

CONSTRUCTION INDUSTRY TRAINING BOARD (CITB)

Annual Report and Accounts 2017/18



For the 15 month
period ending the
31 March 2018



CONSTRUCTION INDUSTRY TRAINING BOARD (CITB)
ANNUAL REPORT AND ACCOUNTS 2017/18

FOR THE 15 MONTH PERIOD ENDING THE 31 MARCH 2018

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

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 26 JUNE 2018.



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Chairman's foreword

I believe we will look back at 2017/18 as a watershed period for CITB. The organisation responded to significant change within the sector and the skills environment and it is now starting to deliver the promises it made as part of its Vision 2020 reform programme.

While the surprise General Election in June did not result in a change of Prime Minister, it did mean a loss of outright Parliamentary majority for the Conservative Party, and a number of ministerial posts with direct relation to CITB's work changed hands.

Meanwhile, the Government's review of Industry Training Boards (ITBs), announced in 2016 and led by former Chief Construction Officer Paul Morrell, was published in November 2017. The ITB review communicated a clear expectation that a successful ITB is measured by results, with some valuable recommendations relating to governance, reforming specific areas of CITB activity. These recommendations were reflected in existing CITB plans, thus providing both an endorsement and political impetus behind the delivery of reform.

Throughout the review, the triennial consensus process continued. While industry decided to continue to pay a levy, the process shone a forensic light on the challenges CITB faces to be accountable to a diverse set of stakeholders and deliver both value and impact for employers. Serious questions were asked in the consensus process, and CITB heard and responded. CITB's reform plan, which Sarah Beale describes in her Chief Executive's statement, are ensuring that the organisation has a clear strategic remit, a grant system

that is simpler and aligned to proven delivery of skills, with a governance structure that secures accountability to British construction.

The CITB's Vision 2020 Business Plan, released in April 2018, will place it in good stead to deliver on these strategic objectives and respond to our constantly evolving industry.

Indeed, the pace of change in the construction sector will have to gather velocity if it wants to meet the UK's substantial needs, in particular in the areas of housing and infrastructure. In pursuit of greater efficiencies and productivity, the sector has to be more collaborative, integrate digital tools (such as BIM) more routinely throughout the value chain, and incorporate more off-site construction.

CITB must keep pace with all those changes, keeping an eye not just on today's skills needs but also those of tomorrow.

This is my last Chairman's Foreword for the CITB Annual Report and Accounts. My second and final term as Chairman concluded at the end of April 2018, bringing to an end my 16 years on the CITB Board.



In that time, CITB has come a long way. I saw this clearly in the early part of 2018, when its rapid response to supporting Carillion apprentices was exemplary and illustrated that with the right focus and mind-set, the organisation can be agile, flexible, and deliver for the industry.

I am optimistic for CITB's future – that it will continue to thrive, provide real value for levy payers and the entire industry, and ultimately deliver on its vision: to attract and support the development of people to construct a better Britain.

As I conclude I cannot end without reflecting on the incredibly important organisation CITB is in delivering the industry's skills needs. I would like to take this opportunity to thank the immensely hard working

and committed people who support it as employees, employers or other stakeholders. My thanks also go to all who have served on the Board with me and all those who have given advice and guidance – from Chief Executives to Federations, from journalists to government.

The CITB is a jewel in the industry crown; we must continue to polish it so that it shines brightly. Finally I wish the Board and executive – and in particular our Chief Executive Sarah Beale and my successor as Chairman Peter Lauener – every success in the future.

James Wates, CBE

Chairman

Chief Executive's introduction

In 2017/18, both British construction and the government looked at CITB and said, "Yes, but..."

When employers were asked to support CITB by agreeing to raise the levy for another three years, seven out of 10 gave us their backing.

When the Government published its review of Industrial Training Boards (ITBs), they also supported us.

For both, however, their support was qualified.

They said, quite clearly, "Yes, we support you, but change must happen."

We knew, following the massive listening exercise at the heart of the 2017 consensus process, that we were in the last-chance saloon. Big changes would have to be faced head-on, otherwise the next vote might not be a positive one.

That is why the pivotal moment of the year for CITB, was 15 November 2017.

That day, we launched our Vision 2020 programme of reform. It set out, very clearly, a three-year road map for us to make the organisational changes which would make CITB the responsive, relevant and accountable organisation that the industry needs. It showed we had listened and could see the size of change needed.

Vision 2020 is as ambitious as it is vital.

It means becoming the 'levy in, skills out' body needed

by British construction. To do that we must provide leadership and insight into skills and training, as well as effective fund management to address the sector's immediate requirements, while supporting a transition towards new ways of working. We must make sure construction employers have the skills when and where they need them. We will support them by helping to attract the talent required – and boosting productivity by improving the breadth and depth of skills in the existing workforce.

In order to deliver on the above, we need to change what and how we deliver to industry, so our proposals include some radical changes. Our Vision 2020 programme would mean we move head office, outsource many of our support services, and transfer our direct training business and facilities to a new, high quality provider. We will stop providing administration services to card schemes, and divesting CPCS. A precursor to these changes was the sale of CSkills Awards to the market-leading NOCN, successfully concluded during 2017, which continues to thrive.

These changes mean we can focus on fewer things, and do them better, as a leaner, more agile business.

Our strategic priorities remain Careers, Training and Development, and Standards and Qualifications. Beyond these are our enabling priorities of targeted and effective funding, influencing and engagement, and developing an evidence base for the Industry.



We are already seeing the benefit of this new strategic focus.

CITB Apprenticeships goes from strength to strength. It was awarded an Ofsted Outstanding rating in England, we continued to be the largest provider of Modern Apprenticeships in Scotland, and in Wales, our leadership was declared excellent.

We delivered the first major milestone of our programme:

Our new Training Model, featuring a Construction Training Register and Construction Training Directory, together with a new Grant Scheme with automated payments, was launched at the start of the new financial year. Alongside this, we widened access to our funding, through our Flexible, Structured, and Skills and Training funding pots. These changes are aimed at simplifying and opening training opportunities for employers across Britain, particularly the SMEs that dominate our sector.

Our Business Plan, launched in April 2018, gave our partners in British construction and government the clarity and confidence they need that we are fully committed to reform. It sets out key milestones, spending plans and new KPIs, and changes to our governance which will deliver the transformative changes we all want to see.

I would like to thank my colleagues in CITB who, even during this time of change and challenge, continue to amaze me with their commitment and achievements. None of the great progress we are making would be possible without the hard work of our talented people across England, Scotland and Wales.

Finally, this Annual Report comes at a time of change at the head of our organisation. James Wates is stepping down as Chair after eight distinguished years, with Peter Lauener replacing him. I would like to say a big thank you to James for his remarkable contribution to CITB over his eight years as Chair. His unequalled industry knowledge and commitment to the sector have helped strengthen CITB, leaving us in a position to deliver this significant programme of reform.

Peter Lauener, with his exceptional skills background, will build on James's legacy of ambitious reform so that when we next ask industry for their support the answer will not be "yes, but..." but a simple, straightforward "yes."

Sarah Beale
Chief Executive

Strategic report

Who we are

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

We believe that better trained and qualified people deliver better results and make the companies they work for more competitive and more productive. A better skilled construction workforce also helps create a better quality built environment that benefits society as a whole.

Vision

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

Mission

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

Our statutory basis

CITB's charitable activities are partly funded by the statutory Levy established by the Industrial Training Act 1982 and confirmed by Levy Orders passed by both Houses of Parliament. The most recent came into force on 29 March 2018. Full details of CITB's powers and responsibilities, as well as the restrictions placed on it, can be found in the Industrial Training Act 1982 and subsequent amendments.

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

Public benefit

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

The Board has regard to the Charity Commission's general guidance on Public benefit and the Charities Act 2011 when planning activities to achieve its aims. Our priorities are;

Careers

Support recruitment and retention in the industry and promote career progression across the construction industry.

Standards and Qualifications

Support employers in developing and maintaining standards and qualifications.

Training and Development

Ensure access to and assure the provision of high quality training that presents good value for money.

We'll do this by;

Improving our evidence base

Develop knowledge of current and future skills needs and the supply of training.

Building our influence and Engagement

Work with the industry to influence skills funding and vocational training policies and provision.

Improving Funding

Use employer funds to support construction employers to address their skills needs.

Our leadership

Trustees

The names of those serving as charitable Trustees of CITB as at 31 March 2018 were as follows:

- James Wates CBE, FCIOB, FRICS, FICE, FCGI, FRSA CCMI (Chair)
- Maureen Douglas, FCIPD, MloD
- Diana Garnham, MA, DSc, LLD
- David Harris MBE, FICE, FCIOB, FRICS
- Karen Jones, MCIPD
- Maria Pilfold, MBA, FCIPD

Trustees who stepped down during the period under review were Frances Wadsworth, FRSA, FCIM (27/12/207) and Ray Wilson, MSc, CMloSH, MIIRSM, CSP (16/02/18).

As specified in Schedule 1 of the Industrial Training Act 1982, Trustees are appointed by the Secretary of State, (normally for four years), following a public appointment process governed by the Office for the Commissioner of Public Appointments (OCPA), including the advertising of vacancies on the Government's Public Appointments website (publicappointments.cabinetoffice.gov.uk). While no Trustee appointments were made during 2017/18, Peter Lauener became Chair of CITB on 1 May 2018 when James Wates term ended. He comes with a wealth of experience in skills and education. Effective from the beginning of June 2018, a further three leading figures in the construction industry have been appointed to the CITB board. All three have a wealth of experience in the sector and will help represent the voice of both SMEs and large contractors at the highest level within CITB. They are Steve Fox CBE, Kevin McLoughlin MBE and Robert Williams MBE. These appointments align with the new CITB Governance Structure which is being implemented following the ITB review in 2017.

Trustees are introduced to CITB's work through an induction meeting with the Executive Team on appointment and they receive ongoing support from the Corporate Governance team. All Trustees are required to have relevant senior experience: currently four Trustees work within the construction industry; the remaining two Trustees were appointed as independents and bring additional and appropriate experience.

Further support and training (both formal and informal) is provided to support specific duties, such as participation in the Audit and Risk Committee. Trustees liaise regularly with relevant Executive Team members in relation to specific Committee items. They also receive a brief policy update each week. An annual programme of visits and meetings with stakeholders and staff ensures that the Trustees have necessary insight into operating practice.

Declarations of Interests by Trustees serving in 2017/18 are listed at Appendix B on pages 66 and 67. Where no entry appears, the Trustee concerned has declared that he or she has no conflicting interests. Further details in relation to the Trustees also is available on the CITB website: citb.co.uk/trustees

Our professional advisors

CITB's bankers

Barclays Bank plc
17 Market Place
Fakenham
Norfolk NR21 9BE

CITB's investment advisers

JP Morgan
1 Knightsbridge
Belgravia
London SW1 7LX

Principal Office

See Appendix D (page 69) for details of principal and registered offices.

CITB's auditor

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

CITB's legal adviser

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

Board outcomes

| Priority | Outcome | RAG Status | Result |
|-------------------------------------|---|--------------|---|
| Engagement | Consensus review, implementation & achievement, leading to new Levy Order | GREEN | <ul style="list-style-type: none"> Consensus achieved with a result of 76.9% following largest survey of employers undertaken. No legal challenge launched as a consequence and process documented and improved. |
| Careers | Go Construct recognised as the 'go-to' information portal for careers in construction and the built environment | AMBER | <ul style="list-style-type: none"> Investment to improve technical infrastructure and functionality supporting increased user uptake. Matching Service relaunched following improvements in July 2017. Opinion remains mixed as to whether its seen as the 'go to portal'. |
| Standards and Qualifications | Apprenticeships standards for main framework apprenticeships agreed by DfE / Institute of Apprenticeships for first teaching in July 2017 | RED | <ul style="list-style-type: none"> 54 construction-related apprenticeships are now in development, 24 of which are being supported by CITB. 26 Apprenticeship Standards are ready for delivery in construction. New Construction Apprenticeship Working Group approved. |
| Training and Development | Redevelopment of HSE Test in 2017 for launch in 2018 | GREEN | <ul style="list-style-type: none"> Phase 1 introducing two new question styles launched in January 2018. Phase 2 and addition of three new question types on track for launch in June 2018, with new study materials available in advance. |
| Evidence Base | Use our research to develop solutions for specific skills needs in collaboration with industry and government | GREEN | <ul style="list-style-type: none"> Annual labour market intelligence research (CSN), supplemented with green papers published on Youth Unemployment, Work Readiness and Transferability of Skills. |
| Funding | Delivery of transition package | GREEN | <ul style="list-style-type: none"> 93% of eligible employers claimed. |
| | New Grants Scheme fully designed, including rates etc. for launch April 2018 | GREEN | <ul style="list-style-type: none"> New Grants Scheme, with Training Directory and National Register launched April 2018. |

Highlights

In the 2017/18 financial period CITB had to seek the backing of the construction industry and Government and demonstrate that its Vision 2020 reform agenda would deliver the “levy in, skills out” body the construction industry wanted.

