in Engineering Award', now in its second year.

Governance Review

Proposals for a revised governance model have been developed, considered and approved in principle by the Board. Subject to any further changes necessitated by the ongoing ITB review, it is anticipated that the proposals will be implemented by December 2017.

Digitalisation

During 2016 the first stage of the digitalisation strategy was completed and has enhanced the level of service the ECITB provides. The second stage has been initiated and is expected to be completed in 2017. This stage will include the digitalisation of key transactions between the ECITB and in-scope employers and should also see the transfer of our data storage and business applications to a governmentally approved remotely hosted environment.

Commercial Activities 2017

Our commercial operations have good potential, enabling the ECITB to export the best of British skills expertise to domestic and international markets to generate revenues which can be reinvested back into the engineering construction industry.

In 2017 the ECITB will develop a strategy to steadily grow its commercial income. It seeks to do this in a number of ways:

- Consolidating and developing an effective network of approved training providers to deliver the ECITB's training products and tests.
- Consolidating its ATP network in Great Britain to maximise revenue while maintaining the high quality for which we have a deserved reputation.
- Seeking to support in-scope employers operating internationally.
- Pursuing new projects including a distance learning partnership with the BRE Academy, Jacobs in Morocco, Baker Hughes globally and CB&I in Mozambique.
- Approving an additional 20 international ATP's, including a number of ECITB domestically in-scope companies who are operating internationally.

2017 Financial Projections

The ECITB's strategic priorities and objectives have been factored into the preparation of the 2017 operational plan and financial budget. Levy income is predicted to fall by approximately 10% compared with 2016, largely as a consequence of reductions in the size of the industry's workforce and labour rates over the 2015/16 period. However, in order to maximise the resources available to support its charitable activities, in 2017 the ECITB plans to achieve growth in the gross contribution from commercial activities of approximately 40% (to £1.8m), and to benefit from reduced operational and overhead costs arising from the cost efficiency measures taken in 2016.

The Board recognises the difficulties that many employers face in maintaining levels of training activities in challenging economic and trading conditions. Nevertheless, the ECITB remains committed to maintaining the industry's training momentum, and plans to meet the high levels of demand for training and qualification grants recorded in 2016 (over £25m). The 2017 budget envisages a small deficit of approximately £100k.

However, the actual financial outcomes in 2017 may be affected by the types of factor mentioned below.

It is a budgetary assumption that the levels of training activities underpinning the budgeted outcomes will be achieved, thereby triggering the payment of the planned grant expenditure. However, although the 2017 budget reflects levels of training activity following consultations with employers, recent experience suggests that actual activity levels may transpire to be lower if difficult trading conditions persist, and economic and political uncertainties continue. The ECITB closely monitors activity trends, and will take steps to encourage employers to achieve the planned levels of training that will benefit the industry in the longer term.

The budget excludes the financial effects of factors which are not planned or certain to occur. If such factors arise, this can mean that actual financial outcomes will be different to those budgeted. For example, the settlement of industrial training levy litigation may lead to material variances between actual and budgeted levels of income and expenditure, even though the net effect of such transactions may be immaterial.

During the course of 2016, the effects of the proposed governmental reforms relating to the Apprenticeship levy became clearer (as discussed in this report). In connection with such developments, the ECITB's consultations with levy-paying employers will mean that levy income beyond 2017 will fall significantly. The outcome of the government's review of the industry training boards may also have implications for the ECITB's future modus operandi, and may have financial impact from 2018 onwards. The financial implications arising from such matters are under close review by the Board, and are factored in to the ECITB's medium and longer term strategic planning.

FINANCIAL REPORT

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

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

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

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

The Chief Executive of the ECITB has been designated by the Secretary of State as the Accounting Officer for the ECITB. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records and for safeguarding the ECITB's assets are set out in Managing Public Money published by HM Treasury



S Watson
Interim Chairman
2nd June 2017



C J Claydon
Chief Executive and Accounting Officer



RESULTS FOR THE YEAR

A Summary Statement of Financial Activities for the period 1 January 2016 to 31 December 2016 (with comparative information for 2015) is shown immediately below. This has been extracted from the audited financial statements which appear in full later in this report.

	2016 £'000	2015 £'000
Income		
Levy	33,514	35,714
Investment Income	442	437
Non Levy Income	3,079	3,220
Total income	37,035	39,371
Expenditure		
Investment Management Costs Bad Debt Provision and provision against appealed levies	1,264	1,929
Charitable activities (including Levy Collection costs)	33,887	34,751
Total expenditure before other gains and losses	35,151	36,680
Net incoming/(expenditure) before other gains and losses	1,884	2,691
Gains/(Losses) on revaluation of fixed assets	62	87
Gains/(Losses) on investment assets	(24)	(271)
Net Movement in Funds Surplus/(Deficit)	1,922	2,507
Reconciliation of funds		
Total funds brought forward at 1 January	18,336	15,829
Total funds carried forward at 31 December	20,258	18,336
Balance Sheet		
Fixed assets		
Tangible assets	1,443	1,473
Investments maturing in more than one year	9,764	10,079
	11,207	11,552
Current assets	14,109	12,762
Creditors: amounts falling due within one year	(5,058)	(5,474)
Net current assets	9,051	7,288
Creditors: amounts falling due after more than one year	0	(504)
Net assets less liabilities	20,258	18,336
Fund		
Unrestricted Fund	20,258	18,336

COMMENTARY ON FINANCIAL RESULTS

Statement of Financial Activities for Year-ended 31 December 2016

Incoming Resources

Gross levy income in 2016 amounted to £33.51m (2015 - £35.71m). The levy income represents the gross levy assessed during the year together with adjustments in respect of previous levies raised.

Over 99% of the 2016 levy income related, and was calculated by reference to, the payments made to industry workers during the base period 6 April 2014 to 5 April 2015. For this purpose, payments comprise PAYE wages paid to employees and labour-only payments made in respect of non-employed workers. Levy rates remained unchanged in 2016 at 1.5% on payments made in respect of site workers, and 0.18% on payments made in respect of all other workers. The levy exemption levels also remained unchanged in 2016 for both site-based and other workers. Employers were exempt from paying site levy if payments made in respect of site-based workers were less than £275,000 during the 2014/15 base period. Employers were exempt from paying a levy in respect of all other workers if payments made in respect of all other workers during the same period were less than £1m.

Gross levy income in 2016 was 6% lower (a reduction of £2.2m) than in 2015 (£35,71m). This is due to a combination of the following reasons:

- In 2015 the ECITB reached agreement with Bilfinger Salamis Limited in connection with levies payable in 2014 and 2015, which were recorded in the 2015 accounts. Had the levy in respect of 2014 been recorded in that year's accounts, the 2015 levy income would have been £1.317m lower. This accounts for approximately 60% of the variance between the years 2015 and 2016.
- During the 2014/15 base period total declared and estimated wage and labour costs in the industry's leviable establishments fell by approximately 0.2% to approximately £4.89 billion, when compared with 2013/14 (£4.9 billion). In 2014/15, the number of declared and estimated site workers decreased by 2.8% to approximately 42,800 (2013/14: 44,000). The number of off-site workers decreased by 4% to approximately 51,400 (2013/14: 53,500). Thus, the overall number of declared and estimated site and off site workers declared to be working in such establishments decreased to approximately 94,000 workers. However, the different mix of workers between the relevant base periods explains the reduction in wage and labour costs. Off-site personnel generally tend to command higher wage and labour only rates than site workers.

It should be noted that the number of declared workers during the 2014/15 base period includes permanent and full time labour, and individuals working either for some of the period or on a part time basis. This reflects the fact that sections of the industry's workforce, particularly those who work at sites, are mobile, and move between projects as demand requires.

Other incoming resources amounted to £3.52m (2015 : £3.66m), and mainly comprised investment income and income from sales and sponsorships.

Investment income (from quoted investments and cash deposits) amounted to £442k (2015 - £437k). Poor investment performance has continued as a consequence of ongoing low investment yields, which are likely to prevail into the foreseeable future. The depressed nature of the bond markets in 2016 meant that losses on investment assets amounting to £24k were incurred (2015: 271k loss).

The main sources of sales income were the sale of training products and services to training providers in Great Britain and overseas. Overall, such income fell by 4% in 2016 to £3.079m (2015 - £3.220m).

Most sales activity was with training providers in Great Britain. In 2016, training activity in the industry was marginally lower than in 2015, reflecting the depressed economic conditions in the industry, particularly in the offshore oil and gas sector. CCNSG safety training income comprised over 35% (2015: 36%) of all income from all sales and sponsorships. Sales from the use of the ECITB's technical training courses remained at similar levels compared with 2015. However, Supervisory and Project Management course income and registration and certification fees both fell during the year by approximately 30%.

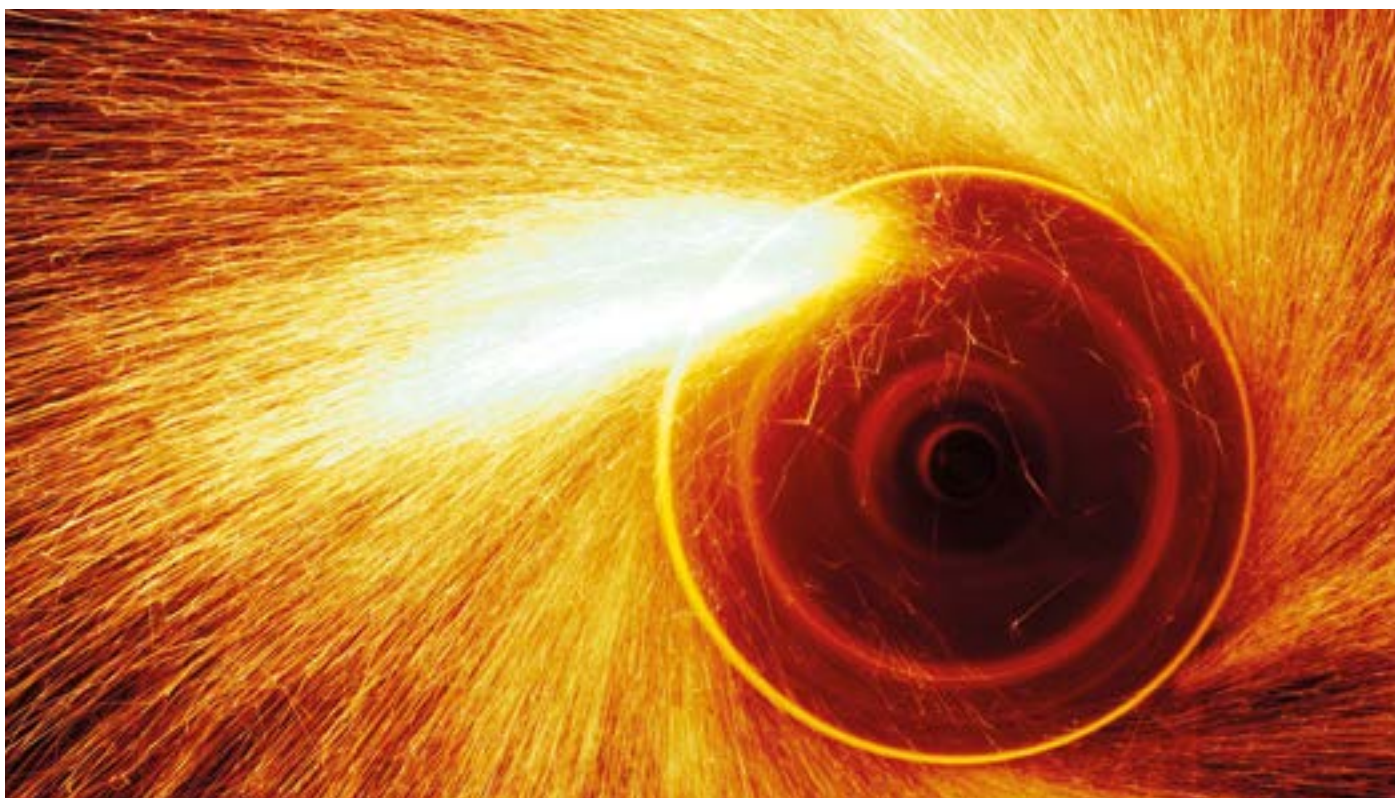
Sales income from overseas training providers grew by 7% in 2016. Sales achieved in 2016 amounted to £1.337m (2015: £1.245m). Income from the provision of consultancy services to overseas clients was 42% higher during the year to (£930k) than in 2015 (£655k). Most of the consultancy income related to the provision of training delivery services in the UAE and Bahrain. The contracts for such services were largely fulfilled in 2016. The provision of similar services in future is unlikely to recur in view of the relatively modest gross margins achieved and associated debt collection issues (which were resolved by the year-end). Demand for the ECITB's International Apprenticeship programmes fell during the year, and the registration fees relating to new learners fell to £39k (2015 - £182k). There was steady growth during the year in the number of International Health and Safety Passport, and Technical training courses and tests, which grew by 19% (to £221k) and 25% (to £135k) respectively.

Expenditure

In 2016, provisions against appealed levies and bad debt provisions amounting to £1.187m were recorded (2015 - £1.865m). This included provisions against appealed levies of £1.215m, which represented the value of the levies appealed during the year by two employers (2015 - £1.702m). In addition, bad debt provisions amounting to £43k (2015 - £103k) were made in respect of levy debtors, whose debts exceeded six months in age, or which had entered into insolvency. The 2016 bad debt provisions were partially offset by the reversal of prior year bad trade debt provisions following the receipt during the year of corresponding payments from debtors.

