



# **ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD**

Report of the trustees and accounts  
for the year-ended 31 December 2017

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for the year-ended 31 December 2017

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# CHAIR'S INTRODUCTION

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I am delighted to present the ECITB's 2017 Annual Report; my first as Chair of the ECITB Board.

The ECITB plays a critical role in developing the highly-skilled workforce required by the engineering construction industry – a workforce that underpins the delivery, maintenance and decommissioning of some of our most important national infrastructure.

2017 saw a period of change for the ECITB, with reforms put in place to improve efficiencies and enhance value for money to our levy payers, and a new strategy to guide the work of the training board over the next ten years.

At the same time, the industry continued to experience a challenging operating environment, notably in the oil and gas sector where new investment remained on hold and consolidation continued throughout the supply chain. However, there are some signs of light at the end of the tunnel, with evidence of a rebound in activity in offshore oil and gas at the end of the year and positive developments in the nuclear and offshore wind sectors.

Industry is also making important strides in planning for the future, including how to respond to the challenges and harness the opportunities of technological change. Despite the ongoing uncertainties facing the UK economy, the future is one of cautious optimism for many in the engineering construction industry.

My priorities this year are to meet with our employers and hear how the ECITB can best support their skills needs, including in relation to new and emerging technologies. I will also focus on delivering the remainder of our governance reforms – including appointing the new Board and forming our new industry-led Council. The latter will be a critical body, which will give industry representatives a voice in the future direction of the ECITB as well as the opportunity to shape current work priorities.

There is much to do, but the task at hand is a hugely exciting one and vital for the future skills development in our industry. Towards the end of the year, we will begin to plan our offer to industry for the 2019 consultation and will seek to build on the significant mandate given to us by our levy payers in the last consultation round.

Finally, I would like to congratulate my predecessor Shirley Watson for her work and dedication to the ECITB over the past 3 years. She leaves the organisation in an excellent state of health, which I hope will go from strength to strength under my stewardship.



A handwritten signature in black ink that reads "Lynda Armstrong". The signature is written in a cursive, flowing style.

**Lynda Armstrong OBE**  
Chair

# CHIEF EXECUTIVE'S REVIEW

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2017 has seen another strong year from the ECITB, building on the reforms initiated in 2016. The challenges faced by the engineering construction industry throughout 2017 were reflected in training levels across most sectors, which remained flat. Of greater concern was that we did not see any pick up in apprenticeship starts, despite attempts to stimulate demand.

The poor take up of apprenticeships was partly down to companies having difficulty in navigating the apprenticeship reforms and levy, but the main reason was the lack of work in the industry to support apprentices.

Despite the poor economic conditions in the industry, the ECITB scored a number of notable successes. Our labour market intelligence reports on the footprint of engineering construction and the demand for engineers, were well received by the industry. The scheme to improve competence and support transferability of skills, Connected Competence, and our Project Collaboration Toolkit pilot programmes delivered encouraging results.

The graduate retention scheme for the oil and gas sector enabled the industry to retain over 400 graduates during the downturn. And the collaborative venture with the Nuclear Skills Strategy Group has brought a more focused and coherent approach to skills in the nuclear sector.

Our labour market intelligence indicates that we have seen the worst of the downturn and we will start to see some growth in 2018. However, the industry will not pick up significantly before 2019. So, we have much to do in 2018 to ensure we can help industry meet a growing skills demand.

Standardisation of qualifications, the principle underpinning our Connected Competence initiative, has the potential to increase competence, make a safer workforce and remove duplication, saving both time and money. Support for the initiative is growing and we need to capitalise on it.

Helping the ECI prepare for the fourth industrial revolution will be a critical enabler in the drive to increase productivity. We need to build on our nascent capability in this area.

In our continued drive to deliver value for money, we need to keep driving down cost and leverage other funding sources. We will also develop our commercial opportunities to meet our target of covering the cost of our overheads from non-levy income.

Finally, I would like to welcome our new Chair, Lynda Armstrong. She brings considerable experience, both of our industry and governance and we have an ideal opportunity to build our influence within government and better position the industry.



**Chris Claydon**  
Chief Executive



**Our mission:**

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



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### About the ECITB:

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 2017

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The UK economy performed steadily during 2017, growing by an estimated 1.8% – just short of the 2% forecast by the Office for Budget Responsibility in March but higher than the 1% predicted by some economists at the start of the year. Following a relatively buoyant 2016, the economy dipped slightly in 2017 as higher inflation hit disposable incomes and firms cut back on investment due to uncertainty related to the UK's decision to leave the EU. The UK's service economy grew more strongly than expected in 2017, while strong growth in the Eurozone and globally, combined with the weak value of sterling, helped to improve the UK's export position toward the end of the year. However, there are signs that the jobs boom is coming to an end with UK unemployment stabilising at 4.3%.

Focusing on the engineering construction sector, it's been another mixed year. The industry continued to feel the pressures of the low oil price, with the oil and gas sector implementing further consolidation and efficiency measures. The number of new projects remains small and the operating environment for the supply chain is still challenging, but there are signs that the sector might be turning a corner. The oil price edged upwards towards the end of the year approaching \$70pb compared to \$50pb in January. In addition, several new entrants joined the market alongside a number of merger and acquisitions, while North Sea companies are increasingly exploring strategies to diversify into low-carbon technologies.

The ECITB continues to work to bring together the oil and gas community to improve project performance, maximise economic recovery and achieve a sustainable future for the North Sea. There have been concrete steps to improve project efficiency through collaboration, such as on the Brent Bravo decommissioning project, where the ECITB's project collaboration toolkit principles have been successfully applied.

Britain generated more electricity from renewable and nuclear energy in 2017 than from gas and coal, marking the first year that low-carbon resources have met most of the UK's power needs. In renewables, offshore wind costs continue to plummet, with the latest auctions agreeing strike prices of £57.50 per MWh, almost 50% lower than the previous auction round in 2015. The industry has also been buoyed by announcements of investment in new infrastructure projects, such as the Welsh Government's support for the Swansea Bay Tidal Lagoon. The nuclear sector's resurgence included progress made on the construction of Hinkley Point C and the Office for Nuclear Regulation approving the reactor design for the Wylfa Newydd project.

## Objectives and Achievements in 2017

The ECITB worked hard in 2017 to get the best possible value from the levy and deliver the best possible return to the industry, supporting employers to develop the necessary skills for their business.



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We published a new 3-year strategy set within a 10-year horizon at the beginning of the year, which identified six strategic themes and objectives to guide the organisation. Delivering this strategy will ensure that the ECITB responds to key industry concerns, including the need to improve productivity through skills, support the transferability of skills both within and between sectors and boost the ECI's technology and labour market intelligence. It will also ensure the ECITB delivers maximum value for money to industry through the levy.

On the training front, numbers have remained flat throughout 2017. Following the implementation of the apprenticeship levy and wider apprenticeship reforms, apprenticeships declined by 61% in England in 2017 compared to 2016. The number of ECITB-sponsored apprenticeships remained largely unchanged from 2016. This reflects the economic realities within the sector where slow growth has restricted employers' capacity to take on apprentices and give them the experience they need. We have taken steps to mitigate this, including expanding our Introduction to Engineering Construction (ITEC) programme.

Despite these challenges, the impetus to upskill the existing workforce is stronger than ever. The rapid growth of new, potentially revolutionary technologies across industry, from drones and additive printing to harnessing the power of big data and artificial intelligence, have significant implications for skills. In response, we have created a new Head of Technology role to drive the agenda forward.

The ECITB made important strides in 2017 to enhance our profile in Westminster and the devolved nations. We have increased engagement within policy circles and have supported policy development in the areas of technical education and apprenticeships. The ECITB also published two labour market intelligence reports in 2017 which examined the current state of engineering construction focusing on its economic contribution and the makeup of its workforce respectively.

### **Support for small and medium-sized businesses (SMEs)**

The ECITB continues to invest in SMEs which are the backbone of the industry. In 2017, 47% of SMEs, classified as employers who pay less than £100k in levy, received more grant support than they paid through levy; an increase of 15% when compared to 2016 figures. For those employers whose payroll means they are exempt from paying the levy, 32% received 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.



# APPRENTICESHIPS

Despite the gloomy headline figures, apprenticeships continue to be the main pathway for new people to enter the engineering construction industry. There are significant indications that this recent recruitment trend will have to change rapidly in coming years, with the ECI estimated to expand by 17.7%, or 33,000 jobs, by 2026. With an estimated £500 billion of infrastructure projects in the pipeline, these engineering apprenticeships will play a key part in bringing this sizeable investment into the UK economy to fruition.

In 2017, the ECITB supported 1,220 learners with 416 apprentices completing their programmes. In 2017, 22 learners on the ECITB-sponsored, Oil and Gas Technician Apprenticeship Programme (OGTAP) completed their Higher National Certificates with Forth Valley College. Also in 2017, 22 learners started the programme, an increase of 57% from the previous year.

In the nuclear industry, employers recruited 26 apprentices during 2017, meaning the ECITB currently supports 312 apprentices in the sector. To address the low numbers, and with a view on the future needs of both new build and the decommissioning programmes, the ECITB recruited 78 learners to the 'Introduction to Engineering Construction' programme in locations of high nuclear activity; 36 in Cumbria and 42 spread across 3 colleges in the South West at Yeovil, Weston Super-Mare and Stroud.

At Forth Valley College, 6 Electrical Engineering apprentices undertook a project to create a state of the art electrical training facility by installing and commissioning Motor Control Panels, mains power supplies and fault finding equipment.

Apprenticeship numbers stabilised in 2017 with some disciplines returning to pre 2016 numbers; for example, electrical disciplines including Instrument and Control Maintenance, Electrical Maintenance, Electronic Engineering and Electrical Installation have seen growth in apprenticeships primarily because more companies are employing electrical engineers. Increases were also seen in Design and Draughting following a resurgence in concept and engineering design. Some disciplines continue to be challenged by the reduced workload and elongated periods between shutdown and turnarounds, including mechanical maintenance, pipefitting, steel erecting and welding.

"I am very proud of these students. They have created an industrial standard training centre workshop – it's very impressive what they have achieved in so short a period of time."

**Dean Williams,**  
Head of Department Electrical, Instrumentation and Chemical Engineering, FVC.

The most significant variances by discipline between 2016 and 2017 are shown in the table below. These figures are based on the numbers of apprentices starting their apprenticeship for the discipline in 2016 compared to 2017.

Apprentice Discipline	% variance from 2016
Instrument and Control	333% increase
Design and Draughting	44% increase
Pipefitting	60% drop
Mechanical Maintenance	55% drop

The ECITB has continued to provide close support to employers to ensure they fully understand the apprenticeship reforms in England and how these have influenced the apprenticeship landscape across the country. We are also facilitating pathways for learners into industry, by working closely with employers and our network of training providers as well as supporting standards development groups in England.

## Introduction to Engineering Construction

To help offset the drop in new apprentices in the industry the ECITB created the Introduction to Engineering Construction (ITEC) programme. 44 learners were enrolled on a pilot programme which started in 2015. The programme prepares learners for employment in the industry by completing a 10-month skills and knowledge development syllabus – effectively covering the first year of a level 3 apprenticeship. Following the successful completion of the pilot in 2016, it was extended considerably in 2017; 154 learners were enrolled at 10 providers focused on engineering construction industry clusters.

ITECs are proving to be very successful and there are many highlights from the programme. The experience of Vogal Group illustrates the value it has brought to the industry.

The Vogal Group has historically struggled in terms of finding suitable talent to recruit onto its apprenticeship programme. Through the ITEC programme, the ECITB has been able to give a group of learners the skills and knowledge to successfully transfer onto full apprenticeships. The first cohort of 6 finished in 2017 with 4 being offered employment with Vogal and 1 being offered employment within the supply chain. Another cohort of 5 started in 2017 with all learners making good progress so far. While these numbers are relatively small, it is an example of effective employer engagement between the ECITB and an employer.

During 2017 some of the ITEC learners experienced visits to engineering construction sites, including Hartlepool Power Station and Ferrybridge Power Station plus visits from in scope companies offering working lunch talks and attending regional fora. With support from our training partners a number of students have already secured their progression to level 3 apprenticeships following successful completion of the ITEC course during 2017/18.

Working with delivery partners, 69% of the ITEC learners who began in 2016 and completed the course in 2017 progressed into work, apprenticeship or higher education. Because of this level of success it is highly likely that the programme will be further expanded in 2018.

“The whole dynamic of them starting their full time employment with a higher level of skill and knowledge is proving to be very beneficial with respect to them being accepted by all of our clients on their sites. There can be absolutely no doubt that but for the foresight, support and assistance of the ECITB team this could not and would not have happened.”

**Ben Atkins,**  
Chairman of Vogal Group



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## Supporting Employers through the Apprenticeship Reforms

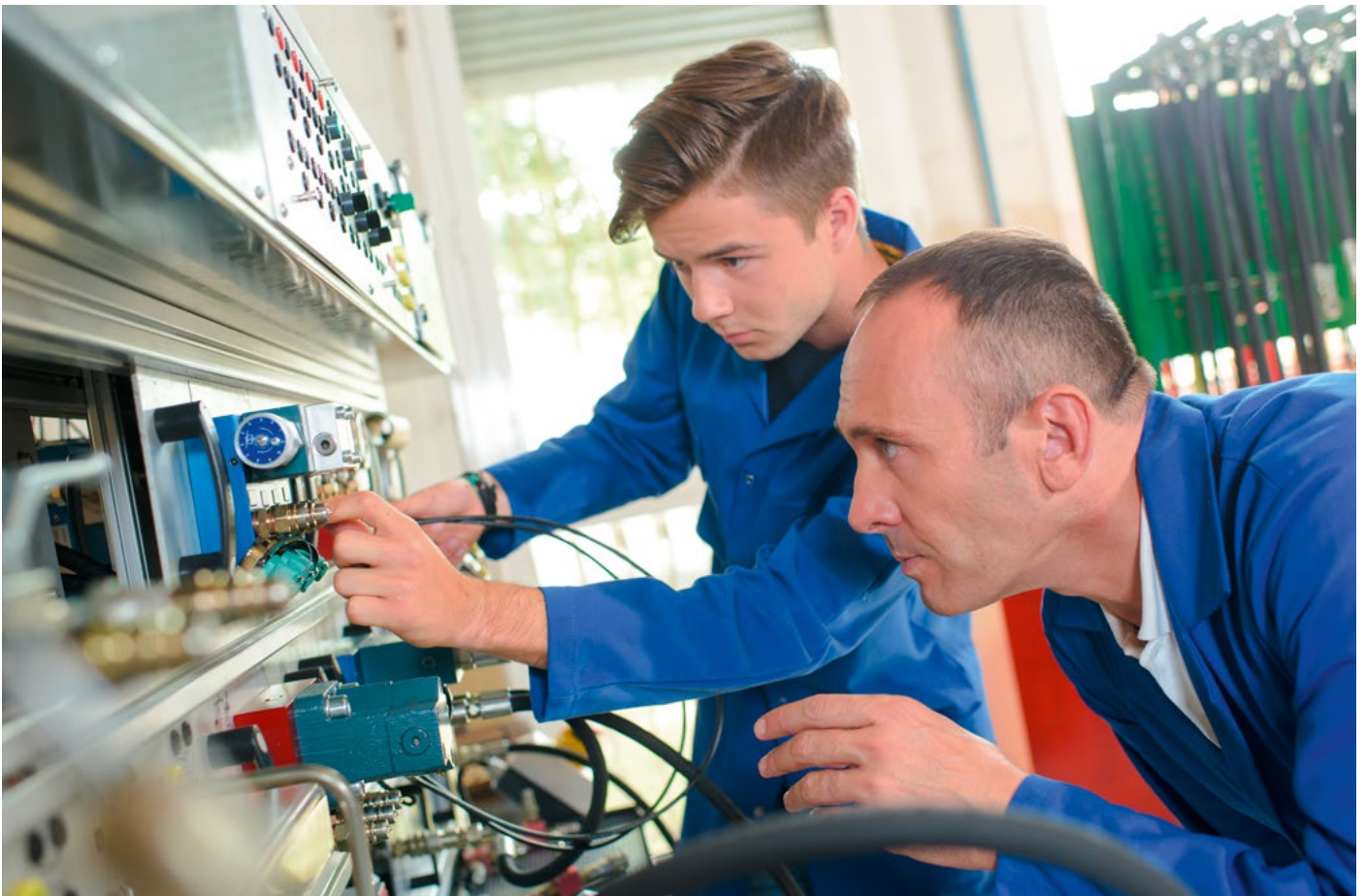
Following the fundamental changes within the apprenticeship landscape and the implementation of the reforms in April 2017, a series of roadshows and webinars were delivered to help employers understand the changes in frameworks to standards, the utilisation of the apprenticeship levy and rules under which the apprenticeship levy operates.