CITB has focussed on developing new and innovative services that reflect the agenda for change and that deliver more effectively and efficiently for industry.

Engagement and Consensus

CITB undertook an extensive consultation process with employers in the industry to develop Vision 2020: The Future CITB and the consensus process engaged 4000 employers in addition to the Consensus Federations, the largest ever number, with the result of 76.9% agreeing to the Levy proposals underpinned by the reform agenda.

The Government through the ITB Review also provided it's backing on the understanding that the reform agenda would be implemented.

Careers

Go Construct is the platform that underpins the integrated approach to attracting people into careers across Construction and the Built environment developed in partnership between CITB and the construction industry.

2017/18 saw investment in the technical infrastructure, the development of more audience friendly site navigation, the refresh of the Construction Ambassador programme and a re-launch of the matching service resulting in:

- 8,752 Resources downloaded
- 123,728 Collateral items were requested and dispatched
- 1,399 Ambassadors interactions
- 92 Ambassador Training events
- Visitors spending 30% longer on the Go Construct website compared to 2016
- 1,111 Ambassadors.

Standards and Qualifications

CITB has been working in partnership with employers and industry bodies to develop a range of new Trailblazer apprenticeship standards. The original intent was to have the main frameworks available for first teaching from July 2017 and this target was missed.

Progress has been slower than anticipated and for July 2018 there are 26 construction apprenticeships ready for delivery, with an additional 54 in development of which CITB is directly supporting 24.

In 2017 CITB gained support and approval from the Construction Leadership Council, to establish and chair a Construction Apprenticeship Working Group which was launched in April 2018, and includes a number of key industry figures from a range of large and SME contractors to help address future skills requirements in the construction industry.

Training & Development

CITB Apprenticeships has continued to receive a number of quality accolades as a provider including:

- In November 2017 CITB was rated an 'outstanding' apprenticeships provider by Ofsted in England for the second consecutive inspection.
- In Wales Estyn, the education inspectorate, praised our work and rated CITB Apprenticeships leadership and management as "excellent"
- In Scotland the Modern Apprenticeship (MA) programme grew significantly in 2017 with CITB delivering 1,925 Modern Apprenticeships - the sixth consecutive year of growth.

The Health, Safety and Environment test that CITB develops on behalf of industry has had a thorough review to ensure it continues to contribute towards a qualified workforce with the right knowledge, skills and training. The HS&E Test is being redeveloped with delivery in three phases between January 2018 and June 2019.

Phase 1 of the redesign was delivered on time in January 2018 with two new question types launched and new study materials available ahead of Phase 2, which is on track to launch in June 2018.

Phase 2 introduces another three new question types that will provide the best reflection the test has ever had of the knowledge needed to operate healthily, safely and sustainably on a construction site, and extend its position as a fair, valid and reliable assessment.

Funding

Throughout 2017/18 CITB has been working on additional reforms to its funding to make it more relevant, targeted to areas of need and accessible, especially to small and micro employers.

Building on the changes introduced in 2015 to rationalise the funding support to three primary funds, Structured, Flexible and Skills and Training, 2017/18 saw changes to the scope and scale of Structured and Flexible Funding. These changes allowed a wider reach of stakeholders, including more small employers accessing the Skills and Training Fund.

During 2017/18 CITB developed its Training Model alongside a new Grants Scheme which aimed to reduce red tape and improve accessibility for small and micro firms.

The three parts of the Training Model which will launch in April 2018 are:

- New Grants Scheme - more flexible and focused on supporting construction related training allowing CITB to support the areas of greatest training need.
- Construction Training Directory - where employers can find the right training, in the right place, at the right time supported by the Grants Scheme.
- Construction Training Register - where employers can see the qualifications each construction worker holds and providing an invaluable database of training across the industry.

In response to construction employers, CITB implemented a one year Transition Package that was agreed with industry to bridge the gap between the introduction of the Government's apprenticeship levy and the next Levy Order. This one year fund was delivered on time with take up by 93% of eligible employers.

During 2017/18 CITB:

- Paid **£248.4 million** in total employer funding including:
 - Grants Scheme to employers **£181.9 million**
 - Flexible and Structured funding **£24.8 million**
 - Transition package **£41.7 million**
- **16,919 employers** claiming grant and other support
- Supported over **1.2 million training days** through our core Grants Scheme
- CITB supported over **10,633 employers** to train more than **29,865 apprentices**.

Vision 2020: The Future CITB

Performance during 2017/18 has had a different perspective to previous years with a focus on delivering the early milestones of Vision 2020 at pace, to meet industry and Government expectations of delivering change alongside the existing product and services.

In addition to the Board Outcomes set at the beginning of the year CITB also started the divestment of business areas that do not fit with the future, specifically the sale of CSkills Awards in August 2017, and a revision of CITB governance processes in response to Industry.

Financial Review for the 15 month period ending 31 March 2018

Result for the period

In order to achieve greater alignment with other key stakeholders e.g. Department for Education the accounting year has been re-aligned to the 31 March which results in a one off 15 month accounting period through to the 31 March 2018.

Net outgoing funds were £68.0m (Compared to net incoming funds of £8.1m in 2016). The deficit is principally a result of the change in accounting period whereby one levy year of income is appropriately reported with 15 months non-levy income and operating expenditure. The unaudited position to the end of December 2017, on a like for like basis with the prior year 12 month period was a deficit of £6.1m. The 15 month position is lower than the forecast £72.5m deficit that underpinned the start point agreement of the refreshed financial plan assumptions shared with the board in October 2017.

Also, during the period £248.4m in total employer funding was made across Grants Scheme, Programme Based Funding and Transition Arrangements.

Levy Income

Levy income for 2017/18 was £211.4m (2016 £198.2m) comprising £207.1m (2016 £201.1m) in respect of the current year's assessment (net of current levy year's bad debt) plus an upwards adjustment of £4.3m (2016 downwards adjustment of £2.8m) for the assessment of prior year charges.

The basis on which levy income is assessed was changed during the year with the implementation of Levy Simplification. This means that Levy is no longer raised on Labour Only Subcontractors (LOSC) but is now raised on payments to Construction Industry Scheme (CIS) subcontractors who employers deduct CIS tax from (commonly known as Net CIS). The Levy rate remained unchanged at 0.5% on direct labour

payments (PAYE) and a new rate of 1.25% on Net CIS payments was introduced. The small business exemption level of £80,000 remained unchanged and the threshold for the small business Levy reduction of 50% was raised from £99,999 to £399,999.

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

The number of Employers on the Levy and Grant register was reduced by 742 to 69,070 at 31 March 2018.

Non-Levy Income

Within overall Non-Levy Income, restricted income derived from the CITB Apprenticeships' activities (on behalf of ESFA and others) rose by £16.5m on the previous year to £69.8m, £18.0m relates to the additional 3 months accounting period; This income can only be used for the purposes defined by the relevant funders, including the ESFA, SDS and the Welsh Government.

Other Income

Other Income also includes the £6.5m sales proceeds from Cskills Awarding Body in the financial period.

Grants Scheme

CITB publishes a Grants Scheme annually and registered employers are entitled to claim training grants in line with its conditions. Grant scheme expenditure rose from £148.6m to £181.9m, helping to support 29,685 apprentices (including 9,315 framework achievements), 3,330 Training and Development Plans, 21,706 VQ achievements and 24,964 plant tests. The total number of Employers in receipt of grant in 2017/18 was 16,919 (2016 16,101).

Programme Based Funding

CITB offers 3 principal types of funding:

- Skills & Training Fund offering up to £10k for small employers
- Flexible Funding offered to address CITB priorities and meeting industry's needs
- Structured Funding where CITB has identified a need for investment.

In total £24.8m was spent on programme based funding in the 15 month period compared with £21.5m in the previous 15 month period.

Transition Arrangements

CITB implemented a one year Transition Package to help employers who have to pay both the CITB 2016 Levy Assessment and the government's Apprenticeship Levy in the 2017/18 tax year. Employers who have to pay the Apprenticeship Levy will get an enhancement to the training grants they claim in the 2017/18 period. Transition Payments of £41.7m have been accounted for, of which £29.5m has been paid out as at 31 March 2018. The final payments are expected to be made in July/August 2018.

Reserves

Reserves are required to cover exposure to delays in income receipts and acceleration of grants and costs that are outside the control of CITB and to ensure continuity of funding to support the construction industry through achievement of CITB's charitable objectives. In agreeing the three year business plan for the three period 2018-2020 the board has set budgets which maximise the funding made available to industry whilst maintaining reserves at a reasonable level. These assumptions have been shared with key stakeholders

including the Trustees of the ITB Pension Funds. General reserves as at the 31 March 2018 stand at £34.6m in line with business plan expectations.

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

Investment Income

In August 2017 CITB realised its investment portfolio of £30m with Investec resulting in realised losses of £0.1m. Investment Income of £0.9m fell by 47% from £1.7m in 2016. Funds are being held within call account facilities until a new investment portfolio with appointed Fund managers J P Morgan has been agreed upon which has been established from Spring 2018.

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

How we support Industry

The following table and narrative gives a breakdown on how resources have been allocated to support industry. The illustrative 12 month numbers are a pro-rata 12/15ths of the extended financial period expenditure

and exclude the non-recurrent impact of the transition payment which is significant non routine enhancement to training grant.

| | 15 month Total | | Illustrative 12 Month |
|--|----------------|--------------|-----------------------|
| | £m | £m | £m |
| Levy Income | | | |
| Levy Income | 211.4 | | |
| Less Cost of Collection | (5.2) | | |
| | | 206.2 | 206.2 |
| Employer Funding | | | |
| Grants Scheme | | | |
| Apprenticeship Grants | 75.0 | | |
| Training Plans | 65.6 | | |
| Plant Grants | 7.5 | | |
| Other Grants | 33.8 | | |
| | | 181.9 | 144.8 |
| Transition Arrangement | 41.7 | 41.7 | N/A |
| Programme Based Funding | | | |
| Legacy Funding | 8.3 | | |
| Structured Funding | 6.6 | | |
| Flexible Funding | 9.9 | | |
| | | 24.8 | 19.8 |
| Total Employer Funding | | 248.4 | 164.6 |
| Other Support | | | |
| Apprenticeship Support | | | |
| Travel - New Entrant Trainee's | 1.6 | | |
| Trainee Allowance & Accommodation | 4.5 | | |
| Standards & Qualifications | 1.0 | | |
| Career Products | 1.3 | | |
| Engagement & Evidence Base | 10.3 | | |
| | | 18.7 | 15.0 |
| Total Funding Including Support | | 267.1 | 179.6 |

Other Support

Expenditure in these areas is borne by CITB but the expenditure provides a direct benefit to the industry. These figures are taken directly from the Expenditure on Charitable Activities Note 6 from the Financial Statements, they include the directly undertaken activities of Standards & Qualifications, Careers, Engagement and Evidence Base. CITB also provides travel and accommodation allowances to apprenticeships at its own cost, a further funded activity.

Our strategic report

Our approach to the structure and content of our Annual Report and Accounts is in line with the objectives and scope of the Charities SORP (FRS102).

The information presented in this Annual Report and Accounts has described our strategic information, our business and our performance in a way that I believe to be fair, balanced and understandable.

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

I hope you have found this information helpful to your understanding of our high-level aspirations and intentions, and of our performance. More information follows in our Remuneration Report (pages 22 to 25), in our Governance section (pages 26 to 36), and in our detailed Financial Performance section (pages 37 to 62).

Sarah Beale

Chief Executive 2018

Remuneration Report

Membership

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

Its membership is made up of the Chair and three Board members.