Expenditure on charitable activities in 2016 (excluding levy collection costs) amounted to £33.39m which was lower than in 2015 (£34.28m). The main points to note are as follows:-

- Overall expenditure relating to apprenticeships (including grant, direct and support costs) was 20% lower in 2016 (£6.90m) than in 2015 (£8.582m). Apprenticeship grant and direct costs fell below planned levels in all regions, and were £1.284m lower than in 2015. This largely relates to lower levels of apprenticeship grants paid relating to learners who completed their programmes in



2016. This indicates that some apprentices were not making progress towards the completion of their programmes at planned rates, or had left employment due to difficult economic conditions. Grant expenditure was further reduced as the number of apprentices commencing programmes in 2016 was lower than anticipated.

- Technical expenditure (£12.09m) fell short of 2015 levels by 13% (2015: £13.94m). It should be noted that Technical training grants recorded in 2015 were higher largely as a result of recorded retrospective technical training grants relating to activities in 2014 under the terms of a levy appeal settlement agreement. Thus, the level of technical training grant expenditure in 2016 demonstrated employers' continued high demand for training support in this area.
- Management & Professional expenditure (£12.07m) significantly exceeded 2015 levels (£8.98m) by 34%. This demonstrated employers' (particularly in the offshore oil and gas sector) high demand for training support relating to project management and graduate training and CPD for engineers.
- Awards & Qualifications expenditure was lower in 2016 (£2.32m) compared with 2015 (£2.77m). This reflected reduction in the levels of grants awarded on the registration and achievement of vocational qualifications and technical tests.

Overall, in 2016 grant expenditure in respect of all charitable activities fell marginally by 4% (2016: £25.31m, 2015: £26.48m). This confirmed the strong level of engagement in training by employers during the year, despite prevailing depressed conditions in the industry generally, and specifically in the oil and gas sector. Combined direct and support costs of charitable activities, excluding levy collection costs, increased during the year. Direct and support

costs across all charitable activities (excluding levy collection costs) were £264k higher at £8.06m compared with 2015 (£7.80m). Apprenticeship training and assessment costs were £95k higher in 2016 than in 2015 following the introduction of the new initiative in 2015 under which the ECITB funded the training of learners prior to their commencement of employed apprenticeship programmes. However, the most significant factor related to staff costs, which were higher in the year. However, it should be noted that the following staff costs were incurred that will not recur in future years:

- The Board's policy for all future staff pension benefit to accrue on a defined contribution basis has been achieved. In consideration of affected employees' agreement to contractual variations, the ECITB made initial contributions to the affected employees' DC accounts amounting to £231k.
- The ECITB reorganised its staffing structure. This involved a redundancy situation, and termination costs amounting to £163k were made in respect of 17 employees whose employment terminated due to reasons of redundancy.

Levy collection costs amounted to £519k (2015 - £476k). The level of cost reflected the legal fees incurred in the levy appeals lodged by Cape Industrial Services Limited and On Line People Limited.

Net Movement in Funds

A recognised gain relating to the ECITB's freehold building of £62k has been recorded in the accounts as a transfer between funds. The net incoming resources for the year after recognised gains and losses amounted to £1.922m (2015: £2.507m).



Balance Sheet at 31 December 2016

Assets

Tangible assets fell in value by £30k to £1,443k (2015 - £1,473k). This largely reflects the fall in the net values of motor vehicles and computer equipment.

At the year-end fixed and current investments amounted to £13.50m (2015 - £12.46m). The increase in the value of the investment portfolio at the year-end (£1.04m) largely reflects the fact that expenditure during the year was commensurately lower than income. It should be noted that at the year-end cash at bank was high (2016: £9.6m, 2015: £9.28m) in order to fund the high level of cash outgoings (largely training grants) at the beginning of January 2017.

Debtors at the end of both 2015 and 2016 largely comprised levy and trade debtors, prepayments and accrued income. Overall, net debtors at the year-end stood at £774k, compared with £1,099k at 31 December 2015.

Creditors

Year-end creditors amounted to £5.058m (2015:£5.978m). These largely comprised grant creditors and accruals.

The 2016 triennial valuation of ITB Pension Funds resulted in a reduction of the ECITB's liability to make pension deficit recovery contributions. During the year the ECITB fully discharged this liability by making a payment of £262k. The consequence of this is that there is no pension deficit liability at the year-end (2015: £736k).

The Funds of the Charity

The year-end balance sheet shows total charity funds of £20.258m (2015: £18.336m).

Reserves Policy

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

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

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

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

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

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

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

The Minimum Reserves Requirement is reviewed annually by the Management Board as part of the financial planning and budgeting exercise for the ensuing financial year.

As part of the financial budgeting exercise relating to 2017, the Management Board reviewed the reserves' position. In the medium to longer term, the ECITB's financial position will change, largely as a consequence of the planned reductions in levy income (lower receipts from the 2018 financial year, as a consequence of lower rates applying to the 2017 levy period onwards). If the industry's demand for training support over the period 2017 to 2020 inclusive remains at the same levels as in 2016, reserves are unlikely to fall below £10m, which will exceed the Minimum Reserves Requirement. The Management Board concluded that the reserves should not fall below £10m over the period 2017 to 2020.

Investment Policy and Performance

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

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

Investment performance is measured against a benchmark, namely the FTSE UK Government Bond Fixed 1-5 Year Index. In the period from 14th September 2004 (when the investment manager took over the portfolio) to 31st December 2016, the performance of the long-term portfolio, after the deduction of management fees, was 57.5% compared to the benchmark 54.8%, giving an annual portfolio return of 1.9% (benchmark return 2.6%) for the year to 31st December 2016.

The Management Board is responsible for the periodic review of the ECITB's investments, and the performance of the investment manager. This last occurred in January 2017, and the Management

Board undertakes this exercise twice a year. The ECITB's opinion remains that it is unnecessary to dispose of any part of the investment portfolio or change the current investment policy in view of the very low risk attached to the portfolio (many

investments are effectively guaranteed by the government). It is considered that the investment mix is appropriate to the prevailing market conditions.

Auditors

The ECITB's external auditor is the Comptroller and Auditor General who is appointed under Section 2 of the Industrial Training Act 1982.

Statement as to Disclosure of Information to the Auditors

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



REMUNERATION REPORT

Unaudited Information

Staff Appointments

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

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

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

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

Staff Sickness Absence

The ECITB monitors levels of staff sickness absence. In 2016, the sickness absence rate was 2.4% (2015 - 1.5%), equivalent to 6.2 working days per head (2015 - 3.3 working days). The increase in average sickness absence is attributable to the long-term sickness absence of 4 employees.

This compares with an XpertHR survey which indicates 2015 public sector average sickness absence rates of 3.8% and private sector average sickness absence rates of 2.5%.

Audited Information

Senior Staff Costs and Pensions

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

The contracts of employment of the executive team are, in all material respects, in line with those of most other employees of the ECITB. The exceptions are a notice period of three months (six months' notice for the Chief Executive) rather than one month, and the entitlement to private medical insurance.

Members of the executive team are entitled to membership of the ITB Pension Funds, which is a contributory defined contribution scheme, on the same basis as other members of staff. No members of the Executive Team are employed on fixed term contracts.

At its meetings held in 2016 the Management Board reviewed the salaries and performance of the Chief Executive and Executive Team, drawing on its extensive knowledge of business affairs and taking account of comparable remuneration packages within the industry.

Details of the individual remuneration packages and benefits for the Executive Team are set out below. The information comprising the remainder of the Remuneration Report has been audited.

2016					2015					
Salary £'000	Pension Benefit £'000	Benefits in kind £ (to nearest £100)	Performance Pay£'000	Total Salary £'000	Salary £'000	Pension Benefit £'000	Benefits in Kind £ (to nearest £100)	Performance Pay £'000	Total Salary £'000	Date of appointment to position
C J Claydon, Chief Executive										
125-130	10-15	300	4	145-150	45-50 (125-130 FYE)	0-5	0	0	45-50	24.08.15
D M Edwards, Chief Executive (Retired 04/09/2015)										
					90-95(135-140 FYE)	30-35	1,000	3	125-130	01.07.99
A M Featherstone, Director of International Operations and Commercial										
105-110	25-30	2,000	0	135-140	105-110	20-25	2,200	2	130-135	11.07.05
P C Hill, Director of Finance & Board Secretary										
95-100	25-30	700	2	125-130	95-100	15-20	600	3	110-115	15.05.06
N Spencer, Director of Development & Quality										
90-95	25-30	700	1	120-125	90-95	25-30	600	2	110-115	01.11.03
A Brown, Director of Regional Operations										
90-95	25-30	1,000	1	115-120	85-90	20-25	900	1	110-115	01.04.13

FYE = full year equivalent

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

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

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

paid director in ECITB in the financial year 2016 was £130,000 – £135,000 (2015 - £135,000 - £140,000). This was 3.1 times (2015 - 3.6 times) higher than the median remuneration of the workforce, which was £42,938 (2015 - £36,720). In 2016 no employees received remuneration in excess of the highest-paid director (2015 - none).

Total full time equivalent remuneration ranged from £13,000 to £135,000 (2015 - £16,000-£140,000). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Senior Staff Pension Entitlements

Defined Benefit pension

Name	Real increase in pension at age 60 (£'000)	Total accrued pension at age 60 (£'000)	CETV at 31.12.15 (£'000)	CETV at 06.04.16 * (£'000)	Employer funded real increase in CETV (£'000)
A M Featherstone	0 – 2.5	15-20	171	194	5
P C Hill	0 – 2.5	10-15	126	143	4
N Spencer	0 – 2.5	15-20	265	299	6
A Brown	0 – 2.5	10-15	109	121	6

The table above shows how the pension/benefits in the Defined Benefit Scheme (expressed in terms of accrued pension) of senior staff in ITB Pension Plans increased during the course of the year. The accrued pension is the annual pension payable from the scheme when the member reaches his/her normal retirement age (65 years).

* On 5th April 2016 the accrual of pension benefits in the Defined Benefit section of ITB Pension Funds (ITB) ceased for all senior staff and other employees. From 6th April 2016, pension benefits accrued in the Defined Contribution Section of ITB (see note 12).

Defined Contribution pension

Employer contributions paid into the Defined Contribution Pension Scheme on behalf of the Executive Team were as follows:

Name	Normal contribution 2016 (£'000)	Extra contribution paid on transfer from Defined Benefit to Defined Contribution scheme** 2016 (£'000)	Total contribution to Defined Contribution Scheme 2016 (£'000)	Normal contribution 2015 (£'000)
C J Claydon	11	-	11	4
A M Featherstone	7	16	23	0
P C Hill	7	14	21	0
N Spencer	6	14	20	0
A Brown	6	13	19	0

Trustees' Costs

In accordance with her appointment by the Secretary of State, the Chairman of the Board is entitled to remuneration. During the year the Interim Chairman, Miss S Watson, received a salary of £29,000 (2015 -£24,800). No other trustees drew a salary in the year (2015: £6,000).

In 2016, 9 trustees (2015 -18) incurred travel, accommodation and subsistence expenses, which were reimbursed by the ECITB. In 2016, these expenses amounted to £12,309 (2015 - £16,222).

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

Appendix A of this report contains a list of current trustees and former trustees who held office in 2016

S Watson
Interim Chairman
2nd June 2017

C J Claydon
Chief Executive and Accounting Officer

GOVERNANCE STATEMENT



Scope of Responsibility

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

The Purpose of the Governance Statement

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

Governance Framework of the Organisation

The ECITB is a statutory body (an Industrial Training Board (ITB)) governed by the Industrial Training Act 1982 (as amended) ("the Act"). The Industrial Training (Engineering Construction Board) Order 1991 (Statutory Instrument 1991 No. 1305) defines the activities of the Board and the engineering construction industry. Details of the powers and responsibilities of the ECITB, as well as the restrictions placed on it, are described in the Act. The ECITB is a Non-Departmental Public Body, and reports to its government sponsor body, the Department for Education (DfE). For most of 2016, the ECITB's sponsor body was the Department for Business, Innovation and Skills (BIS). However, following changes to the machinery of government in July 2016 the DfE became the ECITB's sponsor body.

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

The ECITB is established for exclusively charitable purposes and is a registered charity in England and Wales. It also undertakes its charitable activities in Scotland. The charitable activities of the ECITB are partly funded by the statutory levy established by the Act and confirmed by levy orders passed by both Houses of Parliament. The levy applies to all in- scope establishments operated by industry

employers to ensure equity across employers in the industry in the provision of training. Levy income was collected in 2016 under the terms of the Industrial Training Levy (Engineering Construction Board) Order 2015 (2015 No. 677). During the course of the year, a formal consultation with levy-paying employers occurred relating to proposals for future industrial training levy arrangements (see below). The proposals were accepted by the levy-payers, and consequently the Industrial Training Levy (Engineering Construction Board) Order 2017 (2017 No. 485) was made on 28th March 2017 and came into force on 29th March 2017. Levy income during the financial years 2017 to 2019 inclusive will be collected under the terms of the 2017 Order.

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

How ECITB is governed and decisions are made

Board and Committees

The members of the ECITB's Board during 2016 are shown in Appendix A, and the members of the Board and its committees at 2nd June 2017 are set out in Appendix C.