Representatives from over 50 ECITB employers and stakeholders, representing a broad cross-section of the industry, attended our Apprenticeship Reform Roadshows. These roadshows were complemented by newsletters highlighting changes and best practices as well as face-to-face and web conferencing support offered to both ECI companies and clients. ECITB teams also briefed Local Enterprise Partnership skills and apprenticeship meetings to ensure they had the most up to date information on the reforms. This support continued throughout 2017 as new standards were developed and applied in England.

In 2017, the ECITB also worked with the UK Government to test and refine the funding rules for the apprenticeship levy and represent industry views to policy makers. Additionally, we maintained a close dialogue with devolved administrations to understand how the levy might impact apprentice provision across the devolved administrations.

In England, the ECITB has been closely involved in initiating and supporting a number of apprenticeship standards groups on behalf of employers. We have prepared standards and assessment plans for submission to government, promoted the standards work and convened stakeholders to ensure the industry-wide relevance of the standards.

The ECITB recognises the importance of a vibrant and active apprenticeship programme in the ECI, whilst also acknowledging the challenges many companies face in taking on more apprentices. As we move into 2018 we are looking further at how we can help employers navigate the apprenticeship levy and wider apprenticeship reforms, as well as stimulating more apprenticeships across the ECI.



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## Promoting ECI careers

Despite the downturn across the industry it has been important to continue promoting the engineering construction industry and apprenticeships to young people in schools and colleges. There have been some notable highlights from our STEM initiatives:

- The Tackling Gender Inequality programme in Carmarthen and Pembrokeshire was attended by 49 female pupils and 7 teachers. The 2-day programme, supported by Valero Refinery, Scarlets and Pembroke College, promoted the role of women in engineering, with a focus on engineering construction.
- We hosted an apprenticeships event in the Humber in response to demand from employers. The event was attended by more than 50 school and college students with several securing apprenticeships which commenced in September 2017.
- We commissioned an energy focused STEM challenge, piloted at the Humber University Technical College (UTC). It was subsequently delivered to over 400 pupils at 4 schools in the Redcar area.
- We created a 'working lunch' programme at Humber UTC where ECI employers spoke with year 12 and 13 students about their roles within their business and the engineering construction industry. This helped kick start the reengagement of engineering companies with the UTC resulting in a number of pupils having regular scheduled work placements or mentoring support during the year.
- The ECITB supported the Nuclear Zone at the National Big Bang 2017 event at the NEC. The event saw hundreds of young people visit the ECITB stand and find out more about the contractors' roles in the nuclear sector. Additionally ECITB took part in the Energy Skills Partnership (ESP) Big Bang Fair Scotland, which informed more than 600 school pupils from Thurso, Dumfries and Galloway and the borders about careers in Scotland's energy sector.
- The ECITB supported colleges and provider events such as the Forth Valley College open event, which was attended by more than 300 pupils and East Riding Council's Apprenticeship Pathway event which was attended by 15 schools.

## 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 and advise and resolve issues relating to ECITB employers' apprentices.



# TECHNICAL PROGRAMMES

## Skills and Technical

Bucking the wider trend of a decrease in training levels, 2017 saw an increase of 15% in the amount of grant spent on learners undertaking skills and technical training compared with 2016.

The skills and technical training available ranges from ECITB-approved courses in specific disciplines, such as Mechanical Joint Integrity, through to work access training, such as Mobile Elevated Work Platforms. The table below provides an example of some of the variances in the grant expenditure context between 2016 and 2017.

Training Activity	% variance from 2016 Grant expenditure context
Work Access	83% increase
Project Control	78% increase
Computer-aided design (CAD)	69% increase
Estimating	74% reduction
Non-destructive testing (NDT)	24% reduction
Fork Lift Truck	4% reduction

## Connected Competence

Connected Competence is about building a more competent and transferable workforce. The programme developed from a collaborative approach between some of the North Sea's biggest service companies, with each company committing to improving technical competence. In its current stage of development this ground breaking initiative uses standardised qualifications, pre-mobilisation training, trade-specific knowledge tests and ongoing technical assessments for construction and maintenance roles within the engineering construction sector of the oil and gas industry in the UK.

Formal communications began in May 2016 with a stakeholder engagement event and subsequent communications to employees, trades unions and employer associations. In 2017 the initiative was presented and discussed at the Oil and Gas Cross Party Group of the Scottish Parliament.

The Connected Competence companies are engaging with their clients on an ongoing basis and, by the end of 2017, two major operators had publically declared their support.

The Connected Competence programme has also started to deliver technical and knowledge testing to the offshore sector this year. Still in its early stages, 105 technical tests and 706 knowledge tests have been sat so far to improve skills and competence levels in the workforce. Interest in the programme is building and at the end of 2017, the ECITB presented Connected Competence to midstream and downstream oil and gas clients who have expressed interest in taking this forward as a measure to improve competence and efficiencies on their sites.

As the concept is refined it will be rolled out into other sectors within the ECI, creating a safer, more competent workforce better able to flow both within and between sectors.

## Fabric Maintenance Academy

In 2017, the ECITB was integral in helping to launch the Fabric Maintenance Academy (FMA). The FMA is a steering group with membership from leading asset integrity and fabric maintenance employers working collaboratively to provide training and competence solutions for the fabric maintenance community as a whole. This group articulates the skills, competence and training requirements, both current and future, for the sector and will oversee the development of solutions to meet them.

The FMA aims to be the authoritative voice of skills across the asset integrity and fabric maintenance community. It is engaging with senior leaders to understand the strategic vision for the sector and generate discussion on future technologies. In 2017 the group scoped out the main issues for asset integrity and fabric maintenance skills and initiated the development of technical tests for blaster / sprayer and thermal insulating trades. These trade tests will be available in early 2018.



## Technology

Technology presents significant opportunities for the engineering construction industry and the ECITB is working hard to ensure that the industry is kept up to date with technological developments.

During 2017, the ECITB delivered a technology conference at Huddersfield's 3M Innovation Centre where expert contributors updated employers in the fields of 3D printing, drone technology and artificial intelligence.

By the end of the year, the ECITB had brought together a group of industry leaders to focus on technological developments to support the improved productivity of project delivery. The ECITB is now leading this group in developing standards and qualifications for industry to be able to maximise these technologies. Early areas of focus for the group include ensuring the industry is sufficiently aware of cyber risk and how to guard against cyber attacks, as well as understanding the skills and knowledge requirements of design technicians in the area of designing digital assets through digital platforms.



# MANAGEMENT AND PROFESSIONAL PROGRAMMES

ECITB support for management and professional training, which ranges from supervisory and project management training to higher education, continues to grow. Following a 40% increase in 2016, there was a modest increase of 3% in grant support in 2017. The continued investment in this area is indicative of the industry upskilling its existing workforce in preparation for new work.

There have been some significant changes in the focus of training activity in 2017, illustrated in the table below, based on grant expenditure compared to 2016.

M&P Training Activity	% variance from 2016
Supervisory Training	34% increase
APM training	44% increase
Higher Education Training	52% increase
CPD for Engineers	23% reduction
NEBOSH	55% reduction

## The ACTIVE Cup

The ACTIVE Cup is an intensive project management simulation competition that teaches delegates about the hard and soft skills involved in successful project delivery. It has been run by Cranfield School of Management on behalf of ECITB and the European Construction Institute for the last 23 years. In 2017, 28 teams participated across 3 competitions; two held at Cranfield, won by Saipem and Fluor UK Ltd; and one in Dundee for Offshore contractors, which was won by Total E&P.

“The support we have received from the ECITB in the past two years has enabled us to retain and continue to develop our early careers population at a time when the plummeting oil price has led to sweeping cost cuts and job losses in our industry. Without this financial support we would have been forced to release many young, developing engineers and other technical professionals part-way through their development programme into a terrible job market, simply because we did not have the work to sustain their roles. I fully believe this would have led to a mass exit of talent from our industry and created a future skills shortage. We must invest in young talent and develop the future leaders of the engineering construction industry, and the support from the ECITB has enabled us to continue to play our part in developing the skills the industry will need again in the future. As we look forward to 2018, many of our developing engineers are coming close to completing their development journey and progressing into fully competent engineers, the continued support of the ECITB is essential to get them across the line to fully fledged professionals who can add real value to our industry now and in the future.”

**Lesley de Jager,**  
Director of Compensation and Benefits at Wood Plc.



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### Graduate Retention Scheme

The Graduate Retention Scheme was established to address the significant downturn in the oil and gas industry by helping firms retain graduate engineers during an exceptionally difficult period. The scheme enabled graduate engineers to undergo a period of structured continuous professional development to ensure they were well placed to continue their careers within the industry once the economic climate improved.

To date the scheme has supported some 480 graduates in the offshore and EDP regions, over 75% of whom have been retained in the industry. At the close of the year the number of graduates on the scheme had reduced to fewer than 30 and it is anticipated that it will draw to a close by the end of Q1 2018. The scheme has been highly beneficial to the industry. It has retained and nurtured skills through the downturn to maintain the capability and capacity of the graduate cohort as work has returned to the basin. Furthermore, graduates who participated in the scheme were exposed to a broad set of development projects, which significantly enhanced their knowledge and understanding of the industry.

### Project Collaboration Toolkit

In 2017 the ECITB worked to raise awareness and increase use of our Project Collaboration Toolkit, a guide to help oil and gas firms and their contractors become more effective in collaborative working. The pragmatic tools and best practice guidelines set out in the document have already been put into practice on 8 projects from different industry sectors, including Downreay nuclear power station and major offshore projects, such as the decommissioning of the Brent Bravo platform.

Most of the projects are still underway, but the early signs are that this collaborative approach has brought significant benefits to all involved, both in terms of efficient delivery and cost savings. The lessons identified from these projects are being analysed and will be presented as case studies in early 2018.

### Project Management Conference

The ECITB organised and co-hosted its third Oil & Gas Project Management conference, in Aberdeen alongside Oil & Gas UK, the Association of Project Management, Society of Petroleum Engineers and the Offshore Project Management Steering Group (OPMSG). Keynote speakers and case study-based workshops considered how project delivery across the sector can be made more efficient to maximise project performance. The outcomes from the conference will inform the 2018 agenda for the ECITB OPMSG.

In 2017 the ECITB concluded its WebinEYE series of Project Management Masterclasses, which continued to attract significant numbers of participants. These masterclasses were delivered after feedback from the 2015 ECITB Project Management Conference identified the need to share project management experiences.



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### Project Management Mentoring

Over a period of six months, 9 mentors and 9 mentees completed the 2017 ECITB Project Management programme. The mentors and mentees identified areas for development and worked towards objectives and plans tailored to the needs of the individual mentee. Topics covered a range of operations within the oil and gas sector including project management tools, behaviours and leadership development.

### Commercial Awareness Training

In 2017, the ECITB completed the development of training standards in developing commercial awareness. There had been a significant demand for this type of training from the industry and in August and September 4 commercial awareness programmes were delivered as part of a pilot for this training. Over 60 delegates attended in total from 13 companies based in Scotland.

### Business Leadership and Quality Improvement

In 2017, the ECITB supported 263 learners from 12 companies across the country in the area of business improvement. The training supported through this project was ISO Quality Auditor Training, Lean and 6 Sigma training and Business Process Improvement training.

In Wales, Ledwoods Engineering Ltd started a Lean and Continuous Improvement Programme running for 6 months with a view to learning lessons on how effectively this type of training could be harnessed to support productivity gains in the industry.

### Supervisor Training

Across the industry there was a marked increase in the levels of supervisor training. This included a 58% increase in the Foundation programme which is aimed at providing an overview of supervision for newly promoted supervisors.

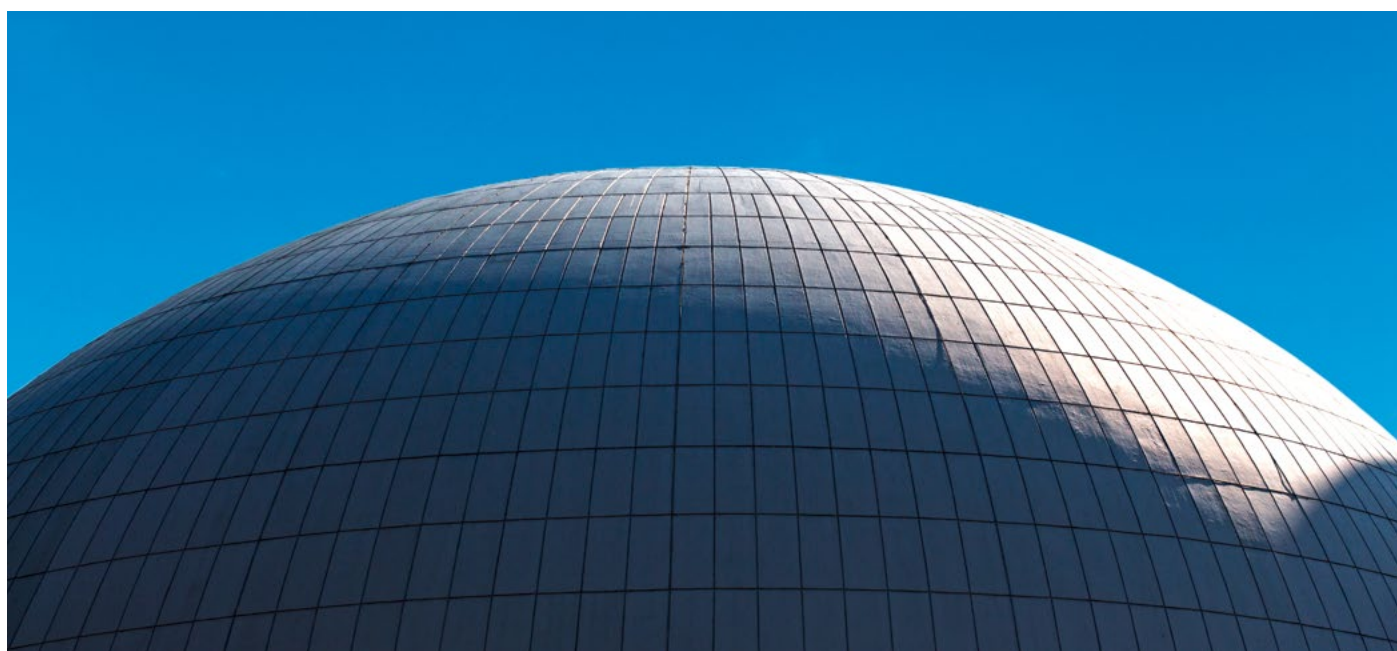
In December, 15 delegates from the first cohort of Weir Engineering Ltd learners, were awarded their Supervisor Management and Training Development portfolio folder containing seven certificates of achievement. The modular course was delivered over six months (Feb-Jul) at the Alloa Training Centre.

“The SMTD award ceremony was a fantastic occasion and a positive step in helping our managers of the future reach their full potential. We like to promote from within but we often forget to give the individuals the tools and techniques necessary to achieve their goals, aims and ambitions,”

**Josh Mortimer,**  
T&D Manager.

“Speaking with delegates, I genuinely believe they have engaged in this course. It’s been an extremely worthwhile investment and we can already see the benefits. I’ve found that we have equipped staff with new skills for career development and possible advancement within Weir. It’s a really positive step for Alloa,”

**Peter Boyle,**  
Operations Support Manager, Weir Engineering Services.



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## Supporting the Nuclear Sector

Throughout 2017, the ECITB has continued to work closely with the Nuclear Skills Strategy Group to bring further coherence to the nuclear skills landscape. In 2017, we appointed an industry representative to lead the ECITB Nuclear Employer Forum and to represent the sector on the ECITB Board. During 2017, 4 fora were convened, bringing employers and stakeholders together to identify key skills related issues and identify solutions. The following projects have fallen out of this work:

- ECITB is now supporting a joint bursary scheme with National Skills Academy for Nuclear (NSAN) and the Nuclear Decommissioning Authority (NDA) to target niche skills shortages in the nuclear industry.
- An Accelerated Experience and Learning Programme has been developed to put learners, including those transferring in from other sectors, through an experiential programme, providing learning at key points and placements with industry employers. This model is now ready for delivery in 2018.