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

Policy on the remuneration of directors

Salaries and benefits are benchmarked against external market comparators on a triennial basis to ensure appropriate remuneration packages are paid to attract and retain capable individuals. This was last carried out in 2015. Note is also taken of the findings of the Senior Salaries Review Body in reaching the final settlement. The latest review recommended a 1% increase for senior public servants.

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

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

Policy on contracts, notice periods and termination payments

All but one of the directors are permanent employees of the organisation whose notice periods are six months. The one interim director is on a twelve month fixed term contract and the notice period for this is three months.

Termination payments, if applicable, are paid in accordance with CITB contractual terms and conditions. No additional or discretionary payments are made outside of contractual terms.

Non-cash remuneration

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

Salary and pension entitlements (audited)

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

Board members' remuneration

The Appointments and Remuneration Committee is not responsible for considering Board members' remuneration. Payments to the Chair are authorised under Schedule 1(4) of the Industrial Training Act 1982. No other Board members are remunerated. Note 19 Board Members Remuneration (page 58) provides more information about this.

2017/18 15 Month Period Remuneration

| | Salary | Benefits in kind | Bonus | Pension Benefits | 2017/18 Total |
|---|-----------|------------------|---------|------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Sarah Beale - Chief Executive | 180 – 185 | 5.8 | 20 – 25 | 36.3 | 245 – 250 |
| Stephen Radley - Policy Director | 140 – 145 | 2.2 | 15 – 20 | 13.2 | 170 – 175 |
| Carl Rhymer - Commercial Director resigned with effect from 28 June 2017 | 55 – 60 | 0.4 | - | 9.8 | 65 – 70 |
| Mark Noonan - Industry Engagement Director | 135 – 140 | - | 5 – 10 | 12.8 | 155 – 160 |
| Christopher Brooks - Interim Chief Financial Officer and Corporate Performance Director – (1 January - 12 October 2017) | 80 – 85 | - | - | 10.5 | 90 – 95 |
| Braden Connolly - Director of Products and Services – from 1 July 2017 | 70 – 75 | 2.1 | - | 11.1 | 85 – 90 |
| Steve Hearty - Director of Apprenticeships and Standards – from 1 July 2017 | 65 – 70 | 8.2 | 0 – 5 | 11.1 | 90 – 95 |
| Craig Pemberton - Interim Chief Financial Officer and Corporate Performance Director (Joined CITB 1 November 2017) | 40 – 45 | - | - | 4.0 | 45 – 50 |

2017 Year 12 Month Comparative table

The table below provides remuneration for January 2017 to December 2017 for the purposes of a comparative to 2016.

| | Salary | Benefits in kind | Bonus | Pension Benefits | 2017/18 Total |
|---|-----------|------------------|---------|------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Sarah Beale - Chief Executive | 145 – 150 | 4.5 | 15 – 20 | 27.9 | 195 – 200 |
| Stephen Radley - Policy Director | 110 – 115 | 1.8 | 10 – 15 | 10.5 | 135 – 140 |
| Carl Rhymer - Commercial Director resigned with effect from 28 June 2017 | 55 – 60 | 0.4 | - | 9.8 | 65 – 70 |
| Mark Noonan - Industry Engagement Director | 105 – 110 | - | 0 – 5 | 10.2 | 120 – 125 |
| Christopher Brooks - Interim Chief Financial Officer and Corporate Performance Director – (1 January - 12 October 2017) | 80 – 85 | - | - | 10.5 | 90 – 95 |
| Braden Connolly - Director of Products and Services – from 1 July 2017 | 45 – 50 | 1.8 | - | 7.4 | 55 – 60 |
| Steve Hearty - Director of Apprenticeships and Standards – from 1 July 2017 | 45 – 50 | 4.6 | 0 – 5 | 7.4 | 55 – 60 |
| Craig Pemberton - Interim Chief Financial Officer and Corporate Performance Director (Joined CITB 1 November 2017) | 15 – 20 | - | - | 1.6 | 15 – 20 |

The full year equivalent annual salary bandings (£'000) of those staff that left during 2017/18 were:

Carl Rhymer 105k to 110k Christopher Brooks 95k to 100k

The full year equivalent annual salary bandings (£'000) of those staff that joined during 2017/18 were:

Braden Connolly 100k to 105k Steve Hearty 90k to 95k Craig Pemberton 100k to 105k

2016 Remuneration

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

The full year equivalent annual salary bandings (£'000) of those staff that left during 2016 were:

Adrian Belton £145k to £150k

Andy Walder £110k to £115k

Salary includes gross pay, payments in lieu of car and luncheon allowance. Benefits in kind include the use of allocated cars, flexible benefits (including critical illness cover and dental insurance) and medical insurance.

For members who accrue only defined contribution pension benefits the value represents the total of employer contributions paid in respect of the individual.

Comparison of median pay to highest earner's remuneration

CITB is required to disclose the relationship between the remuneration of its highest-paid director and the median remuneration of the organisation's workforce (based on full time equivalents). CITB is also required to disclose the range of remuneration received of all employees. Comparison is given for annualised figures for consistency.

| | 2017 | 2016 |
|---|---------|-----------|
| Highest earning executive director's total remuneration (£000) | 165-170 | 155 - 160 |
| Median total remuneration | 31,923 | 29,311 |
| Ratio of median remuneration to remuneration of highest earning executive | 5.3 | 5.4 |

In 2017/18 no (2016 - 0) employees received remuneration in excess of the highest paid director.

Details about exit packages are disclosed in Note 20 – Particulars of Staff on page 59.

Peter Lauener

Chair

12 June 2018

Sarah Beale

Chief Executive

12 June 2018

How we are structured

The Board is ultimately accountable to Ministerial office and is required to comply with its statutory obligations. CITB is a registered charity and accordingly the Board members are charitable Trustees.

For the period 2017/18, the Board of CITB comprised eight Trustees, six of whom worked within the construction industry and two being independent. Two Trustees have since stepped down as of 31 March 2018. The Board is supported by an Executive team and the following Board sub-committees – Audit & Risk Committee, Appointments & Remuneration Committee and the Investment Funding Committee.

In response to recommendations to change the CITB governance structure from Industry, the Farmer Review, and the ITB Review the CITB Council, the English Committee, the Scottish Committee and the Cymru Welsh Committee are to be replaced by a more employer-led governance structure, incorporating Nation Councils.

Board performance

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

| Board attendance | 85.18% |
|---|---------------|
| James Wates (Chairman) | 7/7 |
| Maureen Douglas | 6/7 |
| Diana Garnham | 6/7 |
| David Harris | 6/7 |
| Karen Jones | 6/7 |
| Maria Pilfold | 6/7 |
| Frances Wadsworth (Resigned 27.12.2017) | 3/6 |
| Ray Wilson (Resigned 16.02.2018) | 6/6 |
| Total | 46/54 |

Council

The purpose of the Council was to support the Board in its strategic leadership by providing insight into industry challenges, and as a 'critical friend' to the Trustees in relation to the development of proposals, including the development and robustness of the Strategic Business Plan. During the review period, the Council received information from the Board, discussed and fed back on the Consensus consultation process in anticipation of the passing of the Levy Order, CITB's business plan and future offer, CITB's Governance Structure and Future Operating Model following the ITB Review.

Council was discontinued from 22 November 2017.

| Council attendance | 79.31% |
|-----------------------------------|---------------|
| James Wates (Chairman) | 3/3 |
| John Bailey | 2/3 |
| Kevin Bennett | 2/3 |
| Sarah Bowers | 3/3 |
| Craig Bruce | 2/3 |
| Bob Collins | 3/3 |
| Gareth Davies | 3/3 |
| Ian Dickerson | 2/3 |
| Phillip Hall | 2/3 |
| Rebecca Hartshorn | 0/3 |
| Malcolm Horner | 3/3 |
| Faye Jenkins (Resigned 14.6.2017) | 1/1 |
| Alison Lamplough | 3/3 |
| John Lorimer | 3/3 |
| Jo Pottinger | 2/3 |
| Dominic Rhind-Tutt | 3/3 |
| Rob Tansey | 2/3 |
| Kevin Taylor | 2/3 |
| Robert Williams | 3/3 |
| Mark Wusthoff | 2/3 |
| Total | 46/58 |

Audit & Risk Committee

During 2017/18, the Audit & Risk Committee provided assurance to the Board and Accounting Officer on CITB's risk and control environment. It received update reports on the business's key strategic risks, progress against the internal audit plan and the external auditor's opinion on the Annual Report & Accounts. It sought further information from individual areas of the business where members felt they would benefit from a more in-depth explanation on the control environment from the senior manager responsible. The information received during the review period enabled the Committee, following the review of a draft, to provide a recommendation to the Accounting Officer and the Board to approve and sign the Annual Report & Accounts.

| Audit & Risk Committee attendance | 80.95% |
|--|---------------|
| Diana Garnham (Chair) | 5/5 |
| Maureen Douglas | 5/5 |
| Richard Plumb (Appointed 01.09.2017) | 1/2 |
| Chris Richardson | 3/5 |
| Frances Wadsworth (Resigned 27.12.2017) | 3/4 |
| Total | 17/21 |

Appointments & Remuneration Committee

During 2017/18, the Appointments & Remuneration Committee continued to provide specialist advice to the Board on matters relating to Executive Pay Packages and providing negotiating parameters for the annual pay review. Specifically, the Committee oversaw the appointment of a new substantive CEO, ensuring that appropriate governance was exercised and the necessary notifications undertaken. The Committee engages well with the Head of HR and has benefited from the support of Aon Hewitt whose representative attends the Committee's meetings and provides data and assurances regarding Executive Pay benchmarking and structuring in the UK.

| Appointments & Remuneration Committee attendance | 93.75% |
|---|---------------|
| Ray Wilson (Chair until 16.02.2018 -Resigned 16.02.2018) | 3/4 |
| Maria Pilfold (Chair from 17.02.2018) | 4/4 |
| Diana Garnham | 4/4 |
| Karen Jones | 4/4 |
| Total | 15/16 |

Investment Funding Committee

During 2017/18, the Investment Funding Committee provided assurance on behalf of the Board on CITB's funding. This covered the development of the principles and objectives underpinning the new Grants Scheme, The Committee provided feedback during the period on the proposed reforms and guidance on wider industry engagement. It also provided oversight as the funding reviewed Flexible and structured funding criteria and the application process. Members also reviewed and feedback on the commissioning evidence base as well providing guidance on evaluating commissions bids. Last year saw the addition of two new members – Alison Lamplough, Head of Operational Training & Apprenticeships at Laing O'Rourke and Rupert Perkins, Contracts Director at John Perkins Construction Limited. The latter addressed the need to involve smaller firms in funding governance.

| Investment Funding Committee attendance | 80.00% |
|--|---------------|
| Karen Jones (Chair) | 7/8 |
| Julia Evans | 6/8 |
| Chris Jones | 7/8 |
| Alison Lamplough (Appointed 25.10.2017) | 2/2 |
| Gerald Oppenheim (Resigned 16.05.2017) | 1/4 |
| Rupert Perkins (Appointed 25.10.2017) | 2/2 |
| Maria Pilfold | 7/8 |
| Total | 32/40 |

English Committee

The Committee provided insights and strategic input on industry challenges and opportunities in England, and how industry and CITB could best address them. Discussions covered a wide range of skills and training issues in England and included how the CITB was developing its evidence base to be more influential in its interventions. It also discussed research into migration in the UK Construction Sector and a proposed Action Plan, T-Levels, the policy on devolution of skills, the London Mayor's Construction Academy Scheme and CITB's proposed Research Plan for 2017/18 which included the use of alternative technologies such as Immersive Learning.

