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CITB-ConstructionSkills Business Plan 2010-2014 Overview



Introduction from Mark Farrar, Chief Executive

“

We're taking decisive action to safeguard skills in our industry and ensure our future success.”



01

The next few years will be tough. The economic recession has had a significant impact on our industry and the recovery is likely to be gradual.

Employers are to be commended for continuing to invest in developing their workforce to support their immediate business needs, but it is clear that training volumes have fallen as companies make hard choices to survive the recession.

Tough decisions await our organisation as well. With lower income from falling Levy payments, reduced Government funds and less commercial income, we will face difficult decisions to manage cashflow and maintain our return to industry. This plan outlines the decisive action we are taking to safeguard skills in our industry and ensure our future success.

The first two years will focus on repositioning our business to enable our transformation. Our four-point financial plan contains the critical steps required to set the organisation on a firm and sustainable footing going forward.

Our longer term transformation plans focus on delivering a more flexible, leaner, and e-enabled enterprise fit for the future. As the leadership organisation for the UK construction industry's skills and training needs, we will anticipate and lead on skills solutions in emerging areas such as sustainability and innovative methods, and ensure employers are equipped with the management and leadership skills they need, to increase productivity and deliver a competitive world class industry.

This overview of our business plan provides examples of how we're planning to improve the way we run our business, alongside some of the contributions we're making to delivering our Sector Skills Agreement and ensuring 'right skills, right place, right time' for our industry now and for the future.

A handwritten signature in dark ink, appearing to read 'M. Farrar', with a horizontal line underneath.

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Recognising Industry Skills Challenges

02

Impact of the Downturn

2009 was a very tough year for construction. Despite some signs of recovery in the house building sector, cuts to major public programmes and weak consumer spending in the repair and maintenance sectors has left many construction firms suffering from the impact and depth of the recession.

Forecasts from the Construction Skills Network show that UK construction output fell by 13% in 2009.

Concerns over the sustainability of Government plans for economic recovery – including the availability of private finance and credit, spending cuts and the strength of the housing market suggests a challenging outlook for the year ahead and although a slow recovery is expected to begin in 2011, it is unlikely that construction output will return to 2008 levels for the next four years.

What's more, with a reduction of 400,000 construction workers expected by 2011, the risk of skills shortages emerging during a recovery is becoming a very real threat.

Key Skills Issues

Loss of Talent

Slow down in construction activity reduces industry attractiveness for both UK and non-UK workers, reducing the inflow of talent and increasing the outflow to other industries.

Emerging Skills Shortages

Loss of workers during the recession risks skills shortages emerging during the recovery, impacting the industry's ability to deal with opportunities in the upturn.

Widening Talent Pool

Need for increased diversity within the workforce to exploit skills from a wider pool of talent, taking into account the changing age profile for recruitment.

Recognising Industry Skills Challenges

Changing Political Landscape

The overall political landscape remains fluid with financial, structural and policy changes providing a changeable planning environment.

High levels of public sector debt are forcing tough choices on public spending and Government efficiency drives. While some funding has been pulled forward it is likely that there will be less public money for skills and training and this has been compounded by reduced investment in major projects.

Recent departmental and ministerial changes, emerging new public bodies and agencies, and the continued devolution of power to regional and local levels shift focus in policy making and funding decisions. A general election may lead to further significant changes in Government skills policy and funding.

Involvement with and responses to key Government reviews impacting skills policy and qualification structures continues – e.g. ‘Skills for Growth’ White Paper, with particular emphasis on simplifying the skills system and equipping the industry with the right skills for the future.

03

Environment and Innovation

The environment, energy, carbon, water and waste reduction are all important issues that we are facing as an industry.

Our sector has a huge part to play in delivering the UK’s legally binding carbon commitments, and ensuring that the industry can deliver a low carbon future. However, the specialist skills needed for the construction of low energy future buildings and infrastructure projects need new levels of expertise which were in short supply even during the good times.

This means that we need to undergo a period of innovation within our industry to make sure that we have the right skills, in the right place to meet the challenges ahead.

To deliver a more effective, efficient and productive built environment sector, designing and constructing to minimise the use of natural resources and creating more with less, will require a significant shift in the skills of the existing workforce as part of this major process of innovation.

