



**CITB**  
CONSTRUCTION INDUSTRY  
TRAINING BOARD NI



**ANNUAL  
REPORT  
2016-17**





## **CITB NI Annual Report and Accounts for the year ended 31st August 2017**

Laid before the Northern Ireland Assembly pursuant to Article 21 (2) of the Industrial Training (NI)  
Order 1984 by the Department for the Economy

on

6 February 2018

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## **PERFORMANCE REPORT**

### **Chief Executive's Foreword**

The 2016-17 year has been, paradoxically, one of uncertainty and inaction mixed with operational change.

Uncertainty due to the introduction of the Westminster led Apprenticeship Levy and its impact on the NI construction sector and CITB NI. As the NI construction sector grows outside NI, the impact on policies and processes in the other UK regions has an impact on the processes, finances and training plans of NI construction companies. The absence of an NI Assembly and decision making process to develop proposals on how the CITB NI Levy can work alongside the Apprenticeship Levy means that the construction employers, more than other business sectors, are disadvantaged in comparison to their English counterparts.

In addition, important changes in CITB NI's legislation, first proposed five years ago, to support training of NI workforce operating outside NI for NI companies has not yet been considered for industry consultation due to political focus on other issues.

CITB NI's industry forecasts were published during the year and were predicting an average annual growth over the next five years, however it also acknowledged that the industry is likely to suffer from a slowdown in its recovery over the coming year due to the current political inactivity which is hampering the approval and implementation of the Assembly's draft Programme for Government and Industrial Strategy.

All of the above factors make long term business planning difficult for CITB NI.

However, the Board and Staff have continued to pursue Aims and Objectives set in 2015 to develop a strategy to deliver a combination of financial return of Levy direct to NI employers mixed with directly facilitated training that is available at low or no cost to the industry.

This year CITB NI delivered more direct training in partnership with industry bodies and the provider network than previous years. In total 2986 of training hours have been delivered in areas as diverse as Flood Damage Restoration Courses (not otherwise available in NI), Fall arrest systems to improve Health and Safety of our workforce and CITB NI's bespoke Leadership development programme aimed at those current middle managers who have the potential to be the industry leaders of the future.

CITB NI collaborated with the National Federation of Roofing Contractors (NFRC) and People 1<sup>st</sup> (training provider) to deliver the first Roofing Apprenticeship programme to be delivered in NI for over 5 years. Thus re-establishing a vital part of the skills network required for our sector. Already discussions are underway to repeat this model in other areas where the system does not adequately provide for employer needs.

In addition, our hugely successful programme of Qualifying the Experienced Workforce (QEW), also financially supported by the Department for the Economy, came to an end this year. This programme has resulted in 1769 experienced and competent workers in the industry obtaining a recognised qualification to the benefit of the individuals and their employers. It has demonstrably delivered on all the areas of the NI Skills Strategy with 740 employers and sole traders from all six counties benefiting from the initiative. Unfortunately with the absence of the NI Assembly, the budget and decision making process was not in place to allow it to continue.

Other initiatives have been introduced with the aim of ensuring CITB NI applies its legislation fairly across the sector to ensure those in-scope are registered. Initiatives to better inform

employers and their agents about their obligations and benefits of being registered with CITB NI have led to 503 new registrations over the year.

The coming years will be significantly influenced by the UK leaving the EU. Consideration of the availability of a skilled and competent workforce will be an issue that is high with many construction employers. CITB NI will work with the industry to continue to support skills development within the existing workforce. However a renewed focus must be on attracting the next generation. CITB NI will also be working with the industry over the coming year to promote the industry and developing the skills needed for the future.



**Barry Neilson**  
Chief Executive

**22 January 2018**

## Overview

The following overview section provides an outline summary of the legislative basis of CITB NI and the mission, visions and aims of the organisation.

CITB NI presents its annual report for the year ended 31 August 2017. The financial statements have been prepared under the Industrial Training (Northern Ireland) Order 1984 in a form directed by the Department for the Economy (DfE) with the approval of the Department of Finance (DoF).

CITB NI was formally established as an Industrial Training Board (ITB) under the Industrial Training Act (Northern Ireland) 1964 and subsequently repealed by the 1984 Industrial Training Order, to encourage the adequate training of those employed or intending to be employed in the construction industry in Northern Ireland.

The legislation enables the raising of a statutory levy for the purposes of encouraging employers to participate in training and to fund the Board's activities. Relevant employer bodies are consulted annually in respect of the levy rate, which is set by the Board and approved by the Sponsoring Department.

CITB NI combines the roles of an ITB and Sector Skills Council (in partnership with CITB GB) and is working with the Department for the Economy in reviewing and energizing the NI qualifications Framework.

CITB NI will also continue to improve the skills and productivity of the industry by engaging with employers to determine their skills needs, and working with Government and stakeholders to meet those needs through direct intervention to facilitate the development and delivery of critical skills for the industry.

### **Mission, Vision & Aims**

Mission;

*To develop and embed a training culture which will improve the skills and productivity of the Northern Ireland construction industry.*

Vision;

*A construction industry where skills and competence are at the core of every business supported by a respected and valued CITB NI.*

The Board approved CITB NI aims as being;

- *CITB NI is respected and valued by industry stakeholders and staff.*
- *The industry invests in skills and qualifications to improve safety and profitability.*
- *CITB NI is customer focused, flexible, responsive and supportive.*
- *CITB NI is the voice for skills and informs government policy.*
- *Communication is clear and direct.*
- *Qualifications and occupational competencies meet the needs of NI industry.*

CITB NI is delivering these aims through a range of actions which will improve our organisation and its services to the construction industry in NI.

## Key Issues and Risks

While research carried out by CITB NI indicates a modest but steady rise in construction activity within NI, activity in other areas of the UK continues to increase at a higher rate. Consequently, the NI construction industry continues the trend to operate outside the boundary of the NI Economy.

This is exacerbated by the current absence of political activity in NI leading to many planned infrastructure projects being delayed due to the approval and budgeting process being interrupted. However, there has been some increase in private investment in the areas of commercial property and Hotels.

CITB NI commenced discussion on legislation changes with the Sponsoring Department in the 2014-15 budget year. A series of changes have been proposed however the Department focused on two main areas.

- Allowing CITB NI to support and collect levy from NI employers for their operations outside NI.
- Reviewing the Levy threshold for employers emoluments

As yet no progress has been made in these areas. As construction employers increasingly work outside the boundaries of NI, this is becoming more of an issue not just for CITB NI but for skills development and employment of NI individuals who cannot benefit from the training support.

The Apprenticeship Levy introduced by the UK Government across all sectors and devolved nations came into effect in April 2017. The confusion that has arisen around the introduction in the Apprenticeship Levy, with different strategies in how it is returned to industry in all four nations is also posing a risk to CITB NI operations. As construction already has a levy system in place, the lack of direction on how the Apprenticeship Levy will be returned and its relationship with the CITB NI Levy is causing concern among employers and is having an impact on CITB NI's ability to review and refresh its long term strategy.

Out of the 3,813 registered employers in NI, 1007 (26%) contributed to the levy compared to 1025 (28%) out of the 3,681 in 2016. The levy threshold is set at £80,000 which means that those employers with total emoluments less than £80,000 do not have to pay levy but can avail of CITB NI's services. As there are a significant number of small businesses in Northern Ireland this accounts for the relatively low proportion of employers contributing to the levy.

Year End	No of Levy Payers	No of Non Levy Payers	Total Registered	% Levy Payers	Threshold
2012	834	2429	3263	26%	£80,000
2013	759	2454	3213	24%	£80,000
2014	737	2393	3130	24%	£80,000
2015	918	2659	3577	26%	£80,000
2016	1025	2656	3681	28%	£80,000
2017	1007	2806	3813	26%	£80,000

The introduction of NI Government budget cuts to meet other priorities has also led to a focus on investment in skills through the Further Education sector. This has had a significant impact on the 2016-17 CITB NI budget.

CITB NI has reviewed how it identifies new employers who may be in-scope to its activities. This identified that many new companies were not aware of their obligations to CITB NI, or indeed how CITB NI could support them in training their workforce as they develop skills and systems for their emerging companies.

CITB NI aims to focus on the delivery of benefits to the sector that meets its long term strategic aims. The main mechanism continues to be financial grant support for employers to support training they source and procure themselves to support their activities within NI. This combined with training interventions facilitated by CITB NI directly, provides a flexible system that can meet the needs of the industry.

### **Position at Year End**

CITB NI's statement of financial position is sufficiently liquid to meet its current financial obligations. During the year ended 31 August 2017 net current assets have increased from £0.93 million to £1.44 million. Cash at bank and in hand has increased from £1.2 million to £1.8 million at the year end and was invested in term deposit accounts during the year.

### **Reserves**

The Statement of Comprehensive Net Expenditure (SoCNE) reserve at the year-end has increased by £3.6 million from a £2.1 million net liability position to a net asset position of £1.5 million.

There has been a significant movement of £3.2 million in the NILGOSC pension liability in this year resulting in an adjustment of £3.5 million in respect of actuarial gains which have been credited to the SoCNE reserve.

The annual pension report, which is provided by an appointed independent actuary, has showed a movement from an International Accounting Standard (IAS) 19 calculated deficit of £4.9 million to a deficit of £1.7 million. The actuary explained that this movement is due to changes in the financial assumptions used to value the assets and liabilities.

The actuary also explained that there is considerable volatility in the IAS 19 surplus/deficit that would be disclosed at any given date due to current market conditions and therefore it is not possible to confidently predict what the IAS19 position will be at the end of the next financial year, hence the current year's adjustment to reserves does not mean that the same position will exist next year. Further information on pensions can be found in note 10 to the accounts.

### **Financial Strategy**

CITB NI is committed to ensuring that income received is utilised appropriately to encourage adequate training within the industry.

The Board is continually considering options to support the industry by making best use of reserves, whilst ensuring it maintains financial stability.

In August 2015 a medium term financial strategy was developed and subsequently approved by the Board. The themes emerging from the CITB NI strategy and the financial projections outlined in the financial strategy can be brought together to effect three main financial aims.

1. To be a financially sustainable organisation, well placed to meet the challenges of the construction sector in Northern Ireland and meet the needs of our stakeholders.
2. To secure sufficient financial independence to allow CITB NI to deliver its strategy 2015-18 and beyond.
3. To deliver excellent financial management.

The key purpose of the Financial Strategy is to ensure that the core work of CITB NI is sustained and maintained and that effective use is made of all financial support received.

In 2016-17 the Board has increased the level of net current assets to £1.4 million as a result of a surplus being generated in 2016-17. The Board will be undertaking a review of the financial strategy in 2017-18 to ensure that reserves are utilised strategically to support training within the construction industry in Northern Ireland.

### **Going concern**

The Statement of Financial Position shows CITB NI to have a healthy net asset position and the Board do not consider there is a risk of CITB NI not being a going concern. However it is recognised that the NILGOSC pension liability is affected by financial assumptions and therefore can change year to year. The pension liability will continue to be closely monitored by the Board.

CITB NI has sufficient working capital at 31 August 2017 to meet its current obligations. On this basis the Board considers CITB NI's financial position at the year-end to be satisfactory.

### **Performance Summary**

#### **Measuring Performance**

A Balanced Scorecard (BSC) was introduced in September 2007 as a management performance tool to manage, monitor and evaluate Key Performance Indicators (KPI).

The results of the Balanced Scorecard are then used to inform future strategies and improve performance. KPI targets within the Balanced Score Card are reviewed annually.

Performance against these is reviewed regularly by the Executive Management Team and progress reported to the Board three times within the year.

A copy of the Balanced Scorecard is provided in Appendix 1 and shows overall performance against the Critical Success Factors for 2016-17.

#### **Levy**

The levy rate for 2016-17 remained at 0.65% of employers emoluments. For the purposes of calculating levy, the definition of emoluments are gross wages paid in the relevant tax year to Pay as you Earn (PAYE) employees and subcontractors working in Northern Ireland. The levy rate was determined in accordance with the Board's financial strategy.

Levy Assessors carried out audits on a risk assessed basis so that the correct amount of levy had been assessed for each registered in scope employer audited. A total of 916 audits

were attempted during the year, an increase of 107 on the number for the previous year. Of the 916 attempted 742 were completed (81%) with the remainder carried forward to be completed in 2017-18.

There are occasions when employers either do not provide the appropriate information at the time of the audit or cancel the scheduled appointment to be rescheduled at a later date. This results in the audit not being able to be completed within the financial year. However such cases are scheduled into the levy assessor's work to follow up until completion of the audit is achieved.

The above has resulted in refunds due to overpayment amounting to £78,751 (a slight decrease on last year) and £71,890 of additional levy being invoiced during the year as a result of the work undertaken by the levy assessors.

96% of the invoiced levy was recovered during the year which compares favourably with previous years. The remainder will continue to be actively pursued. Levy income for the year was £2,670,594 which was an increase of 5% on the previous year figure.