The Board of Trustees (the Board)

The ECITB is directed by an employer-led Board, largely comprising unpaid volunteers. Its composition reflects the main stakeholders in the engineering construction industry. In accordance with the Act, trustees are appointed by the Secretary of State its government sponsor body following public appointment processes. These meet the requirements of the Office of the Commissioner for Public Appointments (OCPA). Nominations of candidates from the industry's employers are sought from the principal trade associations and from employers which participate in the ECITB's Regional Forums. Nominations for employee representatives are made by the Trades Unions. Appointments are generally for either three or five years, and second terms are possible. Members who are not ex-officio appointees cannot serve for more than ten years in one capacity.

The Board members are also the trustees of the ECITB in view of its charitable status. As such they have an over-riding obligation to place the interests of the beneficiaries above all others, including their own. They also need to take account of any guidance issued by The Charity Commission from time to time.

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

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

The trustee's role and responsibilities. The information provided by the ECITB reinforces and expands upon the information and guidance provided by the government sponsor body in its terms of a trustee's appointment. The induction session with a new trustee confirms the main points described above, explains the current issues, opportunities and risks affecting the ECITB, and addresses any questions raised by the trustee.

Trustees receive ongoing support from the ECITB's Executive. This includes periodic training sessions on the role and responsibilities of trustees. As all members are required to have industrial or commercial experience, further training (whether formal or informal) is provided to support specific duties, such as participation in the Audit Committee.

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

During 2016 four new trustees were appointed, and four members' terms of office came to an end as a result of retirement or resignation. In 2016 the Board met on three occasions. Average attendance at the Board over the year was 80% (2015 – 65%). Each member's attendance statistic is set out in Appendix A. The Register of Trustees' Interests appears in Appendix B.

The Secretary of State has confirmed that Miss Shirley Watson should continue in the role of Interim Chairman. The Secretary of State has decided that neither a new Chairman nor any additional trustees should be recruited or appointed until the DfE's review of the industrial training boards has been completed (see below).

The Board is responsible for ensuring that the ECITB performs within its remit and all applicable legislation. It is responsible for setting the organisation's strategy and policies, overseeing the implementation of business and financial plans, and delegating operational decision-making to the Executive Team. The main responsibilities of the Board are set out in Appendix D.

The Management Board

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

The Management Board normally meets four times per year, although additional meetings may be arranged if necessary. The members of the Management Board are shown in Appendix C. Each member's attendance statistic is set out in Appendix E.

The Audit Committee

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

The Accounting Officer and the Board Secretary attend meetings of the Audit Committee to assist the Committee in its review of the ECITB's management of risk, and ensure that advice from members concerning the identification, assessment and management of risk is taken into account. The Committee reviews the Risk Register regularly. This includes a review by the Committee of the Risk Register and consideration of the Accounting Officer's reports relating to the significant risks identified in the risk register, and the risk profile of the organisation. Representatives of the internal and external auditors (the Government Internal Audit Agency and the National Audit Office respectively) are invited to attend all meetings. These representatives have free and confidential access to the Chairman of the Committee,

if required at each meeting or during the year as appropriate. The Committee aims to comprise between five and seven members of whom at least two are not members of the Board (i.e. “independent members”). The Chairman of the Committee is a Board member, but not the Chairman of the Board. It should be noted that the Chairman of the ECITB is a member of the Audit Committee. Potentially, this creates a risk to the independence of the Audit Committee. However, in view of the involvement of the auditors and the presence of independent members, the risk is not considered to be significant. At present, there are five members of the Committee, comprising two members of the Board and three independent members.

The Committee met on four occasions in 2016 (including one meeting conducted by telephone). Average attendance at the Committee’s meetings over the year was 90.4% (2015 – 91.7%). Each member’s attendance statistic appears in Appendix E

The Qualifications and Awards Committee

The Board appoints members of the Qualifications and Awards Committee. The Committee oversees the governance of the ECITB’s qualifications and awards. The Committee’s duties and responsibilities are described in Appendix D. There are currently eight members, and the chairmanship is normally assumed by one of the Board’s members. The Committee normally meets four times per year, although additional meetings may be arranged if necessary.

The Client Contractor National Safety Group (CCNSG)

The CCNSG is a committee of the Board, and is responsible for the management of the CCNSG’s nationally accredited Safety Passport Scheme. The CCNSG reports to the ECITB’s Management Board on its activities. The ECITB manages the operation of the Scheme, and the CCNSG retains responsibility for the strategic direction of the Scheme, including the determination of the Scheme’s content, the standards for approval of training providers, the future development of the Scheme and its integrity assurance. A representative from the Health and Safety Executive is invited to attend meetings of the CCNSG as an observer. There are currently ten members, and the chairman is selected by members of the Group, which meets quarterly or more/less frequently as determined by its members.

Regions

The ECITB operates a regional structure to ensure that delivery of training support and services is driven by the demands of industry on a regional basis. In 2016 there were seven regional forums and two national forums, which ensure that the varying requirements of the industry across Great Britain are represented and taken into account in the formulation of policy and the delivery of services. Each forum comprises industry employers, and either represents a geographical area, or a significant industry sector, which has specific requirements.

Each forum normally meets three times a year under the chairmanship of a Regional Chair, who has been elected by the members of the forum. Through this structure the ECITB concentrates on identifying and meeting regional skills requirements, and is able to address particular recruitment and training needs. The Regional Chair attends meetings of the Board, either as a trustee or an observer, depending on whether a formal board appointment process has been completed.

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

The forums support the achievement of the Board’s strategic goals by contributing to the development of the ECITB’s regional strategies and operating plans. The Regional Chair leads each forum on behalf of the Board. This includes the review of the regional strategy and operating plan. He/she also provides support and guidance to ECITB staff in the region, which in turn are accountable for the delivery of the agreed regional strategy and operating plan. The regional operating plan will include training objectives and targets, and the planned activities to achieve such outcomes. Such objectives and targets may vary between regions.

ECITB Management and Staff

The Board and the Management Board have delegated responsibility for the implementation of the ECITB’s strategic plans, and the management of the organisation to the Chief Executive.

In order to enable me to complete my review of the effectiveness of the governance and internal control systems, I have derived assurance with regard to the effectiveness of the governance and internal control systems throughout the year from the controls that are in place.

The Chief Executive leads the organisation’s executive management team (the Executive”), which comprised the Chief Executive, the Director of Finance and Board Secretary, the Director of Regional Operations, the Director of Development and Quality, and the Director of International Operations and Commercial (“the directors”). The ECITB’s management and organisation structure is set out in Appendix D.

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

Overview of Board Effectiveness and Performance

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

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

A key enabling feature is that the principal operating units and major areas of activity either have a governing board committee, or a nominated Board member with responsibilities for oversight and leadership. For example, the Regional Chairs provide a direct link between regional employers and the Board, and bring the needs of the employers to the Board. These measures support a culture of openness and transparency that in turn ensures that the Board is able to make decisions with a high degree of clarity and consensus on the issues at hand.

Review of the ECITB's Governance Arrangements

In 2015 the Board initiated a review of its effectiveness and aspects of the ECITB's governance arrangements. The Board appointed The Cass Business School (part of City University, London) to lead the review. Several recommendations were made, which were designed to improve the Board's and the organisation's effectiveness and efficiency.

At the end of 2015 the Board agreed to adopt a three stage approach, based on the recommendations. The first stage involved improvements to Board and committee working, through the streamlining of practice and procedures, including measures designed to improve the timeliness and construct of board and committee papers, the introduction of a Board calendar, the revision of board and committee agendas to be more purposeful, the development of decision making criteria to assist the Board in its decisions, and the introduction of end of meeting reviews. These have been fully implemented in 2016.

The second stage involved strategy development. The main purpose in this stage is to develop a strategy for the ECITB, and to bring greater strategic focus to the activity of the Board, and to provide clarity of the purposes and duties of its sub-committees. Throughout 2016 the ECITB has undertaken a strategic review. The process has involved the Board's and the Management's participation and oversight. The main purposes of the review have been to examine the future role and purpose of the ECITB, to develop a medium to long-term strategy, and to improve the link between the Board's strategy and its

implementation. In November 2016 a comprehensive draft strategy (including strategic themes and objectives) was considered and approved in principle by the Board. A final version of the strategy document has been approved by the Management Board and will be considered for endorsement by the Board in April 2017. The 2017 operational and business plan based on the draft strategy has been approved by the Management board in January 2017. The Board will monitor the strategy by assessing the progress against strategic objectives, and will re-assess the strategy on an annual basis.

In the third stage the Board evaluated the effectiveness of the changes made, and considered whether further changes needed to be made to the Board structures and governance arrangements. Cass Business School's principal recommendation was that there should be a smaller board, which should be more strategic in nature. Furthermore, the ECITB's current governance arrangements do not meet the Cabinet Office's guidelines on such matters. Consultation with Board members and other stakeholders indicated that the model of a Council, representing a wide group of stakeholders in the ECITB, and a small strategic Board would ensure that the ECITB remained close to industry while ensuring that it could maintain an agile and responsive approach to the changing needs of industry.

Accordingly, in 2016 the ECITB developed proposals for revised governance, which took into account the factors described above as well as the implications arising from on-going external reviews and changes in governmental policy which will affect the organisation. The proposals also included revised terms of reference for the Audit Committee. The remit of the committee was expanded. The proposal has been considered and approved in principle by the Board. A final version of the proposal has been approved by the Management Board and has been submitted to the DfE on an informal consultative basis. In the light of this, a final version of the governance proposal will be considered for endorsement by the Board in April 2017.

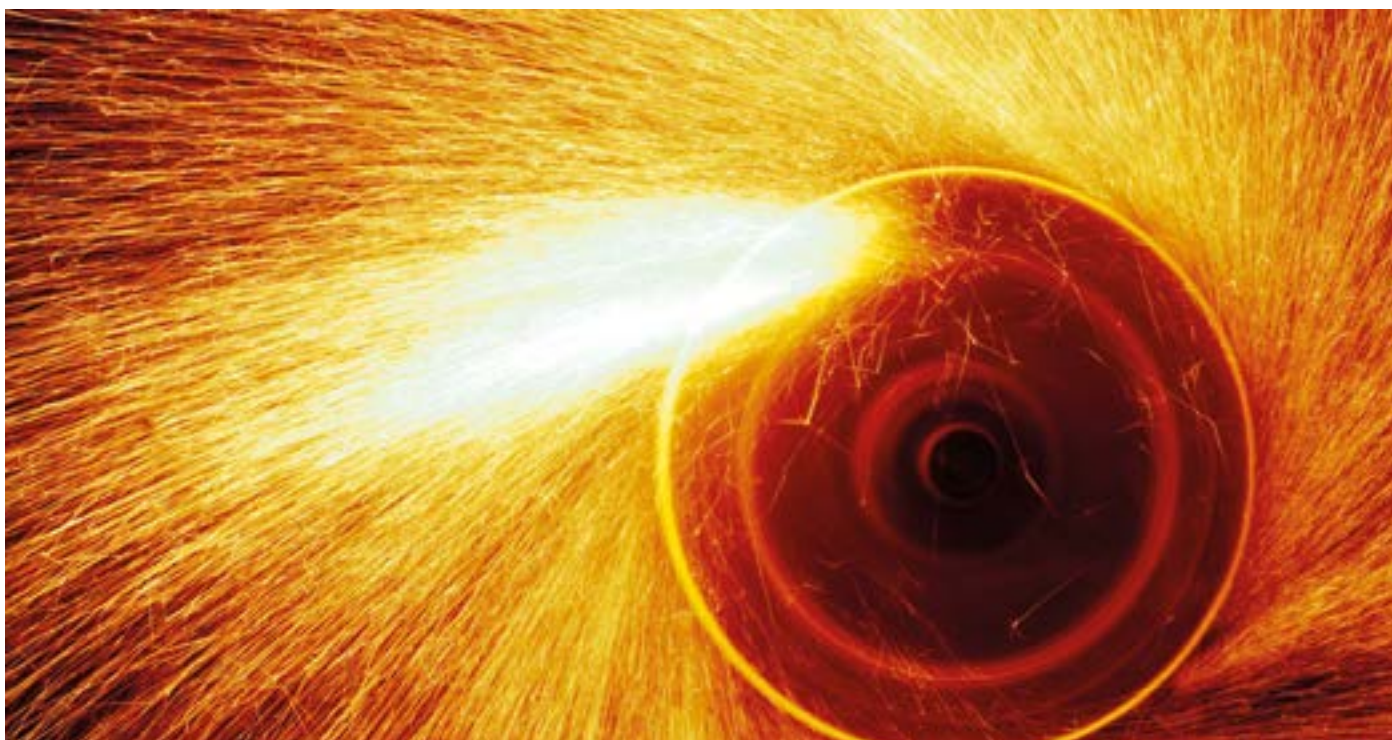
The Board recognises that it has responsibility for the organisation's governance and supports the proposals described. Nevertheless, governance reform also needs governmental support and the Board looks to its sponsoring department, the Department for Education, for further guidance in connection with its proposal. The DfE has indicated that the review of the ECITB's governance arrangements has to be set in the context of its ongoing review of the industrial training boards, the development of industrial strategies and the introduction of an Apprenticeship Levy in 2017. Accordingly, further progress in the development of the organisation's governance arrangements are likely to occur in 2017.

