

REGISTERED CHARITY NO. 286142

**THE ENGINEERING COUNCIL
TRUSTEES' REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

THE ENGINEERING COUNCIL
TRUSTEES' REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Page
Trustees' Annual Report – Summary	1
Trustees' Annual Report	
Engineering Council Trustees	2
Senior Staff and Professional Advisers	3
Corporate Mission and Strategic Aims	4
Governance	6
Annual Review	7
Statement of Trustees' Responsibilities	19
Independent Auditors' Report	20
Statement of Financial Activities	21
Balance Sheet	22
Notes to the Financial Statements	23

A note on terminology

In 2009 the Trustees of the Engineering Council UK resolved to revert to the original charter name of "the Engineering Council" for day to day correspondence and publications. The Trustees of the Engineering and Technology Board subsequently adopted a business name of EngineeringUK for their company. Throughout this Report the names Engineering Council and EngineeringUK are used, however they should be taken to mean Engineering Council UK and Engineering and Technology Board respectively.

THE ENGINEERING COUNCIL
TRUSTEES' ANNUAL REPORT – SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2012

1. The Engineering Council was incorporated by Royal Charter on 27 November 1981 and is a registered charity (charity registration number 286142). The address of the principal and registered office is 246 High Holborn, London, WC1V 7EX. The Engineering Council UK, also known as EC^{UK}, was established in March 2002 in direct succession to the Engineering Council. It has responsibility for the national register of over 233,000 Chartered Engineers, Incorporated Engineers, Engineering Technicians and ICT Technicians.
2. Trustees of the Engineering Council during the year are listed on page 2.
3. A statement of the Trustees' responsibilities relating to accounting matters is given on page 19. The members of the Board are deemed to be the Trustees.
4. The method of selection of Board members is as laid down in the Council's Bye-Laws approved by the Privy Council.
5. The principal professional advisers to the Council are listed on page 3.
6. The Council is obliged to act only within the purposes set out in its Royal Charter.
7. The investment of surplus monies is governed by Byelaw 28 of Schedule B to the Royal Charter.
8. Details of the Council's aims, objectives and activities are dealt with on pages 6-15.
9. As required under the Charity Commission's revised Statement of Recommended Practice (SORP 2005) for the preparation of the Annual Trustees' Report and Accounts, an exercise has been undertaken to identify the major risks facing the Council, and steps taken to mitigate them.

**MEMBERS OF THE BOARD AND TRUSTEES OF ENGINEERING COUNCIL
CHANGES IN 2012**

			Last meeting	First meeting
1	British Computer Society	Prof Andrew McGettrick CEng FBCS FIEE		
2	Chartered Institution of Building Services Engineers	Mr David Hughes CEng FIMechE FCIBSE		
3	Institution of Chemical Engineers	Prof David Bogle CEng FREng FICHEM		
4	Institution of Civil Engineers	Mr William Kemp MBE CEng FICE FIHT		
5	Institution of Engineering & Technology	Professor Bob Cryan CEng FIET	Mar-12	
	Institution of Engineering & Technology	Mr Tom Ridgman CEng FIET		Oct-12
6	Institution of Engineering & Technology	Ms Michelle Richmond CEng FIET		
7	Institution of Marine Engineering, Science & Technology	RAdm Nigel Guild CB (Chairman) CEng FREng FIET FIMarEST		
8	Institute of Materials, Minerals and Mining	Eurling Dr Graham Woodrow CEng FIMMM	May-12	
	Institute of Materials, Minerals and Mining	Dr David Gooch CEng FIMMM		Oct-12
9	Institution of Mechanical Engineers	Prof Tony Unsworth CEng FREng FIMechE		
10	Royal Aeronautical Society	AVM David Couzens CEng FIMechE FRAeS		
11	Society of Operations Engineers	Mr Roger O'Loughlin IEng FSOE		
12	Institution of Structural Engineers	Prof David Cleland CEng FIStructE		
13	Group B	Mr Nigel Hendley CEng MICE MCIWEM		
14	Group B	Mr Chris Boocock CEng FEI FIMechE		
15	Group C	Dr Ray Clark OBE CEng CEnv HonFSEE		
16	Engineering UK	Ms Yvonne Baker CEng MICHEM		
17	Engineering UK	Mr Christopher Finlayson	May-12	
	Engineering UK	Prof John Uff CBE QC CEng FREng FICE		May-12
18	Engineering UK	Mr Paul Jackson CEng FIET		
19	Engineering UK	Ms Dawn Ohlson CEng FIET		
20	Engineering UK	Ms Isobel Pollock CEng FIMechE		
21	Engineering UK	Mr Dave Hogan CEng FIET	Mar-12	
	Engineering UK	Mr Paul Excell CEng FBCS MIET		Oct-12
22	Engineering UK	Col Rod Williams CEng FIMechE		

SENIOR STAFF

Chief Executive Officer
Jon Prichard CEng CEnv

**Deputy Chief Executive Officer
& Director of Formation
(until 31 May 2012)**
Richard Shearman

Operations Director
Deputy Chief Executive Officer
(From 1 June 2012)
David Hogan CEng FIET

**Head of Administration &
Support**
Gillian Paterson FCIPD

Head of Marketing & Communications
Sue Brough MCIM Chartered Marketer

Head of Policy & Standards
(formerly Formation)
Deborah Seddon

PROFESSIONAL ADVISERS

Pension Administrators
Gallagher Employee Benefits
Boundary House
4 Country Place
Chelmsford
Essex
CM2 0RP

Actuaries
Gallagher Employee Benefits
175 Kings Road
Reading
RG1 4EY

Auditors
Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

Financial Accountants
Reeves & Co LLP
37 St Margaret's Street
Canterbury
CT1 2TU

Bankers
HSBC Bank plc
165 Fleet Street
London
EC4A 2DY

Investment Managers
Baring Asset Management Limited
155 Bishopsgate
London
EC2M 3XY

Solicitors
Wedlake Bell
52 Bedford Row
London
WC1R 9HF

Pension & Life Assurance
Jelf Group
Endeavour House
Crow Arch Lane
Ringwood
Hampshire
BH24 1HP

Insurance Brokers
Aon Consulting Limited
Briarcliff House
Kingsmead
Farnborough
GU14 7TE

CORPORATE MISSION

The mission of the Engineering Council is:

To maintain internationally recognised standards of competence and commitment for the engineering profession, and to license competent institutions to champion the standards.