An employer is deemed to be in scope (and should subsequently be registered) to CITB NI if their business activities fall within the definition of Schedule 1 of the Industrial Training Board Order 1964.

There were 17 levy scope challenges heard by the internal scope panel during the year which resulted in 5 employers remaining in scope and 10 taken out of scope. There are two scope queries ongoing with the intention that a decision will be made in 2017-18.

There were no cases listed for Industrial Tribunal during the year.

The recommendations arising from the project have been incorporated into the daily work routine of the Levy team and resources have been allocated accordingly to ensure that construction employers are registered with CITB NI on a regular basis.

## **Grant**

Each year CITB NI invests a significant proportion of its income to provide a grants scheme to employers. The grant scheme has three separate tiers that facilitate a high degree of flexibility for employers to undertake training relevant to their organisational requirements. The benefit to the industry in terms of direct grants support for 2016-17 was almost £1 million and split as follows:

• Tier 1 (Grants paid to employers)	£809,376
• Tier 2 (Partnership)	£0
• Tier 3 (Direct Training)	£138,334
<b>Total Direct Grant</b>	<b>£947,710</b>

The figures above include grants paid and accrued in addition to adjustments in respect of prior period accruals.

There was no expenditure on Tier 2 grants in 2016-17. This tier of the grants scheme is for Industry bodies to submit grant applications on behalf of their members for training identified as essential. There were no successful bids received from Industry Bodies during 2016-17.

The main areas of grant claims under Tier 1 are short duration training, NVQ achievement (non-apprenticeship), H&S training and Technical Management and professional.

In addition to direct support to the industry through grant, CITB NI has invested resources to secure external funding to support skills within the industry. Funding to support skills development was obtained from the Department for the Economy for the Qualifying the Existing Workforce programme. This is detailed elsewhere in the Annual Report.

During 2016-17 457 employers claimed grant (2015-16: 534), with a total of 5,287 grant applications.

Over the year 373 levy paying employers claimed grant and 84 employers who are below the levy threshold and do not pay levy claimed grant. This is an indication of the support provided to smaller companies, however many micro companies benefit indirectly from grant through receipt of training carried out by larger companies so this is only an indication.

The continuing review of the Grants Scheme will take place during 2017-18. The purpose of the review is to assess how CITB NI levy and other sources of funding are used to encourage training within the Construction Industry. There will be direct input by the industry through its Federated bodies and direct contact with employers. CITB NI has established a Focus Group which has also been participating with the review of the Grants Scheme.

Employers are actively encouraged to provide suggestions on changes for the Grant Scheme and areas for support through Tiers 2 & 3 of the Grant Scheme.

### **Training Interventions**

CITB NI's involvement in direct training Interventions allows essential training and knowledge to be disseminated to the industry where it does not exist or is not readily available in NI. It is important to help our industry remain competitive and provide a good service to its clients.

The Training Intervention programme has resulted in positive feedback from the industry and resulted in more flexibility and a method of delivering training on strategic or new approaches to employer needs at low cost.

CITB NI supports training that the industry has identified as important to development and productivity. These interventions continue to target areas identified by the industry representative bodies as critical to employers in dealing with the current economic climate.

The industry training that was provided directly by CITB NI was aimed at three specific areas; health and safety training delivered on site by the Mobile Training Unit (MTU), scaffolding training, and the Undergraduate Development Programme (UDP). A total of 642 training days were delivered to the industry via these three training and competence measures.

Other interventions that were either organised and delivered in partnership with external bodies or procured by CITB NI included; two NVQ level 4 programmes in Construction Site Supervision (30 individuals), an Apprenticeship Scheme with 12 students working towards NVQ level 2 in Roof Slating and Tiling. Plus, short duration technical training courses in Lead Welding, Safety Net Inspection and Water Damage Restoration.

## **Mobile Training Unit (MTU)**

The Mobile Training Unit (MTU) provides a convenient way of meeting training requirements with minimum disruption to the site and production. It is a tried and tested way to train and develop experienced workers on site and has been recognised as a flexible and innovative approach to meeting employers training needs. The MTU currently travels across the Province delivering an extensive range of construction related, health & safety and bespoke training to operatives, supervisors and managers. A total of 1,883 individuals attended training by means of the MTU or via an onsite venue.

To ensure the content of the training delivered is as current and up to date as possible CITB NI undertook a review and updating of the five most popular health & safety courses delivered on the MTU. These presentations are; General Health & safety, Working at Height, Manual Handling, Abrasive Wheels and Asbestos Awareness.

## **Scaffolding Training**

The scaffolding programme provided training and assessment for 126 individuals through the Construction Industry Scaffolders Record Scheme (CISRS) Part 1, Part 2 and Advanced Scaffolding. Seventeen operatives achieved either NVQ level 2 or NVQ Level 3 through the scheme allowing them to acquire their industry recognised scaffolder card. CITB NI remains the only facility in Northern Ireland able to provide the Construction Industry Scaffolders Record Scheme (CISRS).

## **Undergraduate Development Programme (UDP)**

As it has been a number of years since the introduction of the Undergraduate Development Programme a major evaluation was undertaken, which included the formation of a Steering Group made up of employers, educationalists and CITB NI representatives. Research undertaken by CITB NI with employers, students and education representatives concluded that the basic content of the former programme was acceptable but that it needed a different approach to encourage participation and to better reflect current employer needs and construction practices.

The four principal elements that were contained within the original programme; team building, health and safety, basic craft skills and core construction management skills have been combined into a single output based project which better reflects current operational processes and procedures.

The project uses a team approach to design, construct and install a foot bridge using the skills of planning, estimation, project management, budgeting and time management.

The aim of the programme is to develop skills which employers are looking for in graduate level entrants to the construction industry.

All undergraduates who participated in the programme attained a Construction Skills Register (CSR) Registration Card.

## **VET 360 (Virtual Environment Training 360) – an innovative approach to learning**

CITB NI purchased this facility in 2015, following research into innovative approaches to learning and would encourage industry approaches for use, beyond CITB NI Interventions.

The system allows participants to experience complex and hazardous sites or work locations in a safe environment. The viewer becomes immersed within a 360 degree real life time environment allowing greater understanding and helps to improve design, planning, induction, briefings and training. Simulated or CAD environments can also be created.

To date the facility has been used to enhance the learning experience of participants on our NVQ Level 4 in Construction Site Supervision courses. We are also developing a suite of training activities involving VET360 including the Basic Guide to Risk Assessment in partnership with SERC as outlined below.

Various other uses of VET360 include working with employers to develop their own training packages to be delivered within VET360 suite, allowing students to experience site visits at sites locally, cross water or overseas without the associated risks and expense of actually doing so and also Building Information Modelling (BIM) presentations by employers to their clients.



### **NVQ Level 4 Diploma in Construction Site Supervision**

The pilot NVQ Level 4 in Construction Site Supervision was introduced as a result of industry feedback on the need to improve the quality and competency of individuals who undertook the role of a site supervisor or site manager.

The concept behind the intervention is to combine a formal qualification (NVQ Level 4) with an interactive approach to common supervisory activities that would be innovative and unique in its approach to competence and knowledge improvement.

The use of CITB NI's Virtual Environment Training Facility (VET360) to enhance and improve the learners understanding and collective approach to problem solving has been a

major development in the attainment of the qualification with very positive feedback from both the course participants and the training provider.

Due to over subscription of numbers for the pilot programme a second and third programme was advertised, recruited and ran during this training year with 28 candidates achieving the NVQ Level 4 Qualification.

### **Basic Guide to Risk Assessment**

CITB NI in partnership with South Eastern Regional College (SERC) developed an introduction to risk assessment course that is non sector specific and gives participants a good understanding of why and how risk assessments are undertaken. The course uses a blended learning method which combines traditional presentation, practical observation and the use of the VET360 to display scenes and scenarios containing hazardous actions. The course was held four times during the training year with the intent to schedule four to six each year depending on need.

### **Qualifying the Experienced Workforce (QEW)**

The QEW project was completed in March 2017 with 198 qualifications having been achieved in this fourth delivery tranche. Since the initiation of the project in 2011 this brought the total number of qualifications attained by existing, experienced but unqualified workers, to 1,769.

Safety Nets for Managers (Inspection) - A short training programme was delivered to 11 participants. Further consideration will be given to delivering a Safety Nets Installation programme in 2017-18.

The pilot Leader in Construction programme resulted in 15 participants successfully completing the programme. A second programme was envisaged but due to low uptake a survey was carried out to determine if the modules which had been developed for the programme could be delivered as standalone courses and if there would be interest for this. As a result of positive feedback, planning for three workshops for the incoming 2017-18 year began in summer 2017.

A Water Restoration Technician Training course was delivered to 5 participants in August. This course was delivered by the National Flood School over three days and following an exam participants were able to gain the Institute of Inspection Cleaning and Restoration Certification.

### **Employer Engagement / Business Improvement Seminars**

Six employer engagement / business improvement seminars were delivered in 2016-17 with site visits incorporated into two of the seminars. Topics covered included waste management, BIM, credit control, tendering, family businesses, and social media. The events were attended by a total of 80 people from 49 companies.

## **Industry Support**

### **Facilities**

The facilities at CITB NI continue to be utilised with regular hire of classrooms and the practical training areas (both internal and external) to support and drive industry training.

Over the year a number of industry bodies and external organisations use the premises to hold committee and ad-hoc meetings due to its central location and plentiful car parking. A total of 81 meetings and training events were held at the centre during this period.

The use of CITB NI as a base to hold the monthly committee and information/guidance seminars by the pan-industry Northern Ireland Safety Group (NISG) has continued. The NISG meetings and Annual Conference attract between 70-120 attendees to each event.

### **Tenants**

An approach by South Eastern Regional College (SERC) to lease facilities within the premises has resulted in the college becoming the second tenant alongside Cosaint Training and Consultancy Ltd. The college have taken over the former 'Heating Centre' with the intention to deliver mechanical & electrical technical courses, apprenticeship schemes and health & safety qualifications.

### **SkillBuild NI**

SkillBuild NI is the annual construction craft competition which is managed and organised by CITB NI on behalf of the industry. The competition, conceived in the late 1970's has grown over the years to include 12 trade areas and an average of 100 apprentice competitors.

The apprentices selected to compete at SkillBuild NI have all competed at Inter Campus Competitions held in the college they attend. On average over 300 young people compete to be among the top apprentices from across the Province in their chosen trade area.

Competitors who score in the top percentile across the UK can be invited to compete at the UK National Finals held as part of the World Skills UK Skills Show.

One of the aims of SkillBuild NI is to promote the skills within the NI construction sector by developing competitors with the skills and ability to represent the UK at the biannual World Skills event, the largest and most prestigious vocational competition on the planet.

CITB NI supported the 15 construction apprentices who competed at the UK National Finals held in the NEC during November. Our competitors returned with four Gold Medals – Bricklaying, Carpentry, Electrical Installation and Refrigeration plus a Silver Medal in Refrigeration, two Bronze Medals in Dry Wall Systems and Joinery. A further three competitors were Highly Commended in Cabinet making and Joinery (2 off) made the haul for the construction and built environment team the best for a number of years with 75% of the team returning with either a medal or a highly commended award.

### **World Skills 2017 UK Team Members**

Final UK Team Selection for World Skills Abu Dhabi 2017 happened in the spring with four young people from Northern Ireland selected to participate. Of the four individuals three are from the construction & built environment sector.

Cameron Nutt from North West Regional College in Carpentry, Armondas Tamulis from Southern Regional College in Wall & Floor Tiling and Adam Ferguson from CAFRE in Landscape Gardening. Both Cameron and Armondas progressed to membership of the UK Team as a result of their participation in SkillBuild NI and subsequent UK National Final competitions.

### **Working with the British Council**

The link between CITB NI and the British Council was further strengthened with three projects being undertaken in partnership with local and international colleges and multi-national construction businesses.

A project to up skill construction site foremen for a large middle east construction business resulted in a tender submission with Belfast Metropolitan College based on an NVQ at level 4 being submitted. Another project with the Government of Nigeria to support their consideration of the establishment of Sector Skills Councils is still at the research stage.

An invitation to present at an international conference in Cape Town, South Africa on CITB NI's use of virtual reality in training was accepted with the Director of Industry Training and Support delivering two presentations and exhibiting a simulation of how a virtual environment can be used to encourage training and development.

The international activity carried out by CITB NI meets the NI Governments aim to promote NI companies and skills to other countries. Fostering recognition and familiarity of qualifications and working practices could potentially pave the way for partnerships between NI contractors and construction companies from other countries.

### **Marketing & Communications**

2016-2017 was the final year of the three year Marketing and Communications Strategy to promote the products and services CITB NI provides to the industry. CITB NI continued to produce informative publications including the Annual Skills Statement, Annual Report Summary, Women in Construction booklets and the Top Ten things for the NI Construction Industry. A strategy was introduced to reduce overhead costs by minimising the number of documents printed, therefore short course flyers, Business Improvement Events and Research flyers were all produced digitally for promotion using email, website and social media.