Conflicts of Interest

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

Whistle Blowing

The ECITB is committed to achieving and maintaining high standards of behaviour at work, service to the public and in all our working practices. The ECITB's whistle blowing policy is designed



to enable and encourage ECITB staff to express concern or disclose information at an appropriate level if it is believed there is evidence of malpractice. The ECITB seeks to maintain a culture where people are encouraged to speak out, with confidence that they can do so without adverse consequences, and that appropriate action will be taken. In 2016 no allegations were raised under the ECITB's whistle blowing policy.

The Purpose of the System of Internal Control

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

The system of internal control has been in place in the ECITB for the year-ended 31st December 2016 (and up to the date of approval of the 2016 Trustees' Report and accounts), and accords with HM Treasury guidance.

Capacity to Handle Risk

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

The Risk and Control Framework

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

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

As Chief Executive and Accounting Officer, I report to the Management Board and the Audit Committee formally on these matters several times per year. In 2016 the Executive revised the risk management system and policy in order to distinguish strategic and operational risks, clarify the identification and rating of risks through improved

risk impact and likelihood descriptors, and simplify processes. The Board also assessed the organisation's risk appetite and tolerance towards risk. The Audit Committee and the Management Board has approved the revised risk management system and have reviewed the ECITB's strategic risk register. This is also reviewed through my performance reports at meetings of the Management Board and Audit Committee.

Key Issues and Risks

The key issues and associated risks discussed by the Board during the year and approach and steps adopted to mitigate such were:-

- The ability of the ECITB to encourage employers to maintain high levels of training activities, particularly relating to apprentices, in difficult economic conditions.

Mitigation: The ECITB engages closely with employers, collectively and individually, in order to agree training plans and financial support for agreed activities.

For example, in order to maintain and increase the numbers of apprentice learners entering the industry and in recognition of the government's strategic drive to recruit 3 million apprentices over the next 5 years, the ECITB has implemented a Pre-Apprenticeship Programme to mitigate the lower numbers of apprentices recruited by employers.

For example, the ECITB continues to support employers in the upstream oil and gas sector by providing grant aid for the ongoing professional training of graduate employees, who were at risk of being laid off due to difficult trading conditions. In this way, the ECITB engaged with employers to ensure that graduates remained in employment, thereby saving the industry significant future costs of having to replace and train graduates who would otherwise have been lost.

- The government's proposal to introduce an Apprenticeship Levy on large employers to fund 3 million new, high quality apprenticeships. The details of the scope and operations of the Apprenticeship Levy to apply from April 2017, and the consequential impact on the ECITB, have become clearer in 2016. Industrial training boards are required to undertake a formal consultation with levy-paying employers on future industrial training levy arrangements in view of the interaction between the proposed Apprenticeship Levy and the existing industrial training levies.

Mitigation: In the autumn of 2016 the Board reached conclusions concerning the future levy arrangements to apply to the 2017-2019 levy periods. A formal consultation with levy-paying employers occurred for industry consultation. An overwhelming majority of levy-payers (78%) confirmed their support for the proposal (paying 87% of the aggregate levy). The 2017 Levy Order reflecting the revised levy arrangements came into effect in February 2017.

- The ongoing review within and by DfE, of the industrial training boards and the implications of changes which may arise from the review.

Mitigation: The ECITB has engaged closely with the work of the review team in order to further the work of the review and accommodate any changes arising from it. This involves the attendance by the Chairman and the Chief Executive at meetings with DfE and the review team on such matters.

- The requirement to review and develop a strategy against which a clear longer term vision for the ECITB can be defined.

Mitigation: See Review of the ECITB's Governance Arrangements above.



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- Improvements in governance arrangements and Board effectiveness.

Mitigation: See Review of the ECITB's Governance Arrangements above.

Information Risk

The ECITB's management information systems enable and support business processes and organisational performance. The ECITB's emphasis remains to ensure data handling practices are simple, rigorous and efficient. Information security is of vital importance to the operation and reputation of the ECITB. Its Information Technology Manager is the ECITB's Senior Information Risk Owner (SIRO) and has operational responsibility for this. During 2016 there were no data breaches, and no disclosures or reports were submitted to the Information Commissioner.

In its 2016 audit of systems and controls relating to IT contingency planning, the internal auditor's engagement opinion was that there were significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. The auditor classified its opinion as amber due to the number of high or medium level actions that would need to be implemented. Nevertheless, the auditor concluded that the existing arrangements should afford the organisation with some level of resilience in the event of a serious interruption to data processing. However, the ECITB's management is in agreement with the actions proposed by the auditor and will implement the agreed actions.

In 2016 the first stage of the implementation of the ECITB's Digitalisation Strategy was completed, involving the implementation of the new member services portal, a new learner testing system and the transfer of the ECITB's learner database to a governmentally approved remotely-hosted environment. This is a key project in view of the ECITB's strategic objectives.

The second stage of the Digitalisation Strategy is underway and will be completed in 2017. This involves the digitalisation of key transactions (for example, training grant management) between the ECITB and in-scope employers. In keeping with governmental guidelines it is part of the strategy to transfer its remaining data storage and business applications to a governmentally approved remotely hosted environment. The implementation plan leading to the achievement of these objectives (including selection and appointment of the appropriate service provider) have been approved by the Management Board.

Internal Audit

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

The GIAA's 2016/17 Internal Audit Plan covered the following areas:

- IT contingency planning;
- Apprenticeship Reforms;
- Financial forecasting; and
- Levy.

The conclusions relating to the audit of IT contingency planning have been discussed above. In its audits of systems and controls relating to apprenticeship reforms; financial forecasting; and levy, the GIAA's engagement opinion was that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. However, the GIAA concluded that the ECITB's control processes were adequate and generally operating effectively in each of these areas.

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

Review of Effectiveness

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

The GIAA has reported that it considers the ECITB's framework of governance, risk management and control to be generally effective from its work undertaken in 2016-17.

My review of the effectiveness of the governance and internal control system shows that in 2016 the ECITB had adequate and effective risk management, control and governance processes to manage the achievement of its objectives.



C J Claydon
Chief Executive and Accounting Officer
2nd June 2017

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT



I certify that I have audited the financial statements of the Engineering Construction Industry Training Board (ECITB) for the year ended 31 December 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 ECITB, Accounting Officer and Auditor

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

Scope of the Audit of the Financial Statements

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

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

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- The financial statements give a true and fair view of the state of the ECITB's affairs as at 31 December 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 Industrial Training Act 1982 and Secretary of State directions issued thereunder.



Opinion on Other Matters

In my opinion:

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

Matters on which I report by exception

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

- Adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- The financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse Comptroller and Auditor General

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

15th June 2017

FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Financial Activities for the year-ended 31 December 2016

Income

		2016 £'000	Restated 2015 £'000
Income from other trading activities			
Income from investments -	Note 4	442	437
Income from charitable activities			
Non-levy income	Apprentices and Careers	46	295
-	Technical Programmes	932	766
-	Management & Professional Programmes	104	144
-	Awards & Qualifications	1,997	2,015
Total non-levy income	Note 3	3,079	3,220
Levy	Note 2	33,514	35,714
Total income		37,035	39,371
Expenditure			
Expenditure on Raising funds			
Investment management costs		77	64
Provisions for Bad debts and against appealed levies	Note 5	1,187	1,865
Expenditure on Charitable activities			
Apprentices and Careers		6,901	8,582
Technical Programmes		12,085	13,936
Management & Professional Programmes		12,066	8,983
Awards & Qualifications		2,316	2,774
Levy collection costs		519	476
Total costs of charitable activities	Note 6	33,887	34,751
Total expenditure		35,151	36,680
Net gains/(losses) on investments	Note 15	(24)	(271)
Net income/(expenditure)		1,860	2,420

Transfers between funds

		2016 £'000	Restated 2015 £'000
Other recognised gains/(losses)			
Gains/(Losses) on fixed assets	Note 13	62	87
Net movement in funds	Note 21	1,922	2,507

Reconciliation of Funds

Total funds brought forward at 1 January		18,336	15,829
Total funds carried forward at 31 December	Note 21	20,258	18,336

The statement of financial activities reflects all gains and losses during the year to 31 December 2016. All activities are continuing. All funds are unrestricted.

The notes on pages 46 to 71 and the appendices on pages 73 to 79 form part of these financial statements.

Balance Sheet as at 31 December 2016

		2016 £'000	2015 £'000
Fixed assets			
Tangible assets	Note 13	1,443	1,473
Investments maturing in more than one year	Note 15	9,764	10,079
Total fixed assets		11,207	11,552
Current assets			
Debtors	Note 16	774	1,099
Investments maturing in less than one year	Note 15	3,738	2,383
Cash and Cash equivalent and in hand	Note 23	9,597	9,280
Total current assets		14,109	12,762
Creditors			
Amounts falling due within one year	Note 17	(5,058)	(5,474)
Net current assets		9,051	7,288
Total assets less current liabilities		20,258	18,840
Amounts falling due after more than one year	Note 17	0	(504)
Total assets less liabilities		20,258	18,336
The Funds of the Charity			
Unrestricted fund Amounts falling due within one year	Note 21	20,258	18,336
Total Charity Funds		20,258	18,336

The accounts were approved by the Board on 25th April 2017.



S Watson
Interim Chairman
2nd June 2017



C J Claydon
Chief Executive and Accounting Officer
2nd June 2017

The notes on pages 46 to 71 and the appendices on pages 73 to 79 form part of these financial statements

Statement of cash flows for the year-ended 31 December 2016

		2016 £'000	2015 £'000
Cash flows from operating activities			
Net cash provided by operating activities	Note 22	997	2,905
Cash flows from investing activities			
Investment income		442	437
Purchase of property, plant and equipment	Note 13	(101)	(166)
Proceeds from the sale of property, plant and equipment		43	39
Proceeds from sale of investments	Note 15	2,350	7,002
Purchase of investments	Note 15	(3,414)	(5,532)
Net cash provided by (used in) investing activities		(680)	1,780
Change in cash and cash equivalents in the reporting period	Note 23	317	4,685

Reconciliation of changes in cash, cash equivalent and in hand		2016 £'000	2015 £'000
Balance at 1 January		9,280	4,595
Change in cash and cash equivalents in the reporting period		317	4,685
Balance at 31 December		9,597	9,280

The notes on pages 46 to 71 and the appendices on pages 73 to 79 form part of these financial statements.

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

Going Concern

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

Accounting Convention

These accounts have been prepared in accordance with the Industrial Training Act 1982 and the Charities SORP (FRS 102) ("the SORP"), adopted in 2015. An accounts direction issued by the Secretary of State requires that the ECITB prepares accounts in accordance with Treasury guidance. Consequently, these accounts follow the principles in the 2015/16 Government Reporting Manual (FReM) where it goes beyond the requirements of the SORP.

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

Grants Receivable

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

Grants are recognised when the SORP criteria of entitlement, certainty and measurement have been satisfied. Such grants are repayable in the event that the activities to which the grant relates do not occur. In these circumstances, such sums are recorded as grant creditors. This grant income is not an agreed annual cash allowance to meet the ECITB's financial cash outgoings for the year. It does not represent grant in aid. Consequently it is treated in the accounts as income.

No grant in aid was received in 2016 (2015 – nil).

Levy Income

Levy income is recognised on an annual cycle in the year in which it is raised together with adjustments in respect of previous levies raised. The levy receivable relating to the base period ended 5 April 2015 was raised in January 2016 and recognised as income in 2016.

Other Categories of Income

All income including sales, sponsorship and investment income is recognised on an accruals basis at the point it meets the SORP recognition criteria. Non-levy income is reported against the charitable activities to which it relates (see Note 3).

Investment Management Costs

Investment management costs are recognised on an accruals basis.

Charitable Expenditure

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

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

Grants Payable

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

Grants are only recognised when all the evidential requirements have been satisfied. At that point, such grants are recognised as grant creditors.

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

The ECITB only records accrued grants in respect of interim apprenticeship and Regional Discretionary Grants, when there is a high likelihood that the evidential requirements confirming these grants should be paid will be satisfied. However, no accruals are made for other grants. This is because experience has indicated that such other grants cannot be reliably estimated, notwithstanding indications (short of evidence of actual training) from employers of past training activities.

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

Direct and Support Costs

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

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

Land and Buildings

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

In the intervening years between full external valuations the last revalued existing use value is adjusted (where material) having regard to relevant commercial property indices published by financial and

professional services firms specialising in real estate services and investment management.

Other Assets

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

Capitalisation

Fixed assets costing below £500 are not capitalised.

Depreciation

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

Furniture and equipment	10 years
Plant and machinery:- Other tools and equipment	3 years
Computer equipment and IT software	4 years

No depreciation is provided on freehold land.

Depreciation on freehold buildings is provided on the last revalued existing use value over the remaining useful life of the asset. The annual depreciation provision is calculated by dividing the latest revalued amount by the number of years of remaining useful life. Under this policy at the year-end date the remaining useful life of the buildings is 14 years 3 months.

Depreciation on motor vehicles is provided on an initial value, which is calculated by deducting the anticipated residual value at the end of the vehicle's estimated life from the cost price. The initial value of the vehicle is depreciated in equal annual instalments over a period of five years from the date of purchase.