The Committee was discontinued from 10 January 2018.

| English Committee attendance | 31.57% |
|--|---------------|
| Frances Wadsworth (Chair) (Resigned 27.12.2017) | 3/3 |
| Debbie Aplin | 1/3 |
| Debbie Akehurst | 1/3 |
| Caroline Blackman | 0/3 |
| Ian Dickerson | 1/3 |
| Stuart Green | 1/3 |
| Steve Hindley | 0/3 |
| Richard Hulland | 1/3 |
| Mike Jaggs | 0/3 |
| Chris Jones (Resigned 11.08.2017) | 0/2 |
| Hannah O'Sullivan | 2/3 |
| Liz Stokes | 0/3 |
| Ray Wilson (Resigned 16.02.2018) | 2/3 |
| Total | 12/38 |

Scottish Committee

The Committee provided an interface between Scottish Construction stakeholders and CITB, as a means to shape and influence national and regional priorities and developments in careers, standards and qualifications, and training and skills development, within the Scottish construction and built environment contexts. The Committee's discussions included CITB's core priorities, Levy offer engagement with employers, Scottish plans on Modern Apprenticeships Expansion, Policy and Government Relations Strategy, CITB's future Governance model, ITB Review and CITB Research themes for 2017/18

The Committee was discontinued from 20 November 2017.

| Scottish Committee attendance | 49.40% |
|---------------------------------------|---------------|
| Maureen Douglas (Chair) | 3/3 |
| Douglas Anderson | 1/3 |
| Nicola Barclay | 3/3 |
| Grahame Barn | 1/3 |
| Craig Bruce | 2/3 |
| Steve Dillon | 0/3 |
| Jim Gilmour | 0/3 |
| Gemma Gourlay | 3/3 |
| David Harris | 1/3 |
| Vaughan Hart | 0/3 |
| Gavin Hay | 1/3 |
| Malcolm Horner | 2/3 |
| Brendan Keenan | 1/3 |
| Stephen Kemp (Resigned 14.07.2017) | 0/2 |
| Billy Kirkwood | 0/3 |
| Stuart Lyon | 0/3 |
| Donald McDonald | 0/3 |
| Stewart McKillop | 1/3 |
| Newell McGuinness | 3/3 |
| John McKinney | 2/3 |
| Paul Mitchell | 3/3 |
| Ian Morrison | 2/3 |
| Gordon Nelson | 2/3 |
| Andre Reibig | 2/3 |
| Ian Rogers | 1/3 |
| Neil Rogers | 3/3 |
| Stephen Sheridan | 2/3 |
| Colin Tenant | 2/3 |
| Total | 41/83 |

Cymru Welsh Committee

The Committee worked within the established framework, which included regional and sector networks across construction in Wales, and had strong links with the Welsh Assembly and policymakers in Wales. Discussions covered CITB priorities, ITB Review, Levy options and Consensus process, Construction Futures Wales, qualifications review of the Wales Construction and Built Environment, the Construction Wales Innovation Centre, CITB Grant reforms, the Training Model and National Register and the Welsh Government Economic contract and progress on BIM.

The Committee was discontinued from 24 January 2018.

| Cymru Wales Committee attendance | 48.83% |
|---|---------------|
| David Harris (Chair) | 4/4 |
| Nick Blundell | 3/4 |
| Paul Bogle (Resigned August 2017) | 1/2 |
| Chris Chapman (Resigned 29.08.2017) | 2/2 |
| Anthony Davies | 2/4 |
| Gareth Davies | 3/4 |
| Maureen Douglas | 1/4 |
| Ed Evans | 4/4 |
| Martyn Evans | 0/4 |
| Trevor Francis | 1/4 |
| Lisa Garfield | 1/4 |
| Ifan Glyn | 2/4 |
| Mark Harris | 1/4 |
| Richard Heaton | 0/4 |
| Owain Jones | 4/4 |
| Paul Senior | 3/4 |
| Ann-Marie Smale | 1/4 |
| Alastair Stonehewer | 2/2 |
| Anthony Thomas | 0/4 |
| Ffrancon Williams | 1/4 |
| Robert Williams | 3/4 |
| Mark Wusthoff | 3/4 |
| Chris Wynne | 0/4 |
| Total | 42/86 |

Risk Management

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

The system of internal control has been in place for the financial period ended 31 March 2018 and accords with Treasury guidance.

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

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

Risk Management Process

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

There are several ways that CITB manages risks, specifically to the 15 months ending 31 March 2018:

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

Risk Overview

The most significant risks faced by CITB during the 15 month period to 31 March 2018, which could impact on the delivery of its strategic objectives, together with the key mitigating actions are shown below:

| Description | Key mitigating actions |
|--|---|
| Delivery of Change | |
| There is a risk that the Future Operating Model fails to achieve the expected outcomes leading to non-delivery of programme benefits, poor operational performance and reputational damage with stakeholders. | <ol style="list-style-type: none"> 1. Full and proactive governance system in place. 2. Ongoing process of responding to the Board and reviewing recommendations / questions as required. 3. Reviewing the impact of the controls listed and reviewing their effectiveness. 4. Change Board in place to support the FOM team. |
| Funding Management | |
| There is a risk that that we are unable to demonstrate that the use of funds delivered under Flexible and Structured schemes is effective and helps to achieve CITB's objectives leading to a loss of Industry confidence in CITB's ability to manage employer funds. | <ol style="list-style-type: none"> 1. Contract Managers and monitoring and evaluation teams in place. 2. Investment Funding Committee reporting to the Board. 3. Engagement with employers and federations. |
| Fraud | |
| There is a risk that CITB or others will detect and expose fraud of a high profile nature and in turn damage the confidence in and reputation of our products and services. | <ol style="list-style-type: none"> 1. Inspections of each Centre and review network. 2. Work with media partners to ensure positive results can be regularly reported. 3. Manage intelligence through defined streams and using it appropriately. 4. Define rights and responsibilities after divestment of products. 5. Register proceeds of crime for further detection and prevention. 6. Gain accreditations to promote CITB and the actions we are taking / good practice. |
| Consensus | |
| There is a risk that the Minister does not agree to the raising of a three year Levy order, in accordance with CITB's proposals, because CITB cannot demonstrate that it has the support of industry, leading to a short term interim levy to seek consensus or implementation of interim arrangements while CITB is wound-down. | <ol style="list-style-type: none"> 1. Engagement with Government, Employers and Federations. 2. Monitoring results from Employers and Stakeholders survey and reporting to the Board. 3. Regular communication with industry and employers. |
| Levy Order | |
| There is a risk that the Minister does not agree to the raising of a three year Levy order, in accordance with planned timescales because the Secretary of State has insufficient evidence and / or because of a legal challenge, leading to a significant impact on the organisation's cash flows. | <ol style="list-style-type: none"> 1. Working with sponsoring body. 2. Council advice (legal challenge). |
| Support from Government and Industry | |
| There is a risk CITB fails to gain the commitment and support for the 20/20 Vision from Government and Industry because the change programme fails to meet the expectations of stakeholders leading to programme benefits not realised, damaged relationships with stakeholders and financial consequences. | <ol style="list-style-type: none"> 1. Consultation and clear communications plan with stakeholders. |

During the period the following risks, which were included on the Strategic Risk register for part of the period, were redistributed to operational team registers or incorporated into the above Strategic Risks:

- **Challenges** – There is a risk that CITB is unable to respond effectively to requests for information due to a consolidated and sustained high level of legal and regulatory challenge.
- **Affordability** – Given the amount of planned funding and change activity in 2017/18 there is a risk that there will be insufficient cash available to pay all liabilities.
- **CCTV** – There is risk of a challenge if staff of the outsourced security provider do not hold the correct licence in relation to CCTV monitoring.

In addition a review of CITB's Strategic Risks was also undertaken as part of the 2018-21 Business Planning process. This involved a workshop with the Executive Team, sessions with the Leadership Team and sign-off by the Board. The risks are subject to review by the Executive Team and the Audit & Risk Committee, and are that CITB does not:

1. Deliver on the commitments made in Vision 2020
2. Have the right people with the right skills in the right place
3. Effectively plan and / or engage with Industry for the long-term beyond 2020
4. Effectively respond to changed requirements of Industry or Government
5. Demonstrate to stakeholders its effective use funding
6. Generate sufficient cash flows to achieve its reserve targets and maintain a sustainable business
7. Protect itself adequately against high levels of fraudulent activity which is damaging due to profile, value, or volume.

Internal Audit Opinion

The Internal Audit team, working to Public Sector Internal Audit Standards, delivered reviews against a plan approved by the Audit & Risk Committee. This plan was developed to focus on areas of control and risk considered 'core' to the system of internal control; areas of known development needs and areas of low assurance and high risk. An Annual Report, summarising the work undertaken and containing the Head of Internal Audit Opinion was presented to the Audit & Risk Committee, which stated that the quality of governance and internal control during the 15 months to 31 March 2018 was "Satisfactory" and "tending, albeit slowly towards high rather than limited". This is based on delivery of the 2017/18 plan of work across activities, and inputs from risk management activity and governance arrangements.

Statement by Accounting Officer, Sarah Beale

Our approach to Data Security

To achieve our aims CITB processes personal information about individuals. Categories of data subjects include construction-related employers, employees and prospective employees within the construction industry, construction apprentices, suppliers, contractors, and internal staff.

We are committed to protecting the rights and freedoms of individuals in respect of the processing of their personal data, and undertake to comply with our legal obligations and responsibilities at all times.

We routinely review systems and processes for handling data securely against prevailing guidelines to ensure we continue to meet expected standards. We follow ISO27001 compliant practices in relation to Information Security and have a current Cyber Essentials Plus certification. We meet our legal obligations in relation to incidents involving personal data, and as such are required to publish information about any serious data-related incidents, which have to be reported to the Information Commissioner. There were no incidents reported in the period.

Our approach to Reporting Concerns

We are committed to achieving and maintaining high standards of behaviour at work, service to the public, and in all our working practices, and to maintaining a culture where people are encouraged to speak out, confident that they can do so without adverse consequences and can be confident that appropriate action will be taken. Our arrangements for Reporting Concerns (also known as whistle-blowing) has been reviewed by the Audit & Risk Committee. During 2017-18 there were eight incidents recorded by Internal Audit on their Allegation, Loss and Fraud Log. Where appropriate, these incidents were investigated and recommendations made to improve the control environment.

Register of interests

As a Non-Departmental Public Body (NDPB), CITB must abide by principles of regularity and propriety, ensuring that its work is not adversely impacted by a conflict of interest. Board Trustees, Council and Board Committee members, and Executive Directors have all been previously required to complete a declaration of any interests. No significant company directorships or other interests were held by members that conflicted with their role and responsibilities. In 2018 this was extended further and all staff have been requested to complete a declaration of interest return.

Maintaining stakeholder support

To continue to meet industry expectations CITB must maintain support from a range of stakeholders. We liaise with industry at all levels and link with federations, trades unions and educational bodies. We work with Government (with the DfE at Westminster and the Scottish and Welsh Governments) and we are involved in a range of stakeholder events, consultative groups and forums and stakeholder surveys.

We are required to seek consensus from industry for our role as an Industrial Training Board in collecting the Levy for use in incentivising and supporting industry in training. The Levy order is for three years and was passed by Parliament on 27 March 2018

Conclusion

As Accounting Officer, I am satisfied that the governance arrangements that were in place during the 15 months to 31 March 2018 are sufficient to continue managing risks effectively. This is informed by the work of executive directors, Leadership Team members and internal auditors within the organisation, who are responsible for developing and maintaining the governance structures and internal control framework. It is also informed by comments made by the National Audit Office in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

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

Sarah Beale

Accounting Officer

12 June 2018

Acknowledged on behalf of the Board

Diana Garnham

Chair of Audit & Risk Committee

12 June 2018

Statement of the Board and Accounting Officer's responsibilities

Under section 8(1) of the Industrial Training Act 1982, the Board is required to prepare for each financial year a statement of accounts in the form and on the basis determined by the Secretary of State with the consent of the Treasury.

The accounts are prepared on an accruals accounting basis and must show a true and fair view of CITB's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing that statement of account, Board and Accounting Officer are required to have regard for the relevant requirements of the Government financial reporting manual and in particular to:

- a) 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.
- b) Make judgements and estimates on a reasonable basis.
- c) State whether applicable accounting standards as set out in the Government FReM have been followed, and disclose and explain any material departures in the Financial Statements.
- d) Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that CITB will continue in operation.

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

Approved by the Board on 12 June 2018 and signed on its behalf by:

Peter Lauener
Chairman
12 June 2018

Sarah Beale
Chief Executive & Accounting Officer
12 June 2018

Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Construction Industry Training Board for the period ended 31 March 2018 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, including the significant accounting policies. 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 Construction Industry Training Board's affairs as at 31 March 2018 and of its net income for the period 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 Construction Industry Training Board 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 Board and Accounting Officer

As explained more fully in the Statement of the Board and Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 (UK) 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 (UK), 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 the Construction Industry Training Board'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 Construction Industry Training Board'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.