In addition to bringing employers together the ECITB recognised an opportunity to have the contracting sector represented at the Nuclear Skills Strategy Group level. At the end of 2017 the ECITB agreed, with the NDA, Cogent and a large nuclear employer to second an experienced manager from the sector into the ECITB to jointly lead our nuclear skills programme as well as the NSSG secretariat. This will ensure the contracting sector's needs are recognised at a strategic level and bring further coherence to the nuclear skills programmes.

## National College for Nuclear

In 2017 the ECITB supported the National College for Nuclear (NCfN) in the development of 12 training standards for Nuclear Engineering and Science. The college and the ECITB subsequently developed three Nuclear Engineering and Science vocational qualifications: the ECITB Level 3 Certificate in Nuclear Engineering & Science (RQF), the ECITB Level 3 Diploma in Nuclear Engineering & Science (RQF) and the ECITB Level 3 Diploma in Integrated Nuclear Engineering & Science (RQF). The qualifications are delivered by ECITB-approved centres, which are also approved for associated course delivery by the NCfN.

## Hinkley Point C

In 2017, the ECITB continued to support the development of the Competency and Qualifications matrix for Hinkley Point C as part of the work of the Employer Affairs Unit. This matrix is now with the preferred bidders to help formulate their tenders.



# AWARDS AND QUALIFICATIONS

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The ECITB is an accredited awarding organisation recognised by the three regulatory bodies; The Office of the Qualifications and Examinations Regulator in England (Ofqual), the Scottish Qualifications Authority (Accreditation) (SQA) and Qualifications Wales. As part of satisfying these regulatory requirements, the ECITB submits annual Statements of Compliance to all three organisations. This was completed during the summer of 2017 and the ECITB declared full compliance with all requirements, which was accepted by the regulators. In addition, SQA Accreditation carried out a full audit of the awarding organisation's activities, which resulted in a satisfactory outcome.

The ECITB complies with various conditions and principles in order to maintain accreditation, such as compliance with the Ofqual and Qualification Wales General Condition of Recognition and the SQA Principles of Recognition. This means vocational qualifications developed by the ECITB for the British market are all treated as regulated qualifications and have to meet the regulatory criteria of the three bodies. Much of the work of the awarding organisation in 2017 was to ensure that the ECITB also meets the changing regulatory requirements relating to the introduction of the Ofqual Regulated Qualifications Framework (RQF) and the evolving regulation requirements of Qualifications Wales. In response, the ECITB's Research and Development team has been developing a new suite of vocational qualifications. New qualifications in 2017 include 3 for the nuclear sector, which are part of the ECITB's ongoing partnership with the National College for Nuclear (NCFN). Further qualifications are likely to be developed in the future.

## Product development

The ECITB's product development function works closely with employers, training providers and other industry stakeholders to develop and provide regulated qualifications, non-regulated awards and training and testing products and services. In 2017, the Research and Development team primarily focused on developing apprenticeship standards and vocational qualifications. The Qualifications and Credit Framework (QCF) vocational qualifications in England and Wales were withdrawn at the end of the year with all vocational qualifications required to adhere to the new Regulated Qualifications Framework (RQF) requirements by the start of 2018. In response, the ECITB has redeveloped a significant number of existing vocational qualifications, and taken the opportunity to remove qualifications where there is little or no take up and develop new qualifications requested by employers. The withdrawal of all of the QCF qualifications had the effect of making all ECITB Apprenticeship Frameworks redundant from the 1st January 2018, so the ECITB worked with employers to ensure that the new employer-led Apprenticeship Standards were in place. The main achievements included:

- The redevelopment of qualifications for the RQF, including Maintenance, Lifting & Positioning, Installation and Supporting Operations (Level 2), as well as the development of a range of new assessment testing options.
- The development of new qualifications including a Level 2 Technical Certificate in Engineering Construction, and three Level 3 qualifications in Nuclear Engineering and Science.
- The facilitation of 7 employer groups developing industry-relevant Apprentice Standards including 3 published so far: ECI Pipefitter, Design & Draughting and Project Controls.
- Support to 8 cross-sectoral groups developing Apprentice Standards at various levels relevant to the industry including Maintenance Operations Engineering Technician, Project Management & Safety, Health and Environment (SHE) Advisor.

We also undertook work to update existing and introduce new training programmes and qualifications in 2017, including: updating the Small Bore Tubing and Mechanical Joint Integrity Training Standards and the Four Stage Model; developing the International Scaffolding scheme; and developing the Connected Competence scheme, including technical tests to assure competence and enable transferability.

The ECITB also worked with employers to develop tailored awards recognising workplace competence and facilitating ongoing knowledge sharing in project controls.

# THE ECITB POLICY FUNCTION

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## Policy engagement

Following the establishment of the new policy function in summer 2016, the ECITB continued to cultivate relationships across Government and within the wider policy community throughout 2017. We participated in a number of key policy initiatives and worked to ensure the skills needs of the industry are heard and understood in Westminster, the devolved nations and by decision-makers in the English regions. This activity has helped to raise the ECITB's profile within Government policy circles and with other stakeholders across the engineering policy community.

The main policy areas where the ECITB was active in 2017 were:

- **Technical education reforms:** We worked closely with the Department for Education on the T-level reforms in 2017. This included working on the design of the occupational map for the engineering and construction route, as well as the core curriculum that will sit underneath it. The ECITB secured representation on the T-level panel for Engineering Maintenance, Installation and Repair, while a number of our companies successfully applied to sit on other T-level panels. Teaching of the new routes is now expected to start in 2021.
- **Apprenticeships:** The ECITB has been actively involved in the apprenticeship reforms leading up to and following the introduction of the Apprenticeship levy in April 2017. We have supported employers with queries on the funding reforms and continued to shape the development of new apprenticeship standards. We have also engaged with the newly formed Institute for Apprenticeships (IfA) and provided input to its operational plan and quality statements. ECITB is now represented on the IfA's stakeholder reference panel.
- **Industrial Strategy:** The ECITB responded to the UK Government's consultation on its green paper on the industrial strategy in April 2017 and publicly supported the white paper when it was published in November 2017. We are also involved in supporting several sector deals, notably the nuclear industry deal.
- **Careers education and guidance:** We welcomed the publication of the UK Government's careers strategy in December 2017 and its focus on STEM education. The ECITB will publish a new ECITB careers strategy in early 2018, aimed at attracting more young people, women and black and minority ethnic groups into engineering construction careers.
- **Skills policy in the devolved nations:** The ECITB also contributed to policy development in the devolved regions. In Scotland, we responded to consultations on the Scottish Government's STEM and apprenticeship strategies. In Wales, we provided an ECI perspective on the Welsh Government's Post Compulsory Education and training reforms, with our recommendations reflected in the ensuing Government response.

The publication of the ITB Review was the most significant policy development for the ECITB in 2017. The ECITB was heavily involved in the review process and worked with Government to ensure ECI employers had their say through the Call for Evidence process in the spring. In July, the Minister for Skills, Anne Milton MP, confirmed that the Government would continue to support the ECITB and noted the critical role played by ECITB in correcting the market failure for skills within the industry. The final report was published in November and made a series of recommendations for the ECITB, focused largely on the theme of governance and accountability. Work began in late 2017 to implement the Review recommendations and this will continue throughout 2018.

## Research and labour market intelligence

The ECITB made significant progress in 2017 to establish the new labour market intelligence and research function. The main highlight was the publication of two reports:

- In November 2017, we published research measuring the contribution of the engineering construction industry to the UK economy. The report, "The Economic Footprint of Engineering Construction", which we commissioned from the Centre for Economics and Business Research (CEBR) maps the current employment footprint of the industry and forecasts the size of the workforce and the ECI's contribution up until 2026.
- We also compiled research on the labour market for engineers in the UK, which we published in early January 2018. The report, entitled "Engineering Today: The Supply and Demand for Engineers in the UK", analyses secondary data on the engineering and skilled trade workforce and examines if the current supply of engineers will fill future demand.

Both reports were widely disseminated to stakeholders and received positive feedback from our employers and government representatives, as well as press coverage in several trade and regional outlets.

## Communications and Events

In summer 2017, the ECITB restructured its communications functions and created a new Policy and Corporate Affairs Department. The purpose of this was to bring policy engagement and communications under the auspices of a single department reporting to the Chief Executive.

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Over the second half of the year, we introduced new operational policies and protocols for the department, established a new press office and invested in our social media and digital channels. Coverage was secured for ECITB work in national press and broadcast outlets, including a feature on BBC Wales on the ECITB's involvement in the Tackling Gender Inequality Initiative in Pembrokeshire, in collaboration with Scarlets, Valero and Pembroke College; and in Wireline Magazine on the Project Collaboration toolkit.

ECITB delivered and supported a number of high-profile events in 2017 at a national and regional level. We participated in the National Infrastructure Forum at the ExCel centre in London in June and a STEM summit in November with the Minister for Skills, Anne Milton MP. We also delivered another successful awards dinner, hosted by presenter and physicist, Professor Jim Al'Khalili. The quality of the nominations was of a particularly high level and this was evidenced in the high-quality turnout on the night. At the end of the year, the ECITB published a new Communications and Engagement strategy, which sets out a number of strategic objectives and activities which will be delivered in 2018 and beyond.

### Corporate Social Responsibility

As an arms-length Government body, the ECITB plays an important role in supporting wider societal aims. Through our interventions, we directly boost the employability of learners and support career progression through the industry. We also provide opportunities for young people not in education, employment or training (NEETs): our successful Introduction to Engineering Construction (ITEC) programme, now in its fourth year, supports young people and NEETs into careers and apprenticeships. In September 2017, 154 learners began the 12-month programme, which aims to help young people find employment, an apprenticeship or pursue further education. This is a significant increase on last year's cohort of 44 young people who completed the ITEC in July 2017, of whom 17 went on to an apprenticeship with an in-scope employer, 11 to an apprenticeship within the engineering sector, and 8 progressing into higher education.

Additional steps have been taken by ECITB in 2017 to improve the gender balance of the ECI workforce. We have spearheaded initiatives such as the Tackling Gender Inequality programme mentioned above, and continue to support the work of WISE and the Women in Engineering Society. We have taken steps to boost the diversity of our own workforce and published gender pay differentials towards the end of 2017. Further steps will be taken by ECITB in 2018 to support women, girls and black, asian and minority ethnic (BAME) groups into engineering construction careers.



# COMMERCIAL ACTIVITIES 2017

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The ECITB's commercial activities comprise operations in Great Britain and overseas, primarily, from an income perspective, in the Middle East. Our commercial income is derived from a variety of sources including:

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

## Commercial Activities in Great Britain

The main commercial product the ECITB markets in Great Britain is the Client Contractor National Safety Group (CCNSG) Safety Passport. Income from CCNSG passports grew slightly during 2017, but the overall numbers remained below expectations, despite a decision not to implement a planned price increase part way through the year.

Sales of technical training within Great Britain fell by 21%, although this was somewhat offset by an increase of 33% in income from Supervisory Management Training & Development and Project Management Short Courses.

At the end of 2017, there were 212 ECITB Approved Training Providers in the UK, including 9 newly issued licences during the year. This represented a net increase of 8 providers over 2016. 330 licences were issued for the delivery of ECITB products and services by ATPs during 2017. This included 12 new licences.

## International Activities

The decision taken in 2016 to move away from training provision in the international arena was largely enacted by the end of the first quarter of 2017. The aim of this was to de-risk our international commercial activities, reduce the cost base and return to our core offerings on the same model as our activities in Great Britain.

In 2017 there were 36 ECITB International Approved Training Providers (compared to 35 in 2016), with 6 new licences issued. During 2017, we issued a total of 102 Licences to International ATPs, which included 18 new licences.

We have successfully collected much of the outstanding debt owed by some of our Middle East partners and are now able to proceed on a more stable footing, enabling a focus on increasing sustainable income levels rather than collection of old debt.





# LOOKING AHEAD: 2018

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Our activities and objectives for the year ahead are underpinned by the ECITB's six strategic themes.

## Policy leading

The ECITB is the engineering construction industry's voice on skills and development. As an arm's length Government body, we also have a unique role to play not only in policy delivery but also in advising Government on policy design and formulation. Our Policy and Corporate Affairs team will continue to work at national and regional levels to inform and drive policy direction. We recognise that skills policy is a crowded landscape where we must go above and beyond to make sure our voice is heard. To succeed we must work closely with national and regional government to make sure policymakers understand and address industry needs.

## Intelligence-led

The ECITB is the engineering construction industry skills expert. We carry out robust research and closely follow developments in the sector to better understand current and future labour market conditions. This intelligence gathering and big picture analysis allows us to respond effectively to the skills needs of the industry and identify emerging trends, such as the impact of new and emerging technologies on the demand for skills.

## Skills as a driver of productivity

The ECITB recognises the crucial link between skills and productivity in the UK economy. As an organisation founded to address a market failure in training provision, we are committed to delivering growth and productivity in the industry. We do this by developing higher performing staff and companies through the right skills training.

## Transferability of skills

By designing and delivering skills that are transferable between companies and sectors the ECITB helps make the labour market more efficient and effective. Across engineering construction there are similarities in terms of skills, knowledge and behaviours that once acknowledged can help reduce training costs. We aim to devise training standards and qualifications that are relevant across sectors and create a versatile workforce that can match industry demand for skills.

## Collaborative approach

The ECITB actively seeks out and establishes partnerships with other organisations wherever we can to achieve our goals. We work with partners for the benefit of the industry, from policy initiatives to commercial ventures.

## Maximising the return on the levy

The ECITB has a duty to deliver the best value for employers so they get the most benefit from the levy and ECITB programmes. We do this by keeping down our operating costs and overheads while delivering excellent service and also through our commercial operation. By taking this approach we will ensure the ECITB remains financially sustainable in the long term.

## Key priorities for 2018

- Conduct a consultation on ECITB grants with industry.
- Support 300 new apprenticeships in the industry by the end of the year.
- Increase the level of support provided to SMEs so that they receive more in grants than they pay.
- Conduct new research into the ECI labour market and the impact of new technologies on ECI skills.
- Develop a plan to address key skills shortages as identified through labour market data gathering and develop a technology skills plan.
- Deliver a customer satisfaction survey and stakeholder audit.
- Define and implement the training solutions required to meet the needs of local project manning requirements.
- Identify increased support for the wind and marine energy industries and provide support in 2 key product areas.
- Embed the use of the Project Collaboration Toolkit within the Oil and Gas sector and pilot the use within 2 nuclear sector projects and 2 downstream oil and gas projects.
- Embed the Connected Competence model of competence assurance across the Tier 1 Oil and Gas contractors and introduce it to other key employers and clients.
- Scope, define and initiate an ECITB Leadership Programme by the end of 2018.

## Policy and Research

In 2018, the ECITB will continue to enhance its contribution to Government policies on skills in line with our strategic objectives. We will contribute to policy development and government consultations as they arise, and will continue to engage in relevant policy fora and workshops across Government and with partner agencies. We will also continue to engage with decisions makers in the devolved

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administrations, local authorities and the English LEPs. Our objective is to ensure the ECITB is viewed as a key partner in policy circles, both by contributing to skills policy development and undertaking a crucial role in the delivery of skills to industry.

Priority policy areas for 2018 include:

- The ongoing development of T-levels.
- Monitoring the apprenticeship reforms and communicating the ECITB offer on apprentices to our companies.
- Supporting the Government's careers strategy.
- Implementing the ITB Review recommendations.
- Supporting the delivery of the industrial strategy, relevant sector deals and the skills requirement underpinning the National Infrastructure Pipeline.
- Improving understanding of the impact of Brexit and any subsequent restrictions on freedom of movement on labour supply to the ECI.