Investments

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

Cash and cash equivalents

Cash balances represent amounts held in banks. Cash equivalents represent amounts held by the investment portfolio manager. Cash equivalents are readily convertible to cash.

Debts Provision

Debtors are reported in the balance sheet net of provisions for doubtful debts.

Debts are provided for on an individual basis when the ECITB considers that a debt may not be recoverable in full, or in part in accordance with the terms of the relevant transaction. Full doubtful debt provisions are made in the following circumstances:-

- When there is a strong possibility that a debt will not be recovered.
- When any debt is older than six months.

When a formal appeal against an assessment for industrial training levy is made by an employer a full provision in respect of the appealed levy is made in the accounts. This is because in the ECITB's experience:

- Once litigation has commenced neither the outcome of the appeal nor the probability of success can be predicted with certainty
- The legal process leading to a decision by the court invariably takes longer than six months, and a decision is not made until the ensuing financial period or even later.

The provision in respect of the appealed levy remains in place until such time as the litigation discontinues, either through the withdrawal of the relevant levy assessment(s) or appeal(s), a decision of the court or a settlement between the parties. In the Statement of Financial Activities the doubtful debts charge and provisions against appealed levies are treated as expenses within Cost of Generating Funds.

Pensions

The ECITB is a participating employer in the ITB Pension Funds, which is constituted a multi-employer defined benefit and contribution scheme. The Defined Benefit scheme comprises an Open Fund and Closed Fund. It is not possible to identify separately the proportion of assets and funding level in these funds attributable to the ECITB. Therefore, in accordance with the provisions of FRS 102 relating to multi- employer schemes, the Open Fund and Closed Fund have been accounted for as a defined contribution scheme. In accordance with FRS 102, the ECITB recognises any liabilities in respect of its obligation to pay any deficit contributions to the ITB Pension Funds relating to members' accrued benefits in the Defined Benefit scheme.

The accrual of pension benefits in the Defined Benefit scheme by all active ECITB scheme members ceased during 2016. Active ECITB members accrue pension benefits in the ITB Pension Funds' Defined Contribution Section. Pension contributions are charged to the statement of financial activities as incurred. Pension deficit contributions are recognised when ECITB enters the obligation.

Corporation Tax

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

Value Added Tax

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

Fund

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

2. LEVY RECIEVABLE

Levy receivable	2016	2015
Number of establishments wholly or mainly engaged in engineering construction activities (leviable establishments)	350	375
Number of employers operating leviable establishments	324	345
Number of leviable establishments subject to payment of levy	256	255
Number of employers operating leviable establishments subject to payment of levy (levy-paying in-scope employers)	231	232
Number of leviable establishments exempt from payment of levy	94	120
Number of employers operating leviable establishments exempt from payment of levy (non-levy paying in-scope employers)	94	120
	£'000	£'000
Levy receivable	£33,514	£35,714

In 2016 two employers appealed levy assessments raised in the year (2015 – 2 employers). The total value of the levies appealed in 2016 appears in Notes 5.

3. NON-LEVY INCOME

Non-levy income	2016 £'000	2015 £'000
From sales	3,079	3,220
	3,079	3,220

The following streams of income were received from sales:-

Sources of Sales Income	Income Stream	Charitable Activity	2016 Income £'000	2015 Income £'000
UK employers	ECITB Project Management Conference	Management & Professional	20	33
	ECI Training and Development Awards Event	Awards & Qualifications	28	29
UK Training Providers	Apprentice Certification	Apprenticeships & Careers	7	8
	Technical training & test licence fees and course & test income	Technical	332	330
	Supervisory and PMSC licence fees and training course income	Management & Professional	72	102
	CCNSG licence fees and safety passport income	Awards & Qualifications	1,081	1,173
	VQ registration and certification	Awards & Qualifications	202	300
Overseas Training Providers	Apprenticeship Learner Income	Apprenticeships & Careers	39	182
	International Work Experience Project Income	Apprenticeships & Careers	0	105
	Technical training & test licence fees and course & test income	Technical	135	108
	Supervisory and PMSC licence fees and training course income	Management & Professional	12	9
	IHSP licence fees and safety passport income	Awards & Qualifications	221	186
		Technical	465	328
	Consultancy Services	Awards & Qualifications	465	327
			3,079	3,220

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

4. INVESTMENT INCOME

Investment income	2016 £'000	2015 £'000
Income from quoted investments	362	376
Income from cash deposits	80	61
	442	437

5. PROVISIONS FOR BAD DEBTS AND AGAINST APPEALED LEVIES

	2016 £'000	2015 £'000
Levy bad debts due to insolvency or non-payment	43	103
Levy Assessments under appeal	1,215	1,702
Reversal of provision against appealed levies made in previous years	0	(67)
Trade bad debts	(71)	127
	1,187	1,865

In 2016, Cape Industrial Services Limited appealed against levy assessed in respect of the 2014/15 period amounting to £871k. Following the year-end, the parties settled the dispute and the appeals were withdrawn by Cape (see note 26).

In 2016, On Line People Limited appealed against levy assessed in respect of the 2013/14 and 2014/15

periods amounting to £344k. A full provision against these appealed levies was created.

During the year prior year bad debt provisions relating to trade debts were reversed following the receipt of the corresponding sums from debtors.

6. CHARITABLE ACTIVITIES

Charitable activities	Grant Funding (Note 7) £'000	Direct Costs (Note 8) £'000	Support Costs (Note 9) £'000	Total 2016 £'000	Total 2015 £'000
Apprenticeships and Careers	4,508	1,601	792	6,901	8,582
Technical programmes	9,740	1,570	775	12,085	13,936
Management & Professional programmes	10,393	1,120	553	12,066	8,983
Awards & Qualifications	666	1,105	545	2,316	2,774
Levy collection costs	0	347	172	519	476
	25,307	5,743	2,837	33,887	34,751

7. GRANT FUNDING

Of the £25.31m of grants made to employers in 2016, grants amounting to £22.69m were paid to the employers in the following list. In many cases, grants have been awarded to more than one employer in the same group of companies. When this occurred the grants paid to such employers have been aggregated in the following list, which identifies the 50 largest employers or employer groups in terms of grant values.

Employer	£	Employer	£
* Wood Group Engineering (North Sea) Ltd	4,730,715	Saipem Ltd	96,707
* The AMEC Foster Wheeler Group	2,759,081	Bechtel Ltd	87,881
Sellafield Ltd	2,098,373	OneSubsea UK Ltd	87,450
Magnox Ltd	1,873,628	PPS Electrical Ltd	76,852
Dounreay Site Restoration Ltd	1,282,501	Intellect (UK) Ltd	73,301
Stork Technical Services (RBG) Ltd	1,227,827	Offshore Design Engineering Ltd	69,424
* Petrofac Group	1,214,457	SPIE WHS Ltd	68,049
Bilfinger Group	1,000,352	IRISNDT Ltd	67,839
* Doosan Power Systems Ltd	897,310	Technip E&C Ltd	66,929
* Jacobs Group	725,051	Parsons Brinckerhoff Ltd	66,820
Aker Offshore Partner Ltd	645,304	Boulting Group Plc	63,912
* Alstom Power Ltd	382,741	Cordell Group Ltd	62,340
Cavendish Nuclear Ltd	318,084	Blackrow Engineering Company Ltd	57,768
Weir Engineering Services Ltd	238,323	PJD Group	57,528
Kellogg Brown & Root UK Ltd	227,326	Horizon Nuclear Power Services Ltd	54,362
Siemens Group	203,346	Emerson Process Management Ltd	53,530
CB&I UK Ltd	181,521	Vogal Group Ltd	53,500
Shepley Engineers Ltd	162,463	Beck & Pollitzer Engineering Ltd	53,010
Cape Group	158,728	Hydratight Ltd	45,860
Subsea 7 Ltd	147,133	GE Oil & Gas UK Ltd	45,380
Fabricom Oil Gas and Power Ltd	139,164	East Midland Instrument Company Ltd	43,031
Technip UK Ltd	120,749	Quartzelec Ltd	42,622
Bibby Offshore Ltd	108,185	SSE Contracting Ltd	41,570
Applus RTD UK Ltd	107,449		
Fluor Ltd	102,939		
NNB Generation Company Ltd	101,704		
On Line Design & Engineering Ltd	100,495		
		Sub Total	22,690,614
		Other Grants	2,616,432
			25,307,046

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

8. DIRECT COSTS

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

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

Similarly, Product Development staff manage projects which fall under one or other charitable head, and their costs have been allocated accordingly.

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

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

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

Activity	Apprentices and Careers £'000	Technical programmes £'000	Management & Professional programmes £'000	Awards & Qualifications £'000	Levy Collection £'000	2016 Total £'000	Restated 2015 Total £'000
ACE cards	0	0	0	3	0	3	5
Apprentice allowances, travel and subsistence	237	0	0	0	0	237	241
Apprentice training and assessment costs	659	0	0	0	0	659	564
Apprenticeship recruitment costs	101	0	0	0	0	101	107
Awarding Organisation administration	0	0	0	29	0	29	31
Depreciation on assets in staff possession	13	22	24	2	0	61	48
ECITB Active Cup	0	0	91	0	0	91	112
ECITB Awarding Body External Verification	0	0	0	101	0	101	89
Legal fees incurred in levy appeals	0	0	0	0	178	178	133
Legal fees incurred in levy debt collection	0	0	0	0	26	26	38
Professional, administrative & commission fees incurred in international commercial activities	0	179	0	178	0	357	308
Product development	22	33	11	7	0	73	115
Profit & Loss on disposal of Fixed Assets	(1)	(1)	(2)	0	0	(4)	(21)

Activity	Apprentices and Careers £'000	Technical programmes £'000	Management & Professional programmes £'000	Awards & Qualifications £'000	Levy Collection £'000	2016 Total £'000	Restated 2015 Total £'000
Regional premises	23	50	54	4	0	131	167
Safety Passport issue and administration	0	0	0	125	0	125	90
Staff costs (salary, NI and pensions) (Note 10)	486	1,097	777	536	136	3,032	2,795
Staff travel & subsistence	60	190	93	120	7	470	534
Talent Retention Solution services	0	0	58	0	0	58	50
Training Provider Account Management	1	1	13	0	0	15	18
	1,601	1,571	1,119	1,105	347	5,743	5,424

Apprentice training and assessment costs were higher in 2016 than in 2015 following the introduction of the new initiative in 2015 under which the ECITB funded the training of learners prior to their commencement of employed apprenticeship programmes.

Professional, administrative & commission fees incurred in international commercial activities were higher in 2016 due to the administrative charges payable to the ECITB's service provider in the UAE under the terms of an agreement executed at the end of 2015.

In 2016 direct staff costs were significantly higher than in 2015 mainly due to the single Defined Contribution pension payment (see note 10), termination & redundancy costs (see note 10), and increased numbers of staff employed abroad to meet clients' training delivery requirements.

In 2016 the costs relating to staff (salary, NI and pensions) and staff travel and subsistence were calculated using a different methodology, which more accurately allocated costs between these heads. Accordingly, the corresponding 2015 statistics have been restated on the same basis adopted in 2016.

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

Charitable Activity	2016 %	2015 %
Apprentices & Careers	28	42
Technical programmes	27	21
Management & Professional programmes	20	13
Awards & Qualifications	19	19
Levy collection costs	6	5
	100	100

These proportions have been used as the basis for allocating support costs to charitable activities (see Notes 6 and 9).

9. SUPPORT COSTS

Support costs largely comprise the costs of central functions and governance which cannot be allocated to charitable activities with the same degree of certainty as direct costs. The types of cost falling within this category are:-

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

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

Function	Activity	2016 £'000	Restated 2015 £'000
Corporate Affairs			
	Policy, marketing and communications	326	273
Finance & Legal			
	Legal (non-levy collection matters)	0	5
	Professional charges	28	5
	Depreciation categorised as a Support Cost	88	74
	Disposal of fixed assets (profit)/loss	0	(8)
Human Resources			
	Support staff costs (including salary, NI and pensions)	1,149	1,229
	Support Staff travel and subsistence	56	59
	Agency costs	12	51
	Finance charge payable on discharge of liability to pay pension deficit contributions (note 12)	40	51
	Professional pension fees	182	213
	Other Professional fees	14	32
	Staff recruitment and training	211	164
Information Technology project costs		217	84
Information Technology and telecommunications		209	232
Head Office infra-structure (includes building and office consumable costs)		159	245
Governance		146	140
		2,837	2,849

Agency costs were lower in 2016 compared to 2015, largely due to a requirement in 2015 for a temporary accountant due to a long term sickness absence of a member of staff.

The professional charges incurred in the Finance and Legal function were higher in 2016 than in 2015 largely because professional advice was taken in connection with the introduction of the Apprenticeship Levy with effect from 2017, and its anticipated effect on engineering construction employers.

The professional charges relating to pensions incurred during the year largely related to legal, actuarial and financial advice and services received in connection with ECITB's participation in ITB Pension Funds (ITB). The advice and services related to the cessation in 2016 of ongoing accrual of pension benefits by all ECITB active members in the Defined Benefit section of ITB. During the year all such active members commenced the accrual of pension benefits in the ITB's Defined Contribution Section. Prior to the transfer of all active members to the Defined Contribution Section a declaration of the High Court was sought on the interpretation of the scheme's rules in order to avoid the risk of crystallising a significant liability under section 75 of The Pensions Act 1995.