- 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 Board and Accounting Officer are responsible for the other information. The other information comprises information included in the Annual 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 Annual 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 Construction Industry Training Board and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report which we provide a positive consistency opinion on for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General
20 June 2018

National Audit Office

157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

SECTION 5: FINANCIAL PERFORMANCE

| Statement of Financial Activities for the 15 month period ended 31 March 2018 | | | | | |
|--|--------------|-------------------------------|---------------------------------|--------------------------|-----------------------|
| | | 2017/18 restricted | 2017/18 unrestricted | 2017/18 total | 2016 total |
| INCOME | NOTES | £'000 | £'000 | £'000 | £'000 |
| Income from charitable activities | | | | | |
| Levy income | 3 | | 211,382 | 211,382 | 198,246 |
| Non levy income | | | | | |
| Training & Development | | 69,849 | 67,331 | 137,180 | 108,978 |
| Careers | | | 127 | 127 | 109 |
| Standards and Qualifications | | | 654 | 654 | 327 |
| Engagement & Evidence Base | | | 112 | 112 | 724 |
| Other | | | 874 | 874 | 465 |
| Total non-levy income | | 69,849 | 69,098 | 138,947 | 110,603 |
| Income from Trading Activities | 4 | | 30 | 30 | |
| Income from Investments | | | 945 | 945 | 1,690 |
| Other Income | | | 6,499 | 6,499 | 31 |
| Total Income | | 69,849 | 287,954 | 357,803 | 310,570 |
| EXPENDITURE | | | | | |
| Expenditure on raising funds | | | 5,174 | 5,174 | 4,103 |
| Charitable Activities | | | | | |
| Training & Development | | 74,971 | 325,591 | 400,562 | 282,021 |
| Careers | | | 2,885 | 2,885 | 3,359 |
| Standards and Qualifications | | | 1,754 | 1,754 | 1,392 |
| Engagement & Evidence Base | | | 15,262 | 15,262 | 11,951 |
| | 6 | 74,971 | 345,492 | 420,463 | 298,723 |
| Expenditure from Trading Activities | 4 | | 44 | 44 | 37 |
| Net loss/(gain) on revaluation of investments | | | 128 | 128 | (433) |
| Total expenditure | | 74,971 | 350,838 | 425,809 | 302,430 |
| Net Income/(Expenditure) | | (5,122) | (62,884) | (68,006) | 8,140 |
| Net movement in funds - transfer from unrestricted fund | | 5,122 | (5,122) | 0 | 0 |
| | | 0 | (68,006) | (68,006) | 8,140 |
| Other gains and losses | | | | | |
| Gain on revaluation of freehold property | 9 | | 661 | 661 | 315 |
| | | 0 | (67,345) | (67,345) | 8,455 |
| Total accumulated funds at period start | 15 | 0 | 101,985 | 101,985 | 93,530 |
| Total accumulated funds at period end | 15 | 0 | 34,640 | 34,640 | 101,985 |

The above results include all recognised gains and losses and are derived from continuing activities. The notes 1 to 24 on pages 43 to 62 form an integral part of these accounts.

Balance Sheet as at 31 March 2018

| | | 2017/18 | 2017/18 | 2016 |
|---|-------|---------------|---------------|----------------|
| | NOTES | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | |
| Debtor > 1 year | 10 | | 4,500 | 0 |
| Property, Plant & Equipment | 9 | | 13,741 | 13,519 |
| | | | 18,241 | 13,519 |
| CURRENT ASSETS | | | | |
| Debtors | 10 | 26,645 | | 63,466 |
| Investments | 11 | 20,000 | | 45,369 |
| Stock | | 916 | | 0 |
| Cash at bank | | 50,842 | | 48,622 |
| | | 98,403 | | 157,457 |
| CREDITORS | | | | |
| Amounts falling due within one year | 12 | (41,875) | | (27,819) |
| NET CURRENT ASSETS | | | 56,528 | 129,638 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 74,769 | 143,157 |
| PROVISIONS FOR LIABILITIES AND CHARGES | | | | |
| | 13 | | (40,129) | (41,172) |
| NET ASSETS | | | 34,640 | 101,985 |
| TOTAL ACCUMULATED FUND | | | | |
| | 15 | | 34,640 | 101,985 |

Notes 1-24 on pages 43 to 62 form an integral part of these accounts.

Approved by the Board on 12 June 2018

and signed on its behalf by:

Sarah Beale
Chief Executive
12 June 2018

Peter Lauener
Chairman
12 June 2018

Statement of Cash Flows for the Period Ended 31 March 2018

| CASHFLOWS FROM OPERATING ACTIVITIES | NOTES | 2017/18 | 2016 |
|--|-------|----------|----------|
| | | £'000 | £'000 |
| Net incoming (outgoing) resources for the period after charging notional cost of capital | | (67,345) | 8,140 |
| Income from Investments | | (945) | (1,690) |
| Depreciation charges | 9 | 1,881 | 1,502 |
| Profit on sale of tangible fixed assets | | (1) | (31) |
| Proceeds on sale of business | | (1,249) | 0 |
| Realised loss on disposal of fixed assets | | 0 | 119 |
| Unrealised (gain)/loss on investments | 11 | 128 | (594) |
| Gain on revaluation of freehold properties | 9 | (661) | (315) |
| Decrease/(Increase) in debtors and stock | | 31,405 | (3,703) |
| (Decrease)/Increase in creditors and provisions | | 13,015 | (1,745) |
| Net cash inflow/(outflow) from operating activities | | (23,772) | 1,683 |
| CASHFLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received on Investments | 16 | 945 | 1,842 |
| Payments to acquire tangible fixed assets | 16 | (1,555) | (1,645) |
| Receipts from sales of tangible fixed assets | 16 | 112 | 114 |
| Receipts from sale of business | | 1,249 | 0 |
| Proceeds from sale of Investments | 16 | 101,394 | 57,169 |
| Purchase of Investments | 16 | (76,153) | (47,079) |
| Net cash inflow from investing activities | | 25,992 | 10,401 |
| Increase in cash and cash equivalents | | 2,220 | 12,084 |
| Cash and cash equivalents at 01 January | | 48,622 | 36,538 |
| Cash and cash equivalents at period end | | 50,842 | 48,622 |

Notes 1-24 on pages 43 to 62 form an integral part of these accounts.

Notes to the Financial Statements for the period ended 31 March 2018

1. Accounting policies

GOING CONCERN

These accounts are prepared on a going concern basis following a review of the activities of CITB planned for the future and the external factors which will have an impact on its future.

ACCOUNTING CONVENTION

The Financial Statements are prepared in accordance with the Industrial Training Act 1982 and directions made thereunder by the Secretary of State for Education. The accounts comply with the requirements of Accounting and Reporting by Charities: Charities SORP (FRS102).

The accounts are prepared with regards to the disclosure requirements of the 2017-18 Government Financial Reporting Manual (FReM) and also provide additional disclosures where this goes beyond the requirements of the Charities SORP (FRS102).

These accounts are prepared under the historical cost convention as modified to reflect the revaluation of fixed assets and investments.

REPORTING PERIOD

The 2017/18 figures in the Financial Statements are prepared for the 15 month period 1 January 2017 to 31 March 2018. This follows an amendment to the financial year end to 31 March in order to achieve greater alignment with other key stakeholders and has been agreed with the Department for Education. This change is made with Board approval and with agreement of Department for Education. The prior year reporting period comparative amounts and associated notes for the calendar year 2016 are therefore not directly comparable.

INCOME

Levy

Levy income is that receivable from assessments based on the employment details returned by employers, with an estimate for those from which employment details have not been received. Estimated assessment income is reduced by a provision for reassessments, based on historical trends, to allow for their normal write down in value following the receipt of a Levy Return declaring actual direct employment and labour-only subcontract payments. A provision for bad debts, based on identified doubtful debts, prior years' experience and the economic state of the industry, is also applied against Levy debts and both the movement in the provision between 1 January 2017 and 31 March 2018 and the actual bad debts written off in the period are set off against Levy income. Levy Assessments are recognised in the SoFA in the period in which they are raised.

Charitable Activities - non-levy income

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

Apprenticeship income is recognised as Restricted Funds based on contractual terms.

Deferred Income

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

Investment income

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

EXPENDITURE

Grants

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

Charitable activities

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

Leasing

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

Allocation of expenditure

Costs are allocated either directly with support costs apportioned to activities by appropriate drivers. For the majority of support costs this is Average Full Time Equivalent (FTE) for the financial period. However grant support costs have been allocated based on grant funding expenditure split between the activities while estate costs have been allocated on an office FTE/ College Training Days basis.

OTHER RECOGNISED GAINS AND LOSSES

Realised on investments

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

Unrealised on investments

The difference between the brought forward market value at the beginning of the accounting period and the year-end market value of all investments held at the balance sheet date is recognised in the SoFA.

ASSETS

Estimation techniques

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

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

Tangible fixed assets

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

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

| Asset | Depreciation range |
|------------------------------|--|
| Freehold buildings | 50 years (permanent buildings) |
| | 20 years (improvements and temporary buildings) |
| | Nil (buildings under construction) |
| Leasehold land and buildings | the lease term |
| Plant and machinery | 5 to 10 years |
| Office equipment | 4 to 10 years |
| Computer equipment | 4 years |

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

Investments

Investments are stated at market value at the balance sheet date. Investments are considered to be highly liquid resources as they can all be easily converted to cash and therefore all investments are determined as current asset investments. Bonds, equities and cash are held at market value. Managed funds are valued at a price provided by the third party investment manager.

LIABILITIES

Grant creditors: Amounts payable in relation to Grant Funding authorised but not yet paid are recognised within Creditors.

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

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

FINANCIAL INSTRUMENTS

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

Material classes of financial instruments are separately identified under the following categories

Loans and receivables

'Loans and receivables' financial instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, for example trade debtors and deposits held in banks. Subsequent to initial recognition, these assets are shown in the accounts at the amortised cost after calculating any relevant impairment.

Available-for-sale

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

Other financial liabilities

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

Provisions

Provisions are made for dilapidations on leasehold properties to represent a provision for estimated settlements with landlords on the expiry of leases. The estimations are based on previous financial experience. Training Plan grant and Other Grants claims not yet received are provided for on the basis of historical payment patterns adjusted for any known changes in circumstances. Provisions and accruals for apprentice grant claims are based on the number of new entrant trainees known to have been enrolled on the scheme.

OTHER

VAT

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

Pensions

CITB is a participating employer in the ITB Pension Fund Scheme which has 2 sections. Firstly a multi-employer defined benefit section (closed to future accrual 31 December 2016) and secondly a defined contribution section for all staff who joined after 1 January 2013. Being a multi-employer scheme, FRS102 states that the DB scheme must be accounted for as a DC scheme, as the proportion of assets and funding level attributable to CITB cannot be separately identified.

Redundancy

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

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

The activities that CITB undertakes in support of the industry have been re-defined during 2017/18 in order to realign to our strategic priorities. The table below shows the reclassification from the 2016 audited SoFA to the restated comparatives in the SoFA on page 40.

| | 2016 Total | Training & Development | Careers | Standards & Qualifications | Engagement & Evidence Base | Other |
|---|----------------|------------------------|--------------|----------------------------|----------------------------|------------|
| INCOME | £'000 | ££'000 | £'000 | £'000 | £'000 | £'000 |
| Apprenticeships | 50,993 | 50,666 | - | 327 | - | - |
| Trading Products | 44,789 | 44,103 | 109 | - | 577 | - |
| Training | 11,290 | 11,290 | - | - | - | - |
| Other | 612 | - | - | - | 147 | 465 |
| Government & Other Public Authorities | 2,919 | 2,919 | - | - | - | - |
| Non Levy Income | 110,603 | 108,978 | 109 | 327 | 724 | 465 |
| EXPENDITURE | | | | | | |
| Grants Scheme | 153,623 | 153,623 | - | - | - | - |
| Programme Based Funding | 17,960 | 16,345 | 1,552 | 38 | 25 | - |
| Apprenticeships | 66,485 | 59,558 | - | 1,354 | 5,573 | - |
| Trading Products | 28,377 | 24,191 | 1,807 | - | 2,379 | - |
| Training | 30,894 | 28,304 | - | - | 2,590 | - |
| Other | 1,384 | - | - | - | 1,384 | - |
| Expenditure on charitable activities | 298,723 | 282,021 | 3,359 | 1,392 | 11,951 | 0 |

3. Levy

| | 2017/18 | 2016 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Current year's Levy Assessment receivable | 211,399 | 206,294 |
| Less: provision for bad debts | (4,276) | (5,224) |
| Net value current year's Levy Assessments | 207,123 | 201,070 |
| Reassessment of previous years' Levy | 4,259 | (2,824) |
| Net Levy income for the period | 211,382 | 198,246 |

4. Income from Trading Activities

Income from trading activities represents non-charitable income generated from the use of CITB's social and leisure facilities. Associated expenditure is represented in expenditure from trading activities.