A number of press releases were developed and sent to local and trade press which generated 137 press clippings with a total PR value of £75,777 (an increase of £35,088 in value from the previous year) and contributed to employer and industry awareness of our services.

To reduce overhead costs a minimal amount of advertising was placed with trade press, however editorial was placed in Specify, Modern Builder, Plant and Civil Engineer and Northern Builder during the year and all publications supported CITB NI by publishing press releases throughout the year which helped promote coverage of ongoing training initiatives.

As in previous years support was provided to the CIOB Annual Lecture and the GCSE in Construction students.

The CITB NI website is constantly updated and along with email and social media is used to connect with registered employers, industry, stakeholders and others.

Over recent years CITB NI has been more proactive on social media channels which support ongoing communication activity and promotion. At the end of the training year there were 741 Facebook followers, 659 Twitter followers and 470 LinkedIn followers. There was also regular communication to registered employers through e-mail and SMS text messages promoting employer events, short courses training grants, levy returns and signposting to the CITB NI website for further information.

A quarterly online magazine was developed and launched in September 2016. The magazine covers key topics about grants, training courses, research and training news. The online magazine has proved popular and plans are to continue to publish this.

### **Stakeholder and Employer Engagement**

Engaging with stakeholders is important to understand and ensure industry training needs are addressed. A stakeholder strategy was developed to help communicate more effectively and regularly with key stakeholder bodies. During 2016-17 stakeholders were directly engaged every five days. Stakeholders included, Construction Employers Federation Department for the Economy, Federation of Master Builders, Heritage Lottery Fund, Invest NI and Specialist sector bodies.

Heritage Angels - CITB NI participated on the Heritage Angels Steering group and judging panel which saw the introduction of the awards funded by the Andrew Lloyd Webber Foundation and the Department for Communities to Northern Ireland. Award categories included Best Contribution to a Heritage Project by a Young Person and Best Craftsmanship or Apprentice on a Heritage Rescue or Repair Project.

CITB NI participated in four 'Meet the Buyer' events in Belfast, engaging with employers to provide information on training, grants and industry forecasts.

To increase the opportunity for engagement and provide greater flexibility for industry, ten short videos with voiceover promoting CITB NI products and services were produced in house and can be viewed on the website.

Combined marketing and event activity resulted in CITB NI engaging with registered employers on average every eleven days.

### **Built Environment Sectoral Partnership (BESP)**

In November 2015 a BESP was established consisting of representatives from industry bodies, further education and the Department for the Economy.

The partnership aims to provide opportunities to share knowledge and training and provide a collective voice for the industry on qualifications, apprenticeships and youth training.

The BESP began the identification and development of some apprenticeship frameworks during the year in partnership with industry representatives.

## **Women in Construction Network**

CITB NI continued to support women in the construction industry by maintaining the Women in Construction Network website which includes events and news articles of interest. A site visit to the Bangor waste water pumping station was facilitated by Dawson-WAM Ltd and included a lecture on the Considerate Constructors Scheme.

## **Recruitment & Careers**

A marketing campaign was launched in August 2017 promoting construction apprenticeships to both employers and young people in a bid to recruit an additional 100 new apprentices into the local construction industry, and also with greater grant support. This campaign activity has arisen from the fact that local construction employers are not directly employing enough apprentices to help sustain the future of the industry. The campaign will be ongoing throughout 2017-18.

Working with our group of industry ambassadors CITB NI attended 18 careers events and engaged with around 17,000 students and career changers to promote Construction as a career choice.

CITB NI attended two Careers Teachers events and engaged with over 400 Northern Ireland school careers teachers and DfE careers advisers to inform them of the opportunities available within the construction sector. At one of these events a 'Building a Career in Construction' Speed Networking session involving CITB NI staff and Construction Ambassadors was delivered.

An updated Career in the Northern Ireland Construction Industry Factsheet was developed based on the latest Industry Insights CSN Forecast and produced for distribution at careers events.

The section of the CITB NI website dedicated to careers was updated with the latest apprenticeship information and links to other career organisations. CITB NI has partnered with CITB in GB to share their Go Construct careers portal and promotional material.

## **Standards and Qualifications**

The CITB NI Construction Standards and Qualifications Strategy (CSQS) supports the development of industry training and qualifications in Northern Ireland through the implementation and operation of 10 action strands which were all progressed during the year. The 10 strands are: Consultations, New Entrants, Supporting Specialist Sectors, Mutual Recognition, New Technologies, Development of Employer information guidance, Develop Qualifications and Standards, Maintain Standards, Training & Competence, and Funding.

CITB NI contributed to the development of a new Consolidated Assessment Strategy for Plant & Lifting Equipment. This strategy dictates the standard required to deliver NVQ qualifications for construction plant operations.

CITB NI is leading the development of new Northern Ireland Apprenticeship and Traineeship Frameworks through the Built Environment Sector Partnership. This is in context with the implementation of the Department for the Economy Apprenticeship and Youth Training strategies.

A new Level 3 construction technical apprenticeship framework for civil engineering technicians was developed in conjunction with the Institution of Civil Engineers (ICE).

CITB NI contributed to a CSR plant operator card scheme working group as part of the review of this section of the CSR card scheme.

The final Health & Safety booklets and occupational information guides were completed during the year. The publications aim to provide essential Health & Safety information in a user friendly format and include: Scaffolder, Plant Operator, Roofer, Painter, Landscaper, Glazier, Bricklayer, Plasterer, Road Builder, Joiner, Wall & Floor Tiler, Construction Operative, Steel Erector, and Insulation Installers. All are available from the publications section of the CITB NI website.

## **GCSE Construction**

CITB NI continued to promote the GCSE Construction textbook to support the current GCSE in Construction & the Built Environment. Due to a change in the course specification CITB NI contributed to a review of the qualification content and a 35 page supplement was developed and published to distribute with the textbook.

Bursaries were awarded to the top 3 students of the schools studying the GCSE in Construction & the Built Environment qualification in June 2017. A total of 6,934 students have achieved the qualification in the last 13 years. Thirty nine schools currently deliver the qualification across Northern Ireland.

## **Research**

Throughout the year CITB NI completed or contributed to a number of research surveys to increase its understanding of the training needs of the NI construction industry and to ensure that an adequate supply of training was available for all sectors of the industry.

The Annual Skills Statement, which provides an overview of current and future skills needs as identified in CITB NI and other stakeholder research, was published in September 2016 and work began in summer 2017 to update it for 2017-18.

The Construction Skills Network (CSN) continued its work to produce accurate and up-to-date Labour Market Intelligence (LMI) for the Northern Ireland construction industry. This included an electronic consultation with members and a meeting of the CSN Observatory to obtain input to draft forecasts from key industry stakeholders. The 2017-21 LMI Report for the NI construction industry was published and distributed to stakeholders.

The annual Employer Tracking Survey of 100 NI employers was completed and actions from the findings were addressed. The survey sought to determine customer perceptions and satisfaction levels with CITB NI.

The annual Stakeholder Survey which outlines how stakeholders feel CITB NI meets its objectives was published in March 2017. Actions arising from the survey were addressed including a review of existing stakeholder engagement and the development of a new strategy.

Research into Employer Attitudes and Motivations to Learning and Training is an open and regular programme of employer consultation. It provides a reality check for anecdotal reports and enabling employer reactions to be gained on 'hot topics' of the moment. The report for Wave 16 of the research included 105 responses. Topics covered included key business challenges, turnover levels and growth opportunities, apprentices & graduates, recruitment

and recruitment challenges, earnings, off-site recruitment, health and safety and revised CDM regulations.

CITB NI reconvened a meeting of the Northern Ireland Traditional Building Skills Working Group in March 2017 which was attended by many heritage organisations from both North and South of Ireland. It was agreed the initial work of the group to support delivery of action plans arising from earlier research completed by CITB NI was complete; the group should review its purpose and membership and that facilitation of the group should be transferred to the Department for Communities Historic Environment Division. CITB NI will remain an active member of the group.

## **Consultations**

During the year CITB NI responded to the following consultations:

DfE - Consultation on the Apprenticeship Levy – The consultation sought views on the main issues for NI employers, factors the Department should take into account and the potential impact upon recruitment of apprenticeships.

DfE - Consultation on UK Government Green Paper – “Building our Industrial Strategy” – DfE sought responses from CITB NI to include in their response to this UK consultation.

The Chairman and Chief Executive were called to the DfE Committee within the NI Assembly in October 2016 to provide comment on the Apprenticeship Levy and answer questions from the Committee on its relevance and impact in the NI construction sector.

## **External Funding / Non-Levy**

Funding applications were submitted for VocTech and EU Horizon 2020, with the former being unsuccessful and the latter successful to improve BIM access right up to operatives on site.

An application was submitted to the Heritage Lottery Fund to contribute towards providing a training programme for 28 people to be upskilled and achieve an NVQ Level 3 in Heritage Skills (Construction), a Heritage Ambassador/Mentor programme and provide a series of short courses. Unfortunately HLF could not support the bid and the training did not occur.

CITB NI began delivery of a project for Construction First Limited to develop twenty construction plant category achievement tests and supporting documentation for the Construction Skills Register card scheme.

CITB NI delivered a project in Northern Ireland for CITB GB. The project required the monitoring of plant operator achievement test delivery and provider audits for the Construction Plant Competence Scheme (CPCS).

## **IT Systems**

CITB NI continued to deliver the IT strategy for the 2014 to 2017 period. In support of the continuing commitment to use technology to improve the effectiveness and efficiency of both in house and customer facing services several IT projects were commissioned during the course of the year. The database that contains all customer information and processes levy collection and grant payments had a number of modifications made to improve system operation and information available to employers. There were also projects to increase data and hardware protection against virus attacks which are becoming much more common throughout business.

## **Sustainability and Efficiency Measures**

A continuous drive to affect cost savings has contributed to the Board's sustainability and efficiency measures.

On-going management of general overheads resulted in a number of savings against budgeted expenditure, this included electricity, heating oil plus a saving on the consumption of paper.

Albeit the consumption of electricity units is down, the suppliers cost increase has raised the level of expenditure over last year. This said a saving of 20% was made against the budget figure. A mild winter and good management of the heating oil resulted in a 23% saving against budget. Overall there was an additional expenditure of £1,544 across the six Waste Management Measures for the year compared to the 2015-16 report. Additional recycling and general waste disposal caused this rise.

CITB NI desire to encourage sustainability and improve efficiency means the organisation is moving away from producing printed publications and using electronic documents that are emailed to employers and stakeholders and can also be easily accessed on our website.

### **Sustainability Report**

CITB NI constantly strives to make efficiencies that result in realistic and meaningful savings in terms of both environmental and sustainable resources.

A policy of control over energy and utility services plus improved management has resulted in significant reduction of consumables over the past number of years. The organisation seeks to comply with best practice and procedures relating to sustainable development and the targets around carbon reduction incentives. Therefore the organisation has established baseline figures under its Waste Management Action Plan covering five specific areas of control. These include general waste, recycling, paper, electricity and heating oil.

In the base year 2008-09 an exercise was undertaken to establish the organisations' carbon footprint resulting from the emissions from fuel, electricity and business travel. The calculation estimated a carbon footprint of 342.69 tonnes CO<sub>2</sub>e for the year.

A carbon footprint for the organisation during the 2016-17 year of 126.52 tonnes CO<sub>2</sub>e represents a 28% reduction over the 2015-16 figures. This calculation further represents a 63% reduction on the organisations emissions since the base year in 2008-09.

The refurbishment of sections of the office and training facilities has improved energy efficiency measures resulting in reduced oil and electricity consumption which is to be noted. This coupled with improved thermal insulation installed during the refurbishment has improved the working environment for staff and visitors.

The installation of replacement UPVC windows to the front of the building has improved the thermal insulation and aesthetics of the building; this coupled with the installation of a new entrance canopy will enhance the working environment and sustainability of the premises.

## Complaints Handling

CITB NI has in place a complaints procedure and the Board Administrator is the designated Complaints Officer. All written complaints are acknowledged and a full investigation and resolution sought within 20 working days. Written responses to formal complaints are under the signature of the Chief Executive, who is kept informed at all stages of the procedure and the action being taken. Records of all complaints received are maintained for monitoring purposes. There was one complaint received in 2016-17 that was successfully resolved through the CITB NI complaints procedure.

## Long term expenditure trends

CITB NI is a Non Departmental public body which has the statutory powers to raise a levy from construction employers in Northern Ireland. The levy is CITB NI's main source of income representing 90% of the total income in 2016-17. There is no doubt that the economic downturn over a prolonged period has had a significant impact on construction employers in Northern Ireland who have turned to competing for work outside Northern Ireland to keep their business operating. The overall context of reductions to budgets across the public sector as a whole has impacted CITB NI as construction employers have had fewer opportunities to compete for public sector contracts in Northern Ireland.