The ECITB will continue to support information and intelligence flow between industry employers and Government on policy matters, ensuring that the Government understands and takes into account the particular skills needs of the ECI. This will include providing policymakers with platforms to communicate with employers on emerging policy, and opportunities for employers to input into Government consultations and policy fora.

In 2018, we will deliver a number of new outputs as part of the ECITB's Labour Market Intelligence and Research programme. Following completion of a tender process, we will appoint and work with a research partner to deliver the following:

- A major new survey of ECI employers on their workforce and skills requirements.
- A report into ECI workforce and skills needs, exploring issues including skills transferability and the supply of and demand for skills in the industry.
- A report exploring the impact of new and emerging technology (the 4<sup>th</sup> industrial revolution) on skills within the ECI.

We will explore the potential to produce bespoke thematic research papers on subjects including the impact of Brexit on ECI skills, skills acquisition within SMEs and diversity within the industry.

We also plan to commission evaluation studies of ECITB programmes in 2018. This will help to enhance our evidence base and understanding of the effectiveness of the levy and grant system as well as specific ECITB interventions.

## Communications and Events

Following the publication of the ECITB's Communications and Stakeholder engagement strategy in December, the ECITB will focus its communications activities on supporting our strategic themes and raising the profile of ECITB's work and its value to industry.

In collaboration with Regional Operations and other Directorates, we will devise and implement new stakeholder management systems and communications tools. Engagement will be planned around key stakeholder groups, including employers, government, parliamentary and media stakeholders and influencers.

We will enhance our press office function, balancing proactive and reactive output to enhance the ECITB's profile in relevant national, regional and trade press. We will also implement a new social media strategy, refresh the ECITB brand and redesign the corporate website(s).

We will also deliver a programme of events, including the ECI Awards Dinner and a range of other industry and policy-facing events.

## Promoting ECI careers

The ECITB has a critical role to play in showcasing the wide-range of careers available in the ECI by working with employers and partners to attract new entrants into the industry. In 2017, we continued our strong track record in this area, collaborating with schools and colleges on STEM engagement initiatives and participating in careers events at a national and local level.

We also continued our support for the Arkwright Scholarships programme by sponsoring an additional 6 scholars. Scholarships last 2 years and in addition to financial assistance scholars receive mentoring support, careers advice and opportunities to interact with employers in the industry. We also established a new nuclear bursary scheme in partnership with the National Skills Academy for Nuclear and the Nuclear Decommissioning Authority, which will launch in 2018. This provides financial support to individuals studying towards a career in nuclear or for small companies who want to support the upskilling of their workforce.

In 2018, we will publish a new ECITB Careers Strategy. This will establish the future direction of ECITB's careers work, including campaigns, partnership working opportunities and events, and will seek to ensure that our activity in this area is impactful and provides value for money.

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## Apprenticeships

Part of the ECITB's mission is to support employers to take learners into their businesses, through initiatives such as the ITEC programme and by helping firms get the best returns from the Government's apprenticeship reforms. In 2018, we aim to support the industry to recruit 300 new apprentices by the end of the year. We will also seek to place all the ITEC learners into the industry via full-time apprenticeships or employment.

A new series of phase tests will be created to ensure apprentices are developing their skills and knowledge in an appropriate manner towards their End Point Assessment (EPA). These tests will also be used to ensure standardisation of outcomes across the 3 nations where standards and frameworks are being used for the same disciplines.

We will also conduct a feasibility study into establishing regionally based centres of excellence to deliver apprenticeship phase tests and simulation. This would take place during years 2 and 3 of the apprenticeship to ensure continuous development ahead of the completion of apprenticeships.

## Technical Programmes

In 2018, the ECITB is expecting to support approximately 40,000 learning activities in the technical training area. We aim to support more local training in areas where there is a lack of provision.

The ECITB will highlight the benefits of Connected Competence across the oil and gas sector and promote the use of standardised skills and knowledge tests across centres of industry activity including the Humber Bank and Pembrokeshire. We are committed to transferrable skills and in 2018 we will work to support individuals previously employed in oil and gas and the armed forces to move into the Nuclear Sector where demand for skilled engineers is growing.

## Management and Professional

The ECITB will continue to support supervisory training at similar levels to 2017, enabling employers to progress their staff into managerial and supervisory roles. This will include a bursary programme to support the development of key engineering and design skills within EPC contractors.

Project Management mentoring and development will continue to be supported. In addition, the ECITB will support project leadership by identifying key development opportunities for project managers and future leaders.

The Project Collaboration Toolkit pilots will provide the ECITB with case study material to support the promotion of the wider use of collaborative principles. This will include the creation of new training standards and delivery of training to support the development of collaborative behaviours.

## Skills for Technology

In recognition of the crucial links between skills training and productivity, the ECITB will work with industry to identify key areas for development in relation to new and emerging technologies. Specific areas include cyber security and developing the skills to maximise digital assets and improved data integration.

## Development and Quality

The Development and Quality Department's objectives for 2018 are to:

- Implement the new suite of vocational qualifications by the end of Q1 2018.
- Identify and select up to 15 organisations that will provide Technical Testing System and simulation facilities for both apprenticeships and vocational qualifications.
- Revise the Technical Testing System.
- Support the development of a technology skills plan.
- Develop a business case for becoming an External Quality Assurance provider.

## Organisational changes

The main organisational changes in 2018 will see the Finance & Legal Directorate split into two functions, both reporting to the Chief Executive, as follows:

- Finance & Administration (including Commercial Development & Levy), under the direction of the Finance and Administration Director;
- Board Secretarial, under the direction of the Board Secretary.

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By the end of the third quarter of 2018 responsibility for the ECITB's Finance and Administration activities will be transferred from the Board Secretary to the new Finance and Administration Director. During the course of 2018 it is likely an additional Levy Manager will be recruited, and, as the ECITB's Commercial Strategy develops, a UK Business Development Manager will be appointed.

### Commercial Activities 2018

The ECITB's commercial capabilities stem from its ability to trade on its skills expertise and to market its existing courses in new markets, particularly overseas. During 2018, we will develop a commercial strategy covering both Great Britain and overseas opportunities with a view to steadily increasing both income and profit from commercial activities. The aim is to ensure that the combined profit from commercial activities and investment income exceeds support costs by 2020.

We will seek to grow income via a number of routes, including:

- Consolidating our Middle East operations to cease non-profit making activities and maximise the higher margin services such as IHSP (International Health & Safety Passport).
- Expanding our current number of Approved International Training Partners in order to maximise licence fees, with particular emphasis on the Middle East, South East Asia and East Africa (specifically Uganda, Tanzania and Mozambique).
- Seeking to support and provide training advice and capability to our in-scope employers which operate internationally.
- Consolidating our ATP (Approved Training Provider) network in Great Britain to maximise revenue from our high quality training offerings.
- Approving additional International ATPs, including ECITB domestic In-scope companies working internationally.

While any commercial activity is not without risk, we will seek to minimise the risk and ensure that commercial activity neither detracts from our core offering to ECI employers in Great Britain nor utilises funding from the Levy.

### 2018 Financial Projections

The 2018 operational plan and financial budget take account of the ECITB's strategic priorities and objectives. Levy income is budgeted to fall by approximately 19% due to the reduction in the levy rates applied to workforce figures, coupled with overall reductions in workforce costs reported by leviable establishments.

The Board recognises that, during times of economic stress, employers may find it more difficult to maintain levels of training activity. However, it intends to maintain similar levels of training provision to those in 2017 in order to support the industry. Consequently, the budget predicts a deficit for 2018 of just over £3m which will be funded by use of reserves. The Board remains committed to providing an appropriate level of training to the industry and will consult employers on the best use of grants in 2018 in order to support the sector to provide the training it considers most important. The Board remains committed to continuing to provide high levels of quality training and support to all sizes of employers within the industry, including those which operate in the sector but are too small to meet the levy threshold.

While the budget anticipates a deficit of circa £3m, the actual financial outcome in 2018 is subject to a number of factors not wholly within the ECITB's control and these may affect the final outcome for 2018. These include the factors detailed below.

The budget assumes that levels of training will remain similar to those anticipated in 2017, triggering the payment of planned grant expenditure. However, recent experience indicates that employer take up of grants and actual delivery of training activity often falls short of expectations, due in part to the current difficult trading conditions and uncertainty about the future, not least over the implications of Brexit. We closely monitor trends of activity throughout the year and will encourage employers to achieve the planned levels of apprenticeships and other training in order to benefit the industry in the longer term.

The budget also excludes the financial effects of factors which may arise but cannot be predicted with any certainty. For instance, an employer may challenge a levy assessment or go into liquidation having failed to pay their levy. Either scenario could result in levy income being less than anticipated. Similarly, if inflation or other factors affecting expenditure differ substantially from the figures used in the budget there could be material variances between budgeted and actual costs.

Beyond 2018, we are anticipating that 2019 and 2020 will deliver similar levels of deficit to that predicted for 2018 and intend to fund these deficits by use of existing reserves. Deficits of this size will not cause reserves to fall below the minimum requirement.

# FINANCIAL REPORT

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

Under section 8 (1) of the Industrial Training Act 1982, the Board of Trustees of 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 Trustees and Accounting Officer are 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 Accounting Officer and Board of Trustees confirm:

- The annual report and accounts as a whole are fair, balanced and understandable and they take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable;
- There is no relevant audit information of which the auditor is unaware; and
- They have taken all the steps they ought to ensure the auditor is aware of all relevant audit information.

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.



**L A Armstrong**  
Chairman



**C J Claydon**  
Chief Executive and Accounting Officer



# RESULTS FOR THE YEAR

A Summary Statement of Financial Activities for the period 1 January 2017 to 31 December 2017 (with comparative information for 2016) is shown immediately below. This has been extracted from the audited financial statements which appear in full later in this report.

	2017 £'000	2016 £'000
<b>Income</b>		
Levy	30,073	33,514
Investment Income	368	442
Non Levy Income	2,422	3,079
<b>Total Income</b>	<b>32,863</b>	<b>37,035</b>
<b>Expenditure</b>		
Investment management costs, Bad debt provision, levy collection costs and provision	(2,297)	1,783
Charitable activities	33,797	33,368
<b>Total expenditure before other gains and losses</b>	<b>31,500</b>	<b>35,151</b>
Net income / (expenditure) before other gains and losses	1,363	1,884
Gains / (Losses) on revaluation of fixed assets	(100)	62
Gains / (losses) on investment assets	(256)	(24)
<b>Net Movement in Funds Surplus / (Deficit)</b>	<b>1,007</b>	<b>1,922</b>
<b>Reconciliation of Funds</b>		
Total funds brought forward at 1 January	20,258	18,336
Total funds carried forward at 31 December	21,265	20,258
<b>Balance Sheet</b>		
Fixed Assets		
Tangible Assets	1,266	1,443
Investments maturing in more than one year	6,689	9,764
	7,955	11,207
Current Assets	18,648	14,109
Creditors: amounts falling due within one year	(5,338)	(5,058)
Net current assets	13,310	9,051
Net assets less liabilities	21,265	20,258
<b>Fund</b>		
Unrestricted fund	<b>21,265</b>	20,258

# COMMENTARY ON FINANCIAL RESULTS

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## Statement of Financial Activities for Year ended 31 December 2017

### Incoming Resources

Levy income in 2017 amounted to £30.1m (2016–£33.5m). The levy income represents the gross levy assessed during the year, together with adjustments in respect of levies raised in earlier years.

The 2017 levy income related and was calculated by reference to the payments made to industry workers during the base period 6 April 2015 to 5 April 2016. For this purpose, payments comprise PAYE wages paid to employees, and labour-only payments made in respect of non-employed workers (for instance agency staff). Levy rates in 2017 were unchanged from 2016 at 1.5% on payments to site workers, and 0.18% on payments to all other workers. The levy exemption levels also remained unchanged in 2017 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 2015/16 base period (unchanged from 2016). 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 (unchanged from 2016).

Levy rates will change for the 2016/17 base period for levies payable in 2018. Levy rates will be 1.2% on costs of site workers and 0.14% on costs of all other workers.

Gross levy income was 10.3% lower (a reduction of £3.4m) than in 2016 (£33.5m). This is due to a combination of the following reasons:

- Due to changes in the corporate structure of one major employer, two establishments ceased to exist during the year and, consequently, a refund of £515k relating to the 2016 levy was made in year. This has been reflected in the 2017 figures.
- Many employers reported reduced pay bills for their workers during the levy assessment period, thus reducing their value of the levy assessed. The total gross wage and payment declaration was 13.3% below the corresponding period for 2016, including reductions of 9% in site based employee wages and 32% in labour only wages.

Other incoming resources amounted to £2.79m (2016 £3.52m), and mainly comprised investment income and income from sales and sponsorships.

Investment income (from quoted investments and cash deposits) amounted to £368k (2016–£442k). Poor investment performance has continued as a consequence of ongoing low investment yields, which continue to be likely to prevail into the foreseeable future. The continuing depressed nature of the bond markets in 2017 meant that losses on investment assets amounting to £256k were incurred (2016: £24k 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 21.3% in 2017 to £2.42m (2016–£3.08m),

Most sales activity was with training providers in Great Britain. In 2017, training activity in the industry was broadly similar to 2016, reflecting the continuing depressed economic conditions in the industry, particularly in the offshore oil and gas sector. CCNSG safety training income comprised 50% (2016: 35%) of all income from all sales and sponsorships with total CCNSG income up 8% over 2016. Sales from the use of the ECITB's technical training courses reduced by 21% compared with 2016. However, supervisory and Project Management course income and registration and certification fees increased by 33%.

Sales income from overseas training providers fell by 49% in 2017. Sales achieved in 2017 amounted to £0.68m (2016: £1.34m). Income from the provision of consultancy services to overseas clients was 94% lower (at £57k) than in 2016 (£930k) as a result of the ECITB's decision to reduce its international presence. International Health and Safety Passport and ICE card income grew by £77k or 79%.

### Expenditure

In 2017, the bad and doubtful debt charge resulted in credit of £2.58m due to the reversal of £2.92m of charges for appealed levies made in earlier years. (In 2016, this figure was £1.187m including provisions against appealed levies). No provision was made for appealed levies in 2017 (compared to £1.215m in 2016). In addition, bad and doubtful debt provisions amounting to £328k (this figure was £43k in 2016) were made in respect of levy debtors whose debts exceeded six months in age, or which had entered into insolvency.

Expenditure on charitable activities in 2017 (excluding levy collection costs) amounted to £33.80m which was slightly higher than in 2016 (£33.37m). The main points to note are as follows:-

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- Overall expenditure relating to apprenticeships (including grant, direct and support costs) was 15% lower in 2017 (£5.85m) than in 2016 (£6.90m). Apprenticeship grant and direct costs fell below planned levels in all regions, and were £1m lower than in 2016. This largely relates to lower levels of apprenticeship grants paid relating to learners who completed their programmes in 2017. 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. The number of apprentices commencing programmes in 2017 was broadly similar to 2016 at 269 (2016 274).
  - Technical expenditure (£13.87m) exceeded 2016 levels by 12% (2016: £12.35m).
  - Management & Professional expenditure (£12.1m) was marginally more than 2016 levels (£11.7m) by 4%. This demonstrated employers' (particularly in the offshore oil and gas sector) continued high demand for training support relating to project management and graduate training and CPD for engineers.
  - Awards & Qualifications expenditure was lower in 2017 (£1.97m) compared with 2016 (£2.41m). This reflected a further reduction in the levels of grants awarded on the registration and achievement of vocational qualifications and technical tests. Overall, in 2017, grant expenditure in respect of all charitable activities increased by 6.7% (2017: £27.0m, 2016: £25.3m) which confirms 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.

Total costs of delivery (direct and support costs) of charitable activities, excluding levy collection costs, decreased substantially during the year. Direct and support costs across all charitable activities (excluding levy collection costs) were £1.26m lower at £6.80m compared with 2016 (£8.06m). In part, this is due to the fact that 2016 incurred redundancy costs of £163k following a restructure, coupled with a one off contribution to employees' pensions totalling £231k. Other savings were achieved as a result of the restructure and closure of the regional offices. These savings were enhanced by the fact that a number of vacancies had not been recruited to by the year end. We are anticipating a small rise in such costs in 2018 as these vacancies are filled. This will then represent the level of overhead anticipated when the restructure was initiated.