5. Material grant funding payments

Accounting and Reporting by Charities: Statement of Recommended Practice FRS102 requires material grants made to be disclosed. Disclosure must include the name of the recipient and the aggregate amount of grants made to that recipient. The top 15 payments during the 15 months to 31 March 2018 have been disclosed below:

| Recipient | £'000's |
|---|----------------|
| Carillion Plc* | |
| - CITC £5,044 | |
| - Other £2,245 | 7,289 |
| Kier Group Plc | 6,694 |
| O'Rourke Investments Plc | 4,961 |
| Balfour Beatty Plc | 4,415 |
| Royal BAM Group Nv | 4,023 |
| Barratt Developments Plc | 3,888 |
| MITIE Group Plc | 3,357 |
| Skanska UK | 3,182 |
| Vinci | 2,685 |
| Mears Group Plc | 2,611 |
| Galliford Try Plc | 2,404 |
| Morgan Sindall Group Plc | 2,285 |
| Taylor Wimpey Plc | 2,117 |
| Persimmon Plc | 2,081 |
| University of Wales | 1,968 |
| Other recipients | 185,879 |
| Total paid or offset during the year | 239,840 |
| Less: Provisions and Accruals brought forward | (44,823) |
| Add: Provisions and Accruals for further payments | 53,367 |
| Total grant funding | 248,384 |

*This employer previously operated a managing agency (providing training opportunities for more than its own needs) and so claimed a greater number of grants. It should be noted that all payments to Carillion were made prior to their liquidation.

6. Expenditure on charitable activities

| Activity £'000s | Activities Directly Undertaken £'000 | Grant Funding Activities £'000 | Support Costs £'000 | 2017/18 Total £'000 | 2016 Total (Restated) £'000 |
|----------------------------|---|--------------------------------------|------------------------|------------------------|-----------------------------------|
| Training & Development | 107,152 | 246,887 | 46,523 | 400,562 | 282,021 |
| Careers | 1,259 | 1,327 | 299 | 2,885 | 3,359 |
| Standards & Qualifications | 1,041 | 102 | 611 | 1,754 | 1,392 |
| Engagement & Evidence Base | 10,313 | 68 | 4,881 | 15,262 | 11,951 |
| Total | 119,765 | 248,384 | 52,314 | 420,463 | 298,723 |

Grant funding of £248.4m is split into three elements as per the below:

- Main Grant Scheme - £181.9m
- Programme Based Funding (incorporating Structured and Flexible Funding) - £24.8m
- Transition Arrangement - £41.7m

7. Support costs

| Support Cost | Training & Development £'000 | Careers £'000 | Standards & Qualifications £'000 | Engagement & Evidence Base £'000 | Total to Charitable Activities £'000 | Expenditure on Raising Funds £'000 |
|---|------------------------------------|------------------|--|---|---|---|
| Business Improvement (IT) | 14,182 | 99 | 229 | 2,019 | 16,529 | 793 |
| Estates | 10,536 | 53 | 86 | 268 | 10,943 | 389 |
| Business Performance (Finance) | 4,358 | 31 | 70 | 621 | 5,080 | 244 |
| Grant Support Costs | 3,583 | 19 | 1 | 1 | 3,604 | 0 |
| Communications & Marketing | 2,731 | 19 | 44 | 388 | 3,182 | 153 |
| Change (not directly attributable to activities) | 2,915 | 20 | 47 | 415 | 3,397 | 163 |
| Human Resources | 2,232 | 16 | 36 | 318 | 2,602 | 125 |
| Governance | 745 | 5 | 12 | 106 | 868 | 42 |
| Other Corporate Costs | 5,241 | 37 | 86 | 745 | 6,109 | 293 |
| TOTAL | 46,523 | 299 | 611 | 4,881 | 52,314 | 2,202 |

Other Corporate Costs consists of a number of immaterial costs aggregated for presentational purposes. These Other Corporate Costs include Legal costs, External Relations costs, Management costs and miscellaneous corporate costs.

8. Expenditure

| | 2017/18 | 2016 |
|---|---------|-------|
| | £'000 | £'000 |
| The net movement in funds for the period was arrived at after (crediting)/charging: | | |
| Profit/(loss) on disposal of fixed assets | (1) | (31) |
| Rentals paid under operating leases | | |
| ▪ Hire of plant and machinery | 301 | 359 |
| ▪ Other operating leases | 2,462 | 2,194 |
| Fees paid to external auditor | | |
| ▪ Statutory audit fee | 100 | 90 |
| ▪ Other assurances | 3 | 3 |
| Depreciation on owned assets | 1,881 | 1,502 |
| Indemnity insurance | 18 | 15 |

9. Tangible fixed assets

| | Freehold Property | Plant and Machinery | Motor Vehicles | Computer & Office Equipment | Assets Under Development | Total |
|-----------------------|----------------------|------------------------|-------------------|-----------------------------------|--------------------------------|---------------|
| a) Summary | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| 1 January 2017 | 9,814 | 6,636 | 765 | 11,557 | 608 | 29,380 |
| Additions | 252 | 1,289 | - | 14 | - | 1,555 |
| Disposals | - | (265) | (308) | (922) | (0) | (1,495) |
| Transfers | 8 | 431 | - | 169 | (608) | 0 |
| Revaluation | 492 | - | - | - | - | 492 |
| 31 March 2018 | 10,566 | 8,091 | 457 | 10,818 | 0 | 29,932 |
| Depreciation | | | | | | |
| 1st January 2017 | 30 | 5,303 | 674 | 9,854 | - | 15,861 |
| Charges during period | 215 | 554 | 25 | 1,087 | - | 1,881 |
| Disposals | - | (264) | (278) | (841) | - | (1,383) |
| Revaluation | (168) | - | - | - | - | (168) |
| 31 March 2018 | 77 | 5,593 | 421 | 10,100 | 0 | 16,191 |
| Net Book Value | | | | | | |
| 31 March 2018 | 10,489 | 2,498 | 36 | 718 | 0 | 13,741 |
| 31 December 2016 | 9,784 | 1,333 | 91 | 1,703 | 608 | 13,519 |

At 31 March 2018, CITB received professional, external desktop valuations of its freehold property. Savills undertook the valuations of all freehold property. They valued the training centre and head office at Bircham Newton on an existing use basis and the agricultural land at market value, the freehold property held at Glasgow, Birmingham and Erith on an existing use basis. These valuations resulting in an increase in value of £661,000.

| | 2017/18 | 2016 |
|--|----------------|--------------|
| | £'000 | £'000 |
| (b) Historical cost information | | |
| If the valuations had not been included then freehold property would have been included at the following amounts | | |
| Cost | 20,816 | 20,556 |
| Accumulated depreciation | (4,793) | (4,578) |
| | 16,023 | 15,978 |
| (c) Freehold property | | |
| Freehold land valuation | 4,245 | 3,970 |
| Freehold property valuation | 6,321 | 5,844 |
| Accumulated depreciation Freehold Property valuation | (77) | (30) |
| | 10,489 | 9,784 |
| (d) Capital commitments | | |
| There were £nil capital commitments at 31 March 2018 (2016 £580,000). | | |
| (e) Plant equipment on loan | | |
| CITB has £nil use of equipment on loan, free of charge, from plant equipment suppliers (2016 £1,536,000 approx. purchase value). | | |
| (f) Tangible fixed assets 2016 (comparative table) | | |

| | Freehold Property | Plant and Machinery | Motor Vehicles | Computer & Office Equipment | Assets Under Development | Total |
|--------------------------|------------------------------|--------------------------------|---------------------------|--|---|---------------|
| a) Summary | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | |
| 1 January 2016 | 9,499 | 5,768 | 1,196 | 11,997 | 186 | 28,646 |
| Additions | - | 825 | - | 101 | 608 | 1,534 |
| Disposals | - | - | (431) | (684) | - | (1,115) |
| Transfers | - | 43 | - | 143 | (186) | 0 |
| Revaluation | 315 | - | - | - | - | 315 |
| 31 December 2016 | 9,814 | 6,636 | 765 | 11,557 | 608 | 29,380 |
| Depreciation | | | | | | |
| 1 January 2016 | 4 | 5,046 | 965 | 9,495 | - | 15,510 |
| Charges during year | 149 | 257 | 57 | 1,039 | - | 1,502 |
| Disposals | - | - | (348) | (680) | - | (1,028) |
| Revaluation | (123) | - | - | - | - | (123) |
| 31 December 2016 | 30 | 5,303 | 674 | 9,854 | 0 | 15,861 |
| Net Book Value | | | | | | |
| 31 December 2016 | 9,784 | 1,333 | 91 | 1,703 | 608 | 13,519 |
| 31 December 2015 | 9,495 | 722 | 231 | 2,502 | 186 | 13,136 |

10. Debtors: amounts falling due within one year

| | 2017/18 | 2017/18 | 2016 | 2016 |
|----------------------------------|-----------------|---------------|----------|--------|
| | £'000 | £'000 | £'000 | £'000 |
| Debtor from Sale of Business | | 4,500 | | |
| Levy Debtors | 25,695 | | 70,129 | |
| Less: Provision for Bad Debts | (11,514) | | (18,016) | |
| Total Levy Debtors | | 14,181 | | 52,113 |
| Trade and Other Debtors | 9,621 | | 8,671 | |
| Less: Provision for Bad Debts | (321) | | (99) | |
| Total Trade and Other Debtors | | 9,300 | | 8,572 |
| Accrued Income | | 2,493 | | 1,185 |
| Prepayments | | 671 | | 1,596 |
| Total Debtors | | 31,145 | | 63,466 |
| Debtor due in more than one year | | 4,500 | | 0 |
| Debtor due within one year | | 26,645 | | 63,466 |

11. Investments

| | 2017/18 | 2016 |
|---|---------------|---------------|
| Analysis of Movement of Investments | £'000 | £'000 |
| Market Value at beginning of period | 45,369 | 54,865 |
| Additions to Investments at Cost | 76,153 | 47,079 |
| Disposals at Carrying Value | (101,394) | (57,008) |
| Gain/(Loss) on Investments | (128) | 433 |
| Market Value at end of period | <u>20,000</u> | <u>45,369</u> |
| | | |
| Listed Securities in UK | 0 | 19,152 |
| Listed Securities outside UK | 0 | 11,197 |
| Deposits with banks and building societies in UK | 10,000 | 5,020 |
| Deposits with banks and building societies outside UK | 10,000 | 10,000 |
| | <u>20,000</u> | <u>45,369</u> |
| | | |
| Balances held outside of the Government Banking Service | <u>20,000</u> | <u>45,369</u> |

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

| | 2017/18 | 2016 |
|-----------------------------|--------------|--------------|
| Investments | £'000 | £'000 |
| Term deposits | | |
| BNP Paribas | 10,000 | 10,000 |
| Lloyds TSB | 10,000 | 5,000 |
| | | |
| Money market funds | | |
| Daimler Ag @ 2.375% | | 3,997 |
| Legal & General GP @ 5.875% | | 3,035 |
| National Gr Gas Fi @ 1.125% | | 2,964 |
| British Telecom @ 8.625% | | 2,483 |
| Total Capital Intl @ 2.25% | | 2,395 |

12. Creditors: amounts falling due within one year

| | 2017/18 | 2016 |
|------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade Creditors | 10,491 | 3,086 |
| Taxation and Social Security | 1,569 | 2,302 |
| Deferred Income | 1,611 | 1,137 |
| Accruals: | | |
| Grant funding | 14,286 | 3,917 |
| Other | 13,918 | 17,377 |
| Total Creditors | 41,875 | 27,819 |

13. Provisions for liabilities and charges

| | Grant Provision | Other Provisions | Total Provisions | Total Provisions |
|------------------------|--------------------|---------------------|---------------------|---------------------|
| | 2017/18 | 2017/18 | 2017/18 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Opening Balance | 40,905 | 267 | 41,172 | 41,210 |
| Utilised | (40,905) | (30) | (40,935) | (41,225) |
| Released Provisions | | (107) | (107) | (415) |
| Additional Provisions | 39,081 | 918 | 39,999 | 41,602 |
| Closing Balance | 39,081 | 1,048 | 40,129 | 41,172 |

The Grants Scheme Provision as at 31 March 2018 relates to grants likely to have been earned for training conducted up until 31 March 2018, but which are not yet authorised for payment. These are evaluated on the following basis:

- Apprenticeship Grants provisions are based on expected claims for known named apprentices with confirmed start dates
- Training Plan Grants provisions are based on a review of expenditure in prior years, amended by the growth rate in training plan values received for the current year.
- Other Grants provisions are based on prior year grants, plus expected growth rate.