However CITB NI has seen an increase in Levy income in 2016-17 and subsequently the budget available to support employers training. The budget for 2017-18 has been set in the context as a similar level of activity as 2016-17 with £2.7 million available in levy income.

The surplus generated in 2016-17 and transferred to reserves has been allocated by CITB NI to provide funding for an apprenticeship campaign in 2017-18 to encourage more apprentices into the industry to reduce forecasted skills shortages.

CITB NI is currently liaising with the Department for the Economy to determine how the introduction of the Apprenticeship Levy from April 2017 will be implemented in Northern Ireland and what impact, if any this will have on CITB NI.

The majority of CITB NI's expenditure is on Staff Costs and the Grants scheme. It is not envisaged that these two main costs will change significantly over the next few years.

It is therefore our consideration that future income/expenditure budgets will be maintained at a similar level to 2016-17.



**Mr W M Johnston – Chairman**

**Date: 18 January 2018**



**Mr B Neilson – Accounting Officer**

**Date: 18 January 2018**

## **ACCOUNTABILITY REPORT**

### **Corporate Governance Report**

The purpose of the Corporate Governance Report is to explain the composition and organisation of CITB NI's governance structures and how they support the achievement of its objectives.

The purpose of this Statement is to confirm the continuing effectiveness of the governance arrangements of CITB NI that support the achievement of CITB NI's policies, aims and objectives.

### **Position of Chief Executive**

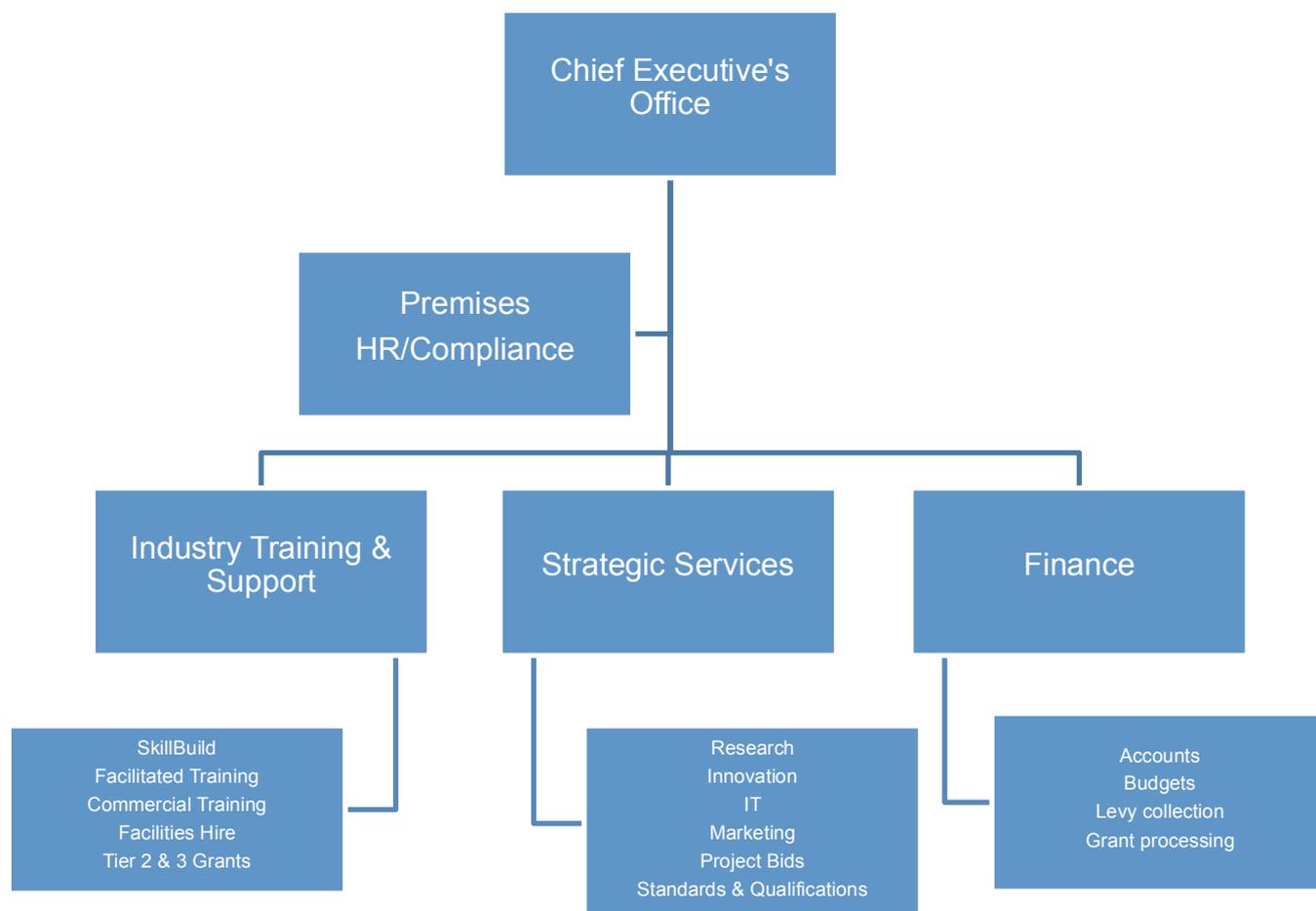
Mr Barry Neilson was Chief Executive and Accounting Officer from 1 September 2016 to 31 August 2017.

### **Board Members**

The Board of CITB NI comprised 12 Members and the Chairman. Membership of the Board is determined by the Department for the Economy and through formal appointment by the Minister. Appointments to the Board follow the Office of the Commissioner for Public Appointments guidelines. The Department for the Economy extended five Board members for five months from 1 August 2017. The Chairman was also extended for five months from 1 August 2017. There were two resignations from the Board in May 2017.

A list of those who served as board members during the year and their attendance is outlined in Appendix 2.

## ORGANISATIONAL STRUCTURE 2016-2017



The Executive Management Team comprised the Chief Executive, Director of Industry Training and Support, Director of Strategic Services and Board Accountant.

### **Personal Data Related Incidents**

There have been no personal data related incidents during the year.

### **Charitable Donations**

CITB NI did not make any charitable or political donations during the year.

## **Payment to Suppliers**

CITB NI is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code. Unless otherwise stated on the contract, payment is due within 30 days of the receipt of the goods or services, on presentation of a valid invoice or similar demand, whichever is later.

For the year ended 31 August 2017, 100% (2015-16: 100%) of payments to suppliers were paid within 30 working days. In addition to this the government has said that wherever possible public sector bodies should seek to pay suppliers within 10 working days of receipt of the invoice. In 2016-17 we met this standard for approximately 99.8% of invoices received (2015-16: 99.8%).

## **Pensions**

CITB NI participates in a defined benefit scheme the assets of which are held in a separate trustee administered fund operated by NILGOSC. CITB NI takes no direct role in the administration of the fund and contributions to this scheme are as recommended by the actuary. Note 10 to the financial statements provides additional information on pensions.

## **Register of Interests**

A Register of Interests is maintained by CITB NI and can be inspected at 17 Dundrod Road, Nutts Corner, Crumlin BT29 4SR. Material transactions with related parties and board members are disclosed in the Related Party Transactions note of the Annual Accounts.

## **Audit of Financial Statements**

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the Industrial Training (Northern Ireland) Order 1984. The Comptroller and Auditor General is the head of the Northern Ireland Audit Office and he and his staff are wholly independent of CITB NI.

The audit of the financial statements for 2016-17 resulted in an audit fee of £9,500 which is included in other operating expenditure within the Statement of Comprehensive Net Expenditure.

## **Statement on Disclosure of Relevant Audit Information**

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

## **Non Audit Work**

The Northern Ireland Audit Office (NIAO) carried out work in relation to CITB NI's participation in the National Fraud Initiative during the financial year ended 31 August 2017. The amount paid to NIAO for this work was £1,261.

## **Important events occurring after the year end**

No important events occurred after the year ends which have had any financial impact on the results for the year ending 31 August 2017.

## STATEMENT OF BOARD MEMBERS' AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the Industrial Training (Northern Ireland) Order 1984, the Department for the Economy has directed CITB NI to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of CITB NI and of the comprehensive net expenditure, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the accounts direction issued by the Department, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that CITB NI will continue in operation.

The Department for the Economy has appointed the Chief Executive as Accounting Officer of CITB NI. 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 NI's assets, are set out in *Managing Public Money Northern Ireland* published by the Department of Finance.

## **Governance Statement**

This Governance Statement for CITB NI reflects the organisations governance, risk and internal control arrangements as they have operated during the 2016-17 year.

As well as being an Industrial Training Board, CITB NI is an Executive NDPB. An Executive NDPB has the following characteristics:

- Operates under statutory provisions and is legally incorporated
- The Chief Executive is accountable to the Board
- The body is responsible for its own budget
- Appointments to the Board are made by the Minister

CITB NI's sponsoring Department is the Department for the Economy (DfE).

The DfE Minister appoints the Board of CITB NI through the Public Appointments Unit.

## **Governance Framework**

CITB NI is committed to the principles of good practice in Corporate Governance through the governance framework as evidenced by:

- CITB NI Board
- CITB NI Audit and Risk Assurance Committee
- CITB NI Review Committee
- Executive Management Team
- Quarterly Accountability meetings with CITB NI sponsoring Department, The Department for the Economy (DfE)

## **The Board**

The Board of CITB NI meets at least six times during the year. Meetings of the Board are scheduled to be held following meetings of the Audit and Risk Assurance Committee. A report of each meeting of the Audit and Risk Assurance Committee is presented to the Board by the Chairman of the Audit and Risk Assurance Committee and matters of significance are recorded on the Board minutes.

Board members took part in the Annual Board Workshop in December 2016 incorporating discussions around setting the strategic direction of the organisation.

The membership of the Board's Committee's was reviewed with minor changes made to the membership of the Finance and General Purposes Committee and the Audit and Risk Assurance Committee in April 2017. The Board membership details are outlined in Appendix 2.

The Board has appointed a Finance and General Purposes Committee, which reviews in detail financial matters and human resources issues and makes recommendations to the Board. The Committee is Chaired by a Board member appointed by the Chairman and Board and the Chairman attends as a member.

During the 2016-17 year, issues considered by the Board included:

- Strategic direction
- Annual budget
- Management Accounting
- Performance targets
- Annual review of Risk Management
- Approval of annual levy rate following industry consultation

A register of Board members interests is established and is updated regularly. Declaration of Interests is included on the agenda of Board and Committee meetings.

### **The Audit and Risk Assurance Committee**

CITB NI's Audit and Risk Assurance Committee meets four times a year. The Audit and Risk Assurance Committee comprises a Chairman, and three members appointed by the Board. Representatives from the organisation's internal auditors, the Northern Ireland Audit Office and DfE are normally present.

The Audit and Risk Assurance Committee reviews on a regular basis, CITB NI's internal control procedures, outstanding audit recommendations, policies and procedures and corporate governance. Risk Register, Dear Accounting Officer and Dear Finance Director letters are also reviewed at each meeting. Fraud is also included on the agenda for each meeting.

In line with best practice the Committee also arranges to meet with both internal and external auditors during the year without CITB NI staff members being present.

The Audit and Risk Assurance Committee provides an annual report to the Board, which summarises the Committee's work for the year including details of agenda items of meetings, internal audit, external audit, risk management and policies and procedures.

### **Internal Audit**

CITB NI's internal audit function is currently provided by Grant Thornton who completed the first year of a three year term contract. The programme of internal audits is regularly reviewed by the Audit and Risk Assurance Committee and management to ensure that the audit areas identified continue to be appropriate and of benefit to the organisation.

During the year ended 31 August 2017 Grant Thornton completed the agreed programme of audits.

As outlined in the table below, all audits carried out resulted in a rating of satisfactory assurance.

In July 2016 a Dear Accounting Officer letter was issued, Internal Audit Opinions and prioritisation of recommendations. This reduced the four assurance ratings from substantial, satisfactory, limited and unacceptable to three with substantial being no longer applicable.

This means that satisfactory is now the highest rating that can be achieved.

<b>Audit Topic</b>	<b>Assurance Rating</b>
Levy Collection	Satisfactory
Grant Payment	Satisfactory
Payroll	Satisfactory
IT Security	Satisfactory
Risk Management	Satisfactory

The overall audit opinion for CITB NI for the year was satisfactory.

**Board Review Committee**

The Board Review Committee comprises a Chairman and three members appointed by the Board. The Board Review Committee considers the Board’s policies in respect of assessment and collection of levy, reviews existing and new grants and makes recommendations to the Board. The Board Review Committee also considers challenges to the scope position and grant appeals by employers and reviews both existing and new programmes or projects being undertaken by CITB NI in accordance with the Rules of Delegation and make appropriate recommendations to the Board.

The Committee also reviews CITB NI policies following recommendations from the Audit and Risk Assurance Committee.