Key Skills Issues

Government Skills Reviews

Key Government reviews and recommendations relating to skills policy coming out of recession and the simplification of provision.

Funding for Skills

Reduced public funding for skills and training, particularly in relation to adult learners as the focus of attention potentially shifts towards youth provision.

Future Shape of Qualifications

The future shape of the Qualifications and Curriculum Framework particularly in respect of NVQs and their continuance.

Key Skills Issues

Innovation in Skills

Required innovation in training and qualification development to support carbon commitments in relation to both new build and refurbishment.

Specialist and Technical Expertise

Need for specialist and technical skills and expertise to meet the requirements of future buildings and infrastructure.

Collaborative Working

Collaborative skills required to interface with other sectors (e.g. energy) and supply chains to support the low carbon agenda.

Responding to Business Challenges

Alongside the skills challenges faced by our Industry, we recognise challenges in the way our resources are managed and our customers are served within the business. These are outlined below together with the strategies we are putting in place to deal with them.

Managing Resources

Falling industry output will significantly reduce Levy income until 2012, compounded by the swing from higher sub-contractor to lower employed payments, the level of bad debts and emerging scope issues.

This comes at a time when demand for Grants from an open-ended scheme has continued to outpace expectations, creating affordability issues and placing increased reliance on other income streams.

These income streams are in turn being impacted by falling commercial training volumes due to the recession, and reductions in Government skills funding resulting from pressure on public finances creating an unsustainable position.

Our stakeholders expect us to manage our resources to meet these challenges, requiring a step change in efficiency and effectiveness and increased flexibility and responsiveness to change.

Servicing Customers and Stakeholders

Over time our product and service portfolio has grown significantly to meet our customers' needs. However, in times of economic downturn, it is appropriate that this portfolio is prioritised to address the most important skills needs today and for the future.

The way we engage with our customers has not kept pace with technological advances so our ability to offer customers new ways of accessing our service, e.g. online, is very limited currently. Having piloted Strategic Account Management in 2009 it is clear that segmenting our customers and offering different levels of services to meet to their needs can be exploited further.

We operate in a multi-stakeholder environment, from Government departments and agencies, Federations and Unions, to the education sector, partners and strategic alliances. Ensuring a co-ordinated approach is essential, especially given the devolvement of skills policy and funding.

Our Response

Managing Levy and Grant

Maximising levy income and minimising bad debts through payment plans and focused verification and reviewing Levy Strategy and Scope; Introducing Grants Scheme affordability measures, and implementing a new Grants Strategy in 2010 to prioritise funding in line with skills needs.

Driving Other Income Streams

Maximising margin through reducing costs and prioritising products; Delivering an Enterprises Strategy that utilises commercial resources to best effect and drives existing and new income streams.

Transforming our Organisation

Driving operating costs down and efficiency and effectiveness up through a Transformational Change programme; Implementing People and ICT strategies to equip us with the right skills and technology for a sustainable future.

Our Response

Prioritising and Delivering our Offer

Prioritising the products and services we offer in line with current and future skills needs, and delivering them in the right way to our customers.

Developing Customer Relationships

Implementing our Customer Strategy and CRM programme, rolling out customer segmentation, equipping our front-line staff with the right skills and product knowledge, web enabling products and services.

Managing Stakeholder Relationships

Establishing an overarching Stakeholder Strategy to co-ordinate engagement and align policies and agendas; Engaging national and regional employer forums to inform skills issues and strategies.

Plan on a Page

The challenges and skills issues highlighted inform our business plan priorities and strategies. Meeting our business challenges will enable us to achieve our **Vision for the Organisation**, following our **Guiding Principles** and focusing on key areas across customers and stakeholders, people, operations and finances.