Levy collection costs amounted to £208k (2016–£519k). The high level of cost in 2016 reflected the legal fees incurred in the levy appeals lodged by Cape Industrial Services Limited.

### **Net Movement in Funds**

The quinquennial revaluation of the ECITB's land and buildings resulted in a charge of £100k.

The net incoming resources for the year after recognised gains and losses amounted to £1.01m (2016: £1.92m).

### **Balance Sheet at 31 December 2017**

#### **Assets**

Tangible assets fell in value by £177k to £1,266k (2016–£1,443k) due, predominantly, to the revaluation of the organisation's office building referred to above, coupled with a smaller fall in the net values of motor vehicles and computer equipment due to depreciation.

At the year-end, fixed and current investments amounted to £11.5m (2016–£13.5m). This reflects that a sale of assets took place in December and the funds were not reinvested within the month. This is offset by a corresponding increase in cash and cash equivalents. The organisation usually holds more cash at the end of December in order to enable payment of the higher level of December grant claims during January.

Debtors at the end of both 2016 and 2017 largely comprised levy and trade debtors, prepayments and accrued income. Overall, net debtors at the year-end stood at £638k, compared with £774k at 31 December 2016 due, in part, to reduced overseas activity, coupled with improved debt collection during the year.

#### **Creditors**

Year-end creditors amounted to £5.3m (2016: £5.1m). These largely comprised grant creditors and accruals.

The last triennial valuation of ITB Pension Funds took place during 2016. There is, again, no pension deficit liability at the year-end (2016: £nil) and, due to the fact the current members are members of a defined contribution scheme, no future liability will arise relating to them.

### **The Funds of the Charity**

The year-end balance sheet shows total charity funds of £21.3m (2016: £20.3m).



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## 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 and other longer-term training programmes. Such programmes carry forward significant financial commitments into future periods.

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.

- 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.

The Minimum Reserves Requirement has been 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 2018, 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 2018 to 2020 inclusive remains at the same levels as in 2017, 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 2018 to 2020. From 2018, under new governance arrangements, the Minimum Reserves Requirement will be reviewed by the Board and the assumptions underpinning the Requirement will be revisited and revised as necessary.

## Investment Policy and Performance

The ECITB is required by section 17(5) of the 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 permit investment in a range of high quality interest bearing instruments with investment in equities being precluded. The management of investments is contracted to Cazenove Capital Management, which is required to operate within these 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. The ECITB believes that, even if such opportunities are identified, the current investment mix will not 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 the FTSE UK Government Bond Fixed Up to 5 Year Index. In the period from 14th September 2004 (when the investment manager took over the portfolio) to 31st December 2017, the performance of the long-term portfolio, after the deduction of management fees, was 57.7% compared to the benchmark 54.4%, giving an annual portfolio return of 0.1% (benchmark return -0.3%) for the year to 31 December 2017.

The Management Board is responsible for the periodic review of the ECITB's investments, and the performance of the investment manager. This last occurred on 27 October 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. From 2018 this responsibility will fall to the Board.

## 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

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## 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 was one employee engaged under a fixed term contract 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 2017, the sickness absence rate was 2.3% (2016 – 2.4%), equivalent to 5.9 working days per head (2016– 6.2 working days). The decrease in average sickness absence is attributable to the reduction in long-term sickness absence from 4 employees in 2016 to 2 in 2017.

This compares with an XperTHR survey which quotes ONS sickness absence rates in 2016 of 2.9% in the public sector and 1.7% in the private sector.

## 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 Administration, the 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 directors 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.

The directors 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. None of the directors is employed on a fixed term contract.

At its meetings held in 2017 the Management Board reviewed the salary and performance of the Chief Executive, 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 directors are set out on page 31.

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

2017					2016					
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
<b>C J Claydon, Chief Executive</b>										
135-140	10-15	1,000	10	155-160	125-130	10-15	300	4	145-150	24.08.15
<b>P C Hill, Board Secretary</b>										
95-100	5-10	800	7	115-120	95-100	25-30	700	2	125-130	15.05.06
<b>A Brown, Director of Regional Operations</b>										
95-100	5-10	1,100	6	110-115	90-95	25-30	1,000	1	115-120	01.04.13
<b>N Spencer, Director of Development &amp; Quality</b>										
95-100	5-10	800	6	110-115	90-95	25-30	700	1	120-125	01.11.03
<b>A M Featherstone, Director of International Operations &amp; Commercial</b>										
50-55	0-5	500	0	50-55 (115-120 FYE)	105-110	20-25	2,000	0	135-140	11.07.05
<b>H M Blackwood, Director of Finance &amp; Administration</b>										
10-15	0	100	0	10-15 (90-95 FYE)	0	0	0	0	0	06.11.17

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 has been one payment in respect of provision for redundancy for one senior manager serving in the year. This was accrued for in the 2016 accounts as the decision to terminate employment had been made by 31 December 2016 and, therefore, there is no charge in the 2017 accounts. No awards in respect of early termination have been made to any 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 2017 was £145,000 – 150,000 (2016 – £130,000 – £135,000). This was 3.2 times (2016 – 3.1 times) higher than the median remuneration of the remainder of the workforce, which was £46,626 (2016 – £42,938). In 2017 no employees received remuneration in excess of the highest-paid director (2016 – none). Total full time equivalent remuneration ranged from £15,000 to £140,000 (£13,000 – £135,000 in 2016). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind plus severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

During the year, the ECITB had one 'off-payroll' engagement. An Interim Digitisation Manager was appointed in March 2017. Total costs of this manager during the year amounted to £160k inclusive of VAT. The engagement met the relevant criteria insofar as HMRC was concerned regarding the issue of IR35 and therefore no taxes were deducted from the payments made to Odgers Interim.

## 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 06.04.16* £'000
A M Featherstone	0 – 2.5	15-20	194
P C Hill	0 – 2.5	10-15	143
N Spencer	0 – 2.5	15-20	299
A Brown	0 – 2.5	10-15	121

\* CETV = Cash Equivalent Transfer Value

On 5<sup>th</sup> April 2016 the accrual of pension benefits in the Defined Benefits Section of ITB Pension Funds (ITB) ceased for all senior staff and other employees. From 6<sup>th</sup> April 2016, pension benefits accrued in the Defined Contribution Section of ITB. There is, therefore, no defined benefit increase to be reported on in 2017.

The accrued pension as reported on leaving the scheme is subject to annual inflationary valuations up until the time an individual takes the benefit or transfers out of the scheme.

### Defined Contribution pension

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

Name	Normal contribution 2017 £'000	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
C J Claydon	12	11	-	11
P C Hill	9	7	14	21
N Spencer	8	6	14	20
A Brown	8	6	13	19
A M Featherstone	2	7	16	23
H M Blackwood	0	0	0	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 £29,200 (2016-£29,000). No other trustees drew a salary in the year (2016: £Nil).

In 2017, 8 trustees (2016 -9) incurred travel, accommodation and subsistence expenses, which were reimbursed by the ECITB. In 2017, these expenses amounted to £7,963 (2016-£12,309).

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

Appendix 1 of this report contains a list of current trustees and former trustees who held office during 2017



**Lynda Armstrong OBE**  
Chair, ECITB  
22nd May 2018



**Chris Claydon**  
Chief Executive and Accounting Officer  
22nd May 2018

# GOVERNANCE STATEMENT 2017

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## 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 ECITB's purposes, strategic objectives and policies, while safeguarding the funds and assets for which I have responsibility in accordance with **Managing Public Money**. This means that the ECITB's funds and assets are properly accounted for, and are used efficiently and effectively.

## The Purpose of the Governance Statement

The Governance Statement supplements the financial information in the accounts by explaining how the ECITB's governance and control 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 ("the Act"). The Industrial Training (Engineering Construction Board) Order 1991 (Statutory Instrument 1991 No. 1305) defines the activities of the ECITB 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 (NDPB), and reports to its government sponsor body, the Department for Education (DfE).

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 an ITB 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 largely 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 2017 under the terms of the Industrial

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Training Levy (Engineering Construction Board) Order 2015 (2015 No. 677). Following a formal consultation with levy-paying employers in 2016 relating to future industrial training levy arrangements, The Industrial Training Levy (Engineering Construction Board) Order 2017 (2017 No. 485) came into force on 29th March 2017. Levy income during the financial years 2018 to 2020 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 ITB. The Accounting Officer is responsible for managing the implementation of agreed policies and is accountable to the Board.

## How ECITB is governed and decisions are made

### The Board

The members of the ECITB's Board of Trustees during 2017 and at 22nd May 2018, together with changes in membership since 1st January 2017 and 2017 meeting attendance records are shown in Appendix 1. Corresponding information relating to the Board's sub-committees are shown in Appendix 2.

The Board is responsible for shaping ECITB's future direction and strategy, and is accountable for corporate governance. It provides leadership, advice and challenge in the management performance of the organisation. It has identified strategic matters, over which only it can approve key decisions, and has delegated responsibilities for operational and other matters to sub-committees (see below) and the CEO. The Board oversees the implementation of business and financial plans.

In 2017 there were four sub-committees of the Board: the Management Board, the Audit Committee, the Qualifications and Awards Committee, and the Client Contractor National Safety Group (CCNSG). In addition to serving on the Board, some trustees also participate in policy making as members of the sub-committees. With the exception of the Management Board (which comprises solely Board members), members of the other sub-committees include other volunteers from the industry.

The members of the Board are appointed by the Secretary of State, and the Board's composition reflects the main stakeholders in the engineering construction industry. In view of the charitable nature of the organisation, Board members are trustees, and 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.

During 2017 no new trustees were appointed, pending both the completion of the DfE's review of the ITB's, and the programme of reform to the ECITB's governance arrangements undertaken by the Board (see below). 14 members' terms of office came to an end in the year either due to the expiry of their appointed terms, or the changes to the governance arrangements. In 2017 the Board met on three occasions. Average attendance at the Board over the year was 69% (2016 – 80%).

Miss Shirley Watson continued in the role of Interim Chair until 31st December 2017. Following the completion of the DfE's review of the industrial training boards, the Secretary of State has appointed Mrs. Lynda Armstrong as the ECITB's Chair with effect from 1st January 2018.

### The Management Board

The Board has delegated powers to the Management Board which are largely of an operational nature. The Board has also delegated responsibility to the Management Board to form the Remuneration Committee. The Board appoints members of the Management Board. The Chair of the Management Board is the Chair of the Board.

### The Audit Committee

The Trustees maintain an overview of internal control and risk management issues through the Audit Committee. 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 Board appoints members of the Committee. Its Chair is a trustee of the Board.

During 2017, the Audit Committee provided assurance to the Board and Accounting Officer on the ECITB's risk and control environment. It received reports on the business's key strategic risks, progress against the internal audit plan, and the external auditor's opinion on the annual report and accounts. The Committee regularly reviews the ECITB's risk register. This includes consideration of the Accounting Officer's reports relating to the significant risks identified in the risk register, and the risk profile of the organisation. As and whenever required, the Committee sought further information from individual areas of the business where members felt they would benefit from a more in-depth explanation on the control environment. The information received during the year enabled the Committee to provide a recommendation to the Accounting Officer and the Board to approve and sign the annual report and accounts.

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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. Representatives of the internal and external auditors (the Government Internal Audit Agency (GIAA) and the National Audit Office respectively) attend all meetings. These representatives have free and confidential access to the Chairman of the Committee.

Towards the end of the year two members of the Committee resigned. The Committee has agreed that there is a requirement for two new independent members, with expertise in the areas of financial and risk management. The ECITB is in the process of recruiting such individuals.

### **The Qualifications and Awards Committee**

The Committee oversees the governance of the ECITB's qualifications and awards, including the ECITB's compliance with regulatory conditions and principles set by Ofqual, the Scottish Qualifications Authority and Qualifications Wales.

### **The Client Contractor National Safety Group (CCNSG)**

The CCNSG is responsible for the management of the CCNSG's nationally accredited safety passport scheme. The ECITB manages the operation of the scheme, and the CCNSG retains responsibility for the strategic direction of the Scheme, including the Scheme's content, the standards for approval of training providers, the future development of the Scheme and its integrity assurance.



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## 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 2017 there were seven regional fora and three national fora, 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. He/she attends meetings of the Board. The fora support the achievement of the Board's strategic goals by contributing to the development of the ECITB's regional strategies and operating plans. The chairs of the regional fora meet periodically in order to discuss matters of common interest concerning training and skills development, and to exchange best practices in these areas.

The ECITB also works closely with other key regional stakeholders, such as industry clients, skills development or local enterprise partnerships, local authorities and funding bodies, training providers, and trades unions.

## 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.

The Chief Executive leads the organisation's executive management team ("the Executive"), which in 2017 comprised the Chief Executive, the Director of Finance and Administration, the Board Secretary, the Director of Regional Operations, the Director of Development and Quality, and the Head of Policy and Corporate Affairs. The members of the Executive are responsible for ensuring that the activities of their departments achieve the ECITB's strategic and operational objectives efficiently, to the highest quality standards, and in compliance with the law. Meetings of the Executive occur twice per month, and the members report concerning their areas of responsibility, including measurement of performance against key performance indicators.

## Overview of Board Effectiveness and Performance

To be effective, the Board must be fully informed of the work of the ECITB across its areas of activity. As Chief Executive, I and senior staff provide reports, information and discussion papers to the Board, covering progress against objectives, KPIs, the management of risks and financial control. Additionally, reports relating to matters considered by the Board's committees are submitted to the Board, along with the minutes of such meetings. Reports to the Board are also made by the Regional Chairs, who provide a direct link between regional employers and the Board, and bring the needs of the employers to the Board.

These measures enable the Board to monitor, advise on, challenge and lead the performance of the organisation. They have also enabled the Board to balance strategic priorities with support for employers' immediate skills and competence needs. The governance arrangements and decision-making processes described above also support a culture of openness and transparency, which in turn ensures that the Board is able to make decisions with a high degree of clarity and consensus.

## 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 first stage involved improvements to Board and committee working, and these were fully implemented in 2016.

The main purposes of the second stage were to develop a strategy for the ECITB, and to bring greater strategic focus to the activity of the Board. The Board and the Executive commenced the strategic review in 2016, and this was completed in 2017. The strategic review involved an examination of the future role and purpose of the ECITB, and the development of a medium to long-term strategy. In April 2017 the Board approved a new comprehensive strategy, including strategic themes and objectives. The ECITB's operational plans are based on the strategy. The Board monitors progress against strategic objectives, and annually reviews and re-assesses the strategy.

In the third stage of the review, the Board considered whether changes needed to be made to ECITB's governance arrangements and structures. The ECITB's current governance arrangements do not meet the Cabinet Office's guidelines or accepted best practice relating to such matters. Furthermore, in a review of its own effectiveness, the Board concluded that the Board should be smaller, and more strategic in nature. 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 its key stakeholders, while ensuring that it could maintain an agile and responsive approach to the changing needs of the industry. As part of the process, DfE was consulted, and informally indicated its support to this approach.

In April 2017, the Board approved proposals for revised governance, which took into account the factors described above, as well as the implications arising from the DfE's review of the ITB's. The revised arrangements were formally endorsed by DfE in its report following its review of the industrial training boards, which was published in November 2017.



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The main elements of the new governance structure are:

- A Board comprising the Chairman and 7 trustees with responsibility for setting strategic direction and monitoring performance of the Executive, with a majority drawn from industry employers.
- A Council of up to 25 members representing the broad and various interests of the industry, able to provide the strategic advice support and guidance to the Board to enable it to meet its obligations to the industry.
- An Audit and Risk Committee reporting to the Board. The Committee's remit has been expanded to scrutinise the ECITB's management and financial (including investment management) systems and controls.
- A Remuneration Committee reporting to the Board to formulate and agree with the Board policy relating to the remuneration of the executive employees.
- A Qualifications and Awards Committee reporting to the Council to oversee the regulation and award of all ECITB's qualifications and awards.
- A Regional Chairs' Committee reporting to the Council reflecting the 10 regions/sectors to maintain an overview of the range and level of site and off-site skills required by the industry.
- A CCNSG Committee reporting to the Council to advise the ECITB on the content and delivery of the ECITB's safety passport programmes.
- A Grant Committee reporting to the Board to review and formulate the ECITB's training grant policy and schemes. The remit will also include the ECITB's grant systems and decision-making processes to ensure that all aspects relating to grants are clearly defined, and fall within the ECITB's statutory remit and discretion. The committee will comprise the Chief Executive and members of the Executive team following consultation with the Board.
- An Executive team comprising the Chief Executive, the Board Secretary and directors as appointed by the Chief Executive following consultation with the Board.