STRATEGIC PLAN 2012 – 2015. The Engineering Council continued to implement its strategic plan for the period 2012 – 2015. The Plan was reviewed by the Trustees in September and it was confirmed the following strands of development should continue to be pursued:

- **CPD.** To review the profession's approach to Continuing Professional Development (CPD) so that professional engineers and technicians, with the support of their employers, are equipped to routinely maintain and improve their competence and therefore enhance the value that they deliver.
- **IEng Promotion.** To develop the IEng brand and deliver a campaign that raises awareness of and promotes the value of IEng registration.
- **Eng Tech Promotion.** To develop the Technician brand and deliver a campaign that raises awareness of and promotes the value of Technician registration.
- **International.** To extend the influence and global reach of UK engineering through the promotion of the benefits of competency based assessment aligned to UK-SPEC.
- **Employers.** To develop partnerships between employers and PEIs that deliver value to both parties through their commitment to the professional qualification process.

CORE BUSINESS

Additionally the Engineering Council continued to deliver its core business which is summarised as:

- **Policy and Standards:** Ensure that UK-SPEC is globally recognised and that standards are maintained and appropriately developed, and supported by PEIs and other stakeholders.
- **International:** Ensure that Engineering Council standards are globally recognised and that the international mobility of engineering professionals is facilitated.
- **Licensing and Quality Assurance:** Ensure that Licensed Members efficiently maintain consistent standards of individual competence in accordance with UK-SPEC.
- **Registration:** Manage the registration process and associated information systems, ensuring the integrity of the registration database.
- **Governance:** Ensure that the professional engineering community continues to provide public benefit through appropriate structures and professional behaviours.
- **Marketing and Communications:** Promote the value and public benefit of professional registration to clients, employers, learning providers, institutions, registrants and potential registrants, in order to improve take up of registration and provide greater assurance to the public.
- **Finance, Administration and Support:** Ensure that the operation of the organisation is delivered in an efficient and effective manner.

In 2012 the core business followed an internal improvement theme of:

- **Consolidating the Baseline.** Delivering appropriate structures, robust processes, sound technological platforms and clear relationship mapping.

The improvement themes for 2013 and 2014 are:

- **2013: Delivering Excellence.** Developing the Engineering Council as a centre of excellence for regulatory activity with benchmarked processes and published performance criteria.
- **2014: Sharing Excellence.** Extending and sharing best practice amongst the professional engineering community in order to be recognised as a leading profession within the UK.

GOVERNANCE

The Engineering Council is governed by a 22 member Board of Trustees, which is appointed in accordance with the Engineering Council's Bye-Laws. 12 members being appointed by the major engineering institutions; three by the smaller institutions and the remaining seven by EngineeringUK.

Engineering institutions are licensed by the Engineering Council to assess candidates for registration with the Engineering Council. These licences are periodically reviewed through a quality assurance process. The composition of the Board provides stakeholder representation through institution-nominated members, and the involvement of the wider profession through EngineeringUK nominees.

The Board appoints the Chief Executive Officer, who is in turn responsible for staffing within parameters established by the Board.

The Board operates through two Committees (Registration Standards Committee and Quality Assurance Committee) and three Panels (International Advisory Panel, Privy Council & Governance Panel, and Finance, Audit and Remuneration Panel). The Chairs of all are selected from among the Board members.

The constitution and membership of the Board is published on the Engineering Council website (www.engc.org.uk). An Extranet is maintained, which is available to stakeholders, primarily the engineering institutions, Engineering Council Trustees, and volunteer members of the Engineering Council's Committee and Panels, as well as Engineering Council staff. The Terms of Reference of the Board Committees and Panels are published on the Extranet. Amongst other information published on the Extranet are Board Agendas, Minutes and Papers; and proceedings of the Board Committees and Panels.

Before taking office, all Trustees are formally inducted by the Chief Executive Officer. The induction process is based on the ICOSA Best Practice Guide to the Appointment and Induction of Charity Trustees.

RELATED PARTIES

EngineeringUK is a related party to the Engineering Council. Details of this relationship are given in note 18 to the Financial Statements.

ENGINEERING COUNCIL ANNUAL REVIEW 2012

During 2012 the Engineering Council had achievements in the following key areas:

Policy and Standards

- CPD. Seminar held on 30 October that achieved high level agreement on the role of professional institutions in monitoring CPD. A survey of PEIs was completed that informed the production of a common draft policy and common guidance for registrants.
- MyCareerPath. The in-house online tool for recording CPD was rationalised and improved with two additional institutions signing up to use it and usage increasing by 32%.
- Engineering Gateways Project. A toolkit was produced to assist universities that wish to develop work based degrees with at least five universities showing interest.
- Revised guidance on the reporting and recording of Professional Review Interviews (PRI) was published to assist achieving greater consistency across institutions.
- Approval was given for a pilot exercise where part of the PRI is conducted in a language other than English.
- The option to take the EngC Examination was withdrawn as no longer being relevant.
- Recognition and accreditation was given to EngDs for the first time since the introduction of UK SPEC.
- Supported eight joint PEI university accreditation visits.

International

- Produced 1st draft of a web based global relationship map that will act as a facilitation tool for global mobility.
- Represented UK Engineering in the European Federation of National Engineering Associations (FEANI) and in the International Engineering Alliance (IEA).
- Strategy developed to promote to other nations the benefits of adopting the UK approach to competency based assessment.
- 178 individuals registered as Eurlng, achieving the highest level of interest since 2004.
- The EngC signed a common recognition agreement with Institution of Engineers New Zealand (IPENZ). The first time such an agreement has been signed on behalf of all PEIs.
- Membership of the Washington Accord was extended for a further six years without any significant observations.