Addressing the key skills issues faced by Industry is at the heart of our **Sector Skills Agreement (SSA)**, and its delivery will enable us to achieve our **Mission for the Industry**. These aspirations, and the priorities and strategies that underpin them, are captured below in our 'Plan on a Page':

<p>What do we want to be? (Our vision for the organisation) The leadership organisation for the UK construction industry's skills and training needs</p>		<p>What are we here to do? (Our mission for the industry) Ensuring 'right skills, right place, right time' for the construction industry</p>	
<p>How will we achieve our vision? (Our Guiding Principles) Using our increased strategic influence as a SSC, and investing in skills and training solutions as an ITB, for the benefit of our industry, we will:</p> <ul style="list-style-type: none"> ● Provide flexible and innovative solutions which meet industry needs ● Inspire and lead each other in the pursuit of excellence ● Add value through best use of resources 		<p>How will we deliver our mission? (Our Sector Skills Agreement) We will improve the skills base and productivity of the UK construction industry by:</p> <ul style="list-style-type: none"> ● Attracting and Retaining Talent ● Developing Talent ● Improving Business Performance ● Strengthening the Skills Infrastructure 	
<p>What will we deliver? (Our Business Plan) To ensure we run our business 'Simpler, Faster, Closer' and deliver our Sector Skills Agreement, we will:</p>			
<p>Develop our customer and stakeholder relationships</p> <ul style="list-style-type: none"> ● Improve our customer knowledge ● Provide excellent customer service ● Develop our stakeholder strategy ● Work in partnership 	<p>Build the capability of our people</p> <ul style="list-style-type: none"> ● Develop our People Strategy ● Implement our HR change programme ● Invest in training and development activities 	<p>Improve our business operations</p> <ul style="list-style-type: none"> ● Align business plans ● Improve efficiency and effectiveness ● Measure and manage performance ● Develop e-solutions 	<p>Manage our finances</p> <ul style="list-style-type: none"> ● Leverage funding opportunities ● Drive commercial revenue ● Drive cost savings ● Manage Grant affordability ● Maximise Levy income
<p>Attracting and retaining talent</p> <ul style="list-style-type: none"> ● Promote careers in construction ● Support vocational and sector specific qualifications in schools, colleges and universities ● Encourage recruitment from a more diverse pool of talent ● Assist retention by providing employers and employees with appropriate support 	<p>Developing talent</p> <ul style="list-style-type: none"> ● Promote lifelong learning as an aid to achieving qualifications, career progression and continuous professional development ● Improve health and safety knowledge and behaviours ● Support evolving professional and specialist skills needs associated with sustainability, low carbon building and innovative construction 	<p>Improving business performance</p> <ul style="list-style-type: none"> ● Increase employer investment in training and development to improve productivity ● Increase the uptake of skills brokerage, business support and skills funding packages ● Improve supervisory, management & leadership skills ● Promote collaborative working in the industry ● Encourage clients to use best practice procurement 	<p>Strengthening the skills infrastructure across nations</p> <ul style="list-style-type: none"> ● Develop project-based training across the nations ● Implement the Construction Qualifications Strategy ● Provide authoritative labour market intelligence and statement on skills provision ● Respond to national and regional agendas ● Influence skills and training policies and funding ● Collaborate with stakeholders to develop an integrated approach
<p>How will we measure our impact? (Our Performance Framework) We will measure our progress towards improving the way we run our business and delivering our Sector Skills Agreement through:</p> <ul style="list-style-type: none"> ● a Corporate Scorecard of organisational performance measures, and ● a set of industry-facing Key Deliverables 			

Delivering our Plan

Examples of action we are taking to improve the way we run our business and contribute towards achieving our **Vision for the Organisation** are shown below:

Developing our Customer and Stakeholder Relationships

We will develop our customer relationships through delivery of our **Customer Strategy**. This work will include the ongoing review of how our customers access our products and services to help align our service levels with their particular needs. We will be supporting our customer facing staff to develop further knowledge and skills across our product portfolio and to manage our customers effectively.

Following a successful pilot we will be rolling out an **account management** approach, and integrating our field-based staff into one team representing our corporate offer. This will provide a single point of contact for customers where needed, supported by our call centre and developing online services. An improved **CRM solution** will be a key component part of making this approach successful.

As part of our developing **Stakeholder Strategy** we will be engaging Industry representatives and Unions, and influencing Government nationally through our public affairs programme, political intelligence gathering, and contributions to Government consultations. Our team of Regional Strategy Advisers will be strengthening relationships with Government and industry groups at a regional level in line with the devolvement of skills policy and funding.

Building the Capability of our People

We recognise as part of our **People Strategy** that we need to recruit, develop and retain the right people with the right skills in order to achieve our business plan objectives. Informed by skills reviews across the organisation, our Corporate Training and Development Plan is being developed to align with these corporate priorities.