**Executive Management Team**

The Executive Management Team (EMT) meets on monthly basis and is Chaired by the Chief Executive and includes the Directors of Strategic Services, Industry Training and Support and the Board Accountant. The EMT reviews risk management, current financial position, balanced scorecard and ongoing operational issues at each meeting.

**Quarterly Accountability Meeting with DfE**

Accountability meetings with DfE are held on a quarterly basis. The agendas for these meetings include standing items, such as performance monitoring, budgetary and financial matters, risk management and corporate governance. A report of each meeting is provided for the Audit and Risk Assurance Committee. The DfE Permanent Secretary also meets annually with the Board Chairman.

**Quality of Data**

The Board, its Committees and staff rely on data from various sources including:

- Research carried out by CITB NI
- Meetings with Industry Employer Bodies
- Meetings with industry and stakeholders
- Consultations with industry
- Interrogation of research undertaken by other bodies
- Two annual stakeholder meetings
- 18 annual events with employers in the industry

This information is consolidated with data from services provided by CITB NI to provide the Board with high quality data to rely on in the discussion making process.

## **Scope of Responsibility**

The Chief Executive of CITB NI is the Accounting Officer and has responsibility for maintaining a sound system of internal control that supports the achievement of CITB NI's mission, vision and aims whilst safeguarding the public funds and Board assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in Managing Public Money Northern Ireland.

The view of the overall system of internal control is informed by the following:

- Internal audit reports;
- Regular review of the Strategic and Operational risk registers;
- Quarterly Accountability meetings with officials from the Department for the Economy to consider both operational and strategic issues and matters relating to the system of internal control;
- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Executive Management Team and quarterly by the Board;
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to assess financial and operational performance

## **Review of Effectiveness**

The Accounting Officer has the responsibility for reviewing the effectiveness of the system of internal control.

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within CITB NI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The implications of the result of the review of the effectiveness of the system of internal control is provided by the Board, the Audit and Risk Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of CITB NI's policies, aims and objectives. It is also there to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in CITB NI for the year ended 31 August 2017 and up to the date of approval of the annual report and accounts, and accords with DoF guidance.

## **Capacity to Handle Risk**

CITB NI's risk management system has been formalised through:

- the development and communication of a risk management strategy;
- the maintenance and continuous review of the strategic and operational risk registers;
- the development of the Business Continuity Plan;
- review of risks at Executive Management Team meetings and Audit and Risk Assurance Committee meetings; and
- Review of risks at Staff team meetings.

Staff are made aware of risk management through publication of the Risk Management strategy on the shared drive, through dissemination of information produced from the Executive Management Team and participation in internal Divisional meetings. During 2016-17 the risk management strategy, strategic and operational risk registers were reviewed and updated in line with best practice.

The majority of risks are identified by the Executive Management Team and staff. However over the 2016-17 year a number of risks were identified by Audit and Risk Assurance Committee and Board members and incorporated into the Risk Registers.

## **The Risk and Control Framework**

Risk management procedures have been in place throughout the year ended 31 August 2017 in addition to the existing regular review and reporting of internal control systems. The Executive Management Team reviewed on a regular basis the risk register and the principal risks were identified, classified and the management of those risks considered in detail on a monthly basis.

The management of risks was reported quarterly to the Audit and Risk Assurance Committee and an annual report on risk management was provided to the Board in January 2017.

## **Risk Registers**

The risk registers and assignment of risk ownership are available to all staff.

The risk registers are updated on a regular basis to:

- Add new risks and remove out of date risks;
- Review risk ratings and rankings; and
- Report the top risks to ensure effective mitigation measures are implemented.

Risks to information are managed and controlled within this process and CITB NI has in place Freedom of Information and Data Protection Policies, which include the handling of information. Procedures are in place to ensure the adequate protection of data held on computers. Formal authorisation is required in advance of being given access to IT systems via either the network or WIFI. Individual applications have authorisation signing on procedures for users.

Software is installed on the IT system server to scan all incoming email for potential malware and virus, these emails can then be quarantined if necessary. All emails sent and received are archived.

The IT system server is protected with a firewall and anti-virus and malware protection software and the security of the IT system is externally tested two times per year.

Individual computers are protected with anti-virus and malware software and are scanned twice per week. Software is also installed to check two times per week that software updates have been applied.

Two separate backup routines, one of which is removed off site weekly, copy data weekly and six times per day to two separate storage areas in order to safeguard corporate data in the event of IT system server failure or corruption.

Staff are aware of the importance of securely storing paper records and dedicated archive stores are provided and all staff are provided with IT security training.

### **Reporting**

Risk management is reported and reviewed at the Executive Management Team meetings on a monthly basis and formal reports were issued to the Audit and Risk Assurance Committee at each of its meetings throughout the year.

### **Significant Internal Control Issues**

There were no significant internal control issues reported during the year ended 31 August 2017.

### **Assessment of compliance with Corporate Governance Code**

The Board is content that during 2016-17 it has complied with the Corporate Governance Code as outlined in Managing Public Money Northern Ireland (MPMNI).

## **REMUNERATION AND STAFF REPORT**

The Remuneration and staff report sets out CITB NI's remuneration policy for Board members and the Chief Executive. It reports on how that policy has been implemented and sets out the amounts awarded to Board members and the Chief Executive.

### **Remuneration Policy**

As an NDPB, members of staff within CITB NI are not civil servants. The CITB NI Board appoints members of the Board to the Finance and General Purposes Committee. The role of the Committee is to advise the Board on all financial matters, remuneration and employment policy specifically relating to the following matters:

- Staff matters including recruitment, selection, promotion, organisational structure, terms and conditions of service and disciplinary and grievance matters.
- Board policies in relation to staffing matters.
- Remuneration for staff at all levels.
- Deal with such other issues as may be referred to it by the Board.

In determining pay and grading systems and overall increases in pay bill, the board takes account of public sector pay policy and any guidance issued by DoF, Treasury and the Cabinet Office.

All proposed pay remits are submitted to DfE/DoF for approval in the form of a business case to justify value for money, affordability and consistency with public sector pay policy.

The Department for the Economy work within the public sector pay policy and guidance in determining the remuneration (including any salary and allowances) for Board members including the Chairman.

There are currently no plans to change the policy in relation to the remuneration of senior managers. Any such changes would be guided by public sector pay policy and any guidance issued by DoF, Treasury and the Cabinet Office.

### **Service Contracts**

All appointments for services made by CITB NI are made based on merit, on the basis of fair and open competition.

Unless otherwise stated, the officials covered by this report hold appointments, which are for a fixed term period of 3 years, which expire in 2017. The Department for the Economy, which is required to strictly adhere to the public appointments procedures, appoints CITB NI board members. A Code of Conduct for Board Members is in place.

Unless otherwise stated, the officials covered by this report can be removed from office by the Minister without notice and without termination payments.

Mr Barry Neilson was appointed permanent Chief Executive with effect from 17 May 2010.

The conditions of service for the Chief Executive are those laid out within CITB NI's Employee Handbook. The Chief Executive is on an open-ended contract.

The current Chief Executive's notice period is three months.

### Salary and Pension Entitlements (Audited)

The following sections provide details of the remuneration and pension interests of the senior officials of CITB NI.

The position of Chief Executive from 01 September 2016 to 31 August 2017 was held by Barry Neilson a direct employee of CITB NI.

The remuneration payable to the Chief Executive was as follows:

Name	2016-17			Total £'000	2015-16			Total £'000
	Salary £'000	Benefits in kind (nearest £100)	Pension Benefits* (to nearest £1,000)		Salary £'000	Benefits in kind (nearest £100)	Pension Benefits* (to nearest £1,000)	
B Neilson	60-65	0	22	<b>85-90</b>	60-65	0	21	<b>80-85</b>

### Fair Pay Disclosures (Audited)

	2016-17	2015-16
	£'000	£'000
Band of Highest Paid Director's Total Remuneration	60-65	60-65
Median Total Remuneration	£24,195	£25,452
Ratio	2.65	2.49

*\*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.*

The Chairman and Board Members listed below are appointed by the Public Appointments Office. Therefore CITB NI does not make any payments in respect of bonuses or pension benefits in respect of these individuals.

The remuneration payable to the Chairman and Board members was as follows:

Official	2016-17		2015-16	
	Salary £'000	Benefits in kind (nearest £100)	Salary £'000	Benefits in kind (nearest £100)
M W Johnston* Appointed 01/08/14	20-25	-	20-25	-
M Nawaz Board member from 01/01/13 Resigned May 2017	0-5	-	0-5	-
B Vaughan * Board member from 01/01/13	0-5	-	0-5	-
C Boyle Board member from 01/06/13	0-5	-	0-5	-
D Martin Board Member from 01/04/14	0-5	-	0-5	-

D Henry Board Member from 01/04/14	0-5	-	0-5	-
M Bradley * Board member from 01/06/13	0-5	-	0-5	-
M O'Kane Board member from 01/06/13 Resigned May 2017	0-5	-	0-5	-
C Brolly Board member from 01/01/13	0-5	-	0-5	-
S Hassard Board member from 01/04/14	0-5	-	0-5	-
J Pollock Board member from 01/04/14	0-5	-	0-5	-
C Mahon* Board member from 01/06/13	0-5	-	0-5	-
C Corken Board member from 01/04/14	0-5	-	0-5	-

\* **Member of Finance & General Purposes Committee**

### Salary

'Salary' includes gross salary and Board member attendance allowance to the extent that it is subject to UK taxation. CITB NI makes no other payments to Board members or staff other than expenses, travel and subsistence.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue & Customs as a taxable emolument. There were no benefits in kind paid to any member of staff or to members of the Board of CITB NI.

### Bonuses

CITB NI does not operate a performance related pay system. Therefore no bonuses were paid to staff during the 2016-17 year. (2015-16: NIL).

### Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in CITB NI in the financial year 2016-17 was £60k to £65k (2015-16: £60k - £65k). This was 2.65 times (2015-16: 2.49 times) the median remuneration of the workforce, which was £24,195 (2015-16: £25,452).

Total remuneration includes salary and does not include employers' pension contributions and the cash equivalent transfer value of pensions.

## Pensions of Senior Officials (Audited) -

### Board Members

No pension contributions are made by CITB NI in respect of board members.

Officials	Accrued pension at pension age as at 31/08/2017 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/08/17	CETV at 31/08/16	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
B Neilson Chief Executive	5-10 Plus lump sum of 0-5	0-2.5 Plus lump sum of 0-5	113	93	14

The above information was provided by NILGOSC and comprises benefits accrued as at 31 August 2017.

Pension benefits are provided through the NILGOSC Scheme, which is described in the accounting policies note to the financial statements.

### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer. This reflects the increase in CETV effectively funded by the

employer. It does not include the increase due to inflation, contributions paid by the employee etc.

## STAFF REPORT

### Staff numbers and related costs (Audited)

	Permanently employed staff	Others	2016-17	2015-16
	£	£	£	£
Wages and Salaries	733,755	3,233	736,988	820,300
Social Security Costs	69,961	259	70,220	63,808
Other Pension Costs	307,418	582	308,000	168,000
Voluntary Exit Scheme	0	0	0	49,663
<b>Total</b>	<b>1,111,134</b>	<b>4,074</b>	<b>1,115,208</b>	<b>1,101,771</b>

### Average Number of Persons Employed (the following section is subject to audit)

The average number of whole time equivalent persons employed during the year was as follows:

	2016-17	2015-16
Directly employed	26	32

### Staff Composition

CITB NI had 28 members of staff at 31 August 2017.

	Male	Female	Total
<b>Directors</b>	3	1	4
<b>Employees</b>	5	19	24

### Staff Pension Scheme

CITB NI participates in the Local Government Pension Scheme for Northern Ireland which is administered by the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) for the majority of its employees.. The NILGOSC Scheme is a defined benefit scheme, which provides members with the benefits related to pay and services at rates that are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The Scheme is funded by employers participating in the NILGOSC Scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method.

Employees currently pay contributions between 5.5% and 8.5% of their pensionable earnings. The contribution rate payable is dependent on the rate of pay for their job. As an employer, CITB NI contributes 20% of pensionable pay for each employee who is a member of the NILGOSC scheme.

The total amount of employer contributions paid to NILGOSC during 2016-17 amounted to £140,375.

## **Sick Absence**

Staff absence due to illness was on average 7.4 days per employee for the year ended 31 August 2017 (2015-16: 11.4 days) The figure for the wider Northern Ireland Civil Service is an average of 12.5 days in 2016-17.

## **Staff Policies**

In line with the statutory duties of Section 75 of the NI Act 1998, CITB NI promotes equality of opportunity and good relations irrespective of a person's religion political beliefs, racial group, age, marital status, sexual orientation, gender, disability and dependents.

CITB NI is committed to the fulfilment of its Section 75 obligations in carrying out all its functions, powers and duties relating to Northern Ireland. The Board has put effective internal arrangements in place to ensure that the statutory duties are effectively complied with and that progress on policies is monitored and reviewed.