Following its review of the ITB's, DfE has confirmed that it will also appoint new Board trustees (in addition to the new Chair). It is anticipated that the appointments will be made in the spring of 2018. In anticipation, in November 2017, the Board approved transitional arrangements, under which a smaller "interim" board comprising seven existing members would remain to support the new Chair until the new trustees had been appointed. This will enable the Council to be established and engaged as soon as possible. These arrangements have been implemented, and the terms of office of the Board's members who did not remain as members of the "interim" Board, formally came to an end on 31st December 2017. To ensure continuity and representativeness, former Board members and all regional chairs have been invited to form the first ECITB Council. Once the new trustees have been appointed by DfE, the members of the "interim" board will step down, and will also be invited to join the Council.

One of the key points made in the DfE's ITB Review was that the Board should regularly review whether the ECITB's governance arrangements were reflective of the engineering construction industry, including small and micro-businesses, and were sufficiently diverse. DfE has also confirmed that a new Framework Document will be put into place. This defines the governance relationship between the ECITB and the DfE. The ECITB will be required to conduct its activities within the parameters of the Document, which will reflect: the overarching statutory framework set out in the Industrial Training Act, the ECITB's new governance arrangements, delegated authority limits, the degree of discretion to depart from operational and budgetary plans, and the requirement for DfE's policy objectives to be included in the ECITB's plans.

New terms of reference for the Board and each of its committees will be approved by the Board in the spring of 2018, and submitted to DfE for approval. The Board's terms of reference will set out its duties and responsibilities having regard to the requirements in the Industrial Training Act, DfE's ITB Review Report and the terms of the Framework Document. The terms of reference will also define the Board's relationship with the ECITB Council.

These changes to the ECITB's governance arrangements will enhance the Board's effectiveness and performance of the Board.

### **Conflicts of Interest**

As a public body ECITB abides by principles of regularity and propriety, and ensures that its work is not adversely impacted by a conflict of interest. Board members and executive staff are required to complete a declaration of any interests. The Register of Trustees' Interests appears in Appendix 3. No significant company directorships or other interests were held by Board members or staff that conflicted with their role and responsibilities.

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.

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## 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 2017 no allegations were raised under the ECITB's whistle blowing policy.

## Risk Management

The ECITB's 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 designed to evaluate the likelihood of risks and their impact, and to manage them efficiently and effectively.

The ECITB's system of internal control has been in place throughout the year-ended 31st December 2017 (and up to the date of approval of the 2017 Trustees' report and accounts), and accords with HM Treasury guidance. A number of specific sources contribute to my annual governance review, including:

- reports and recommendations from the Audit Committee;
- the GIAA's Internal Audit annual report;
- the report and recommendations from the National Audit Office;
- reports from members of the Executive and senior managers, outlining the governance, risk and control arrangements in their business areas;
- external reports relating to the ECITB (e.g. reports produced by Ofsted);
- legislative and regulatory guidelines, including those relating to charitable status, and the use of public money.

## The risk management 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 ECITB has an established risk management policy, which is reviewed annually by the Audit Committee. The risk management system and policy distinguishes strategic and operational risks. The Audit Committee and the Management Board regularly review the ECITB's strategic risk register and I report to these committees on strategic risks several times per year.

The members of the Executive 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. An operational risk register is maintained and regularly reviewed by each member of the Executive. Each risk has a designated senior manager responsible for reporting the status of each identified risk. All members of the Executive are responsible for evaluating risk and taking measures to mitigate or minimise identified risk within their respective areas of operations and responsibility. Thus, risk management is embedded within the ECITB's normal operations.

The Board is responsible for assessing the organisation's risk appetite and tolerance towards risk. A review of the ECITB's risk appetite will occur in 2018 following the appointment of the new Board.



## Risk overview

The most significant risks faced by ECITB during 2017, which could impact on the delivery of its strategic objectives, together with the key mitigating actions are shown below:

Strategic risk	Mitigating actions
<p>Poor Governmental understanding of the ECITB leads to policy changes towards ITBs, which could result in disbandment or merger of the ECITB with the CITB.</p>	<ul style="list-style-type: none"> <li>• Deliver effective engagement with government and policy bodies with the aim of shaping and influencing policy making in support of the engineering construction industry (ECI) and the ECITB.</li> <li>• Ensure ITB Review recommendations are successfully implemented.</li> </ul>
<p>Changes to the Apprenticeship levy (AL) (for instance a significant increase in the rate or allowing employers to use Apprenticeship levy to fund all training) could result in a failure to achieve consensus and/or make the Industrial Training Levy (ITL) redundant.</p>	<ul style="list-style-type: none"> <li>• Continue to monitor the impact of the AL closely on engineering construction industry employers.</li> <li>• Lobby Government to prevent further changes to the AL that could have detrimental impact on employers and threaten the ITL.</li> <li>• Engage in policy discussions concerning the creation of the National Training Scheme.</li> <li>• Engage with “think-tanks” and other organisations calling for a flexible training levy on the benefits of the ITL and the role of the ECITB.</li> </ul>
<p>Inadequate understanding of industry needs leads to a failure to provide relevant services, which could result in losing industry support for the ECITB and the loss of the ITL.</p>	<ul style="list-style-type: none"> <li>• Provide insightful and useful labour market intelligence to the ECI to inform skills planning.</li> <li>• Provide information and training on relevant emerging and maturing technologies which can improve productivity in the ECI.</li> <li>• Maintain a training grant system that is up to date and relevant to all companies’ needs.</li> <li>• Improve the quality of training providers.</li> <li>• Develop alternative sources of income to the ITL.</li> <li>• Improve the capability and capacity of staff to identify and articulate industry needs.</li> </ul>
<p>Inadequate system controls could lead to fraud, including incorrect and inadequate assessment of ITL, and the improper delivery of ECITB licensed products and services by the provider network, which results in financial loss, unsafe working practices for workers, and loss of confidence in, and reputation of, the ECITB.</p>	<ul style="list-style-type: none"> <li>• Maintaining rigorous levy controls and analysis.</li> <li>• Develop strategic partnerships with training providers to ensure quality of training delivery.</li> <li>• Implementation of Digitalisation Strategy, including development of Membership Services Portal.</li> </ul>
<p>An employment cessation event leads to withdrawal from participation in the ITB Pension Scheme (ITB) with an outstanding section 75 Pensions Act liability, which could lead to significant liquidity issues and at worst insolvency.</p>	<p>Avoid the circumstances giving rise to an Employment Cessation Event by:</p> <ul style="list-style-type: none"> <li>• Ensuring ECITB continues to participate as a member of the scheme with active members in the DC Section.</li> <li>• Ensuring all contributions due in respect of active members are paid as and when they fall due.</li> <li>• Ensuring any deficit recovery contributions in respect of accrued DB Section liabilities are paid as and when they fall due.</li> <li>• Maintaining reserves at levels that provide assurance to ITB trustees that ECITB is able to meet its obligations.</li> <li>• Maintaining dialogue with ITB’s Trustees concerning the ECITB’s financial position.</li> </ul>
<p>A perception that the ECITB does not support Scottish business or Scottish Government’s skills priorities, leads to a lack of mandate in Scotland, which results in a significant reduction in the ECITB’s levy income.</p>	<ul style="list-style-type: none"> <li>• Boost ECITB’s strategic engagement with the Scottish Government and skills agencies, to raise profile and be seen as the voice for the Scottish ECI and a key partner to the Scottish Government.</li> <li>• Maintain support of the Offshore Contractor’s Association companies through continued delivery of strategic initiatives.</li> </ul>
<p>The use of levy funds to grant aid employers does not comply with Industrial Training Act requirements or does not provide flexible and uncumbersome support for employers leading to either sanction from the Government or loss of confidence from employers which results in a poor levy consensus in 2019.</p>	<ul style="list-style-type: none"> <li>• Ensure compliance with regulatory requirements.</li> <li>• Ensure grant aid for employers does not increase administrative burden on employers from current requirement</li> <li>• Ensure ECITB levy can still flexibly support employers’ training needs based on training plans formulated through the account management process.</li> </ul>

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## The ECITB's approach to Data Security and 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 2017 no disclosures or reports were submitted to the Information Commissioner's Office (ICO).

To achieve its aims the ECITB collects and makes use of personal information about individuals, such as employers, their learners (including apprentices), employees, applicants for posts and suppliers. The ECITB is committed to protecting the rights and freedoms of individuals relating to the processing of their personal data, and complies with its obligations and responsibilities under current Data Protection legislation. By the end of the year the ECITB had commenced the implementation of measures to ensure compliance with the General Data Protection Regulation (GDPR), which will take effect in May 2018. The ECITB is in the process of reviewing systems and processes for handling data securely against the new requirements in GDPR and the relevant guidelines issued by the ICO.

In 2017 the implementation of the ECITB's Digitalisation Strategy continued, involving the further development of the ECITB's "member services portal," and the "digitalisation" of key training grant management transactions between the ECITB and in-scope employers. At the end of the year, much of the new functionality had been developed, and was in the process of being tested with "pilot" employers. In 2018 remaining data storage and business applications will be transferred to a governmentally approved remotely hosted environment in line with Digital Service Standard issued by the Government Digital Service.

## Internal Audit

The 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 systems. Reports are submitted to the Audit Committee concerning audits undertaken and the implementation of recommendations. The GIAA has a direct reporting line to the Audit Committee to ensure independence.

The GIAA's Internal Audit annual report, summarised the work undertaken and indicated that there were some improvements required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. However, the GIAA's overall conclusion was that the ECITB's control processes were adequate and generally operating effectively in each of the areas audited.

I have concluded from the GIAA's report that the ECITB has adequate and effective systems over risk, control and governance which provide reasonable assurance regarding effective and efficient achievement of the ECITB's objectives.

## Conclusion

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 members of the Executive and senior managers within the organisation (who have responsibility for the development and maintenance of the internal control framework), the work of the GIAA, comments made by the National Audit Office in its 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.

This Governance Statement represents the conclusions of my review of the effectiveness of the ECITB's governance framework, risk management and internal controls in 2017. I am satisfied that the governance arrangements and the risk and control framework used in 2017 were sufficient to continue managing risks effectively, and ensure that the operating and financial risks were fully understood by the Board. I have concluded that the ECITB's system of governance, risk management and internal control supports the achievement of the ECITB's aims and objectives.



**C J Claydon**

Chief Executive and Accounting Officer

22nd May 2018

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

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## Opinion on financial statements

I certify that I have audited the financial statements of the Engineering Construction Industry Training Board (ECITB) for the year ended 31 December 2017 under the Industrial Training Act 1982. The financial statements comprise: the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the ECITB's affairs as at 31 December 2017 and of its net income 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 regularity

In my opinion, in all material respects the income and expenditure 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the ECITB in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Trustees and Accounting Officer

As explained more fully in the Statement of the ECITB's and the Accounting Officer's Responsibilities, the Trustees 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.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Industrial Training Act 1982.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ECITB's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ECITB's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

### Other Information

The Trustees and Accounting Officer are responsible for the other information. The other information comprises information included in the Trustees' report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Opinion on other matters

In my opinion:

- the Trustees' Report has been properly prepared in accordance with Secretary of State directions made under the Industrial Training Act 1982.
- in the light of the knowledge and understanding of the ECITB and its environment obtained in the course of the audit, I have not identified any material misstatements in the Trustees' Report; and
- the information given in the Trustees' Report which we provide a positive consistency opinion on 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 Trustees' Report 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

23rd May 2018

# FINANCIAL ACCOUNTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

### Statement of Financial Activities for the year ended 31 December 2017

#### Income

		2017 £'000	Restated 2016 £'000
<b>Income from other trading activities</b>			
Income from investments	Note 4	368	442
<b>Income from charitable activities</b>			
Non-Levy income			
- Apprentices and Careers		50	46
- Technical Programmes		535	932
- Management and Professional Programmes		132	104
- Awards and Qualifications		1,705	1,997
<b>Total non-levy income</b>	Note 3	<b>2,422</b>	<b>3,079</b>
<b>Levy</b>	Note 2	<b>30,073</b>	<b>33,514</b>
<b>Total Income</b>		<b>32,863</b>	<b>37,035</b>

#### Expenditure

<b>Expenditure on Raising funds</b>			
Investment management costs		71	77
Provisions for Bad debts and against appealed levies	Note 5	(2,576)	1,187
Levy Collection costs		208	519
<b>Total costs of raising funds</b>		<b>(2,297)</b>	<b>1,783</b>
<b>Expenditure on Charitable activities</b>			
Apprentices and Careers		5,846	6,901
Technical Programmes		13,871	12,355
Management and Professional Programmes		12,114	11,699
Awards & Qualifications		1,966	2,413
<b>Total costs of charitable activities</b>	Note 6	<b>33,797</b>	<b>33,368</b>
<b>Total expenditure</b>		<b>31,500</b>	<b>35,151</b>
Net gains / (losses) on investments	Note 15	(256)	(24)
<b>Net income / (expenditure)</b>		<b>1,107</b>	<b>1,860</b>

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### Other Recognised gains / (losses)

Other recognised gains / (losses)		£'000	£'000
Gains / (Losses) on fixed assets	Note 13	(100)	62
<b>Net movement in funds</b>	Note 21	1,007	1,922

### Reconciliation of Funds

<b>Total funds brought forward at 1 January</b>		20,258	18,336
<b>Total funds carried forward at 31 December</b>	Note 21	21,265	20,258

The statement of financial activities reflects all gains and losses during the year to 31 December 2017. All activities are continuing. All funds are unrestricted.

The notes on pages 47 to 70 and the appendices on pages 72 to 77 form part of these financial statements.



## Balance Sheet as at 31 December 2017

		2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible Assets	Note 13	1,266	1,443
Investments maturing in more than one year	Note 15	6,689	9,764
<b>Total fixed assets</b>		<b>7,955</b>	<b>11,207</b>
<b>Current Assets</b>			
Debtors	Note 16	638	774
Investments maturing in less than one year	Note 15	4,788	3,738
Cash and cash equivalents and in hand	Note 23	13,222	9,597
<b>Total current assets</b>		<b>18,648</b>	<b>14,109</b>
<b>Creditors</b>			
Amounts falling due within one year	Note 17	(5,338)	(5,058)
<b>Net current assets</b>		<b>13,310</b>	<b>9,051</b>
<b>Total assets less current liabilities</b>		<b>21,265</b>	<b>20,258</b>
<b>Total assets less liabilities</b>		<b>21,265</b>	<b>20,258</b>
<b>The Funds of the Charity</b>			
Unrestricted fund	Note 21	21,265	20,258
<b>Total Charity Funds</b>		<b>21,265</b>	<b>20,258</b>

The accounts were approved by the Board on 22nd May 2018



**L A Armstrong**  
Chair  
22 May 2018



**C J Claydon**  
Chief Executive and Accounting Officer  
22 May 2018

The notes on pages 47 to 70 and the appendices on pages 72 to 77 form part of these financial statements.

## Statement of cash flows for the year ended 31 December 2017

		2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	Note 22	1,581	997
<b>Cash flows from investing activities</b>			
Investment income	Note 4	368	442
Purchase of property, plant and equipment	Note 13	(119)	(101)
Proceeds from the sale of property, plant and equipment		26	43
Proceeds from the sale of investments	Note 15	3,700	2,350
Purchase of investments	Note 15	(1,931)	(3,414)
<b>Net cash provided by (used in) investing activities</b>		2,044	(680)
Change in cash and cash equivalents in the reporting period	Note 23	3,625	317
<b>Reconciliation of changes in cash, cash equivalents and in hand</b>			
		2017 £'000	2016 £'000
Balance at 1 January	Note 23	9,597	9,280
Change in cash and cash equivalents in the reporting period	Note 23	3,625	317
Balance at 31 December		13,222	9,597

The notes on pages 47 to 70 and the appendices on pages 72 to 77 form part of these financial statements.

# NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## 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 2016/17 Government Reporting Manual (FRM) 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.

The ECITB is a public benefit entity.