Licensing and Quality Assurance

- Two volunteer seminar series were conducted to share good practice and maintain a consistent approach to PEI audit.
- Ten full PEI licence reviews and four interim reviews were successfully conducted.
- Two Professional Affiliates (PA) were re-approved and one new PA (The Association of Building Engineers) was approved.
- The Welding Institute was licensed to accredit exemplifying programmes and the Chartered Institution of Highways and Transportation (CIHT) was granted a license to nominate EngTechs
- ISO 9001 certification was maintained.

Registration

- Overall the number of registrants was maintained at around 233k during the course of the year. This is a significant improvement in comparison to the gradual decline over the last 10 years.
- A 21.5% increase in the number of new final stage Engineering Technicians compared to 2011. New EngTech registrations have now increased by 132.3% since 2007; however retention still remains an issue.
- IEng registrations have continued to fall, and the number of new final stage Incorporated Engineers has levelled out compared to 2011.
- New final stage Chartered Engineers have increased by 1% compared to 2011. The number of new CEng registrations has continued to increase for five years running and compared to 2007 the number of new CEng registrants has risen by 41.3%.
- At 4.16% of those on the register, females still remain significantly under-represented. The number of new final stage female Engineering Technicians has more than doubled since 2009, with more registered during 2012 than any other year on record

Governance

- At the request of Privy Council Office commented on twelve applications to amend PEI charters/byelaws.
- Commenced 10th anniversary review of Royal Charter, Bye-Laws and Regulations in order to ensure they are consistent with Charity Commission guidance and current good practice.

- Revised appeal processes and processed one appeal for loss of registration.

Marketing and Communications

- IEng. Project steering team established and met twice. Produced good practice guide to assist PEIs and created a library of case studies and role profiles of typical IEngs.
- EngTech. Project steering group established and has met four times to develop collective understanding of how to promote Technician registration. Contract let to 'Boxclever' to conduct both qualitative and quantitative research into the value proposition for Technicians. Preliminary report presented that will inform the future programme of work in 2013.
- Employers. Steering Group established and developed an evidenced based set of value propositions for Employers. These are being used as a vehicle to engage both employers and PEIs going forward in 2013.
- Issued pocket sized hard copy version of the 'Guide to professional registration for engineers and technicians 2013'.
- Two NECR (National Engineering and Construction Recruitment) exhibitions attended, working with 13 PEIs, on a 'Professional Development Hub', organised by EngC
- Three eBooks developed and published on-line for EngTech, IEng and CEng.
- EngC merchandising (registrant ties and lapel pins) now available for sale through Sapper Shop trading arm.
- EngC's presence on social media growing steadily.

Finance, Administration and Support

- Rolled out a new document management system based on MS SharePoint, with key document libraries established and legacy document migration underway.
- Introduced revised staff appraisal system with 100% completion of year end reviews.
- Introduced on-line web meeting software with potential to reduce cost and carbon footprint in future years.
- Introduced revised business planning process as part of operational framework with improved linkage between strategic and operational objectives.
- Procured new shared IT support/managed service provider with EngineeringUK.
- Completed a server virtualisation and migration project reducing from 34 to 5 servers.
- Worked with AP16 (contractor), to improve the registrant database and RegApp architecture resulting in improved service to professional institutions and improved operation and reliability.

REPORT OF THE BOARD OF THE ENGINEERING COUNCIL

The Board met on four occasions in 2012, including a two-day Retreat held at the National STEM Centre, York in October, and an AGM in May. Many Board Members also served on the Board Committees, whose work is reported separately.

Volunteer Effort

Volunteer effort, through its Board, committees, panels and working groups, continues to be crucial to the work of the Engineering Council. A conservative estimate gives the total resource given to the Engineering Council throughout the year as approximately 1,200 days. Given the standing of those involved, the financial equivalent would be in the order of £600,000. These figures have not significantly changed in the last year.

Two series of volunteer seminars were held during the year. These were well attended with more than 50 volunteers involved in each session. The seminars provide volunteers with the opportunity for networking identifying current issues, updates on future plans and the exchange of good practice.

Marketing Registration

The Marketing and Communications department has three members, a Head of Marketing and Communications, a Senior Marketing Executive and a Marcomms and Web Assistant. It reports to the Board via FARP, a member of which has become the 'marketing link' this year.

The marketing workshop programme continues to develop, with nine taking place during 2012, attended by representatives of 25 Professional Engineering Institutions (PEIs) and two Professional Affiliates (PAs). The 115 attendees were mainly marketing or membership/professional registration staff. Topics are chosen based on feedback from PEIs or previous workshops, and aligned to Engineering Council (EngC) Strategic Plan activities. Individual marketing meetings have also continued with the larger institutions, enabling discussions regarding key messages and promotional campaigns, as well as sharing of resources, materials, experiences and good practice. Strong relationships have now been built between the marketing department and many institution employees. In addition, it is clear that the PEI staff are now realising the benefits of working together and sharing experiences and good practice.

Evidence of this is provided by the success of team working on the 'Professional Development Hub' at the National Engineering and Construction Recruitment exhibition (NECR), in April and November 2012. At each exhibition at least 12 PEIs exhibited on the stand, run by the Engineering Council.

eBooks have been created for Engineering Technician (EngTech), Incorporated Engineer (IEng) and Chartered Engineer (CEng). Situated on the EngC website, but designed for use on mobile devices as well, these have proved popular promotional tools. A number of PEIs have uploaded these to their own websites.

A new 'pocket guide to professional registration' was developed during 2012 and is being followed up by an online version, with numerous weblinks. Both versions include information on the professional engineering community, professional registration, accreditation and approval, work-based degree programmes, international recognition and guidance for professional engineers. Useful information on each PEI and Professional Affiliate is also included, as are useful weblinks. Other EngC leaflets and brochures can also be easily linked to from the online guide.

The IEng promotional campaign continued through the first half of 2012. During the second half, an IEng Steering Group was formed and met twice. The group looked at the PEI membership/ registration package. This resulted in the production of a good practice guidance document for PEIs and the start of a library of IEng role profiles, which is intended to help employers and individuals in their understanding of what Incorporated Engineers do and how they play a valuable role within organisations. The role profiles complement the library of IEng case studies that has continued to grow during 2012.

The MERCATOR project has progressed slowly and is intended to result in a useful report mapping the engineering profession. It has now reached the stage at which dialogue with individual PEIs (using five as a pilot) can take place.