Staff recruitment and training costs were higher in 2016 largely due to the costs of recruitment associated with the establishment of policy and communications personnel (in the Corporate Affairs function) as part of the reorganisation programme completed during the year.

Expenditure on Head Office premises and support activities (£159k) were lower than in 2015 (£245k) as the project relating to the repair and refurbishment of the head office premises was completed in the spring of 2015.

Information technology project were significantly higher than in 2015 due to the implementation and completion of the first stage of the ECITB's Digitalisation Strategy.

In 2016 the following costs were calculated using a different methodology, which more accurately allocated costs between heads:

- Staff costs (including salary, NI and pensions);
- Staff travel & subsistence;
- Finance charge payable in respect of liability to pay pension deficit contributions;
- Information Technology projects costs;
- Information Technology and telecommunications; and
- Head Office infra-structure.

Accordingly, the corresponding 2015 statistics have been restated on the same basis adopted in 2016.

The cost of the statutory audit 2016 is included within Governance costs. The cost of the 2016 audit was £45k (2015 - £50k). The cost of non-statutory audit services also provided by the National Audit Office was £1,650 (2015: £2,300).

10. STAFF COSTS

Staff costs	2016 £'000	Restated 2015 £'000
Salaries	3,447	3,328
Social security costs	373	320
Pension costs (standard contributions)	249	299
Payment to DC Section of ITB Pension Plans following cessation of members' benefit accrual in the DB Section and commencement in the DC Section	231	0
Discharge of pension deficit contribution liability	-265	0
Agency costs	18	60
Other personnel costs	16	14
Termination costs	163	5
	4,232	4,026

Staff costs include the salaries and other employment benefits received by senior staff and the Interim Chairman's salary (see Remuneration Report).

Salaries include gross salaries, performance-related pay or bonuses, overtime, and allowances (such as car and private or home office allowances) to the extent that they are subject to UK taxation. The ECITB operates a performance-related incentive scheme in which all employees are eligible to participate (after completing initial periods of employment in their roles). In 2016, the aggregate incentive award amounted to an average 1% of the total basic salary (2015 – 1%).

In 2016 active ECITB members in the Defined Benefit (DB) Section of ITB Pension Funds (ITB) ceased to accrue DB pension benefits in the scheme, and commenced accruing pension benefits in ITB's Defined Contribution (DC) Section. As a consequence of this change the costs of the employer's standard contributions towards employees' occupational pensions reduced.

However, the change involved variations to affected employees' contracts of employment. In consideration of such employees' agreement to the contractual variations, the ECITB made initial contributions to the affected employees' DC accounts amounting to £231k.

Following the 2016 actuarial valuation of ITB Pension Plans and the early full payment of agreed pension deficit recovery contributions, the ECITB pension liability reduced by £265k, thereby reducing 2016 staff costs (see note 12).

Termination costs comprised the statutory and contractual payments (including payments in lieu of notice) made in respect of 17 employees whose employment terminated during the year due to reasons of redundancy (2015 – 2). No other employees who left employment during the year received payment in lieu of notice (2015 – 1).

The Salaries costs have been restated in 2015 to include car allowances to follow the methodology used in 2016. In 2015 car allowances were recorded as part of Staff travel & subsistence.

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

Termination value band	2016			2015		
	Number of compulsory redundancies	Number of voluntary redundancies	Value of Termination cost by cost band £'000	Number of compulsory redundancies	Number of voluntary Redundancies	Value of Termination cost by cost band £'000
<£10,000	7	4	47	2	0	2
£10,001 - £25,000	2	3	87	0	0	0
£25,001 - £50,000	1	0	29	0	0	0
£50,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0
Total number of redundancies	10	7	-	2	0	-
	Total termination cost (£'000)		163			2

11. STAFF NUMBERS

Average number of employees by function	2016 Number	2015 Number
Apprenticeships & Careers, Technical Programmes, Management & Professional Programmes	46	41
Awards & Qualifications	13	13
Levy Collection	3	3
Senior Management and Corporate Support Services	15	19
	77	76

The ECITB has considered the issue of allocating the numbers of staff engaged amongst each charitable activity. However, it is felt that with the exception of Awards & Qualifications and Levy Collection (where members of staff are clearly and solely allocated to this activity) it is not possible to achieve an accurate allocation amongst the other heads of charitable activity. The table indicates that in both years approximately half of the ECITB's employees were engaged in the charitable activities of Apprenticeships & Careers, Technical Programmes, and Management & Professional Programmes. This largely reflects how all members of the organisation's staff based in the UK regions and abroad are engaged in the delivery of services, which span all three areas of charitable activity.

Furthermore, in providing service to some employers and training providers it is not unusual for such learners to be undertaking training in more than one area of charitable activity. For these reasons, it is not possible to allocate with accuracy the numbers of staff that are allocated to each of these charitable activities.

At the commencement of 2016, the number of the employees was 78. During 2016 the ECITB undertook a reorganisation of its staffing structure. This involved a redundancy situation (see note 10) and the winding down of the delivery of training services for clients in the UAE and Bahrain. Largely as a result of these changes, by the end of the year the ECITB's employees had reduced to 66.

Employees earning over £60,000 per annum including benefits in kind, excluding pension contributions	2016 Number	2015 Number
£60,001 - £70,000	7	3
£70,001 - £80,000	1	3
£90,001 - £100,000	3	3
£100,001 - £110,000	2	1
£130,001 - £140,000	1	1
	14	11

The number of people of each gender who were employed by the ECITB as at 31 December 2016 was as follows:

Category	Female	Male	Total
Executive Team	0	5	5
Other Employees	22	39	61
Total	22	44	66

12 INDUSTRY TRAINING BOARD PENSION FUNDS

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

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

The ECITB is also a participating employer in the Defined Contribution section of the ITB Pension Funds' scheme in respect of employees which commenced employment after May 2012. During 2016 all employees who were participating in the Defined Benefit Scheme were transferred to the Defined Contribution scheme.

All pension contributions are charged to the statement of financial activities as incurred. Outstanding pension deficit contribution liabilities are recognised when the obligation arises.

ITB Pension Funds' Open Fund

The Open Fund is a defined benefit scheme. It is valued triennially by the Government Actuary's Department. The last valuation reported was at 31 March 2016, which showed that on a solvency basis the value of the assets was £942.2 million (2013 - £808.7 million) and the value

of those assets represented 101% (2013 - 93%) of the benefits that had accrued to members (the technical provisions) and other liabilities.

The valuation was based on methodology and assumptions set out in a Statement of Funding Principles. Under scheme funding legislation, the trustees of the Scheme must decide the methodology and assumptions used for the actuarial valuation and the Statement of Funding Principles. The Statement has been approved by all participating employers. The assets of the scheme are held separately from those of the ECITB in an independently administered fund. Following the 2016 triennial valuation, total (employer's and employees') standard contribution rates of 33.3% (2013 - 25.4%) for the New Section and 22.2% (2013 - 16.7%) for the 2007 Section were applied in respect of all employees who are members of the Funds.

The ECITB, along with other participating employers, agreed a deficit recovery plan with ITB Pension Funds. Under the plan the ECITB has paid additional contributions amounting to £271,000 per annum since 2011. Prior to the 2016 triennial valuation such additional contributions payments were planned to be made until and including 2018. The 2016 valuation of the pension scheme resulted in a reduction of the ECITB's deficit liability by £320,000 and consequently a shortening of the payment period by one year. In 2016 the ECITB fully discharged its remaining obligations to make deficit recovery contributions by making a payment of £262k. The consequence of this is that there is no pension deficit liability as at 31 December 2016 (the

table below shows the movement in the year in the liability to make pension deficit contributions).

In April 2016 50 of the ECITB's active members in the Defined Benefit (DB) Section ceased to accrue DB benefits and transferred their active membership of ITB Pension Plans to its Defined Contribution Section for future service accrual. During the year the ECITB obtained a declaration from the High Court which will confirmed that it was unnecessary for any members to remain active members in the Defined Benefit scheme in order to avoid triggering any liability for a statutory debt under section 75 of the Pensions Act 1995. Accordingly, all remaining ECITB's active members in the Defined Benefit (DB) Section have also transferred to membership of the DC Section. Thus, the ECITB's policy for the accrual of all employees' pension benefits in respect of future service in a defined contribution scheme has been achieved.

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

ITB Pension Funds' Defined Contribution Scheme

ITB Pension Funds operates a Defined Contribution pension scheme (the DC Section). All new employees of the ECITB are offered membership of the DC Section. Prior to April 2016 the average combined contribution rate amounted to 11% (2015 - 11%) of pensionable salary. The ECITB and members paid at the basic rates of 5.5% and 4.5% respectively, and a salary sacrifice scheme operated for most members. From April 2016, the basis upon which members of the DC Section accrued pension benefits changed. In addition to

the employer's basic contribution rate mentioned above the ECITB made additional contributions of up to 4% over the employer's basic contribution rate on a matched basis in respect of members who also contributed above the employee's basic contribution rate. To derive the benefit of the additional employer's contributions, members have to enter into corresponding salary sacrifice arrangements. The lump sum death in service benefit for DC Section members was increased from April 2016 to 4x pensionable salary.

ITB Pension Funds' Closed Fund

By definition, the Closed Fund does not have any active members, and consequently no regular contributions are made by the ECITB. It is valued triennially by an independent qualified actuary. The last formal valuation was at 31 March 2015, which showed the market value of the assets was £208 million (31 March 2012 - £211 million). For the purposes of that valuation the actuary assumed the nominal rate of return on the assets of 1.7% (2012: 2.74%). There was an interim actuarial review as at 31 March 2016 which showed the market value of the assets was £189m. The rate of the investment return over the year was minus 2.8%. It is not anticipated that any future liabilities will arise to be borne by the participating employers in respect of the Closed Fund.

Total Pension Costs in 2016

The pension costs incurred by ECITB in 2016 amounted to £479,454 (2015 - £298,969). This represents all contributions (normal and deficit contributions) payable by the ECITB to the ITB Pension Funds' Open Fund and the Defined Contribution Scheme. The total payment included the initial contributions to DC Section amounting to £231k in consideration (see note 10).

Movement in the year in the liability to make Defined Benefit pension deficit contributions	2016 £'000	2015 £'000
Pension deficit over 1 year (note 17)	504	736
Pension deficit within year (note 17)	232	220
Total pension deficit	736	956
Revaluation of pension deficit (note 10)	-265	0
Accelerated payment to clearing of the pension deficit	-262	0
Planned payments to clear the liability	-249	-271
Finance charge on pension deficit	40	51
	0	736

13 TANGIBLE FIXED ASSETS

	Freehold land & buildings £'000	Plant & machinery £'000	Computer Equipment £'000	IT software £'000	Furniture & equipment £'000	Total £'000
2016 Tangible Fixed Assets						
Cost or valuation						
1 January 2016	1,152	403	279	34	76	1,944
Revaluation	6	0	0	0	0	6
Additions	0	40	61	0	0	101
Disposals	0	(125)	(8)	0	0	(133)
At 31 December 2016	1,158	318	332	34	76	1,918
Depreciation						
1 January 2016	0	166	229	34	42	471
Provided	56	65	27	0	6	154
Revaluation	(56)	0	0	0	0	(56)
Disposals	0	(86)	(8)	0	0	(94)
At 31 December 2016	0	145	248	34	48	475
Net book value						
At 1 January 2016	1,152	237	50	0	34	1,473
At 31 December 2016	1,158	173	84	0	28	1,443
2015 Tangible Fixed Assets						
Cost or valuation						
1 January 2015	1,116	429	248	34	76	1,903
Revaluation	36	0	0	0	0	36
Additions	0	122	44	0	0	166
Disposals	0	(148)	(13)	0	0	(161)
At 31 December 2015	1,152	403	279	34	76	1,944
Depreciation						
1 January 2015	0	245	228	34	36	543
Provided	51	60	14	0	6	131
Revaluation	(51)	0	0	0	0	(51)
Disposals	0	(139)	(13)	0	0	(152)
At 31 December 2015	0	166	229	34	42	471
Net book value						
At 1 January 2015	1,116	184	20	0	40	1,360
At 31 December 2015	1,152	237	50	0	34	1,473

Land and Buildings

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

The freehold land and buildings were last valued on the basis of existing use value on 31 December 2012 by Brown & Merry Commercial, a firm of Chartered Surveyors. The valuation was prepared in accordance with the Royal Institute of Chartered Surveyors Professional Valuation Standards (March 2012). The ECITB's usual practice between professional valuations is to adjust the value of the land and buildings by reference to movements in published commercial property indices where material. These indicated that office property values in the South East of England had increased during the year. Consequently, the ECITB has increased the value of the property by £6k (0.5%). After adjustment for depreciation the net book (existing use) value has been increased to £1,158,000. This appears as a recognised gain in the accounts £62,000 (2015 - £87,000).

The existing use value of the land has been apportioned at £289,465 (2015 - £288,025). The land is not depreciated.

The cost and accumulated depreciation at 31 December 2016 includes fully depreciated assets at historical cost of £254,036 (31 December 2015 - £232,321).

Plant and Machinery

Plant and machinery largely comprises motor vehicles.

14 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2016 (31 December 2015 - £0).