As well as developing the skills of our customer-facing team, we will be investing in **multi-skilling** for our support staff to increase flexibility in the way we use our people resources. Further developing our own capability to support the **Future Skills** agenda is informing our recruitment and development plans.

There will be increased support for collaboration through cross-business working groups and IT-enabled solutions including rolling out the new Intranet and PC-based **collaborative tools**. An internal communications programme using integrated communication channels will ensure that key messages are relayed to staff quickly and effectively, to support the delivery of our business plan objectives.

Improving our Business Operations

Following decisive action in the immediate term to set business operations on firm basis, our **Transformational Change** programme will continue to roll forward during the early part of the plan to cover the whole organisation. Founded on Business Excellence principles and in line with corporate direction, the programme will support senior managers in delivering and realising the benefits of change and developing a results oriented, performance driven culture.

Infrastructure and resources will be right-sized through consolidation, informed by **ICT, People and Estates strategies** and external benchmarking of best practice. The roll-out of an **Integrated Quality Management System** will provide a common framework for continuous improvement corporately, and our work on Corporate Social Responsibility will frame our activities.

Managing our Finances

As well as managing Grant affordability in line with the **Grants Scheme Strategy**, we will continue to drive cost out of our operations towards a 20% reduction in run rate by 2012. Efficiencies and economies of scale will be achieved through identifying and exploiting corporate assets, such as **Shared Services** which integrates call centre and transaction processing activities from across the business.

Alongside the drive for income from other sources in line with our **Enterprises Strategy**, we will continue to progress appropriate **Government funding opportunities** nationally and regionally to support our core activities, and explore the potential for increasing revenue from Future Skills products and services.

Delivering our Plan

Further actions contributing towards delivering our Sector Skills Agreement and achieving our **Mission for the Industry** are shown below:

Attracting and Retaining Talent

To attract talent into the industry we will continue to deliver **Positive Image**, a response and results driven campaign aimed at encouraging applications from 16-19 year olds to join the industry as apprentices or to begin a construction degree programme. We will also continue to promote the full range of careers in construction, including Specialist careers, through the **bConstructive** website and focused support for recruitment events such as **National Construction Showcase**.

Our apprenticeship programme is providing thousands of new placements nationally, and **Inspire Scholarships** are being used to encourage applications for construction-related degree courses. Encouraging under-represented groups to enter, remain and progress within the industry is at the heart of our **Diversity Strategy**, supported by focused careers information, advice and guidance.

We will promote the take-up of vocational and sector-specific qualifications such as the **Young Apprenticeship** and **14-19 Diploma**, and explore new apprenticeship models including specialist and technical apprenticeships. A new **Higher Education Strategy** will inform action to increase graduate entrants, engage graduates, and develop industry pathways, qualifications and supporting guidance.

Developing Talent

To develop talent within the industry we will promote our training products and services through our **BigSkills** campaign, utilising cost effective digital channels. We will also develop and promote the new generation of national qualifications to stakeholders, providers and representative bodies.

Drawing from our knowledge and experience, we will be reviewing the impact of the competence based approach and updating our **Health & Safety Test** in line with industry needs and technical innovations.

Focusing on **Future Skills**, we are progressing an end-to-end programme of activity, from research and strategy, stakeholder engagement, awareness raising and promotion, to developing new qualifications, products and services associated with sustainability and innovation, building on successful delivery.

Improving Business Performance

Our continued drive to increase the investment in training across industry will be underpinned by a solutions-based approach to employer engagement – construction specific **diagnostic tools** will be used to pinpoint skills needs and a **brokerage service** will signpost training and support to meet them.

Developing management and leadership skills within the industry is a key element of our skills strategy, which will see the national roll-out of the successfully piloted **Management & Leadership Diagnostic Tool**, and the extension of our management and leadership qualifications and product portfolio.

We will be engaging with major contractors and their supply chains to encourage better interdisciplinary and **collaborative working**, and with Governments nationally and regionally to promote **best practice procurement** incorporating recruitment and training.

Strengthening the Skills Infrastructure across Nations

Building on the continued success of the **National Skills Academy for Construction**, we will form Regional Partnerships to identify project based training opportunities rolling the approach out nationally.