Objectives and targets relating to the statutory duties are included in the individual performance targets of specific staff with particular responsibilities in relation to the implementation of the Equality Scheme and monitored through line management review.

CITB NI will endeavour to use its position as an influencer, facilitator and provider of training services to advise and lead the construction industry in the improvement of equality of opportunity and the access to training and employment for all, irrespective of religious and political beliefs, racial group, age, marital status, sexual orientation, gender, disability and dependants.

## **Expenditure on Consultancy**

There was no expenditure on consultancy during 2016-17. (2015-16: NIL)

## **Off Payroll engagements (greater than £58,200)**

There was no off payroll engagements during 2016-17. (2015-16: NIL)

## **III-Health Retirement**

There were no staff retiring due to ill-health in the 2016-17 year.

**Reporting of Civil Service and other compensation schemes- exit packages  
(The following section is subject to audit)**

CITB NI did not participate in the Northern Ireland voluntary exit scheme during 2016-17.

<b>Exit Package Cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
<b>&lt;£10,000</b>	0 (0)	0 (0)	0 (0)
<b>£10,000 - £25,000</b>	0 (0)	0 (2)	0 (2)
<b>£25,000 -£50,000</b>	0 (0)	0 (1)	0 (1)
<b>£50,000 - £100,000</b>	0 (0)	0 (0)	0 (0)
<b>£100,000 - £150,000</b>	0 (0)	0 (0)	0 (0)
<b>£150,000 - £200,000</b>	0 (0)	0 (0)	0 (0)
<b>Total Number of exit packages</b>	<b>0 (0)</b>	<b>0 (3)</b>	<b>0 (3)</b>
<b>Total Resource Costs/£</b>	<b>£NIL (£NIL)</b>	<b>£NIL (£49,663)</b>	<b>£NIL (£49,663)</b>

\*Figures in brackets refer to 2015-16

Resource expenditure in relation to the exit packages for 2015-16 was fully funded by HM Treasury.

## Assembly Accountability and Audit Report

The Assembly Accountability and Audit Report brings together the key Assembly accountability documents with the annual report and accounts.

### Regularity of expenditure

(This section is subject to audit)

There was no irregular expenditure in 2016-17.

### Losses and Special Payments

(This section is subject to audit)

Losses Statement	<b>2016-17</b>	<b>2015-16</b>
Total Number of Losses	19	45
Total Value of Losses	£90,479	£33,605

One bad debt case with a total value of £12,779 had been approved for write off post year end.

There were no special payments made in 2016-17.

### Fees and charges

(This section is subject to audit)

CITB NI charges fees for a number of training courses provided. The financial objective for the provision of Scaffolding courses is full cost recovery. The results for 2016-17 were as follows:

	£
Scaffolding Income	50,950
Staff costs	(34,747)
Direct Expenses	(11,152)
<b>Total</b>	<b>5,051</b>

The Scaffolding courses have met the full cost recovery objective as the net £5,051 generated above is used to absorb the associated overhead costs.

CITB NI also charges a small nominal fee for some courses it provides under the Tiers 2 & 3 grant scheme. The main reason for charging is for a candidate to secure a place on a training course. There is no specific financial objective for these courses as the majority of the expenditure is funded by CITB NI grant. The nominal fees range from £25 and are recorded as other income within the Statement of Comprehensive Net Expenditure.

### Remote contingent liabilities

(This section is subject to audit)

In addition to contingent liabilities reported within the meaning of IAS37, CITB NI also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. There were no such remote contingent liabilities to report for the 2016-17 year, none for 2015-16.

Mr Barry Neilson



**Chief Executive**  
**18 January 2018**

## **CONSTRUCTION INDUSTRY TRAINING BOARD NI**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Construction Industry Training Board NI for the year ended 31 August 2017 under the Industrial Training (NI) Order 1984. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability and Audit Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Board Members' and Chief Executive's Responsibilities, the Board Members and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Industrial Training (NI) Order 1984. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Construction Industry Training Board NI's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Construction Industry Training Board NI; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

#### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Construction Industry Training Board NI's affairs as at 31 August 2017 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Industrial Training (NI) Order 1984 and the Department for the Economy directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited have been properly prepared in accordance with the Department for the Economy directions made under the Industrial Training (NI) Order 1984; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited are not in agreement with the accounting records; 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 Department of Finance's guidance.

## **Report**

I have no observations to make on these financial statements.



*KJ Donnelly*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*

*22 January 2018*

**CITB NI**

**Financial Statements for the year ended 31 August 2017**

**CITB NI**

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE  
FOR THE YEAR ENDED 31 AUGUST 2017**

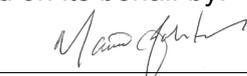
		<b>2016-17</b>	<b>2015-16</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
Income from sale of goods and services	<b>2</b>	96,039	91,415
Other operating Income	<b>2</b>	2,860,173	2,954,997
<b>Total operating income</b>		<b>2,956,212</b>	<b>3,046,412</b>
Staff Costs	<b>3</b>	(1,115,208)	(1,101,771)
Purchase of goods and services	<b>3</b>	(523,924)	(630,778)
Depreciation and impairment charges	<b>4,5</b>	(91,658)	(88,686)
Other operating expenditure	<b>3</b>	(928,884)	(1,207,400)
<b>Total operating expenditure</b>		<b>(2,659,674)</b>	<b>(3,028,635)</b>
<b>Net operating income/(expenditure)</b>		<b>296,538</b>	<b>17,777</b>
Finance income		2,643	3,624
Finance expense		(98,000)	(48,000)
<b>Net income/(expenditure) for the year</b>		<b>201,181</b>	<b>(26,599)</b>
<b>Other Comprehensive Net Expenditure</b>			
	<b>Note</b>	<b>2016-17</b>	<b>2015-16</b>
		<b>£</b>	<b>£</b>
Items which will not be reclassified to net operating costs			
Net gain/(loss) on revaluation of property, plant & equipment	<b>4</b>	33,772	43,047
Net gain/(loss) on revaluation of intangible assets	<b>5</b>	345	37
Actuarial gains/(loss) on pension scheme liabilities	<b>10</b>	3,473,000	(3,553,000)
<b>Comprehensive net income/(expenditure) for the year</b>		<b>3,708,298</b>	<b>(3,536,515)</b>

The notes on pages 46-62 form part of these accounts.

**CITB NI**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2017**

		2016-17	2015-16
	Note	£	£
<b>Non-Current Assets:</b>			
Property, Plant and Equipment	4	2,019,434	2,037,264
Intangible Assets	5	23,745	27,645
<i>Total Non-Current Assets</i>		<b>2,043,179</b>	<b>2,064,909</b>
<b>Current Assets:</b>			
Trade and Other Receivables	7	81,048	228,345
Cash and Cash Equivalents	8	1,780,014	1,230,552
<b>Total Current Assets</b>		<b>1,861,062</b>	<b>1,458,897</b>
<b>Total Assets</b>		<b>3,904,241</b>	<b>3,523,806</b>
<b>Current Liabilities</b>			
Trade and Other Payables	9	(416,944)	(524,807)
<b>Total Current Liabilities</b>		<b>(416,944)</b>	<b>(524,807)</b>
<b>Total assets less current liabilities</b>		<b>3,487,297</b>	<b>2,998,999</b>
<b>Non-current liabilities</b>			
Pension Liabilities	10.5	(1,776,401)	(4,996,401)
<b>Total non-current liabilities</b>		<b>(1,776,401)</b>	<b>(4,996,401)</b>
<b>Total assets less total liabilities</b>		<b>1,710,896</b>	<b>(1,997,402)</b>
<b>Taxpayers' equity and other reserves</b>			
SoCNE Reserve		1,588,927	(2,085,254)
Revaluation Reserve		121,969	87,852
		<b>1,710,896</b>	<b>(1,997,402)</b>

The financial statements on pages 42-45 were approved by the Board on 18 January 2018 and were signed on its behalf by:

Signed :  (Chairman)

Signed:  (Chief Executive)

Date: 18 January 2018

## CITB NI

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2017

		2016-17	2015-16
		£	£
<b>Cash Flows from Operating Activities</b>	<b>Note</b>		
Net operating income/(cost)		201,181	(26,599)
Adjustments for non-cash transactions			
Depreciation & Amortisation	<b>4, 5</b>	91,658	88,686
(Increase)/Decrease in trade and other receivables	<b>7</b>	147,297	198,391
Increase/(Decrease) in trade payables	<b>9</b>	(107,863)	(80,639)
IAS 19 pension costs*	<b>10</b>	253,000	62,000
Loss on disposal of asset		-	67
Other non-cash adjustments		-	244
<b>Net Cash Inflow/ (Outflow) from Operating Activities</b>		<b>585,273</b>	<b>242,150</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	<b>4</b>	(29,017)	(14,061)
Purchase of intangible assets	<b>5</b>	(6,794)	(20,112)
Proceeds of disposal of property, plant & equipment		-	10,000
<b>Net Cash Outflow from Investing Activities</b>		<b>(35,811)</b>	<b>(24,173)</b>
<b>Net Financing</b>			
Net increase/(decrease) in cash and cash equivalents in the period	<b>8</b>	549,462	217,977
Cash and cash equivalents at the beginning of the period	<b>8</b>	<b>1,230,552</b>	<b>1,012,575</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>8</b>	<b>1,780,014</b>	<b>1,230,552</b>

\* This balance includes movements in the pension provision in addition to pension costs.

The notes on pages 46-62 form part of these accounts.

## CITB NI

### STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 AUGUST 2017

	SoCNE Reserve £	Revaluation Reserve £	Total Reserves £
<b>Balance at 31 August 2015</b>	<b>1,494,345</b>	<b>44,768</b>	<b>1,539,113</b>
<b>Changes in Taxpayers' Equity 2015-2016</b>			
Net income/(expenditure) for the year	(18,099)	-	<b>(18,099)</b>
Auditors Remuneration	(8,500)	-	<b>(8,500)</b>
Revaluation gains and losses	-	43,084	<b>43,084</b>
Actuarial gains/(losses) on NILGOSC pension scheme	(3,553,000)	-	<b>(3,553,000)</b>
<b>Balance at 31 August 2016</b>	<b>(2,085,254)</b>	<b>87,852</b>	<b>(1,997,402)</b>
<b>Changes in Taxpayers' Equity 2016-2017</b>			
Net income/(expenditure) for the year	210,681	-	<b>210,681</b>
Auditors remuneration	(9,500)	-	<b>(9,500)</b>
Revaluation gains and losses	-	34,117	<b>34,117</b>
Actuarial gains/(losses) on NILGOSC pension scheme	3,473,000	-	<b>3,473,000</b>
<b>Balance at 31 August 2017</b>	<b>1,588,927</b>	<b>121,969</b>	<b>1,710,896</b>

The notes on pages 46-62 form part of these accounts.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR END 31 AUGUST 2017

#### 1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of CITB NI for the purpose of giving a true and fair view has been selected. The particular policies adopted by CITB NI for the year ended 31 August 2017 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

##### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

##### 1.2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of CITB NI's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from those estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

###### 1.2.1 Critical Judgements in Applying Accounting Policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying CITB NI's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

###### 1.2.2 Reclassification of Comparative Information

As a result of DOF's "Simplifying and Streamlining Accounts" project, the 2016-17 Financial Statements reflect the new format as required. As such the comparative information for 2015-16 has been reclassified.

##### 1.3 Income

The main source of income for CITB NI is a statutory levy. Levy is receivable from assessments based on the employment details returned by construction establishments. This may also include an estimate for construction establishments from which employment details have not been received. Other income is recognised in the period to which it relates.

Interest income is accrued on a time basis, by reference to the principal outstanding and interest rate applicable. Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

Other income including the reimbursement of legal fees associated with pursuing unpaid levy income is recognised in the period it is received.

#### **1.4 Employee Benefits including Benefits**

Under IAS 19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave at the year end. The cost of untaken leave has been calculated on the basis of records held by the Human Resources Department and individual staff members.

#### **1.5 Pensions**

CITB NI participates in the Local Government Pension Scheme for Northern Ireland which is administered by the Northern Ireland Local Government Officer's Superannuation Committee (NILGOSC) for the majority of its employees. The Scheme is funded by employers participating in the NILGOSC Scheme who pay contributions at rates determined by an independent professionally qualified actuary on the basis of regular valuations using the projected unit method.

##### **1.5.1 NILGOSC Pension Scheme**

For the NILGOSC defined benefit scheme, CITB NI has recognised its share of the pension fund assets and liabilities in its Statement of Financial Position as either a pension liability/pension asset, as well as recognising the full cost of providing for future retirement benefits in the Statement of Comprehensive Net Expenditure.

##### **1.5.2 Measurement of the Scheme Assets**

The pension fund asset is accounted for at fair value.

##### **1.5.3 Measurement of the Scheme Liabilities**

Pension liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities at the valuation date relate to:

- (i) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- (ii) the accrued benefits for members in service on the valuation date.