15 INVESTMENTS

Investments	2016 £'000	2015 £'000
Listed investments		
Market value at 1 January	12,462	14,203
Purchases	3,414	5,532
Sales	(2,350)	(7,002)
Net Profit / (Loss)	(24)	(271)
Market value at 31 December	13,502	12,462
Investments maturing in more than one year	9,764	10,079
Investments maturing in less than one year	3,738	2,383
Total market value of listed investments	13,502	12,462
Cash and cash equivalent and in hand		
Cash at bank and in hand	1,285	234
Cash equivalent	8,312	9,046
Total cash and cash equivalent and in hand	9,597	9,280

The full investment portfolio (listed and cash equivalent) is managed by Cazenove Capital Management, as delegated by the Trustees.

In 2016, cash, cash equivalents and investments were calculated using a different methodology which more accurately reflects the nature of the assets. Accordingly, the corresponding 2015 comparatives have been restated on the same basis adopted in 2016.

Details of material investments are as follows:-

	% value of portfolio
European Investment Bank EIB, 15.1.18 (1.375%)	6.9%
Barclays Bank PLC Bonds 12.2.18 (Var% Floating Rate)	6.9%
Barclays Bank PLC 4.4.17 (1.5% Fixed Rate)	6.9%
Transport for London 21.11.17 (1.25%)	6.9%
United Kingdom Treasury Stock 7.9.22 (1.75%)	6.8%
United Kingdom of, Great Britain and Northern Ireland, 7.9.22 Treasury Stock, (1.75%)	3.8%
Severn Trent Utilities Finance PLC 22.1.18 (6%)	2.7%
Motability 10.12.19 EMTN (6.625%)	2.7%
Nationwide BS 9.9.19 Reg. S (5.625%)	2.6%
SSE PLC 1.10.18 (5%)	2.5%
Abbey National 17.2.20 Reg. s (1.875%)	2.3%
EIB 7.9.21 EMTN (1.125%)	2.3%
Northern Gas Networks Finance, 8.7.19 (5.875%)	1.8%
Centrica PLC 19.9.18 (7%)	1.8%
BSKYB Finance UK Plc 20.10.17 (5.75%)	1.7%
Coventry Building Society 19.4.18 (4.625%)	1.7%
National Grid Gas PLC 7.6.17 (6%)	1.6%
Cash equivalent held by the investment portfolio manager	38.1%

The cash equivalent investments are used to finance the day to day running of the ECITB. Investments may be converted to cash within a very short period, typically 2 weeks.

16. DEBTORS

Debtors	2016 £'000	2015 £'000
Levy debtors	3,120	1,862
Provision against appealed levies	(2,917)	(1,702)
Provision for bad levy debts	(203)	(160)
Net levy debtors	0	0
Non-levy debtors	545	977
Non-levy bad debt provision	(60)	(131)
Total non-levy debtors	485	846
Prepayments and accrued income	289	253
Total debtors	774	1,099

The provision against appealed levies significantly increased in 2016 largely due to the provision described in Note 5 of £1,215k (2015: £1,702k) following the lodging of appeals against levy assessments served in the year.

The non-levy bad debt provision decreased in the year. This was largely due to the recovery of trade debts owed by overseas customers.

Balances with intra Governmental bodies	2016 £'000	2015 £'000
Local authorities	10	20
Balances with other bodies	764	1,079
Total	774	1,099

Debt provision	2016 £'000	2015 £'000
Opening provision against appealed levies and for bad debts	1,993	437
Levies appealed in year	1,215	1,702
Levy bad debts due to insolvency or non-payment	43	103
Other bad debts	37	127
Reversal of bad debt provision due to receipt of liquidator's dividend	0	(3)
Reversal of bad debt provision following offsetting against training grants due	0	(13)
Reversal of debt provisions due to industrial training levy settlement agreement	0	(59)
Reversal of bad debt provisions due to payment of outstanding debts	(108)	0
Reversal of bad debt following write-off of debt due to confirmation of not being recoverable	0	(301)
Closing provisions for bad debts and against appealed levies	3,180	1,993

During the course of 2016 no debts (£nil) (2015 - £301k) were written off in the balance sheet. Debts are not written off until the ECITB has received confirmation from the liquidators or administrators of the relevant debtors that the debts are irrecoverable.

Under the terms of the ECITB's Financial Memorandum, the ECITB is required to report such matters in its annual report, and where required, the ECITB has obtained the consent of the DfE to write off debts in this manner.

17. CREDITORS

Creditors – amounts falling due within one year	2016 £'000	2015 £'000
Creditors	4,364	4,213
Accruals	616	920
Pension deficit contribution liability	0	232
Taxation	39	57
Deferred income	39	52
Total creditors falling due within one year	5,058	5,474

Creditors – amounts falling due after more than one year	2016 £'000	2015 £'000
Pension deficit contribution liability	0	504
Total creditors falling due after more than one year	0	504

During the year the ECITB fully discharged its remaining obligations to make deficit recovery contributions by making a payment in December 2016 of £262k. The consequence of this is that there is no pension deficit liability as at 31 December 2016 (see note 12).

Balances with intra Governmental bodies	2016 £'000	2015 £'000
Government bodies	1,167	1,395
Local authorities	36	29
Balances with other bodies	3,855	4,554
Total creditors	5,058	5,978

The balance with Central Government bodies at the 2016 year-end includes the sum of £992k in training grants payable to Sellafield Limited, Magnox Limited and Dounreay Site Restoration Limited.

18 FINANCIAL INSTRUMENTS

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

The ECITB has very limited powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not considered to change the risks the organisation faces in undertaking its activities.

The ECITB has concluded that they do not contain any material embedded derivatives, which require disclosure in these accounts.

Financial assets by category		2016 £'000	2015 £'000
Investments	Note 15	13,502	12,462
Debtors	Note 16	774	1,099
Cash and Cash Equivalents	Note 23	9,597	9,280
Financial liabilities by category			
Creditors	Note 17	5,079	5,978

In 2016, cash, cash equivalents and investments were calculated using a different methodology which more accurately reflects the nature of the assets. Accordingly, the corresponding 2015 comparatives have been restated on the same basis adopted in 2016.

Cash and Debtors are classified as loans and receivables, Creditors are classified as financial liabilities and Investments are classified as fair value through Profit and Loss.

Investment Risk

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

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

Interest Rate Risk

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

Credit and Liquidity Risks

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

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

Foreign Currency Rate Risk

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

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

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

19 FINANCIAL COMMITMENTS

Financial commitments at 31 December 2016 are estimated to amount to £6,157k (2015 - £8,918k). These comprise the value of outstanding payments which the ECITB has committed to pay to various parties involved in the training of apprentices. The parties to which such commitments have been made are training providers, industry employers and apprentices. These commitments are contracted for, but not provided in the accounts. The commitments have been categorised by the years in which the apprentice "cohorts" commenced their apprenticeships

Apprentice cohort	2016 £'000	2015 £'000
Pre-2009	15	22
2009	5	13
2010	3	52
2011	5	83
2012	84	886
2013	649	1,704
2014	1,361	2,698
2015	1,928	3,460
2016	2,107	0
	6,157	8,918

The commitments in respect of all the cohorts have reduced as a consequence of the completion of apprenticeships during the year. The year-end commitments in respect of these cohorts reflect the reduced numbers still in the process of completing their programmes.

The commitments relating to the 2016 cohort were made upon the commencement of the relevant learners' programmes, and by the year-end grant and programme costs only in respect of the initial months of training had been discharged.

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

20 OPERATING LEASES AND COMMITMENTS

At the beginning of the year the ECITB had commitments under the terms of tenancy and licence agreements relating to its regional offices. The ECITB occupied such premises under the terms of agreement which may be determined by either party upon the service of notice. However, during the course of the year, the ECITB closed its regional offices and vacated the premises. With the exception of two premises, all such commitments were satisfied. The value of the commitment at the year-end reflects the value of the liability to pay rent and licence fees during the notice periods in respect of the two premises. Such liabilities will be fully discharged during the course of 2017.

Value of commitment due at year end	2016 £'000	2015 £'000
Within 1 year	3	8
Between 2 to 5 years	0	0
After 5 years	0	0
	3	8

21 UNRESTRICTED FUND

21 Unrestricted fund	2016 General reserves £'000	2016 Revaluation reserve £'000	2016 Total reserves £'000	2015 General reserves £'000	2015 Revaluation reserve £'000	2015 Total reserves £'000
Balance at 1 January as originally reported	17,554	782	18,336	16,090	695	16,785
FRS 102 adjustments	0	0	0	(956)	0	(956)
Balance at 1 January as restated	17,554	782	18,336	15,134	695	15,829
Surplus/(Deficit) for the year	1,860	62	1,922	2,420	87	2,507
Balance at 31 December	19,414	844	20,258	17,554	782	18,336

22 RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of net income/(expenditure) to net cash flow from operating activities	2016 £'000	2015 £'000
Net incoming/(outgoing) resources SOFA	1,860	2,420
Depreciation Note 13	154	131
(Gains)/losses on investments	24	271
Investment income SOFA	(442)	(437)
(Profit) on disposal of fixed assets	(4)	(30)
Decrease/(increase) in debtors Note 16	325	(242)
(Decrease)/increase in creditors Note 17	(920)	792
Net cash inflow from operating activities	997	2,905

23 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENT

Analysis of changes in cash and cash equivalent	At 01/01/16 £'000	Cashflow £'000	At 31/12/16 £'000
Cash at bank and in hand	234		1,285
Cash held by investment portfolio manager	9,046		8,312
	9,280	317	9,597

All cash is held in commercial banks or financial institutions. In 2016, cash, cash equivalents and investments were calculated using a different methodology which more accurately reflects the nature of the assets. Accordingly, the corresponding 2015 comparatives have been restated on the same basis adopted in 2016.

24 CONTINGENT LIABILITIES

There are no contingent liabilities at the balance sheet date (2015 - No contingent liabilities).

25. RELATED PARTY TRANSACTIONS

Some members of the Board of Trustees also hold positions with and/or are employees of organisations with which the ECITB has transacted during the year, or also hold positions with and/or are employees of associated organisations. Details of such positions and employments are declared in the Register of Interests of Trustees, which appears in Appendix B of this report.

For the purposes of this note such organisations are referred to as “related parties.”

All of the transactions were under normal terms and carried out at arm’s length.

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

Transactions with related parties under which funds were paid to ECITB	2016 £’000	2015 £’000
Levy paid to ECITB	13,638	14,703
Sale of training services by ECITB	104	177
	13,742	14,880

The amount owed to ECITB by related parties at the balance sheet date is £16k (2015: £17k). The transactions in the following table comprised the payment of grants, the award of qualifications and the procurement of training and assessment services. The total sums involved were:-

Transactions with related parties under which funds were paid to ECITB	2016 £’000	2015 £’000
Payment of grants	11,234	10,960
Purchase of training and assessment services by ECITB	46	147
	11,280	11,107

The amount owed by ECITB to related parties at the balance sheet date is £1,411k (2015 - £1,520k).

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

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

26. POST YEAR-END EVENTS

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

After the year-end Cape Industrial Services Limited (Cape) and the ECITB entered into a settlement agreement relating to the appeals lodged by Cape against levy assessments in respect of the base periods 2012/13, 2013/14 and 2014/15. Prior to executing the agreement, the Department for Education and H M Treasury confirmed their approval to the settlement. Under the agreement:

- Cape accepted, without admission as to future years, that its establishment known as “Cape Offshore” was a leviable establishment during the base periods 2012/13, 2013/14 and 2014/15, and the appealed levies amounting to £2.573m were payable.
- The ECITB has reviewed and analysed Cape’s records of training undertaken in 2014, 2015 and 2016. The ECITB has agreed that there is evidence of sufficient and appropriate training completed by Cape during 2014, 2015 and 2016 for Cape to have qualified for receipt of retrospective ECITB training grants amounting to £2,430m.

The levy debts of £2.573m will not be fully recovered from Cape, and will be off set against the retrospective training grants amounting to £2,430m. As these debts have been fully provided for within “Provision against appealed levies” in the Statements of Financial Activities for the years 2014, 2015 and 2016, there is no net material effect of this transaction on the reported net income or net assets for these years. The “net levy” payable under the terms of the agreement (representing the difference between the levy debts and retrospective grants described above) will be recognised in the 2017 Statement of Financial Activities.

Save for the settlement agreement described above, no events have occurred since the balance sheet date that affect the reader’s understanding of the financial statements.

ORGANISATIONAL DETAILS

The ECITB's Executive Team comprises:-

Chief Executive Officer
Chris Claydon
ChrisClaydon@ecitb.org.uk
01923 402121

Director of Finance and Board Secretary
Peter Hill
PeterHill@ecitb.org.uk
01923 402124

Director of Development and Quality
Nigel Spencer
NigelSpencer@ecitb.org.uk
01923 402132

Director of Regional Operations
Andy Brown
AndyBrown@ecitb.org.uk
07973 416149

Complaints

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

Head Office and Principal Address

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

Charity Registration Details

Registered as a charity in England and Wales with The Charity Commission No 264506.

APPENDIX A

Trustees

The names of those serving as charitable trustees of the ECITB on 2nd June 2017 are shown below, together with the names of those who have left the Board since 1st January 2016.

As specified in Schedule 1 of the Industrial Training Act 1982, trustees are appointed by the Secretary of State with responsibility for ECITB normally for three to five years, following a public appointment process. Nominations of candidates from the industry's employers are sought from employers which participate in the ECITB's Regional Forums, and from the principal trade associations.