### 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 2016 was raised in January 2017 and recognised as income in 2017.

### 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

### 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. Some 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.

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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 2017 by Bidwells, a firm of Property Consultants. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017.. Following the valuation, the existing use property value was recorded in the 2017 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 13 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.

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## Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

## Debt Provision

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.

## Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

## Provisions

Provisions (i.e. liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

## 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.

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 the 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 in full on most supplies of goods and services which it receives. Thus, all costs are shown inclusive of the irrecoverable element of VAT.

## Fund

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

## 2. LEVY RECEIVABLE

Levy Receivable	2017	2016
Number of establishments wholly or mainly engaged in engineering construction activities (leviable establishments)	347	350
Number of employers operating leviable establishments	321	324
Number of leviable establishments subject to payment of levy	247	256
Number of employers operating leviable establishments subject to payment of levy (levy-paying in-scope employers)	223	231
Number of leviable establishments exempt from payment of levy	100	94
Number of employers operating leviable establishments exempt from payment of levy (non-levy paying in-scope employers)	100	94
	<b>£'000</b>	<b>£'000</b>
Levy receivable	30,073	33,514

In 2017 no employers appealed levy assessments raised in the year (2016 – 2 employers).

## 3. NON LEVY INCOME

Non Levy Income	2017 £'000	2016 £'000
From sales	2,422	3,079
	2,422	3,079

The following streams of income were received from sales:-

Sources of Sales Income	Income Stream	Charitable Activity	2017 Income £'000	2016 Income £'000	
UK employers	ECITB Project Management Conference	Management & Professional	2	20	
	ECI Training & Development Awards Event	Awards & Qualifications	30	28	
UK Training Providers	Apprentice Certification	Apprenticeships & Careers	10	7	
	Technical training & test licence fees and course & test income	Technical	358	332	
	Supervisory and PMSC licence fees and training course income	Management & Professional	99	72	
	CCNSG licence fees and safety passport income	Awards & Qualifications	1,110	1,081	
	VQ registration and certification	Awards & Qualifications	132	202	
Overseas Training Providers	Apprenticeship Learner Income	Apprenticeships & Careers	40	39	
	Technical training & test licence fees and course & test income	Technical	149	135	
	Supervisory and PMSC licence fees and training course income	Management & Professional	31	12	
	IHSP licence fees and safety passport income	Awards & Qualifications	404	221	
	Consultancy Services		Technical	28	465
			Awards & Qualifications	29	465
			2,422	3,079	

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

## 4. INVESTMENT INCOME

Investment Income	2017 £'000	2016 £'000
Income from quoted investments	325	362
Income from cash deposits	43	80
	368	442

## 5. PROVISIONS FOR BAD DEBTS AND AGAINST APPEALED LEVIES

Provisions for bad debts and against appealed levies	2017 £'000	2016 £'000
Levy bad debts due to insolvency or non-payment	328	43
Levy Assessments under appeal	-	1,215
Reversal of previous years levy bad debt provision	(6)	
Reversal of provision against appealed levies made in previous years	(2,917)	-
Trade bad debts	19	(71)
	<u>(2,576)</u>	<u>1,187</u>

During the year, prior year bad debt provisions relating to trade debts were reversed, following the receipt of the corresponding sums from debtors. The reversal of the provision against appealed levies made in previous years has resulted in a credit for the year, compared to a charge in 2016.

## 6. CHARITABLE ACTIVITIES

Charitable Activities	Grant Funding (note 7) £'000	Direct Cost (note 8) £'000	Support Costs (note 9) £'000	Total 2017 £'000	Restated Total 2016 £'000
Apprenticeships & Careers	3,510	1,502	834	5,846	6,901
Technical Programmes	12,165	1,097	609	13,871	12,355
Management & Professional Programmes	10,574	990	550	12,114	11,699
Awards & Qualifications	746	750	470	1,966	2,413
	<u>26,995</u>	<u>4,339</u>	<u>2,463</u>	<u>33,797</u>	<u>33,368</u>

See notes 8 and 9 for explanations of the split of costs by category.



## 7. GRANT FUNDING

Of the £27.0m of grants made to employers in 2017, grants amounting to £24.3m 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 UK Ltd	3,747,289	Boulting Group Ltd	107,327
Cape Industrial Services Ltd	3,080,400	Technip UK Ltd	197,406
Sellafield Ltd	2,185,206	MW High Tech Projects UK Ltd	105,173
* AMEC Foster Wheeler Group Ltd	2,024,697	Costain Oil Gas & Process Ltd	97,579
Magnox Ltd	1,664,914	Horizon Nuclear Power Services Ltd	88,864
Dounreay Site Restoration Ltd	1,274,527	Offshore Design Engineering Ltd	81,879
* Petrofac Facilities Management Ltd	1,303,574	On Line Design & Engineering Ltd	77,565
Stork Technical Services Ltd	1,203,037	Vogal Group Ltd	77,500
Bilfinger Salmis UK Ltd	1,039,854	P.P.S Electrical Ltd	77,407
* Doosan Power Systems Ltd	774,610	IRISNDT Ltd	74,918
Aker Offshore Partner Ltd	654,493	Rayfern Ltd	72,466
* Jacobs UK Ltd	675,248	Worley Parsons Europe Ltd	72,254
Cavendish Ltd	475,012	Intellect Ltd	68,899
Kellogg Brown & Root Ltd	311,652	Xodus Group Ltd	68,079
* Alstom Power Ltd	211,059	Oceaneering International Services Ltd	66,110
Weir Engineering Services Ltd	195,833	Spie WHS Ltd	66,001
Subsea 7 Ltd	193,265	Atkins Ltd	63,730
Siemens Transmission & Distribution Ltd	271,611	VWS Ltd	60,674
NNB Generation Company Ltd	169,619	Wisbech Electrical Ltd	58,387
Saipem Ltd	158,247	East Midland Instrument Company Ltd	56,977
OneSubsea UK Ltd	141,037	Engenda Group Ltd	55,875
MB Engineering Services Ltd	139,009	Dornan Engineering Services Ltd	52,762
Fluor Ltd	134,600	Attric Ltd	52,540
Shepley Engineers Ltd	127,629	Subtotal	24,309,549
Fabricom Oil Gas & Power Ltd	127,946	Other Grants	2,685,326
Applus RTD UK Ltd	116,894	Total	26,994,875
CB&I UK Ltd	107,920		

\* 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 heading, 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	Apprenticeships & Careers	Technical Programmes	Management & Professional Programmes	Awards & Qualifications	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000
ACE cards	-	-	-	-	-	3
Apprentice allowances, travel and subsistence	243	-	-	-	243	237
Apprentice training and assessment costs	696	-	-	-	696	659
Apprenticeship recruitment costs	111	-	-	-	111	101
Awarding Organisation administration	-	-	12	20	32	29
Depreciation on assets in staff possession	9	26	22	5	62	61
ECITB Active Cup	-	-	119	-	119	91
ECITB Awarding Body External Verification	-	-	-	91	91	101
Legal fees incurred in levy appeals	-	-	-	-	-	178
Legal fees incurred in levy debt collection	-	-	-	-	-	26
Professional, administrative & commission fees incurred in international commercial activities	-	23	-	23	46	357
Product development	37	21	10	37	105	73
(Profit)/Loss on disposal of Fixed Assets	(1)	(2)	(2)	-	(5)	(4)
Regional Premises	3	10	9	-	22	131
Safety Passport issue and administration	-	-	-	122	122	125
Staff costs (salary, NI and pensions) (Note 10)	357	848	638	377	2,220	3,032
Staff travel and subsistence	45	166	94	74	379	470
Talent Retention Solution services	-	-	84	-	84	58
Training Provider Account Management	2	5	4	1	12	15
	1,502	1,097	990	750	4,339	5,743

Professional, administrative & commission fees incurred in international commercial activities were lower in 2017 due to the reduction in numbers of staff working overseas and engaged on international commercial activities. This was also the reason for much of the reduction in staff travel and subsistence costs. The cost of regional premises has reduced substantially as regional premises were vacated during 2016, although some costs were incurred in 2017. The closure of the regional offices resulted in a reduction in regional administrative staff with a resultant reduction in staff costs.

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

Charitable Activity	2017 %	2016 %
Apprenticeships & Careers	34	28
Technical Programmes	24	27
Management & Professional Programmes	22	20
Awards & Qualifications	17	19
Proportion of direct costs allocated to Charitable Activities	97	94
Proportion of direct costs allocated to Levy Collection Costs	3	6
	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	2017 £'000	2016 £'000
Corporate Affairs	Policy, marketing and communications	141	326
Finance & Legal	Professional charges	2	28
	Depreciation categorised as a support cost	98	88
	(Profit) / Loss on disposal of fixed assets	15	-
Human Resources	Support staff costs (including salary, NI and pensions)	1,234	1,149
	Support staff travel and subsistence	33	56
	Agency costs	28	12
	Finance charge payable in respect of liability to pay pension deficit contributions (Note 12)	-	40
	Professional pensions fees	-	182
	Other professional fees	14	14
	Staff recruitment and training	80	211
	Information Technology project costs	314	217
	Information Technology and communications	248	209
	Head Office infrastructure (includes buildings and office consumables costs)	179	159
	Governance	151	146
		2,537	2,837

The total figure above includes £74k allocated to levy collection costs (2016 £172k).

Policy, marketing and communications costs were lower in 2017 due to lower spending on events.

The professional charges incurred in the Finance and Legal function were lower in 2017 than in 2016 largely because, during 2016, 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. No similar expenditure was incurred during 2017.

The professional charges relating to pensions incurred last year related to services received in connection with the cessation in 2016 of ongoing accrual of pension benefits by all ECITB active members in the Defined Benefit section of ITB. No similar charges were incurred in 2017.

Staff recruitment and training costs were lower in 2017 largely due to the fact that we recruited fewer new staff in 2017 than in 2016.

Information technology project costs were significantly higher than in 2016 due to the implementation of the second stage of the ECITB's Digitalisation Strategy.

Expenditure on information technology and communications was higher due to increased maintenance costs and hosting fees as additional systems were implemented.

The cost of the statutory audit for 2017 is included within Governance costs. The quoted cost of the 2017 audit was £45k (2016-£45k). The final invoiced audit fee for 2016 was £41k. The other services related to an element of the audit of the ITB pension fund by the National Audit Office, for which the ECITB is liable, totalling £1,760 (2016: £1,650).

## 10. STAFF COSTS

Staff Costs	2017 £'000	2016 £'000
Salaries	2,996	3,447
Social security costs	330	373
Pension costs (standard contributions)	200	249
Payment to DC Section of ITB Pensions Plans following cessation of members' benefit accrual and the DB Section and commencement in the DC Section	-	231
Discharge of pensions deficit contribution liability	-	(265)
Agency costs	28	18
Other personnel costs	21	16
Termination costs	13	163
	3,588	4,232

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 2017, the total incentive award amounted to an average 1.5% of the total basic salary (2016 – 1.2%).

Pension costs have reduced due to the closure of the final salary pension scheme and the move to a defined contribution scheme during 2016. The payment to the defined contribution section of ITB Pension Plans in 2016 was a one-off payment in recognition of this.

Termination costs comprise the statutory and contractual payments (including payments in lieu of notice) made in respect of 1 employee whose employment terminated during the year due to reasons of redundancy (2016 – 17). No costs are shown in 2017 as the full amount was accrued within the 2016 accounts by reason of the fact the decision to make the member of staff redundant had been made and communicated by 31 December 2016. Two other employees who left employment during the year received payment in lieu of notice totalling £13k (2016 – £95k).

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

Termination value band	2017			2016		
	Number of compulsory redundancies	Number of voluntary redundancies	Value of Termination cost by cost band by £'000	Number of compulsory redundancies	Number of voluntary redundancies	Value of Termination cost by cost band by £'000
< £10,000	-	-	-	7	4	47
£10,001 - £25,000	-	-	-	2	3	87
£21,001 - £50,000	-	-	-	1	-	29
£50,001 - £100,000	-	-	-	-	-	-
Total number of redundancies	-	-	-	10	7	-
	Total termination cost (£'000)		-			163

## 11. STAFF NUMBERS

Average number of employees by function	2017 Number	2016 Number
Apprenticeships & Careers, Technical Programmes, Management & Professional Programmes	37	46
Awards & Qualifications	4	13
Levy Collection	2	3
Senior Management and Corporate Support Services	17	15
	60	77

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.

The reduction in headcount compared to 2016 is due to the redundancy programme undertaken during 2016.

Employees earning over £60,000 per annum including benefits in kind, excluding pension contributions	2017 Number	2016 Number
£60,001 - £70,000	6	7
£70,001 - £80,000	2	1
£90,001 - £100,000	-	3
£100,001 - £110,000	3	2
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-
	12	14

The number of people of each gender who were employed by the ECITB as at 31 December 2017 was as follows:

Category	2017			2016		
	Female	Male	Total	Female	Male	Total
Directors	1	4	5	-	5	5
Other Employees	21	34	55	22	39	61
Total	22	38	60	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 ECITB is a participating employer in the Defined Contribution section of the ITB Pension Funds' scheme. During 2016, all employees who were participating in the Defined Benefit Scheme were transferred to the Defined Contribution scheme. In 2016, the ECITB fully discharged its obligation to make any deficit recovery payments in respect of the Defined Benefit scheme with the consequence that there is no pension deficit liability as at 31 December 2017 (2016 £nil).

All pension contributions are charged to the statement of financial activities as incurred. Outstanding pension deficit contribution liabilities are recognised if and when the obligation arises. Given the ECITB is now participating in the Defined Contribution Scheme, no such additional liabilities in respect of current employees are expected to occur.

### ITB Pensions Funds Open Fund

The Open fund is a defined benefit scheme. Whilst no current members of staff are members of this scheme, there are Pension scheme members who are past employees of the ECITB or of the Engineering Industry Training Board prior to 1991.

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 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. The ECITB and members paid at the basic rates of 5.5% and 4.5% respectively. 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.

### 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 2017

The pension costs incurred by ECITB in 2017 amounted to £200,375 (2016–£479,454). This represents all contributions (normal and deficit contributions) payable by the ECITB to the ITB Pension Funds' Open Fund and the Defined Contribution Scheme.

Movement in the year in the liability to make Defined Benefit pension deficit contributions	2017 £'000	2016 £'000
Pension deficit over 1 year	-	504
Pension deficit within 1 year	-	232
<b>Total pension deficit</b>	<b>-</b>	<b>736</b>
Revaluation of pension deficit	-	(265)
Accelerated payment to clearing of the pensions deficit	-	(262)
Planned payments to clear the liability	-	(249)
Finance charge on pension deficit	-	40
<b>Closing liability</b>	<b>-</b>	<b>-</b>



## 13. TANGIBLE FIXED ASSETS

2017 Tangible Fixed Assets	Freehold Land & Buildings £'000	Plant & Machinery £'000	Computer Equipment £'000	IT Software £'000	Furniture & Equipment £'000	Total £'000
<b>Cost or valuation</b>						
At 1 January 2017	1,158	318	332	34	76	1,918
Revaluation	(161)	-	-	-	-	(161)
Additions	23	62	18	5	11	119
Disposals	-	(82)	(85)	-	(18)	(185)
At 31 December 2017	1,020	298	265	39	69	1,691
<b>Depreciation</b>						
At 1 January 2017	-	145	248	34	48	475
Charge for year	61	63	31	-	5	160
Revaluation	(61)	-	-	-	-	(61)
Disposals	-	(62)	(76)	-	(11)	(149)
At 31 December 2017	-	146	203	34	42	425
<b>Net Book Value</b>						
At 1 January 2017	1,158	173	84	-	28	1,443
At 31 December 2017	1,020	152	62	5	27	1,266
<b>2016 Tangible Fixed Assets</b>						
<b>Cost or valuation</b>						
At 1 January 2016	1,152	403	279	34	76	1,944
Revaluation	6	-	-	-	-	6
Additions	-	40	61	-	-	101
Disposals	-	(125)	(8)	-	-	(133)
At 31 December 2016	1,158	318	332	34	76	1,918
<b>Depreciation</b>						
At 1 January 2016	-	166	229	34	42	471
Charge for year	56	65	27	-	6	154
Revaluation	(56)	-	-	-	-	(56)
Disposals	-	(86)	(8)	-	-	(94)
At 31 December 2016	-	145	248	34	48	475
<b>Net Book Value</b>						
At 1 January 2016	1,152	237	50	-	34	1,473
At 31 December 2016	1,158	173	84	-	28	1,443

## 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 2017 by Bidwells, Chartered Surveyors. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors Professional Valuation – Global Standards 2017. 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. After adjustment for depreciation the net book (existing use) value has been decreased to £1,020k. This devaluation appears as a recognised loss in the accounts of £100k (2016: gain-£62,000).