The Engineering Council has continued to build on its presence in the world of social media, using Twitter in particular to develop links to universities, employers and individuals. Several groups have been set up on LinkedIn, including one for PEI staff to exchange experience and information, and an official Engineering Council group which has attracted many registrants. Facebook is used to share news, again with registrants or the engineering community in general. Social media provides an effective and useful channel for communicating with a younger audience and for conveying messages to contacts quickly and easily.

Other marketing activities have included presentations engineering organisations, as well as the introduction of registrant merchandise, currently in the form of ties and lapel pins. These are now for sale online, using the Sapper Shop, which is part of InstRE, as a trading arm.

A survey of Register News readers was carried out during 2012 to ensure that the quarterly e-newsletter was still delivering the relevant news to readers in the best format.

A website review has begun, with three pieces of research being carried out, among staff, Extranet users, and visitors. Work on changes will take place during 2013.

Marketing activities have contributed to a continued increase in numbers of new registrants during 2012.

REPORT OF THE REGISTRATION STANDARDS COMMITTEE

Registration Standards Committee (RSC) met three times in 2012. With regret, Professor Bob Cryan, Vice Chancellor of Huddersfield University, tendered his resignation as Chair after one meeting, due to other pressing commitments. He was succeeded by Engineering Council Board Member David Hughes (CIBSE). In June, Deborah Seddon, Head of Policy and Standards, assumed responsibility as Secretary to RSC on the retirement of Richard Shearman.

The work of the committee continued to focus on issues arising from licensed institutions' experience of applying the UK-SPEC requirements, and on monitoring and responding to external drivers such as policy initiatives by government and others. In addition, RSC received regular reports on two new strands of work in the Engineering Council's Strategic Plan 2012-2015: to review the profession's approach to CPD, and promoting the value of IEng.

Engineering Doctorate (EngD)

A notable addition to UK-SPEC documentation resulted from the Board's approval of RSC's recommendation that an accredited EngD, when presented with an accredited BEng (Hons), would constitute an exemplifying package of qualifications for registration as CEng. Previously, UK-SPEC had been silent about the EngD. The first academic accreditation visit to look at EngD programmes took place in March 2012, with a subsequent visit to consider the EngD as both an academic and professional development programme. The Regulations for Registration and the on-line version of The Accreditation of Higher Education Programmes have been amended to reflect this change. RSC members have been involved in work with the research council-funded organisation Vitae to develop a framework to assist researchers to identify and map their researcher competence to CEng standards of competence. Publication is due imminently.

CPD

The principal elements in the CPD work have been the completion of a survey of CPD policy and practice in professional engineering institutions (PEIs); a seminar for PEIs; and preparation by the Project Steering Group of a draft policy statement for the engineering profession on CPD, and a draft code for registrants. RSC will be invited to comment on the draft policy statement and code for registrants in 2013, prior to it being presented to the Board for approval.

IEng

The IEng work has focused on data collection from PEIs, development of a good practice guide for PEIs when dealing with IEng registered members and collation of further IEng registrant case studies. During 2013, IEng role profiles will be developed that focus on the tasks carried out and the competences required for the role.

RSC has considered three matters that are on-going and could have wide-ranging implications for the Engineering Council and its Licensed Members: Specially Authorised Process (SAP); whether or not to put forward the BEng (Hons) for recognition under the Washington Accord; and the proposal for an IT Technician title and Register.

Specially Approved Processes

RSC agreed to adopt a policy whereby SAP should only operate where there is a clearly recognisable process which can serve as a substitute for the normal PRI and which can be satisfactorily quality-assured by the PEI concerned. This was in the broader context of an intention agreed by the Board that SAP practice would be rationalised to conform fully to UK-SPEC, and terminate with current licences.

BEng(Hons) and Washington Accord

RSC considered a report from its International Advisory Panel (IAP) about the anomalies arising from the fact that the UK BEng (Hons) degree was not put forward for Washington Accord recognition. RSC instigated a mapping exercise between UK-SPEC learning outcomes and WA graduate attributes. Whilst the mapping supported the option of seeking WA recognition for BEng (Hons) degrees, it was agreed that some of the potential consequential impacts may be so negative as to render that an unwise step. These impacts will require further careful consideration in 2013.

Guidance for institutions

With input from QAC, revised guidance on Professional Review Interview (PRI) was developed to cover recording and reporting. This was approved by both QAC and RSC and published in April. RSC-approved work to review the current guidance on the assessment of individual route applicants for registration had to be held over due to other pressing commitments. This will be taken forward in 2013.

The increasing globalisation agenda has seen an increase in non-UK PEI accreditation activity. With the support from PEIs, guidance on this matter was developed and approved by RSC. This covered practical as well as international accord considerations, and has been well received.

RSC considered a request from one Licensed Member to undertake a pilot exercise where part of a PRI is conducted in a language other than English. RSC agreed to the establishment of a working group to develop a trial guideline which RSC subsequently approved. The trial has commenced; RSC will receive a final report in 2013.

A toolkit for universities wishing to develop Engineering Gateways work-based degrees was published in August with the support of funding from the National HE STEM Programme.

External drivers

The new requirement for universities to publish Key Information Sets for all HE undergraduate degrees led RSC to approve direct approaches to some universities with less than complete and/or inaccurate published information about their accredited degrees and/or the relationship with registration. The Engineering Council and the PEIs will need to continue to monitor this.

RSC has kept abreast of the development of Level 6 awards by private providers which are an important mechanism to encourage IEng registration. 2012 has seen a strong emphasis at government level about the need to encourage more individuals to enrol on apprenticeships and to ensure the development of high quality apprenticeships. RSC approved a statement of support for the development of Higher Apprenticeships towards IEng by Sector Skills Council SEMTA.

The final opportunity to re-take Engineering Council Examinations was in May 2012, and these examinations have now ceased. The administrator, City & Guilds, has developed a successor examination principally for the overseas market.

The committee received reports on our liaison with or response to consultations from bodies such as the Higher Education Funding Council for England (HEFCE), the Quality Assurance Agency (QAA) and SSCs.