We will deliver our **Construction Qualifications Strategy** including aligning apprenticeship frameworks across nations, supporting the continuation of NVQs, and implementing new apprenticeship models and qualifications to meet industry's future skills needs.

We will leverage our **Construction Skills Network** research data both externally with Government and stakeholders to influence their skills strategies, and internally to better inform our decision making.

Measuring our Progress

The performance framework underlying our Business Plan continues to reflect the balance between how we run our business and what we deliver to industry. This can be seen at an SSC (ConstructionSkills) level as well as an organisational (CITB-ConstructionSkills) level as shown below:

Internal-facing performance

Industry-facing delivery

ConstructionSkills

Continuous Improvement Plan

A Well Run SSC

- Consultation
- Governance and reporting
- Professional engagement

Core Products and Services

- CSN accuracy / value of data
- HE strategy implementation

Results and Impacts

- Performance indicators
- Impact indicators

SSC Performance Indicators

SSC Core Remit

- Labour Market Intelligence
- Construction Skills Network
- National Occupational Standards

Sector Specific Objectives

- Productivity
- Diversity
- Talent
- Management and leadership
- Nations and regions
- Stakeholder influence
- Collaboration

CITB-ConstructionSkills

Corporate Scorecard

Customers / stakeholders

- Clarity of offer
- Awareness and understanding
- Satisfaction survey

People

- Staff satisfaction survey
- Staff satisfaction with Leadership/ Communications
- Succession pipeline
- Satisfaction with support services

Operations

- Risk management/audit rating
- Benefit realisation: actual/predicted
- Speed of change

Finance

- Surplus
- Return on Levy
- Cost to income ratio
- Working capital vs. target

Industry Key Deliverables

Attracting and retaining talent

- Pathways / total new entrants
- Total learners on programmes
- Total completions / rate
- Diversity outcomes

Developing talent

- Total qualifications started
- Total qualifications achieved
- Learner satisfaction with training

Improving business performance

- Employers investing in training
- Employer uptake of training (2+ products)
- Level 4/5 VQs: starts / completions

Skills infrastructure

- NSAfC projects: new, year 2, outputs
- Time to approval for qualifications
- CSN forecast accuracy

08

**Directorate Performance Measures
Department / Team Targets
Individual Performance Plans**

We track our performance and the level of improvement in how we run our business through a Corporate Scorecard of internal measures, indicating progress towards achieving our **Vision for the Organisation**.

We measure and report on progress towards delivering our SSA and achieving our **Mission for the Industry** through a range of Industry Key Deliverables.

Resourcing our Plan

The external circumstances impacting how we resource our business plan for 2010-14 remain dominated by the economic outlook, industry prospects, the changing political landscape and anticipated severe cuts in public funding as Governments seek to address the debt burden.

Financial Overview

Delivery of our plan over the next five years is based on the following income and expenditure forecasts:

2010-14 Funding Breakdown

2009 Latest F'cast	£Ms	2010 plan	2011 plan	2012 plan	2013 plan	2014 plan
187.0	Levy Income	174.0	148.0	147.0	151.0	158.0
(3.7)	Levy Grant Costs	(3.3)	(3.2)	(3.1)	(3.1)	(3.1)
183.3	Net Levy Income	170.7	144.8	143.9	147.9	154.9
(170.3)	Grant Expenditure	(139.3)	(114.9)	(112.2)	(114.5)	(119.8)
(23.3)	Employer Support	(26.0)	(25.0)	(27.4)	(29.3)	(30.8)
(6.1)	Industry Support	(5.4)	(4.9)	(4.3)	(4.1)	(4.3)
(199.7)	Total Employer Funds	(170.7)	(144.8)	(143.9)	(147.9)	(154.9)
108.8%	Employer Funds - Percentage Return on Levy	100.0%	100.0%	100.0%	100.0%	100.0%
5.5	Contribution from Other Income	5.5	6.0	9.1	9.3	9.8

09

Managing our Finances

Working Capital

Following a financial deficit in 2008 driven by unprecedented demand for Grants, a further forecast deficit in 2009 means that our working capital will have fallen significantly below the minimum level required of us by Government. This is an unsustainable position, and it is essential that our minimum working capital levels are restored as soon as possible. The actions noted below outline measures which will help to ensure that this can be achieved by 2012 to set us back on a firm financial footing going forward.