The existing use value of the land has been apportioned at £210,000 (2016-£289,465). The land is not depreciated.

The cost and accumulated depreciation at 31 December 2017 includes fully depreciated assets at a historical cost of £209,908 (31 December 2016-£254,036).

## Plant and Machinery

Plant and machinery largely comprises motor vehicles.

## 14. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2017 (31 December 2016-£0)

## 15. INVESTMENTS

<b>Investments</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Listed Investments</b>		
Market value at 1 January	13,502	12,462
Purchases	1,931	3,414
Sales	(3,700)	(2,350)
Net Gain / (Loss)	(256)	(24)
Market value at 31 December	11,477	13,502
Investments maturing in more than one year	6,689	9,764
Investments maturing in less than one year	4,788	3,738
Total market value of listed investments	11,477	13,502
<b>Cash and cash equivalents and in hand</b>		
Cash at bank and in hand	252	1,285
Cash equivalents	12,970	8,312
Total cash and cash equivalents and in hand	13,222	9,597

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

Details of material investments are as follows:-

	<b>% Value of portfolio</b>
United Kingdom Treasury Stock 7.9.22 (1.75%)	12.4%
European investment bank EIB 15.1.18 (1.375%)	6.1%
Barclays Bank PLC Bonds 12.2.18 (Var % Floating Rate)	6.1%
United Kingdom of Great Britain and Northern Ireland 7.9.22 Treasury Stock (1.75%)	3.4%
Severn Trent Utilities Finance PLC 22.1.18 (6%)	2.3%
Motability 10/12/19 EMTN (6.625%)	2.3%
Nationwide BS 9.9.19 Reg. S (5.625%)	2.2%
SSE PLC 1.10.18 (5%)	2.1%
Abbey National 17.2.20 Reg. S (1.875%)	2.1%
EIB 7.9.21 EMTN (1.125%)	2.1%
Northern Gas Networks Finance 8.7.19 (5.875%)	1.5%
Centrica PLC 19.9.18 (7%)	1.5%
Coventry Building Society 19.4.18 (4.625%)	1.4%
National Grid Gas Finance PLC 22.9.21 (1.125%)	1.4%
Cash Equivalent held by the investment portfolio manager	53.1%

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	2017 £'000	2016 £'000
Levy debtors	577	3,120
Provision against appealed levies	-	(2,917)
Provision for bad levy debts	(525)	(203)
Net levy debtors	52	-
Non-levy debtors	437	545
Non-levy bad debt provision	(79)	(60)
Total non-levy debtors	358	485
Prepayments and accrued income	228	289
Total debtors	638	774

There were no appealed levies during the year, although the levy appealed by Cape Industrial Services during 2016 was settled. Cape had appealed levies totalling £2.573m in respect of base periods 2012/13, 2103/14 and 2014/15. Cape accepted, without admission as to future years, that its establishment known as "Cape Offshore" was a leviabale establishment during those base periods and that the appealed levies were payable,

The ECITB agreed that there was sufficient evidence of appropriate training during 2014, 2015 and 2016 for Cape to have qualified for retrospective ECITB training grants amounting to £2.43m. The retrospective grants were offset against the outstanding levies. Given the full amount of the debt had been provided for, the "net levy" payable has been recognised in the 2017 Statement of Financial Activities.

The levy bad debt provision increased during the year due to an increased number of insolvencies.

Balances with Intra-Governmental Bodies	2017 £'000	2016 £'000
Local authorities	11	10
Balances with non government bodies	627	764
Total	638	774

Debt Provision	2017 £'000	2016 £'000
Opening provision against appealed levies and for bad debts	3,180	1,993
Levies appealed in year	-	1,215
Levy bad debts due to insolvency or non-payment	331	43
Other bad debts	48	37
Reversal of bad debt provision due to receipt of liquidator's dividend	(3)	-
Reversal of bad debt provision following offset against training grants due	(2,430)	-
Reversal of bad debt provisions due to payment of outstanding debts	(522)	(108)
Closing provisions for bad debts and against appealed levies	604	3,180

During the course of 2017 no debts (£nil) (2016- £nil) 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 would obtain the consent of the DfE to write off debts in this manner.

## 17. CREDITORS

<b>Creditors – amounts falling due within 1 year</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Creditors	4,703	4,364
Accruals	578	616
Taxation	34	39
Deferred income	23	39
<b>Total creditors falling due within one year</b>	<b>5,338</b>	<b>5,058</b>

There were no creditors with amounts falling due after more than one year as at 31 December 2017 (2016 £nil).

<b>Balances with Intra-Governmental Bodies</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Government bodies	963	1,167
Local authorities	2	36
Balances with non government bodies	4,373	3,855
<b>Total creditors</b>	<b>5,338</b>	<b>5,058</b>

The balance with Central Government bodies at the 2017 year-end includes the sum of £837k in training grants payable to Sellafeld 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 same 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		2017 £'000	2016 £'000
Investments	Note 15	11,477	13,502
Debtors	Note 16	638	774
Cash and Cash Equivalents	Note 23	13,222	9,597
Financial liabilities by category			
Creditors	Note 17	5,338	5,058

Cash and Debtors are classified as loans and receivables, Creditors are classified as financial liabilities and Investments are classified as fair value through the Statement of Financial Activities.

### 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 2017 are estimated to amount to £6,254k (2016–£6,157k). 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	2017 £'000	2016 £'000
Pre 2009	3	15
2009	3	5
2010	18	3
2011	3	5
2012	53	84
2013	209	649
2014	819	1,361
2015	1,231	1,928
2016	1,642	2,107
2017	2,273	-
	6,254	6,157

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 2017 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

During the course of 2016, 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 2016 year-end reflected the value of the liability to pay rent and licence fees during the notice periods in respect of these two premises. These liabilities were fully discharged during the course of 2017 with the result that the organisation has no operating leases or lease commitments as at 31 December 2017.

	2017 £'000	2016 £'000
Within 1 year	-	3
Between 2-5 years	-	-
After 5 years	-	-
	-	3

## 21. UNRESTRICTED FUND

Unrestricted fund	2017 General reserves £'000	2017 Revaluation reserves £'000	2017 Total reserves £'000	2016 General reserves £'000	2016 Revaluation reserves £'000	2016 Total reserves £'000
Balance at 1 January	19,414	844	20,258	17,554	782	18,336
Surplus / (Deficit) for the year	1,107	(100)	1,007	1,860	62	1,922
Balance at 31 December	20,521	744	21,265	19,414	844	20,258



## 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		2017 £'000	2016 £'000
Net incoming / (outgoing) resources	SOFA	1,107	1,860
Depreciation	Note 13	160	154
(Gains) / Losses on investments	Note 15	256	24
Investment income	SOFA	(368)	(442)
(Profit) / Loss on disposal of fixed assets		10	(4)
Decrease / (increase) in debtors	Note 16	136	325
(Decrease) / increase in creditors	Note 17	280	(920)
Net cash inflow from operating activities		1,581	997

## 23. ANALYSIS OF CHANGES IN CASH EQUIVALENT

Analysis of changes in cash and cash equivalents	At 1 Jan 2017 £'000	Cashflows £'000	At 31 Dec 2017 £'000
Cash at bank and in hand	1,285	(1,033)	252
Cash held by investment portfolio manager	8,312	4,658	12,970
	9,597	3,625	13,222

All cash is held in commercial banks or financial institutions.

## 24. CONTINGENT LIABILITIES

There are no contingent liabilities at the balance sheet date. (2016–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:-

<b>Transactions with related parties under which funds were paid to the ECITB</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Levy paid to ECITB	12,043	13,638
Sale of training services by ECITB	69	104
	12,112	13,742

The amount owed to ECITB by related parties at the balance sheet date is £42k (2016: £16k). 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:-

<b>Transactions with related parties under which payments or value flowed to the related parties</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Payment of grants	8,878	11,234
Purchase of training and assessment services by ECITB	21	46
	8,899	11,280

The amount owed by ECITB to related parties at the balance sheet date is £1,336k (2016-£1,411k).

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 party 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.

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

# ORGANISATIONAL DETAILS

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The ECITB's Directors comprises:-

Chief Executive Officer	Chris Claydon
E-mail	Chris.Claydon@ecitb.org.uk
Direct Tel	01923 402121
Director and Board Secretary	Peter Hill
E-mail	Peter.Hill@ecitb.org.uk
Direct Tel	01923 402124
Director of Finance and Administration	Heather Blackwood
E Mail	Heather.Blackwood@ecitb.org.uk
Direct Tel	01923 402150
Director of Development and Quality	Nigel Spencer
E-mail	Nigel.Spencer@ecitb.org.uk
Direct Tel	01923 402132
Director of Regional Operations	Andy Brown
E-mail	Andy.Brown@ecitb.org.uk
Mobile	07973 416149

## Complaints

Any complaint concerning conduct of the ECITB should be addressed in the first instance to the Policy and Corporate Affairs team at [complaints@ecitb.org.uk](mailto:complaints@ecitb.org.uk)

## Head Office and Principal Address

Blue Court  
Church Lane  
Kings Langley  
Hertfordshire  
WD4 8JP

## Charity Registration Details

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

## Auditors

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

## Bankers

Barclays Bank Plc  
22-24 Upper Marlborough Road  
St Albans  
Herts  
AL1 3AL

# APPENDIX 1

## Trustees

This Appendix shows:

- The members of the ECITB's Board of Trustees during 2017 and at 22nd May 2018;
- Changes in membership since 1<sup>st</sup> January 2017; and
- Meeting attendance records during 2017.

Name	Changes during 2017 and to date	2017 Meeting Attendance Record
Mr J Andrew	Retired as a trustee 31/12/17	0 of 3
Mrs L Armstrong	Appointed as a trustee 01/01/18	N/A
Mr P Atkinson	Retired as a trustee 31/12/17	3 of 3
Mr K Benson	Retired as a trustee 31/06/17	2 of 2
Mr D Billington	Retired as a trustee 31/12/17	1 of 3
Mr D Boath		3 of 3
Mr P Bunyan	Retired as a trustee 31/06/17	1 of 2
Mr C Claypole		2 of 3
Mr K Ferguson	Retired as a trustee 08/05/17	1 of 1
Mr M Fletcher		2 of 3
Mr J Hannigan	Retired as a trustee 31/12/17	0 of 3
Mr M Hockey		3 of 3
Ms D James		2 of 3
Mr B McAulay	Retired as a trustee 31/12/17	2 of 3
Mr I Muscroft	Retired as a trustee 31/12/17	0 of 3
Mr N Pickering	Retired as a trustee 31/12/17	3 of 3
Mr M Richardson	Retired as a trustee 31/12/17	2 of 3
Ms T Shelley		3 of 3
Mr A Smith	Retired as a trustee 31/12/17	2 of 3
Ms S Watson	Retired as a trustee 13/01/18	3 of 3
Mr P Whitehurst		3 of 3
Mr M Wilkins	Retired as a trustee 31/12/17	3 of 3

## APPENDIX 2

### Board Sub-Committees

This Appendix shows:

- The members of the Board's sub-committees during 2017 and at 22nd May 2018;
- Changes in membership since 1<sup>st</sup> January 2017; and
- Meeting attendance records during 2017.

### Management Board

Name	Changes during 2017 and to date	2017 Meeting Attendance Record
Mr P Atkinson	Retired as a trustee and committee member 31/12/17	4 of 4
Mr K Benson	Retired as a trustee and committee member 30/06/17	2 of 2
Mr M Hockey	Retired as a committee member 31/12/17	4 of 4
Mr B McAulay	Retired as a trustee and committee member 31/12/17	1 of 4
Mr I Muscroft	Retired as a trustee and committee member 31/12/17	1 of 4
Ms S Watson	Retired as a committee member 31/12/17	4 of 4

N.B The Management Board ceased to exist on 31st December 2017.

### Audit Committee

Name	Changes during 2017 and to date	2017 Meeting Attendance Record
Mr G Cole		5 of 5
Mr M Hockey		5 of 5
Mr H Spicer	Resigned 07/11/17	4 of 4
Ms S Watson	Retired 31/12/17	4 of 5
Mr C Wood		4 of 5

### Qualifications and Awards Committee

Name	Changes during 2017 and to date	2017 Meeting Attendance Record
Mr J Andrew	Retired as a trustee and committee member 31/12/17	1 of 3
Mr R Clarke		2 of 3
Mr R Davies		2 of 3
Mr J Redmond		2 of 3
Mr J Reekie		1 of 3
Mr T Stone		3 of 3
Mr J White	Resigned 03/05/17	1 of 1
Mr D Whitehouse		2 of 3

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**Client Contractor National Safety Group (CCNSG)**

<b>Name</b>	<b>Changes during 2017 and to date</b>	<b>2017 Meeting Attendance Record</b>
Mr R Ash		4 of 4
Mr R Clarke		3 of 4
Mr J Dennis		2 of 4
Mr G Duncan		2 of 4
Mr K Hall		1 of 4
Mr G Hargraves		4 of 4
Mr S Nettleton	Resigned 06/04/17	2 of 2
Mr M Riley	Appointed 06/04/17	3 of 3
Mr M Thomas		2 of 4

## APPENDIX 3

### 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 22nd May 2018; or who have stepped down since 1st January 2017) have declared the following other interests:-

Member	Declared Interest
Mr J Andrew	Manager, Global Product Delivery, Integrated Gas Engineering, Air Products PLC
Mrs L Armstrong	Kaz Minerals PLC. Non-Executive Director Orsted.A/S. Non-Executive Director SBM offshore BV. Member of the Supervisory Board ( term of office finishes April 1 ath 2018) Calyx Consulting Ltd. Director
Mr P Atkinson	Chief Executive And Director, Offshore Contractors' Association (OCA) Steering Group Member, Upstream Oil & Gas Industry Technican Training Scheme (OPITO) Director Indurc Ltd Management Board Member, ECIA Council Member ECIA
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, Wood–Nuclear Director, National Nuclear Corporation Ltd Director, Energy, Safety & Risk Consultants (UK) 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	Director, Site Service Engineering Ltd Director, Stocks Group Ltd Director, Trent Lifting Ltd Director, Scotton Construction Ltd Director, Newlea Fuel Systems Ltd Director, Green Cross Health & Safety Systems Ltd Director, Winterton Agricultural and Sports Society

Member	Declared Interest
Mr K Ferguson	Technical Delivery Director, Petrofac Offshore Engineering & Operations
Mr M Fletcher	Doosan Babcock Ltd – Employee Chair of National Skills Academy for Nuclear (NSAN) Member of the National Skills Academy for Nuclear (NSAN) Employer 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) Independent Board Member of JTL Training
Mr A Smith	Managing Director, Redhall Nuclear Ltd Managing Director, Redhall Marine Ltd Managing Director, Anvan Consulting



Member	Declared Interest
Mrs S Watson	<p>Director, Watson Porter Ltd (a company formed to undertake interim and consultancy assignments)</p> <p>Non-Executive Director, Orbit Homes 2020</p> <p>Audit and Risk Committee Member, Orbit Group Ltd</p>
Mr P Whitehurst	<p>National Officer for Construction, GMB Union</p> <p>Board Member, Construction Skills Certification Scheme (CSCS) for GMB</p> <p>Board Member, Construction Industry Joint Council (CIJC) for GMB</p> <p>GMB seat on National Joint Council for the Engineering Construction Industry (NJC)</p> <p>GMB seat on National Engineering Construction Committee (NECC)</p> <p>GMB Chair for National Agreement for the Engineering Construction Industry (NAECI) Stewards Forum</p>
Mr M Wilkins	<p>President, Engineering Construction Industry Association (ECIA)</p> <p>Director, ECIA Trustees Ltd</p> <p>Director, ECIA (Insurance Services) Ltd</p>





**ECITB**

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