Other Provisions consists of Leasehold Property Dilapidations provision and a provision for National Insurance payments due.

All provisions are expected to be fully utilised by 31 March 2019.

14. 2016 Restricted and unrestricted funds

| | 2016 restricted | 2016 unrestricted | 2016 total |
|--|--------------------|----------------------|----------------|
| INCOME | £'000 | £'000 | £'000 |
| Income from charitable activities | | | |
| Levy income | | 198,246 | 198,246 |
| Non levy income | | | |
| Training & Development | 53,329 | 55,649 | 108,978 |
| Careers | | 109 | 109 |
| Standards and Qualifications | | 327 | 327 |
| Engagement & Evidence Base | | 724 | 724 |
| Other | 2 | 463 | 465 |
| Total non-levy income | 53,331 | 57,272 | 110,603 |
| Income from Investments | | 1,690 | 1,690 |
| Other Income | | 31 | 31 |
| Total Income | 53,331 | 257,239 | 310,570 |
| EXPENDITURE | | | |
| Expenditure on raising funds | | 4,103 | 4,103 |
| Charitable Activities | | | |
| Training & Development | 55,194 | 226,827 | 282,021 |
| Careers | | 3,359 | 3,359 |
| Standards and Qualifications | | 1,392 | 1,392 |
| Engagement & Evidence Base | | 11,951 | 11,951 |
| | 55,194 | 243,529 | 298,723 |
| Non charitable activities | | 37 | 37 |
| Net loss/(gain) on revaluation of investments | | (433) | (433) |
| Total expenditure | 55,194 | 247,236 | 302,430 |
| Net Income/(Expenditure) | (1,863) | 10,003 | 8,140 |
| Net movement in funds - transfer from unrestricted fund | 1,863 | (1,863) | 0 |
| | 0 | 8,140 | 8,140 |

15. Accumulated funds

| | General Reserve | Fixed Asset Revaluation Reserve | Total unrestricted funds at 31/03/2018 | Total unrestricted funds at 31/12/2016 |
|------------------------|-----------------|---------------------------------|--|--|
| | £'000 | £'000 | £'000 | £'000 |
| Opening Balance | 101,618 | 367 | 101,985 | 93,530 |
| Net movement in funds | (68,006) | 661 | (67,345) | 8,455 |
| Closing Balance | 33,612 | 1,028 | 34,640 | 101,985 |

Accumulated funds 2016 (comparative table)

| | General Reserve | Fixed Asset Revaluation Reserve | Total unrestricted funds at 31/12/2016 | Total unrestricted funds at 31/12/2015 |
|------------------------|-----------------|---------------------------------|--|--|
| | £'000 | £'000 | £'000 | £'000 |
| Opening Balance | 93,478 | 52 | 93,530 | 97,331 |
| Net movement in funds | 8,140 | 315 | 8,455 | (3,801) |
| Closing Balance | 101,618 | 367 | 101,985 | 93,530 |

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

16. Gross cash flows by category

| | 2017/18 | 2016 |
|--|----------------|----------|
| | £'000 | £'000 |
| Returns on investment and servicing for finance | | |
| Interest received on investments | 945 | 1,842 |
| Capital Expenditure | | |
| Payments to acquire tangible fixed assets | (1,555) | (1,645) |
| Receipts from sales of tangible fixed assets | 112 | 114 |
| | (1,443) | (1,531) |
| Management of liquid resources | | |
| Placed on deposit and purchase of externally managed investments | (76,153) | (47,079) |
| Deposit withdrawals and sale of externally managed investments | 101,394 | 57,169 |
| | 25,241 | 10,090 |

17. ITB Pension fund

CITB is a participating employer in the ITB Pension Fund Scheme which has 2 sections. Firstly a multi-employer defined benefit section (closed to future accrual 31 December 2016) and secondly a defined contribution section for all staff who joined after 1 January 2013. Being a multi-employer scheme, FRS102 states that the DB scheme must be accounted for as a DC scheme, as the proportion of assets and funding level attributable to CITB cannot be separately identified.

THE 2 SECTIONS ARE:

1. The '2007 Section', was a defined benefits scheme for staff who joined before 1 January 2013. As at 31 December 2016 all current members of the DB scheme became deferred members of the scheme and were transferred across to the 'DC Section' as at 1 January 2017 and the scheme closed to future accrual.

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

The principal future assumptions used are:

- Introduce a dual discount rate with a pre-retirement discount of 2.5% and a post-retirement discount rate of 0.5% in excess of gilt yields.
- Real rate of return (net of pension increases) would be 0.8% p.a.
- Nominal rate of investment return on assets would be 4.25% p.a.
- Rate of future pension increases for the Old section would be in line with the Consumer Prices Index (CPI) changes (assumed to be 3.85% p.a.)
- Rate of future pension increases for the New and 2007 sections would be in line with the Retail Prices Index (RPI) changes (assumed to be 2.95% p.a.)
- 'Real' salary inflation would be 1.1% p.a.

The 2016 triennial valuation indicated that the actuarial value of the assets held by the Scheme in total showed a surplus of £10m against the Scheme liabilities on a statutory funding basis (excluding S75 debt). There were no deficit funding contributions paid to the Scheme in the 15 month period (2016 nil).

2. The 'DC Section', is a defined contribution scheme for staff that joined on or after 1 January 2013.

From 1 January 2017 employee and employer contribution rates changed as a result of the closure of the DB Section and staff now being part of the DC Section. The range for employee contributions is 4%-7% (2016 4%), and the employer contributions will match the employee contribution plus 2%, but are capped at 9% (2016 7%). Employer contributions for DB section were 9.15% in 2016.

The pension cost charge for the 15 month period was £3.6m (2017 year £2.9m, 2016 £3.2m).

18. Lease commitments

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

| | 2017/18 | | | 2016 | | |
|----------------------------------|------------------|---------------------|------------|------------------|---------------------|--------------|
| | Land & Buildings | Plant and Machinery | Other | Land & Buildings | Plant and Machinery | Other |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Operating Leases | | | | | | |
| Leases expiring within 1 year | 428 | 29 | 107 | 88 | 14 | 60 |
| Leases expiring within 2-5 years | 520 | 0 | 864 | 564 | 13 | 2,036 |
| Leases expiring after 5 years | 0 | 0 | 0 | 0 | 0 | 0 |
| As at 31 March | 948 | 29 | 971 | 652 | 27 | 2,096 |

19. Board members' remuneration

Remuneration of the Board members was as follows:

| | 2017/18 | 2016 |
|-------------------------------|---------------|--------|
| | £ | £ |
| Chairman - James Wates | 31,000 | 24,800 |

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

James Wates elected to donate his remuneration through GAYE back to CITB for the furtherance of their objectives. No other Board members received any emoluments from CITB during the period. No Board member had pension entitlements under any pension schemes funded by CITB.

Expenses paid to Board members during 2017/18 amounted to £11,465 (£7,233 in 2016) in respect of accommodation, travel and subsistence. The total number of recipients was 7 (6 in 2016).

20. Particulars of staff

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

| | Directly employed | Temporary | 2017/18 number | 2016 number |
|------------------|-------------------|-----------|----------------|--------------|
| Training | 885 | 20 | 905 | 953 |
| Other activities | 383 | 17 | 400 | 473 |
| | <u>1,268</u> | <u>37</u> | <u>1,305</u> | <u>1,426</u> |

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

| | 2017/18 | 2017 | 2016 |
|--|------------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| | Actual in Period | Actual in Year | Actual in Year |
| Salaries of directly employed staff | 52,513 | 41,790 | 43,708 |
| Temporary staff costs | 11,695 | 9,204 | 6,745 |
| Additional redundancy costs (not already provided for) | 248 | 229 | 1,146 |
| Social security costs | 5,991 | 4,108 | 4,095 |
| Other pension costs (see Note 17) | 3,615 | 2,896 | 3,200 |
| | <u>74,062</u> | <u>58,227</u> | <u>58,894</u> |

The remuneration, pension entitlements and pension transfer values of the most senior members of CITB's staff can be found in the Remuneration Report on pages 22 to 25.

The emoluments, including benefits in kind but excluding pension contributions and redundancy payments, of employees earning more than £60,000, other than those stated in the Remuneration Report (pages 22 to 25), are outlined within the ranges shown below.

| | Accruing under the DC section of the ITB Pension Funds 2017/18 | 2016 Total |
|--------------------|--|------------|
| £60,001 – £70,000 | 12 | 16 |
| £70,001 – £80,000 | 7 | 14 |
| £80,001 – £90,000 | - | - |
| £90,001 - £100,000 | - | 1 |

The total employer contributions paid in 2017/18 to the defined contribution section of the ITB Pension Funds in respect of those employees earning over £60,000 for the 15 month period was £119,503 (2016 12 months £48,126).

20. Particulars of staff (continued)

Details of staff by grade and gender as at period end are:

| Grade | 2017/18 | | | 2016 | | |
|--------------------|------------|------------|--------------|------------|------------|--------------|
| | Male | Female | Total | Male | Female | Total |
| Chief Executive | - | 1 | 1 | 1 | - | 1 |
| Director | 5 | - | 5 | 2 | 1 | 3 |
| Grade A | 12 | 9 | 21 | 11 | 6 | 17 |
| Grade B | 34 | 22 | 56 | 37 | 23 | 60 |
| Grade C | 54 | 49 | 103 | 43 | 43 | 86 |
| Grade D | 87 | 56 | 143 | 94 | 49 | 143 |
| Grade E | 169 | 86 | 255 | 186 | 75 | 261 |
| Grade F | 113 | 221 | 334 | 108 | 224 | 332 |
| Grade G | 24 | 104 | 128 | 25 | 96 | 121 |
| Grade H | 54 | 189 | 243 | 67 | 215 | 282 |
| Apprentice | 2 | 4 | 6 | 2 | 6 | 8 |
| Grand Total | 554 | 741 | 1,295 | 576 | 738 | 1,314 |

Details of staff sickness absence is as follows:

| Grade | 2017/18 | | 2016 | |
|-------|-----------|--------------|--------------|--------------|
| | Days Lost | Absence Rate | Absence Rate | Absence Rate |
| CITB | 11,101 | 3.8% | 11,961 | 3.9% |

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

Details of staff leaving the organisation during 2017/18 for whom contractual redundancy exit packages were payable, are:

| Exit package cost band | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | |
|--------------------------------------|-----------------------------------|------------------|-----------------------------------|---------------|--|------------------|
| | 2017/18 | 2016 | 2017/18 | 2016 | 2017/18 | 2016 |
| <£10,000 | 4 | 11 | - | - | 4 | 11 |
| £10,000 - £25,000 | 2 | 28 | - | - | 2 | 28 |
| £25,000 - £50,000 | 2 | 55 | - | 1 | 2 | 56 |
| £50,000 - £100,000 | 3 | 18 | - | - | 3 | 18 |
| £100,000 - £200,000 | - | 8 | - | - | - | 8 |
| £200,001 - £400,000 | - | 5 | - | - | - | 5 |
| >£400,000 | - | 4 | - | - | - | 4 |
| Total number of exit packages | 11 | 129 | - | 1 | 11 | 130 |
| Total cost £ | 290,670 | 8,308,614 | - | 27,487 | 290,670 | 8,336,101 |

21. Taxation

As a registered charity, CITB is exempt from corporation tax on its charitable activities under section 505 of the Income and Corporation Taxes Act 1988. However, incoming resources includes income that is deemed to be of a non-charitable nature, resulting in a loss of £14,845 (2016 loss of £5,947). This has given rise to a corporation tax liability of £ nil (2016 £ nil)

22. Related party transactions

The sponsoring department for CITB is DfE. During 2017/18, there were some material transactions with other entities for which DfE is regarded as the parent department, namely the ESFA.

| | Amounts received by CITB | | Amounts owing to CITB as at Period End | |
|---|-----------------------------|--------|---|-------|
| | 2017/18 | 2016 | 2017/18 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Education and Skills Funding Agency | 50,474 | 40,140 | 5,781 | 3,092 |
| Skills Development Scotland | 10,709 | 7,936 | 242 | 338 |
| Welsh Assembly Government | 8,015 | 4,925 | 543 | - |
| UK Commission for Employment and Skills | 0 | 73 | - | - |

| | Amounts paid by CITB | | Amounts owed by CITB as at Period End | |
|---|-------------------------|-------|--|-------|
| | 2017/18 | 2016 | 2017/18 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Education and Skills Funding Agency | - | - | - | 235 |
| Skills Development Scotland | 4 | 2 | 2 | 2 |
| Welsh Assembly Government | 468 | 360 | - | - |
| UK Commission for Employment and Skills | - | - | - | - |

Members of the Board hold positions of influence and decision making, with organisations with which CITB has transacted during the period. Details of such positions and employments are declared in the following Appendices to this report:

- Appendix A (on pages 63 to 65) lists the members of the Board and its committees, also giving the names of their employers
- Appendix B (pages 66 and 67) shows the Register of interests of Board members.