REPORT OF THE QUALITY ASSURANCE COMMITTEE

The primary role of the Quality Assurance Committee (QAC) remains to award appropriate licences to PEIs which are considered competent to assess candidates for registration and evaluate academic courses and professional development schemes for accreditation, against UK-SPEC.

QAC also continues to encourage and support co-operation with, and between, Institutions in order to improve efficiency and effectiveness of the Registration and Accreditation processes.

QAC met four times in 2012 under the Chairmanship of, initially, Isobel Pollock who handed over to Tom Ridgeman in July. Attendance at the meetings remained high and averaged over 80%. Four members retired having completed their two, 3-year terms, one member resigned because of pressure of work and three new members joined. At present there are 17 members on the Committee compared with 19 at the end of 2011. Current membership is drawn from 16 Institutions, including ten Group A Institutions (i.e. those with greater than 5,000 registrants), three from Group B (1000 to 5000 registrants) and three from Group C (less than 1000 registrants).

The Science Council and the Society for the Environment continue to have representatives (staff) as observers on QAC and two joint more licensing reviews have been conducted. This is part of the process of

developing joint licensing with these two organisations. Planning meetings between staff continue to be held quarterly to progress this project.

There were ten 5 year licence reviews: Institution of Highway Engineers (IHE), Institution of Engineering and Technology (IET), Institution of Engineering Designers (IED), Institution of Diesel and Gas Turbine Engineers (IDGTE), Chartered Institution of Highway and Transport (CIHT), Institution of Royal Engineers (InstRE), The Welding Institute (TWI), Institution of Gas Engineers and Managers (IGEM), British Institute of Non-Destructive Testing (BINDT), Society of Operations Engineers (SOE)

There were four Interim reviews: Institute of Materials, Minerals and Mining (IOM3), Royal Institution of Naval Architects (RINA), Institution of Fire Engineers (IFE), Nuclear Institute (NI).

Three PAs were approved including a new one, the Association of Building Engineers (ABE), International Council on Systems Engineering (INCOSE) and the Institute of Corrosion (ICorr).

Two new licences were granted: TWI for accreditation, CIHT for EngTech

Six new liaison officers were nominated by the PEIs in 2012. The pool of liaison officers supporting QAC is now 53 in total. They continue to meet twice a year and they make a significant contribution to the development of a consistent approach to registration and accreditation activities and to the exchange of good practice.

In addition to licence review visits staff have continued with regular visits to PEIs observing interviews, accreditation visits, training sessions, committee meetings, as well as informal meetings to discuss progress on specific issues particularly related to Continuous Performance Improvement (CPI). This approach has significantly improved over 2012 and a firm baseline is being established which has allowed greater transparency and allows more focus on areas for improvement and areas of concern.

The workshop programme has continued although at a lower level than last year owing to capacity issues within the staff following the retirement of the QA Director and the change in the organisation. This did result in overstretch which was resolved in August when a new Licensing Executive was recruited. A coordinated programme for all Engineering Council events is being formulated to ensure the most effective and efficient use of resources plus the introduction of a Webex capability to allow virtual meetings and workshops in the future. The workshops do continue to contribute to the effective exchange of good practice between PEIs on a range of licence related issues. This year they included workshops on use of Technology, Individual Routes and Academic Accreditation.

The Engineering Council licensing department consists of three full time staff with some administrative assistance.

REPORT OF THE PRIVY COUNCIL AND GOVERNANCE PANEL

During 2012, the Privy Council and Regulation Panel changed its name to the Privy Council and Governance Panel (PCGP) to better reflect its on-going role. Although its principal role remains to advise the Board on responses to requests for advice from the Privy Council Office on matters concerning the constitution of PEIs, it has become more active in terms of the internal governance of the Engineering Council itself.

The Panel met five times in 2012 with a new Board member joining the Panel in 2012, John Uff QC. During 2012 David Couzens became the chair of the PCGP and the panel now comprises three Board members plus two appointees (Keith Lawrey - FST and Philip Corp – ex-Board member and Chair of QAC)

During 2012 the Privy Council requested Engineering Council comments on twelve proposed amendments submitted by licensed members and PAs. Although generally there were no major issues there have been two which remain under review regarding the use of post nominals and the establishment of new registers.

Liaison with the Privy Council has been maintained and the relationship continues to be good.

The emphasis on disciplinary matters remains and, as in 2011, the numbers are still very small, less than five per annum there was one significant complaint that required the PCGP to form an appeal panel regarding the loss of registration by an individual. The appeal was upheld and the action going forward is now with PEI concerned. This required the development of a new Regulation (No 11) which was approved by the Board in May.

With the emphasis on internal governance, the PCGP also instigated a review of the Engineering Council's own Charter, Bye-laws and Regulations; the project was agreed at the Board in October and is due to complete by October 2013.

INTERNATIONAL ADVISORY PANEL

The International Advisory Panel (IAP) provides advice to the Board on international issues affecting registrants and Licensed Members. Panel members represent the Engineering Council in a wide range of international committees and other fora.

In line with the strategic plan the IAP has developed a strategy for promoting the value of competency based assessment as a means to enhance the mobility of registrants. Target countries have been identified and prioritised and implementation is now in progress.

A significant amount of data has been gathered on engineering bodies worldwide and a map showing the International Engineering Alliance members has been produced. Publication has been delayed by technical issues with the software used. Once these have been resolved, the map will provide summary information and links to each member's website. Further maps are planned to provide PEIs, registrants and employers easy access to a wide range of information about engineering education and professional registration outside the UK.

We continued to experience a high level of enquiries about recognition through international education agreements from individuals, fellow signatories and visa agents. The majority of these relate to migration rather than registration in the host country. The competence recognition agreements attracted a smaller number of enquiries, and there has been a slow but steady level of interest in the International Registers. Enquiries about recognition status of the Engineering Council examination were also common.

Conversely, new UK EUR ING registrations (178) were at the highest level since 2004 (195). EUR ING renewals remain reasonably high, at 84%, albeit showing a steady decline from over 90% in 2008/09/10. Overall attrition continues as a result of suspensions from the Engineering Council register.