##### **1.5.4 Recognition of Net Pension Liability**

CITB NI has recognised a liability in its Statement of Financial Position for the shortfall in value of its share of the pension fund assets and liabilities. This shortfall is recoverable wholly from increases in future contributions made by CITB NI to the pension fund.

#### **1.6 Expenses**

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

#### **1.7 Property, Plant and Equipment**

##### **Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to CITB NI;
- it is expected to be used for more than one financial year; and
- the cost of the item can be measured reliably.

The level of capitalisation as an individual item of property, plant and equipment has been applied for the current year at £500.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

## **Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings used for CITB NI's service or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

Land and non-specialised buildings – market value for existing use

For all other non-property assets (useful life less than five years) and low value assets (less than £10,000) depreciated historic cost is considered to be a satisfactory reflection of fair value.

An increase arising on revaluation is credited to the revaluation reserve except when it reverses impairment for the same asset previously recognised in expenditure, in which case it is credited to the Statement of Comprehensive Net Expenditure.

### **Subsequent Expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

## **1.8 Intangible assets**

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the CITB NI's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to or service potential be provided to CITB NI and where the cost of the asset can be measured reliably.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset.

The level of capitalisation as an individual intangible asset has been applied for the current year at £500.

### **Measurement**

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost, indexed for relevant price increases using the Consumer Price Index, as a proxy for fair value.

**1.9 Depreciation, Amortisation and Impairments**

Depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which CITB NI expects to obtain economic benefits or service potential from the asset. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis.

The basis by which depreciation and amortisation is calculated is as follows:

<u>Property, Plant &amp; Equipment</u>	
Premises – Buildings	20 years
Information Technology & Audio Visual	3 & 5 years
Plant & Machinery	4-5 years
Furniture & Fittings	5 years
 <u>Intangible Assets</u>	
Information Technology Software	3-9 years
Website	2 years
Software Licences	3-7 years

At each reporting period end, CITB NI checks whether there is any indication that any of its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

**1.10 Leases**

Operating lease payments are recognised as an expense in the Statement of Net Expenditure on a straight line basis over the lease term.

**1.11 Cash and Cash Equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

**1.12 Impending application of newly issued accounting standards not yet effective**

CITB NI has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on CITB NI’s financial statements.

**1.13 Financial Instruments**

Financial assets are recognised when CITB NI becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial liabilities are recognised on the statement of financial position when CITB NI becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received.

**(i) Trade Receivables**

Trade receivables are recognised and carried at the lower of their original invoiced value or recoverable amount. Balances are written off when the probability of recovery is assessed as being remote.

**(ii) Trade Payables**

Trade payables are not interest bearing and are stated at their nominal value.

**1.14 Taxation**

No provision for taxation arises as the CITB NI has charitable status approved by HM Revenue & Customs.

**1.15 Operating Segments**

CITB NI's principle aim is to ensure the adequate training of those employed or intending to be employed in the Northern Ireland Construction Industry. CITB NI provides a range of services however all of the services provided fulfill the principle aim of the organisation and as such is considered to have only one operating segment. All decisions are made by the Executive Management Team and the Board.

**2. Income**

The other operating income included within the Statement of Comprehensive Net Expenditure is detailed below:

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
	<hr/>	<hr/>
<i>Sale of goods and services</i>		
Direct Training Course Income	71,734	72,577
Room hire/rental income	24,305	18,838
<i>Other Operating income</i>		
Statutory Levy Income	2,670,594	2,549,243
Activities funded by the Department for the Economy	148,290	291,811
Income from bodies external to NI Government	41,289	113,943
<b>Total income</b>	<hr/> <b>2,956,212</b> <hr/>	<hr/> <b>3,046,412</b> <hr/>

### 3. Other operating costs

	2016-17 £	2015-16 £
<i>Staff costs<sup>1</sup></i>		
Wages and Salaries	736,988	820,300
Social Security Costs	70,220	63,808
Other Pension Costs	308,000	168,000
Voluntary Exit Scheme	0	49,663
<b>Total</b>	<b>1,115,208</b>	<b>1,101,771</b>
<i>Purchase of goods and services</i>		
Running costs	248,376	272,649
Other Training Services	168,379	285,631
Direct Training Provision	61,247	41,339
Legal Fees	40,087	24,137
Professional fees	5,835	7,022
<b>Total</b>	<b>523,924</b>	<b>630,778</b>
Depreciation	<b>91,658</b>	<b>88,686</b>
<i>Other operating expenditure</i>		
Grants to employers	901,985	1,176,785
Research and development	8,393	7,139
Auditors remuneration and expenses	9,500	8,500
Rentals under operating leases	4,643	4,133
Expenses of Boards & Committees	4,363	10,843
<b>Total</b>	<b>928,884</b>	<b>1,207,400</b>
<b>Total operating expenditure</b>	<b>2,659,674</b>	<b>3,028,635</b>

During the year CITB NI purchased the following non-audit services from its auditor, the Northern Ireland Audit Office. This is for the National Fraud Initiative and the fee was £1,261.

<sup>1</sup> A breakdown of the staff costs into permanent and temporary staff can be found in the Staff Report within the Accountability Report.

#### 4. PROPERTY PLANT AND EQUIPMENT

	Land £	Buildings £	Information Technology £	Plant & Machinery £	Furniture & Fittings £	Total £
<b>Cost or valuation</b>						
At 01 Sept 2016	1,070,000	860,000	285,849	266,158	189,036	2,671,043
Additions	-	9,465	11,631	2,923	4,998	29,017
Disposals	-	-	(26,005)	-	-	(26,005)
Adjustments	-	(9,465)	-	-	-	(9,465)
Revaluations	-	-	-	-	-	-
<b>At 31 August 2017</b>	<b>1,070,000</b>	<b>860,000</b>	<b>271,475</b>	<b>269,081</b>	<b>194,034</b>	<b>2,664,590</b>
<b>Depreciation</b>						
At 01 Sept 2016	-	-	200,462	264,527	168,790	633,779
Charged in year	-	43,237	25,799	1,411	10,171	80,618
Disposals	-	-	(26,005)	-	-	(26,005)
Revaluations	-	(43,237)	-	-	-	(43,237)
Adjustments	-	-	146	(182)	37	1
<b>At 31 August 2017</b>	<b>-</b>	<b>-</b>	<b>200,402</b>	<b>265,756</b>	<b>178,998</b>	<b>645,156</b>
<b>Carrying amount at 31 August 2017</b>	<b>1,070,000</b>	<b>860,000</b>	<b>71,073</b>	<b>3,325</b>	<b>15,036</b>	<b>2,019,434</b>
<b>Carrying amount at 31 August 2016</b>	<b>1,070,000</b>	<b>860,000</b>	<b>85,387</b>	<b>1,631</b>	<b>20,246</b>	<b>2,037,264</b>
	Land £	Buildings £	Information Technology £	Plant & Machinery £	Furniture & Fittings £	Total £
<b>Cost or valuation</b>						
At 01 Sept 2015	1,270,000	660,000	274,142	265,604	189,166	2,658,912
Additions	-	-	13,507	554	-	14,061
Disposals	(10,000)	-	(1,810)	-	-	(11,810)
Adjustments	-	-	10	-	(130)	(120)
Revaluations	(190,000)	200,000	-	-	-	10,000
<b>At 31 August 2016</b>	<b>1,070,000</b>	<b>860,000</b>	<b>285,849</b>	<b>266,158</b>	<b>189,036</b>	<b>2,671,043</b>
<b>Depreciation</b>						
At 01 Sept 2015	-	-	172,293	262,867	157,844	593,004
Charged in year	-	33,047	29,699	1,660	10,946	75,352
Disposals	-	-	(1,742)	-	-	(1,742)
Revaluations	-	(33,047)	-	-	-	(33,047)
Adjustments	-	-	212	-	-	212
<b>At 31 August 2016</b>	<b>-</b>	<b>-</b>	<b>200,462</b>	<b>264,527</b>	<b>168,790</b>	<b>633,779</b>
<b>Carrying amount at 31 August 2016</b>	<b>1,070,000</b>	<b>860,000</b>	<b>85,387</b>	<b>1,631</b>	<b>20,246</b>	<b>2,037,264</b>
<b>Carrying amount at 31 August 2015</b>	<b>1,270,000</b>	<b>660,000</b>	<b>101,849</b>	<b>2,737</b>	<b>31,322</b>	<b>2,065,908</b>

Note: Land and buildings have been included on the basis of professional valuations performed by Land & Property Services who have provided an updated valuation of the land and buildings as at 31 August 2017. The valuation was carried out by a qualified member of the Royal Institution of Chartered Surveyors.

## 5. INTANGIBLE ASSETS

	IT Software	Website	Software Licences	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 01 September 2016	301,495	81,579	14,379	397,453
Additions	5,876	918	-	6,794
Transfers	-	-	-	-
Revaluations	8,069	2,111	-	10,180
<b>At 31 August 2017</b>	<b>315,440</b>	<b>84,608</b>	<b>14,379</b>	<b>414,427</b>
<b>Amortisation</b>				
At 1 September 2016	280,832	74,597	14,379	369,808
Charged in year	8,319	2,721	-	11,040
Disposals	-	-	-	-
Revaluations	7,746	2,088	-	9,834
Adjustments	(879)	879	-	-
<b>At 31 August 2017</b>	<b>296,018</b>	<b>80,285</b>	<b>14,379</b>	<b>390,682</b>
<b>Carrying amount at 31 August 2017</b>	<b>19,422</b>	<b>4,323</b>	<b>-</b>	<b>23,745</b>
<b>Carrying amount at 31 August 2016</b>	<b>20,663</b>	<b>6,982</b>	<b>-</b>	<b>27,645</b>
	IT Software	Website	Software Licences	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 01 September 2015	279,735	79,653	14,379	373,767
Additions	19,032	1,080	-	20,112
Transfers	-	89	-	89
Revaluations	2,728	757	-	3,485
<b>At 31 August 2016</b>	<b>301,495</b>	<b>81,579</b>	<b>14,379</b>	<b>397,453</b>
<b>Amortisation</b>				
At 1 September 2015	272,056	66,591	14,379	353,026
Charged in year	7,888	5,446	-	13,334
Disposals	-	-	-	-
Revaluations	888	2,560	-	3,448
<b>At 31 August 2016</b>	<b>280,832</b>	<b>74,597</b>	<b>14,379</b>	<b>369,808</b>
<b>Carrying amount at 31 August 2016</b>	<b>20,663</b>	<b>6,982</b>	<b>-</b>	<b>27,645</b>
<b>Carrying amount at 31 August 2015</b>	<b>7,679</b>	<b>13,062</b>	<b>-</b>	<b>20,741</b>

## 6. FINANCIAL INSTRUMENTS

IFRS 7, *Financial Instruments: Disclosures*, requires disclosure that enables evaluation of the significance of financial instruments for CITB NI's financial position and the nature and extent of risks arising from financial instruments to which the organisation is exposed during the period and at the reporting date, and how the organisation manages those risks.

Because of the largely non-trading nature of its activities, CITB NI is not exposed to the degree of financial risk faced by other business entities.

The majority of financial instruments relate to contracts to buy non-financial items in line with CITB NI purchase and usage requirements. CITB NI is therefore exposed to little credit, liquidity or market risk.

CITB NI has not identified any financial instruments which are complex or play a significant medium to long term role in its financial risk profile.

## 7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2016-17 £	2015-16 £
<b>Amounts falling due within one year:</b>		
Levy receivables	25,394	134,124
Trade receivables	8,016	13,560
Prepayments and accrued income	47,638	80,661
<b>Total</b>	<b>81,048</b>	<b>228,345</b>

## 8. CASH AND CASH EQUIVALENTS

	Total £
Balance at 01 September 2016	1,230,552
Net change in cash and cash equivalents	549,462
Balance at 31 August 2017	<b>1,780,014</b>

	2016-17 £	2015-16 £
The following balances at 31 August were held at:		
Commercial banks and cash in hand	1,780,014	1,230,552
<b>Total</b>	<b>1,780,014</b>	<b>1,230,552</b>

## 9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2016-17	2015-16
	£	£
<b>Amounts falling due within one year:</b>		
Accrued grants to employers	349,712	397,133
Accruals and deferred income	65,462	125,904
Other payables	1,770	1,770
<b>Total</b>	<b>416,944</b>	<b>524,807</b>

## 10. PENSION LIABILITY

### 10.1 Northern Ireland Local Government Officers' Superannuation Committee Scheme

CITB NI participates in the Local Government Pension Scheme for Northern Ireland which is administered by the Northern Ireland Local Government Officer's Superannuation Committee (NILGOSC) for the majority of its employees. The NILGOSC scheme is a "multi-employer", defined benefit scheme, which provides members of participating employers with the benefits related to pay and services at rates which are defined under statutory regulations. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers. The scheme is funded by employers participating in the NILGOSC scheme who pay contributions at a rate determined by an independent, professionally qualified actuary on the basis of regular valuations.