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

| | Amounts received by CITB | | Amounts owing to CITB as at Period End | |
|--|-----------------------------|--------------|---|--------------|
| | 2017/18 | 2016 | 2017/18 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Levy | 3,386 | 4,616 | 722 | 5,028 |
| Sale of training-related products and services | 3 | 350 | - | 91 |
| Total | 3,389 | 4,966 | 722 | 5,119 |

| | Amounts paid by CITB | | Amounts owed by CITB as at Period End | |
|------------------------------------|-------------------------|---------------|--|----------|
| | 2017/18 | 2016 | 2017/18 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Payment of grants | 10,335 | 9,890 | - | - |
| Purchase of materials and services | 222 | 999 | 43 | - |
| Total | 10,557 | 10,889 | 43 | - |

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

23. Losses and special payments

During the period, no special payments were made and there were no reportable losses over £300,000. Total bad debts written off during the period amounted to £6,874,763 (2016 £2,628,356).

24. Events after the balance sheet date

There have been no events after the balance sheet date requiring an adjustment to the Financial Statements. The Financial Statements were authorised for issue on the date the Comptroller and Auditor General signed. Events after this date have not been considered and the Charity's Trustees do not have the power to amend the financial statements after issue.

Appendix A: Board and its Committees

| First name | Surname | CITB Board | Council | Audit & Risk Committee | Appointments & Remuneration Committee | Investment Funding Committee | Cymru Wales Committee | English Committee | Scottish Committee |
|------------|------------|------------|---------|------------------------|---------------------------------------|------------------------------|-----------------------|-------------------|--------------------|
| Debbie | Akehurst | | | | | | | ✓ | |
| Douglas | Anderson | | | | | | | | ✓ |
| Debbie | Aplin | | | | | | | ✓ | |
| John | Bailey | | ✓ | | | | | | |
| Nicola | Barclay | | | | | | | | ✓ |
| Grahame | Barn | | | | | | | | ✓ |
| Neil | Baxter | | | | | | | | ✓ |
| Kevin | Bennett | | ✓ | | | | | | |
| Caroline | Blackman | | | | | | | ✓ | |
| Nick | Blundell | | | | | | ✓ | | |
| Paul | Bogle | | | | | | ✓ | | |
| Sarah | Bowers | | ✓ | | | | | | |
| Craig | Bruce | | ✓ | | | | | | ✓ |
| Chris | Chapman | | | | | | ✓ | | |
| Chris | Richardson | | | ✓ | | | | | |
| Bob | Collins | | ✓ | | | | | | |
| Anthony | Davies | | | | | | ✓ | | |
| Gareth | Davies | | ✓ | | | | ✓ | | |
| Ian | Dickerson | | ✓ | | | | | ✓ | |
| Steve | Dillon | | | | | | | | ✓ |
| Maureen | Douglas | ✓ | | ✓ | | | ✓ | | Chair |
| Julia | Evans | | | | | ✓ | | | |
| Ed | Evans | | | | | | ✓ | | |
| Martyn | Evans | | | | | | ✓ | | |
| Trevor | Francis | | | | | | ✓ | | |

| First name | Surname | CITB Board | Council | Audit & Risk Committee | Appointments & Remuneration Committee | Investment Funding Committee | Cymru Wales Committee | English Committee | Scottish Committee |
|------------|------------|------------|---------|------------------------|---------------------------------------|------------------------------|-----------------------|-------------------|--------------------|
| Lisa | Garfield | | | | | | ✓ | | |
| Diana | Garnham | ✓ | | Chair | ✓ | | | | |
| Jim | Gilmour | | | | | | | | ✓ |
| Ifan | Glyn | | | | | | ✓ | | |
| Gemma | Gourlay | | | | | | | | ✓ |
| Stuart | Green | | | | | | | ✓ | |
| Phillip | Hall | | ✓ | | | | | | |
| David | Harris | ✓ | | | | | Chair | | ✓ |
| Mark | Harris | | | | | | ✓ | | |
| Vaughan | Hart | | | | | | | | ✓ |
| Rebecca | Hartshorn | | ✓ | | | | | | |
| Gavin | Hay | | | | | | | | ✓ |
| Richard | Heaton | | | | | | ✓ | | |
| Steve | Hindley | | | | | | | ✓ | |
| Malcolm | Horner | | ✓ | | | | | | ✓ |
| Richard | Hulland | | | | | | | ✓ | |
| Mike | Jaggs | | | | | | | ✓ | |
| Faye | Jenkins | | ✓ | | | | | | |
| Karen | Jones | ✓ | | | ✓ | Chair | | | |
| Chris | Jones | | | | | ✓ | | ✓ | |
| Owain | Jones | | | | | | ✓ | | |
| Brendan | Keenan | | | | | | | | ✓ |
| Stephen | Kemp | | | | | | | | ✓ |
| Billy | Kirkwood | | | | | | | | ✓ |
| Alison | Lamplough | | ✓ | | | ✓ | | | |
| John | Lorimer | | ✓ | | | | | | |
| Stuart | Lyon | | | | | | | | ✓ |
| Donald | McDonald | | | | | | | | ✓ |
| Newell | McGuinness | | | | | | | | ✓ |
| Stewart | McKillop | | | | | | | | ✓ |
| John | McKinney | | | | | | | | ✓ |

| First name | Surname | CITB Board | Council | Audit & Risk Committee | Appointments & Remuneration Committee | Investment Funding Committee | Cymru Wales Committee | English Committee | Scottish Committee |
|------------|------------|------------|---------|------------------------|---------------------------------------|------------------------------|-----------------------|-------------------|--------------------|
| Paul | Mitchell | | | | | | | | ✓ |
| Ed | Monaghan | | | | | | | | ✓ |
| Ian | Morrison | | | | | | | | ✓ |
| Gordon | Nelson | | | | | | | | ✓ |
| Hannah | O'Sullivan | | | | | | | ✓ | |
| Gerald | Oppenheim | | | | | ✓ | | | |
| Rupert | Perkins | | | | | ✓ | | | |
| Maria | Pilfold | ✓ | | | ✓ | ✓ | | | |
| Richard | Plumb | | | ✓ | | | | | |
| Jo | Pottinger | | ✓ | | | | | | |
| Andre | Reibig | | | | | | | | ✓ |
| Dominic | Rhind-Tutt | | ✓ | | | | | | |
| Chris | Richardson | | | ✓ | | | | | |
| Ian | Rogers | | | | | | | | ✓ |
| Neil | Rogers | | | | | | | | ✓ |
| Paul | Senior | | | | | | ✓ | | |
| Stephen | Sheridan | | | | | | | | ✓ |
| Ann-Marie | Smale | | | | | | ✓ | | |
| Liz | Stokes | | | | | | | ✓ | |
| Alastair | Stonehewer | | | | | | ✓ | | |
| Rob | Tansey | | ✓ | | | | | | |
| Kevin | Taylor | | ✓ | | | | | | |
| Colin | Tennant | | | | | | | | ✓ |
| Anthony | Thomas | | | | | | ✓ | | |
| Frances | Wadsworth | ✓ | | ✓ | | | | Chair | |
| James | Wates | Chair | Chair | | | | | | |
| Ffrancon | Williams | | | | | | ✓ | | |
| Robert | Williams | Observer | ✓ | | | | ✓ | | |
| Ray | Wilson | ✓ | | | Chair | | | ✓ | |
| Mark | Wusthoff | | ✓ | | | | ✓ | | |
| Chris | Wynne | | | | | | ✓ | | |

(This table shows all membership during the 15 month period between 1 January 2017 and 31 March 2018.)

Appendix B: Register of Interests

Related party transactions

Employer Board Trustees must be concerned in the management of the activities of an employer engaging in the construction industry in order for their appointment by the Secretary of State to be valid. Therefore, with the exception of the two independent members, all Trustees would have had business interests, as Levy payers or potential grant recipients, at the date of their appointment, which may be perceived to conflict with their responsibilities as Board members. The following Board members who served for the period ended 31 March 2018 have in addition declared other personal or business interests.

MAUREEN DOUGLAS

Group HR Director, the Forster Group

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

Contractual relationship: As a Levy registered business Forster Group also accesses grants for training its workforce and employing apprentices. It also administers Angus Construction Training Group, an independent training group that receives funding from CITB.

DIANA GARNHAM

Director and 90% shareholder of RDB Insight

Diana was Chief Executive of the Science Council until September 2015. She is currently on the Corporation of the East Sussex College Group (FE) and a trustee of Sense about Science. She has a continuing interest in the social consequences of science, in good governance and strategy, and in enabling young people to achieve their potential, particularly within the STEM environment. Diana undertakes consultancy projects through RDB Insight.

Diana has no direct or indirect contractual relationship with CITB.

Contractual relationship: None

DAVID HARRIS

Director and 51% shareholder of DJH Consult Limited

David is an Executive Director of Via Developments plc. He is a Community Councillor for the village of Mathern.

Contractual relationship: None.

KAREN JONES

Group HR Director, Redrow Homes Limited

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

Contractual relationship:
Currently Redrow uses CITB as its main managing agent for apprentices. As a Levy registered business, Redrow also accesses grants for training its workforce through the training plan and management and professional grant routes, as well as employing over 230 apprentices. Redrow also works closely with the Homebuilders Skills Partnership and West Midlands Construction UTC who both receive funding from CITB.

MARIA PILFOLD

Consultant

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

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

FRANCES WADSWORTH

Principal and CEO, Croydon College

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

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

*Frances stepped down from the Board on the 27 December 2017.

JAMES WATES

CBE Chairman, Wates Group Limited

In Addition to being Chairman of the Construction Industry Training Board, James is Chairman of the BRE Trust, Chairman of the CBI Construction Council, Co-Chairman of the government sponsored Infrastructure Exports: UK, a Trustee of the University College of Estate Management, a Non-Executive Board Director of Argent Services LLP, Chairman of the think tank Tomorrow's Company, Chairman of the Princes Trust Corporate Advisory Group, a Governor of the Emanuel School and the University of Westminster, and a Patron of the Wates Family Enterprise Trust.

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

RAY WILSON

Director and General Manager, Carillion Training Services

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

Contractual relationship: Carillion was a Levy Registered employer.

*Ray stepped down from the Board on the 16 February 2018.

Appendix C: Consensus Organisations

During 2017/18, CITB maintained close contact with the following major consensus organisations:

- The British Woodworking Federation
- BuildUK
- The Civil Engineering Contractors Association
- The Construction Plant-hire Association
- The Federation of Master Builders
- Finishes and Interiors Sector
- Hire Association Europe
- The Home Builders Federation
- The National Association of Shopfitters
- The National Federation of Builders
- The National Federation of Demolition Contractors
- The Scottish Building Federation
- The Scottish Decorators Federation
- The Scottish Plant Owners' Association

Appendix D: Location of principal CITB offices

Head Office and Registered Office

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

England

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

SCOTLAND

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

Wales

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

Appendix E: Glossary

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

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