We continued to monitor progress of the European Commission's proposal for review of the Directive on Recognition of Professional Qualifications 2005/36/EC. This is expected to proceed to a vote during the first half of 2013. Several cases of registrants who were experiencing problems gaining recognition through the European Directive 2005/36 were referred to the UK SOLVIT unit.

FEANI published the Handbook for the Engineering Card setting out eligibility criteria and rules for issuing the Card. Eight National Members have signed agreements to issue the Engineering Card. The Engineering Council has received 170 enquiries about the card through FEANI's online request form. We continue to monitor related developments, in particular emerging information about the European Professional Card proposals in the revisions to Directive 2005/36. The FEANI General Assembly approved changes to the Statutes and Bye-laws. These were mostly minor, the most significant being removal of the article on Activities, which will in future form part of a membership agreement, and the introduction of a category of Affiliated Membership that will be open to engineering organisations from outside Europe.

The European Network for Accreditation of Engineering Education (ENAE) continues to expand, with two additional agencies authorised to award the EUR-ACE label in 2012. Between the authorised agencies, over 1000 EUR-ACE labels have been awarded, the majority in Germany. Demand for the label in the UK remains low, despite negotiation of a package rate and efforts to promote it. The UK lost its seat on the Administrative Council, but has maintained a proactive relationship with ENAE.

International Engineering Alliance signatories met in Sydney in June 2012. Our Washington Accord membership was extended for a full six year term, following the review visit in 2011. The Association for Engineering Education Russia (AEER) was admitted as the 15th full member of the Washington Accord. The Institute of Engineering Education Taiwan became a provisional member of the Sydney Accord. It was agreed to retitle the Mobility Forums to The International Professional Engineers Agreement and the International Engineering Technologists Agreement respectively. The Engineering Council contributed members to Sydney and Dublin Accord review panels visiting South Africa, Australia, New Zealand and Korea. Following a visit to observe accreditation procedures the Engineering Council Board agreed to nominate the China Association of Science and Technology (CAST) for provisional membership of the Washington Accord in 2013.

REPORT OF THE FINANCE AUDIT AND REMUNERATION PANEL

The Finance, Audit and Remuneration Panel (FARP) was chaired by Mr William Kemp and met on four occasions in 2012. The Panel also discussed other matters by correspondence and telephone as they arose, ratifying decisions formally where necessary.

The Engineering Council budget for 2013, requiring a grant from EngineeringUK of £2,503,109, was determined by the Finance, Audit and Remuneration Panel (FARP) and approved at the May 2012 meeting of the Trustee Board. It was subsequently approved by the EngineeringUK Board. The budget was developed and applied to the four areas of activity described in the reports above, it was also applied to the operational and governance costs of the organisation. A detailed breakdown of expenditure appears in notes 5-10 to the Financial Statements. Regular scrutiny of expenditure was undertaken to ensure that the work of the Engineering Council was as cost-effective as possible and this will be further implemented in 2013.

The Engineering Council's principal source of funding is the annual registration fees of individual registered engineers and technicians collected by the licensed professional engineering institutions and remitted to EngineeringUK, from which a grant is made to the Engineering Council.

During 2012 the Engineering Council administered an in-house payroll function, whilst all other accounting functions continued to be outsourced, and were carried out by Reeves & Co LLP who were appointed in December 2009. The pension scheme administration was carried out by Gallagher Employee Benefits.

Further progress was made in reconciling the Register to the databases of individual institutions, which is necessary to ensure that the correct fees are remitted from the institutions and that records of registrants are up to date.

The inclusion of the Engineering Council Pension Scheme under FRS17 has reduced staff costs by £305,000 (2011 - £469,000), increased direct costs by £111,000 (2011 – increase of £80,000) and resulted in an actuarial loss on the scheme of £633,000 (2011 – loss of £51,000). The overall effect of applying FRS17 is thus to increase Net Incoming Resources by £218,000 (2011: £348,000) and to decrease the Net movement in funds by £415,000 (2011: increase of £297,000). No significant comment is made with respect to the Net Incoming Resources as the grant mechanism ensures that the required funding is provided.

Investments. The Engineering Council's investments continued to be managed by Baring Asset Management Limited. FARP monitored the performance of its investments throughout the year.

Engineering Council Pension Scheme. The Trustees of the Engineering Council Pension Scheme met three times during 2011. Under the agreed recovery plan, it is expected to see the funding shortfall that was identified in the 2009 triennial valuation eliminated by 2018. A new triennial valuation will be produced during the course of 2013 as at 31 December 2012. It is likely to show an increase to the scheme deficit.

The Engineering Council, as the Principal Employer, continued to make payments in accordance with the schedule of contributions which was agreed in March 2011. The scheme closed to future accrual on 30 April 2012 by means of forced closure by the employer. An additional related payment of £100k was made to the fund in order to demonstrate the strength of the employer covenant thereby reducing the risk of scheme Trustees seeking to trigger a Section 75 debt.

Risk assessment. The Trustees assessed the major risks to which the Engineering Council was exposed in accordance with SORP 2005, in particular those related to operations and finances, and were satisfied that systems were in place to mitigate the Engineering Council's exposure to major risks.

Reserves policy. Following review in November 2012, the reserves held were critically examined to ensure they adequately matched the Engineering Council's current and future needs. The major issues raised during this examination are summarised below:

General fund - The general fund is a reserve used for the long term development of the Engineering Council and also for unexpected events such as a possible significant drop in funding. The majority of the fund is held in investments in accordance with the Investment Policy. To ensure the financial viability of the fund and its ability to meet its on-going commitments the Engineering Council intends to maintain, on average, sufficient reserves to cover six months' expenditure. The general fund as shown in the financial statements includes a deficit of £931,000 (2011 – deficit £516,000) reflecting a deficit on the Engineering Council Pension Scheme calculated under FRS17 in respect of the Council's share of this defined benefit scheme. Trustees believe that this notional funding calculation, which can vary considerably according to the assumptions made at each year end, has

no material effect on the Council's cash flows in the short term, and that in the long term its effects are sustainable out of future income. Disregarding this deficit (2011 – deficit) for reserves policy purposes, the charity's general fund was £2,122,719 (2011 - £1,962,160), a figure not materially different from ten months' expenditure.