Four Point Plan

To restore our working capital levels, we have developed a four-point plan targeted at managing **Employer Funds** within available Levy income, **Transformational Change** of business processes and delivery channels, **Prioritisation and Cost Savings** across business activities and operating resources, and exploiting opportunities for **Income Generation**. These measures are reflected within our overall financial plan as detailed below.

Managing the return on levy and our drive to reduce costs remains paramount.

Affordable returns

The return on levy has previously been measured using the total of Grant expenditure and Employer Support only (direct return). For 2009, the direct return for every £1 levy paid is forecast at £1.04, compared with £1.10 in 2008 in line with the high level of Grant claims. Industry Support and the costs of collecting levy and paying grants have been funded out of other income, which when included in the return calculation shows a return of £1.09 (£1.16 in 2008). However, given the significant fall in other income in 2009 and challenging prospects for growth over the life of the plan, this position is no longer sustainable.

For the duration of the plan, the return in Grant, Employer and Industry Support (including the costs of collecting levy and paying grant) will be maintained at 100%. This assumes that Grant expenditure will be managed in line with any further decrease in levy income.

Resourcing our Plan

Levy income

Following falls in industry output of 8% in 2008/09 and a further predicted fall of 15% in 2009/10, Levy income is forecast to fall over the next three years, with slow growth returning in 2013.

Grant rates and expenditure

Of the predicted combined deficit for 2008 and 2009, £24m is attributable to grant expenditure exceeding that originally planned. Measures to bring the 2009/10 Grants Scheme back in line with available levy funds appear to have been working. However, the forecast financial position means further robust action is needed to take cost out of the business and to address the continuing demand for support from the Grants Scheme. Proposals for further Grant and Employer Support savings have been considered to this effect.

Net contribution from other income and reducing costs

In light of considerable uncertainty over public funding and other product and service related income, with lower levels expected in 2010 and slow growth thereafter, the forecast contribution from other income has been reduced over the life of the plan.

The net contribution from other income of £5.5m in 2009 compares with a planned figure of £18.7m. This significant fall in contribution from reduced volumes and Government funding came despite savings of £20m. Targeted savings of a further £10m per annum by 2012 arising from a transformational change programme are still on track, taking into account significant costs incurred in 2010 and 2011 to achieve these longer term savings.

In addition, further savings of over £5.0m have been planned in 2010 relating to managing the costs of staff resources, the rationalisation and centralisation of support activities, reduced travel and subsistence through collaborative technology and improved procurement contracts.

Capital Expenditure

The need to rebuild working capital to the minimum levels required by 2012 is essential. However, this has to be balanced against the need for appropriate investment in IT systems in order to make efficiency gains, as well as investment in plant equipment to enable the National Construction College to deliver effective training.

Capital expenditure was cut in 2009 to less than £1.0m to reduce the drain on working capital. Our plan makes provision to restore capital expenditure to £3.0m per annum. However, if the opportunity arises extra resources will be sought to increase investment in IT infrastructure to boost efficiency savings.

Financial Planning Assumptions and Risks

The key assumptions underlying our business plan, and key risks to its successful delivery, are as follows:

Key Assumptions	Key Risks
<ul style="list-style-type: none"> Gradual recovery in output, activity levels and training volumes from 2011 Reduction in Levy income deepens to 2011, stabilises and recovers from 2013 Grant claiming ceases to rise in 2010 Flexible Grants Scheme maintains Grant expenditure in line with Levy income Capping / reductions in Government skills funding impacts new entrants, training volumes and other income Increased share of apprenticeships market and funding secured Transformational change programme yields savings of £10m per annum in operating costs by 2012 Target level of working capital restored by 2012 	<ul style="list-style-type: none"> Lag in economic upturn constrains recovery in activity levels, training volumes and associated income Changes to political landscape impacts direction of skills policy and funding Cuts / reapportionment of Government skills funding impacts apprentices, training provision and income Increased competition for reduced Government funding Recruitment of new entrants below planned volumes Limited 19+ funding risks employers with 19+ learners being turned away Level of demand for Grant exceeds expectations into 2010, compounded by reduced Levy income and collectability issues Executing Recovery Plan quickly enough Working capital impacted so as to constrain cash resources and fail to meet target level Inflationary price increases impacting our cost base