Nominations for employee representatives are made by the Trades Unions. Candidates from the education sector are appointed after consultation with the Ministers concerned with education in England, Scotland and Wales.

Current and Former Trustees (2016)

Name	2016 Meeting Attendance Record	Changes during 2016 and to date
Mr J Andrew	2 of 3	
Mr P Atkinson	2 of 2	Appointed 11th July 2016
Mr K Benson	3 of 3	
Mr D Billington	1 of 2	Retired January 2016, reappointed July 2016
Mr D Boath	3 of 3	
Mr P Bunyan	2 of 3	
Mr C Claypole	2 of 3	
Mr K Ferguson	2 of 3	Resigned May 2017
Mr M Fletcher	2 of 3	
Mr J Hannigan	0 of 2	Appointed July 2016
Mr M Hockey	3 of 3	
Mr S Hoskins	1 of 1	Retired June 2016
Ms D James	2 of 3	
Mr B McAulay	2 of 3	
Mr W Murray	0 of 0	Retired March 2016
Mr I Muscroft	3 of 3	
Mr N Pickering	2 of 2	Appointed July 2016
Mr M Richardson	2 of 2	Appointed July 2016
Ms T Shelley	3 of 3	
Mr A Smith	3 of 3	
Ms S Watson	3 of 3	
Mr P Whitehurst	2 of 3	
Mr M Wilkins	2 of 3	

APPENDIX B

Register of Interests of Trustees

Trustees are appointed by the Secretary of State because of their positions in the industry. The following Board members (who are serving as charitable trustees at 2nd June 2017 or who have stepped down since 1st January 2016) have declared the following other interests:-

Mr J Andrew	Manager, Global Product Delivery, Integrated Gas Engineering, Air Products PLC
Mr P Atkinson	Chief Executive And Director, Offshore Contractors' Association (OCA) Steering Group Member, Upstream Oil & Gas Industry Technician Training Scheme (OPITO) Director Indurc Ltd
Mr K Benson	Chairman: National Skills Academy for Power (NSAP); Head of Training group Chairman: National Skills Academy for Power (NSAP); MOET trailblazer.
Mr D Billington	Director, TEI Limited Management Board Member, Engineering Construction Industry Association Council Member, Engineering Construction Industry Association Financial & General Purposes Committee Member, National Joint Council for the Engineering Construction Industry (NJC) Council Member, National Joint Council for the Engineering Construction Industry (NJC)
Mr D Boath	Vice President and Chief Engineer, AMEC Foster Wheeler, Clean Energy Director, National Nuclear Corporation Ltd Director, Energy, Safety & Risk Consultants (UK) Ltd Director, GENII Engineering & Technology Training Ltd Member of the Governing Board, Sustainable Nuclear Energy Technology Platform Member of the National Skills Academy for Nuclear (NSAN) Advisory Board Member of the Office for Nuclear Regulation Advisory Panel
Mr P Bunyan	Managing Director, C&P Engineering Services Ltd Member, Institute of Engineering & Technology
Mr C Claypole	Managing Director, Site Service Engineering Ltd Managing Director, Stocks Group Ltd Managing Director, Trent Lifting Ltd Managing Director, Newlea Fuel Systems Ltd Managing Director, Ashthorn Electrical Services Ltd Managing Director, Green Cross Health & Safety Systems Ltd Managing Director, Scotton Construction Ltd Director, Winterton Agricultural and Sports Society
Mr K Ferguson	Technical Delivery Director, Petrofac Offshore Engineering & Operations
Mr M Fletcher	Doosan Babcock Ltd – Employee Member of the National Skills Academy for Nuclear (NSAN) Advisory Board Member, Institute of Leadership & Management Member, The Welding Institute Member, Institute of Materials Minerals & Mining
Mr J Hannigan	Director - Service Technology, Doosan Babcock Ltd
Mr M Hockey	Managing Director, Engineering Construction Industry Association (ECIA) Member, ACE Steering Group
Ms D James	VP Nuclear Generation and Defence Clean Energy, AMEC Foster Wheeler Spouse is Director, Nuclear Generation Division, Nuvia
Mr B McAulay	Unite National Officer for Construction Unite lead member on the National Joint Council for the Engineering Construction Industry Unite lead member on the National Engineering Construction Committee (NECC Secretary) Unite Secretary to the National Agreement for the Engineering Construction Industry (Shop Stewards Forum) Unite lead member on the Joint Industry National Board for the Electrical Contracting Industry and respective committees Unite lead member for Scottish Joint Industry National Board for the Electrical Contracting Industry Unite Board member of JTL Limited (Electrical Apprentices) Unite member on the National Electro Technical Board Unite lead member on the Building & Engineering Services Agreement
Mr I Muscroft	Human Resources Manager, Jacobs UK Ltd

Mr N Pickering	Vice President Assurance (HSSEA East), Wood Group PSN Ltd Board Member, CMI Scotland
Mr M Richardson	Projects Group Manager, Apache North Sea Ltd Board Member, Subsea UK
Mrs T Shelley	Director, British Chemical Engineering Contractors Association (BCECA)
Mr A Smith	Managing Director, Redhall Nuclear Ltd Managing Director, Jordan Manufacturing Ltd Managing Director, Redhall Marine Ltd Director, ACPP-Redhall Ltd
Miss S Watson	Director, Watson Porter Ltd (a company formed to undertake interim and consultancy assignments) Non-Executive Director, Orbit Homes 2020 Audit and Risk Committee Member, Orbit Group Ltd
Mr P Whitehurst	National Officer for Construction, GMB Union Board Member, Construction Skills Certification Scheme (CSCS) for GMB Board Member, Construction Industry Joint Council (CIJC) for GMB GMB seat on National Joint Council for the Engineering Construction Industry (NJC) GMB seat on National Engineering Construction Committee (NECC) GMB Chair for National Agreement for the Engineering Construction Industry (NAECI) Stewards Forum
Mr M Wilkins	President, Engineering Construction Industry Association (ECIA) Director, ECIA Trustees Ltd Director, ECIA (Insurance Services) Ltd

APPENDIX C

Membership of Board and Committees as at 2nd June 2017

Member	Main Board	Management Board	Audit Committee	Q&A Committee	CCNSG Committee
Trustees					
Miss S Watson	INTERIM CHAIR	CHAIR	•		
Employer Representatives					
Mr A Smith	•				
Mr C Claypole	•				
Mr D Boath	•				
Mr D Billington	•				
Mr J Andrew	•			CHAIR	
Mr M Fletcher	•				
Regional Chairs					
Offshore – Mr N Pickering	•				
Scotland – Mr J Hannigan	•				
North East - Mr I Muscroft	•	•			
Midlands - Mr K Benson	•	•			
Wales & S. West - Mr P Bunyan	•				
Employer Association Representatives					
Mr P Atkinson (OCA)	•	•			
Mr M Hockey (ECIA)	•	•	CHAIR		
Mr M Wilkins (ECIA)	•				
Mrs T Shelley (BCECA)	•				
Trade Union Representatives					
Mr P Whitehurst	•				
Mr B McAulay	•	•			
Client Representatives					
Mr M Richardson	•				
Nuclear Industry Representative					
Ms D James	•				
Regional Chairs (not appointed as Trustees but attendees at Main Board meetings)					
EDP Forum – Mr S Blackman					
Nuclear – Mr J Dutton					
S. East & East – Mr J McGregor					
Yorkshire & Humber – Mr B Taylor					
Audit Committee (independent members)					
Mr G Cole			•		
Mr H Spicer			•		
Mr C Wood			•		
Qualifications and Awards Committee					
Mr T Stone				•	
Mr D Whitehouse				•	
Mr J White				•	
Mr R Davies				•	
Mr J Redmond				•	
Mr J Reekie				•	
Mr R Clarke				•	•
Client Contractor National Safety Group (CCNSG) Committee					
Mr R Ash					CHAIR
Mr K Hall					•
Mr J Denis					•
Mr S Nettleton					•
Mr G Hargrave					•
Mr G Duncan					•
Mr M Ellis					•
Ms D Boyle					•
Mr M Thomas					•

APPENDIX D

Additional Governance information referred to in The Governance Statement

The Main Responsibilities of the Board

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

- Recommending to Parliament the raising of a levy.
- Laying the Annual Report and Accounts before Parliament.
- Endorsement of the Strategic Plan. Approval of grant schemes.
- Approval of information to be collected from employers.
- The delegation of functions to a Committee and approval of any allowances to Committee members for loss of remunerative time.

The Board also has the following responsibilities:-

- Appointing the Management Board, agreeing Codes of Practice and recommending any remuneration for the non-executive members.
- Recommending the Terms of Reference of and powers delegated to the Management Board and to other Committees.
- Setting and endorsing the Strategic Plan and agreeing the annual Business Plan and Budget, together with appropriate performance measures to be used to monitor progress.
- Approving the Annual Report and Accounts.
- Receiving reports from the Management Board on progress against the Business Plan.
- Setting the Risk Management strategy and reviewing its operation.
- Appointing the Audit Committee Chair and Members, and the Internal Auditors.
- Considering the Annual Report from the Audit Committee supported by reports from the external and internal auditors.
- Appointing the Qualifications & Awards Committee Chair and Members.

The Management Board

The Management Board's Responsibilities are to:-

- Direct the operations of the ECITB.
- Ensure that the ECITB operates within the approved budget with power to agree virement between heads of expenditure.
- Propose to the Board the rates of levy to be applied.
- Monitor performance using agreed key performance indicators.
- Act as the Remuneration Committee of the ECITB, setting overall policies and levels and approving the remuneration of the Directors.
- Propose to the Board the annual Budget and Business Plan.
- Agree the powers delegated to staff.
- Agree the products and services to be offered to meet the needs of the industry and any charging policies (as defined in Section 5 of The Industrial Training Act 1982 and the appeal function defined in Section 14(5) of the Act).
- Appoint Investment Managers and monitor their performance within the guidelines set by the Secretaries of State and The Charity Commission.
- Appoint bankers and agree appropriate mandates.
- Report to the Board at agreed intervals on performance.

Audit Committee

The main duties of the Audit Committee are to:-

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

Qualifications and Awards Committee

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

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

The Client Contractor National Safety Group

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

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

Regional and National Forums

In 2016 the nine Regional/National forums were as follows:

Regional Forums

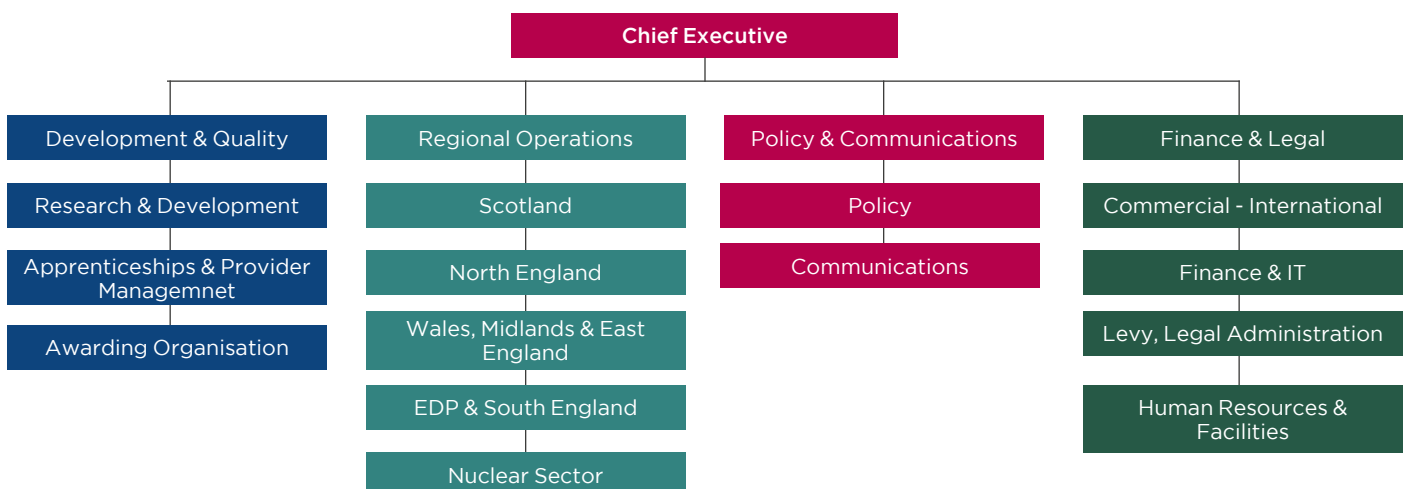
Midlands
 North East England
 North West England
 Scotland
 South East and East England
 Wales and South West England
 Yorkshire and Humberside

National Forums

Engineering, Design and Procurement Forum
 Offshore Industry Forum

The ECITB's Management and Organisation Structure

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



APPENDIX E

Management Board and Audit Committee Attendance Records

Name	2016 Management Board Attendance Record	2016 Audit Committee Attendance Record
P Atkinson	1 of 1	
K Benson	3 of 3	
G Cole		3 of 4
M Hockey (Chair, Audit Committee)	3 of 3	4 of 4
B McAulay	1 of 3	
W Murray (retired March 2016)	0 of 1	0 of 1
I Muscroft	1 of 3	
H Spicer		4 of 4
S Watson (Chair, Management Board)	3 of 3	4 of 4
C Wood		4 of 4

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WD4 8JP

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