Designated fund - Legal Actions reserve - The Legal Actions fund is a reserve set aside to cover potential legal costs resulting from either proceedings concerning a registrant's conduct, or failure of the FEANI register, or proceedings concerning an examination candidate. The Trustees examined the likelihood of each of these three factors and calculated an expected value for the Legal Action fund of £100,000 (2011 - £100,000) that is the figure disclosed in note 15 to the financial statements. This will be held in the medium term as part of the Trustees' risk management strategy.

Investment Policy and Returns. The Trustees considered the most appropriate policy for investing funds and have found a mix of equity based trusts, gilts and cash holdings best met the Engineering Council's requirements for both income and capital growth. The Engineering Council's investment policy is based on securing low-risk investment with easily liquidated assets.

In order to achieve this objective, the Trustees confirmed they were happy to continue with the appointment of Baring Asset Management Limited as fund managers. The Barings fund allows the Engineering Council access to the assets invested in the event that such access is required. The fund is a Charity Commission approved Common Investment Fund that aims to achieve an absolute return based on CPI+ 5% rather than being compared against other funds. Investment manager's fees are absorbed in the value of the fund and are therefore not separately identifiable.

Due to the relatively poor trading conditions experienced during most of 2012, with CPI at 3.6 % in January, the fund has not met the stated objectives in the last 12 months (7.1% against a target of 8.6 %); however FARP considered this performance to be broadly comparable with the performance of other investment vehicles during the period.

It is confirmed that the investments held were acquired in accordance with powers available to the Trustees.

Public Benefit

The Board continues to monitor the Charity Commission's guidance on public benefit and is a standing agenda item for the PCGP. In March 2012, they reviewed and approved the detailed assessments that were prepared by the Privy Council & Governance Panel. These assessments (Tables 1 and 2) are shown below.

Table 1

Object: "To advance education in, and promote the science and practice of, engineering (including relevant technology) for the public benefit and thereby to promote industry and commerce in Our United Kingdom and elsewhere."

Mission: "To maintain internationally recognised standards of competence and commitment for the engineering profession, and to license competent institutions to champion the standards."

Vision: "That society has confidence and trust in the engineering profession."

This Table lists the principles of public benefit and their key factors as set out in the Charity Commission guidance published in January 2008 and assesses whether each factor is satisfied by the Engineering Council. Reference is made to the specific activities and benefits in Table 2.

Serial	Principle or factor	Assessment
1	There must be an identifiable benefit or benefits	Engineering underpins provision and/or distribution of the basic necessities of civilised life: buildings, energy, water and sanitation, food, transport, healthcare, communications, defence. The major public benefit is the professional regulation that the Engineering Council and its licensed member institutions exercise over their registrants and members when serving the general public.
1a	<i>It must be clear what the benefits are</i>	See specific public benefits in Table 2, serials 1-11.
1b	<i>The benefits must be related to the aims (i.e. objects)</i>	The object is pursued in conjunction with the Engineering Council's licensed member institutions through the core functions of registration and accreditation to consistent standards. The end result public benefits (1 above) are generated by qualified registrants and institution members working in private and public sector industries and services.
1c	<i>Benefits must be balanced against any detriment or harm</i>	While some engineering products or activities are potentially harmful, the professional code of conduct and professional education and training all emphasize safety, sustainability and concern for the environment. Benefits vastly outweigh detriment. Downside would be greater without professional ethical commitment. See Table 2 serial 2
2	Benefit must be to the public, or to a section of the public	Benefits of sound engineering are to the public generally, and, in varying degrees, to all mankind.
2a	<i>The beneficiaries must be appropriate to the aims</i>	Yes
2b	<i>Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by:</i> <ul style="list-style-type: none"> • Geographical or other restrictions; • Ability to pay any fees charged 	Individual registrants, totalling nearly 234,000, receive particular benefits in addition to the general public benefits at 2 above. Discussed at 2d below Registration is conditional on meeting academic and other standards of competence – an integral part of achieving the overall public benefit. Moreover, registration is voluntary, not a statutory 'licence to practise' Annual registration fees range from £14 for Engineering Technician to £28 for Chartered Engineer, reducible to £8 and £12 respectively for individual cases of hardship. See also Table 2, serial 11 In conclusion, members of the public wishing to become registrants are not unreasonably restricted on either count. Covered in 2 and 2b above
2c	<i>People in poverty must not be excluded from the opportunity to benefit</i>	
2d	<i>Any private benefits must be incidental</i>	The private benefits of registration directly contribute towards achieving the Engineering Council's aims and are a necessary result of carrying out those aims. The CC's legal analysis underpinning its guidance quotes at para 3.84 a case – IRC v Forrest – relating to membership of one of the Engineering Council's licensed member institutions, which applies equally to registration.