In April 2009, NILGOSC introduced a banding scheme for employee contribution rates, based on pensionable pay. These rates for 2016-17 are as follows:

<b>Band</b>	<b>FTE Range (£)</b>	<b>Contribution Rate</b>
1	0 – 14,000	5.5%
2	14,001 - 21,300	5.8%
3	21,301 - 35,600	6.5%
4	35,601 – 43,000	6.8%
5	43,001 – 85,000	8.5%
6	more than 85,000	10.5%

In 2016-17 the employer's contribution rate was 20%. (20% in 2015-16).

Contribution rates are due to remain similar in 2017-18 with only slight increases to the banding upper limits.

## 10.2 ECONOMIC ASSUMPTIONS

The latest actuarial valuation of CITB NI's liabilities took place as at 31 March 2016. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes at 31 August 2017 were:

	2017	2016
Discount Rate	2.5%	2.0%
RPI Inflation	3.2%	3.1%
CPI Inflation	2.1%	2.0%
Pension Increases	2.1%	2.0%
Pension accounts revaluation rate	2.1%	2.0%
Salary Increases	3.6%	3.5%

## MORTALITY ASSUMPTIONS

These assumptions have been based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Assumed life expectancy	31 August 2017	31 August 2016
<b>Males</b>		
Member aged 65 at accounting date	23.2	22.3
Member aged 45 at accounting date	25.4	24.5
<b>Females</b>		
Member aged 65 at accounting date	25.8	24.8
Member aged 45 at accounting date	28.1	27.2

### 10.3 Reconciliation of funded status to Statement of Financial Position

	2017 £000's	2016 £000's
Fair value of assets	13,140	11,326
Present value of funded defined benefit obligation	14,748	16,147
<b>Funded Status</b>	<b>(1,608)</b>	<b>(4,821)</b>
<b>Closing funded defined benefit obligation</b>	<b>(1,608)</b>	<b>(4,821)</b>

### 10.4 Reconciliation of unfunded status to Statement of Financial Position

	2017 £000's	2016 £000's
Present value of unfunded defined benefit obligation	168	175
<b>Closing unfunded defined benefit obligation</b>	<b>(168)</b>	<b>(175)</b>

### 10.5 Reconciliation of total status to Statement of Financial Position

	2017 £000's	2016 £000's
Fair value of assets	13,140	11,326
Present value of funded defined benefit obligation	14,916	16,322
<b>Funded &amp; Unfunded Status</b>	<b>(1,776)</b>	<b>(4,996)</b>
<b>Closing total defined benefit obligation</b>	<b>(1,776)</b>	<b>(4,996)</b>

## 10.6 Changes to the present value of defined benefit obligation are as follows:

	2017 £000's	2016 £000's
Opening defined benefit obligation	16,322	11,482
Current Service Cost	321	181
Interest Expense	323	420
Contributions by members	50	52
Actuarial (gains)/ losses – Financial Assumptions	(1,249)	4,669
Actuarial (gains)/losses – Demographic Assumptions	14	0
Actuarial (gains)/losses due to liability experience	(497)	(141)
Net benefits paid out	(373)	(341)
Past service cost (inc, curtailments)	5	0
<b>Closing defined benefit obligation</b>	<b>14,916</b>	<b>16,322</b>

## 10.7 Changes to the fair value of assets are as follows:

	2017 £000's	2016 £000's
Opening fair value of assets	11,326	10,101
Interest income on assets	225	372
Remeasurement gains/(losses) on assets	1,741	975
Contributions by the employer	171	167
Contributions by employees	50	52
Net benefits paid out	(373)	(341)
<b>Closing fair value of assets</b>	<b>13,140</b>	<b>11,326</b>

## 10.8 The actual return on assets is as follows:

	2017 £000's	2016 £000's
Interest income on assets	225	372
Remeasurement gain on assets	1,741	975
<b>Actual return on assets</b>	<b>1,966</b>	<b>1,347</b>

## 10.9 Asset Allocation

The approximate split of assets for the Fund as a whole is shown in the table below. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid.

	2017 Quoted	2017 Unquoted	2017 Total	2016 Total
Equities	74.1%	0.1%	74.2%	72.1%
Property	9.9%	0.0%	9.9%	12.3%
Government Bonds	5.2%	0.0%	5.2%	5.8%
Corporate Bonds	5.9%	0.0%	5.9%	6.0%
Cash	3.8%	0.0%	3.8%	3.2%
Other	0.0%	1.0%	1.0%	0.6%
<b>Total</b>	<b>98.9%</b>	<b>1.1%</b>	<b>100%</b>	<b>100.0%</b>

## 10.10 Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 August 2017 and the projected service cost for the year ending 31 August 2018 is set out below. We have not included sensitivity of unfunded benefits on materiality grounds.

<b>Funded LGPS benefits</b>			
<b>Discount rate assumption</b>			
Adjustment to discount rate	<b>+0.1% p.a.</b>	<b>Base figure</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£000's)	14,473	14,748	15,028
% change in present value of total obligation	-1.9%		1.9%
Projected service cost (£000's)	282	291	300
Approximate % change in projected service cost	-3.0%		3.0%
<b>Rate of general increase in salaries</b>			
Adjustment to salary increase rate	<b>+0.1% p.a.</b>	<b>Base figure</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£000's)	14,805	14,748	14,691
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£000's)	291	291	291
Approximate % change in projected service cost	0.0%		0.0%
<b>Rate of increases to pensions in payment and deferred pension assumptions</b>			
Adjustment to pension increase rate	<b>+0.1% p.a.</b>	<b>Base figure</b>	<b>-0.1% p.a.</b>
Present value of total obligation (£000's)	14,970	14,748	14,530
% change in present value of total obligation	1.5%		-1.5%
Projected service cost (£000's)	300	291	282
Approximate % change in projected service cost	3.0%		-3.0%
<b>Post retirement mortality assumption</b>			
Adjustment to mortality age rating assumption*	<b>-1 year</b>	<b>Base figure</b>	<b>+1 year</b>
Present value of total obligation (£000's)	15,192	14,748	14,307
% change in present value of total obligation	3.0%		-3.0%
Projected service cost (£000's)	301	291	281
Approximate % change in projected service cost	3.6%		-3.5%

\*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

## 10.11 The net cost recognised in the statement of comprehensive net expenditure:

	2017 £000's	2016 £000's
<b>Operating Cost</b>		
Current service cost*	321	181
Past service cost (incl. curtailments)	5	0
<b>Financing Cost</b>		
Interest on net defined benefit liability/(asset)	98	48
<b>Pension expense recognised in profit and loss</b>	<b>424</b>	<b>229</b>
<b>Remeasurements in other comprehensive expenditure</b>		
Return on plan assets (in excess of)/below that recognised in net interest	(1,741)	(975)
Actuarial (gains) / losses due to change in financial assumptions	(1,249)	4,669
Actuarial (gains) / losses due to changes in demographic assumptions	14	0
Actuarial (gains) / losses due to liability experience	(497)	(141)
<b>Total amount recognised in comprehensive net expenditure</b>	<b>(3,473)</b>	<b>3,553</b>
<b>Total amount recognised in statement of comprehensive net expenditure</b>	<b>(3,049)</b>	<b>3,782</b>

\* Allowance for administrative expenses included in current service cost (£'000'S) 3 2

## 11. COMMITMENTS UNDER LEASES

### OPERATING LEASES

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2016-17 £	2015-16 £
<b>Other (Vehicles) -</b>		
Not later than one year	1,979	3,958
Later than one year and not later than 5 years	0	1,979
Later than 5 years	0	0
<b>Total</b>	<b>1,979</b>	<b>5,937</b>

At 31 March CITB NI had contracted with tenants for the following future minimum lease payments.

	2016-17 £	2015-16 £
Not later than one year	3,224	0

## 12. RELATED PARTY TRANSACTIONS

CITB NI is a Non-Departmental Public Body (NDPB) sponsored by the Department for the Economy (DfE). DfE is regarded as a related party with which CITB NI has had various material transactions during the year.

In addition a number of Board Members are associated with organisations who have undertaken material transactions with CITB NI during the year.

CITB NI received the following funding from DfE.

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Project Income	148,290	231,448
	<b>148,290</b>	<b>231,448</b>

CITB NI received levy from the following levy payers associated with board members.

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
H&J Martin Ltd	46,899	51,872
Henry Brothers (Magherafelt) Ltd	28,347	33,112
Gilbert- Ash Limited	20,683	16,508
Deane Public Works Limited	3,881	4,019
McCormack Site Services (Ire) Ltd	2,758	2,645
Vaughan Developments Limited	2,046	1,716
Lawell Asphalt Co Ltd	0	0
	<b>104,614</b>	<b>109,872</b>

Amounts owed at 31 August 2017 from the above parties amounted to £NIL (2016: £NIL).

The Board members associated with the levy received from the organisations above are as follows:

H&J Martin Ltd – D Martin  
 Henry Brothers (Magherafelt) Ltd – D Henry  
 Gilbert- Ash Limited – M Bradley  
 Deane Public Works Limited – M O’Kane  
 McCormack Site Services (Ire) Ltd – S Hassard  
 Vaughan Developments Limited – B Vaughan  
 Lawell Asphalt Co Ltd – C Boyle

CITB NI received Skillbuild Sponsorship income from the following levy payers associated with board members.

	<b>2016-17</b>	<b>2015-16</b>
	<b>£</b>	<b>£</b>
Gilbert-Ash Limited	1,000	1,000
	<b>1,000</b>	<b>1,000</b>

Amounts owed at 31 August 2017 from the above parties amounted to £NIL (2016: £NIL).

Supplier payments for services were made to the following organisations associated with Board members:

	<b>2016-17</b> £	<b>2015-16</b> £
University of Ulster	600	1,950
	<b>600</b>	<b>1,950</b>

CITB NI paid & accrued grants to the following levy payers & organisations associated with board members.

	<b>2016-17</b> £	<b>2015-16</b> £
Construction Employers Federation	0	13,356
Federation of Master Builders	0	45,000
H & J Martin Ltd	6,725	10,795
Henry Brothers(Magherafelt) Ltd	17,412	13,793
Gilbert-Ash Limited	8,090	8,303
McCormack Site Services (Ire) Ltd	2,180	6,457
Vaughan Developments Limited	500	0
Deane Public Works Limited	300	2,861
	<b>35,207</b>	<b>100,565</b>

The Board members associated with grants paid and accrued to the organisations above are as follows:

Construction Employers Federation– D Henry & B Vaughan  
 Federation of Masters Builders – M Nawaz  
 H & J Martin Ltd – D Martin  
 Henry Brothers(Magherafelt) Ltd – D Henry  
 Gilbert- Ash Limited –M Bradley  
 McCormack Site Services (Ire) Ltd – S Hassard  
 Vaughan Developments Limited – B Vaughan  
 Deane Public Works Limited – M O’Kane

To ensure that grant payments are not influenced unduely by Board Members, CITB NI has the following arrangements in place:

1. Register of Board Members Interests updated regularly.
2. Declaration of Interests stated at every Board Meeting.
3. Clear Terms and Conditions of Tier 1 Grant Payment and segregation of duties in place.
4. Grant payments audited annually by Internal Audit.
5. Board Member will be excluded from specific agenda items at Board Meetings if a decision on grant payments is required, that affects the related organisation.
6. Grant decisions on Tiers 2 & 3 grants, within delegated limits are made by the Executive Management Team excluding Board Members.

### **13. EVENTS AFTER THE REPORTING PERIOD**

There were no events between the end of the reporting period and the date the financial statements were authorised for issue which would impact on these accounts.

#### **Date of authorisation for issue**

The Accounting Officer authorised these financial statements for issue on January 2018.



## APPENDIX 2

### BOARD MEMBERSHIP AND ATTENDANCE AT MEETINGS

#### September 2016 - August 2017

Membership of the Board is determined by the Department for the Economy and through formal appointment by the Minister.

#### Board Chairman:

M Johnston	7 out of 7
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#### Employer Representatives:

C Boyle, Synergy Innovations	4 out of 7
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B Vaughan, Vaughan Developments Ltd	5 out of 7
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D Martin	6 out of 7
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D Henry, Henry Brothers (Magherafelt) Ltd	6 out of 7
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M Nawaz, Federation Master Builders	4 out of 5
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(Resigned May 2017)

#### Employee Representatives:

S Hassard, McCormack Site Services	4 out of 7
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M Bradley, Gilbert-Ash NI	6 out of 7
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M O’Kane, Deane Public Works Ltd	0 out of 5
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(Resigned May 2017)

C Brolly, UCATT	6 out of 7
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J Pollock, Unite the Union	2 out of 7
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#### Education Representatives:

C Mahon, UUU	5 out of 7
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C Corken, Belfast Metropolitan College	4 out of 7
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#### Assessor:

DfE Representative	7 out of 7
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Department of Education	0 out of 7
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CITB NI are working as a partner in ConstructionSkills, the Sector Skills Council for Construction