Table 2

PUBLIC BENEFIT OF ENGINEERING COUNCIL, IN CONJUNCTION WITH ITS LICENSED MEMBER INSTITUTIONS

	Engineering Council activity	Institution activity	Effect	Public benefit
1	Set and maintain standards of professional competence in 4 categories: Engineering Technician, ICT Technician, Incorporated Engineer, Chartered Engineer	Contribute to defining standards, in conjunction with industry and academia; promote standards	Coherent, relevant national standards, adopted by Quality Assurance Agency (QAA)	Defined learning progression for existing and prospective engineers, technicians and craftspersons; benefit to industry & commerce and thus to national economy
2	Define generic standards of professional conduct and ethics	Tailor standards to own field; require all members to observe standards in institution code of conduct. May provide advice facility to members	Members observe standards	Positive contribution to safety, sustainability, the environment, industrial effectiveness and public confidence
3	Require institutions to have complaints and disciplinary procedures; appellate body in defined circumstances	Produce and operate complaints and disciplinary procedures in support of (2)	Reported breaches of standards by members dealt with fairly and transparently	Public confidence in profession; a degree of redress for complainants
4	License institutions to register qualified individuals through defined procedures	Promote registration and institution membership; assess and register qualified individuals	Evidence of the professional competence and commitment of individual engineers and technicians	Assists employers and clients in recruiting or engaging individuals; public confidence
5	License institutions to accredit academic courses and approve professional development courses for engineers	Accredit and approve courses (often jointly)	Identifies courses leading to exemplifying qualifications for individual registration	Raises and maintains the quality of engineering education; helps to inform curriculum design and promote innovative methods of teaching; assists students in selecting courses and career options; encourages education in economically important fields; attracts foreign students to UK universities, enhancing the universities' reputation and financial position; supports industry in developing high quality programmes that support professional registration
6	License institutions to approve courses for technicians; host a technician working group to develop initiatives and share good practice	Approve National Vocational Qualifications (NVQs)	Links existing NVQs to Engineering Technician standard	Informs Sector Skills Councils of suitability of NVQs for registration; allows individuals with approved NVQs (in the context of an Advanced Apprenticeship) to register as Engineering Technicians via a streamlined route
7	State requirement for individual CPD (part of (2))	Facilitate and monitor members' CPD	Members maintain competence	Contributes to (2), (4) and (5)
8	Conduct periodic review of licensed institutions	Operate internal quality assurance procedures	Licence requirements and standards maintained and applied consistently	Underpins (2-6)
9	Represent UK in negotiating international agreements for mutual recognition of qualifications; advise government departments	Advise and support members; admit and register qualified individuals educated overseas; form alliances with overseas institutions	Increased employment and working mobility of engineers & technicians	UK firms can compete and operate more effectively overseas, to the benefit of UK economy; overseas recognition of and demand for UK professional recognition enhances reputation of UK; increased recognition of UK engineering qualifications provides greater encouragement for individuals to seek the knowledge and competence to achieve them
10	Train institution volunteers in registration and accreditation procedures (e.g. interviewing, mentoring, assessment)	Identify volunteers from among members; cascade training to further volunteers	Contributes to (4, 5, 8)	Contributes to (4, 5, 8)
11	Charge individual registration fees	Charge individual membership fees	Financial viability of bodies	All bodies charge reduced fees for some of: student members, young members, technician members, non-corporate (unqualified) members, members temporarily not working, retired members

ENGINEERING COUNCIL ANNUAL REVIEW 2012

STATISTICS AT YEAR END

Total number of Registrants

	2012	2011
Final Stage Registrants	222,600	223,088
Interim Registrants	10,920	10,767
Total	233,520	233,855

Breakdown of Final Stage Registrants

CEng	176,479	177,226
IEng	31,443	32,119
EngTech	14,447	13,612
ICTTech	231	131
Total	222,600	223,088

New Final Stage Registrants

CEng	4,930	4,884
IEng	1,046	1,053
EngTech	1,949	1,604
ICTTech	159	57
Total	8,084	7,598

Losses from the Register at Final Stage

Deaths	1,162	1,299
Other losses	9,710	13,094

Female Registrants

The number of female registrants rose to 9,716 from 9,228 in 2011; the largest growth for final stage registrants was in Chartered Engineers to which increased from 8,483 in 2011 to 8,870 in 2012.

Overseas Final Stage Registrations

CEng	33,091	35,770
IEng	2,966	3,427
EngTech	1,247	1,425
ICTTech	6	9
Total	38,717	40,631

Overseas Final Stage registrants amounted to 16.6%% (17.4% in 2011) of the register. The largest numbers of overseas Final Stage registrants were based in Hong Kong (11,016), Australia (6,203) and USA (3,555).

The above Trustees' Report on pages 1-18 was approved by the Trustees on 13th June 2013 and signed on their behalf by the Chairman of the Board:



Rear Admiral Nigel Guild

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, in so far as these are appropriate to the Council, its Royal Charter and Bye-Laws, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

We have audited the financial statements on pages 21 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

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

We have been appointed as auditors under the Charities Act 2011 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us 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 charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charity's affairs as at 31 December 2012 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Saffery Champness
Saffery Champness
Chartered Accountants
Statutory Auditors
Lion House
Red Lion Street
London
WC1R 4GB

19 June 2013

The Engineering Council

Statement of financial activities
for the year ended 31 December 2012

	Note	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Incoming resources					
Incoming resources from generated funds:					
Activities for generating funds	2	-	15,643	15,643	13,527
Investment income	3	-	43,496	43,496	39,356
Incoming resources from charitable activities	4	533,659	2,305,252	2,838,911	2,667,039
Total incoming resources		533,659	2,364,391	2,898,050	2,719,922
Resources expended					
Costs of generating funds:					
Trading expenses	2	-	4,215	4,215	3,795
Charitable activities	5,6	546,639	2,013,667	2,560,306	2,184,599
Governance costs	7	-	16,881	16,881	15,701
Total resources expended		546,639	2,034,763	2,581,402	2,204,095
Net incoming resources / (resources expended) before investment asset disposals		(12,980)	329,628	316,648	515,827
Gains and losses on disposals of investment assets	12	-	-	-	(11,677)
Net incoming resources before revaluations		(12,980)	329,628	316,648	504,150
Gains and losses on revaluations of investment assets	12	-	48,931	48,931	(68,202)
Actuarial gains and losses on defined benefit pension schemes	17	-	(633,000)	(633,000)	(51,000)
Net movement in funds for the year		(12,980)	(254,441)	(267,421)	384,948
Total funds at 1 January 2012		36,633	1,546,160	1,582,793	1,197,845
Total funds at 31 December 2012		23,653	1,291,719	1,315,372	1,582,793

All activities relate to continuing operations.

The notes on pages 23 to 35 form part of these financial statements.

The Engineering Council

Balance sheet
as at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	11		79,924		84,592
Investments	12		1,377,934		1,286,093
			<u>1,457,858</u>		<u>1,370,685</u>
Current assets					
Debtors	13	242,231		176,811	
Cash at bank and in hand		649,722		699,914	
		<u>891,953</u>		<u>876,725</u>	
Creditors: amounts falling due within one year	14	(103,439)		(148,617)	
Net current assets			<u>788,514</u>		<u>728,108</u>
Total assets less current liabilities			<u>2,246,372</u>		<u>2,098,793</u>
Defined benefit pension scheme liability	17		(931,000)		(516,000)
Net assets including pension scheme liabilities			<u>1,315,372</u>		<u>1,582,793</u>
Charity Funds					
Restricted funds	15		23,653		36,633
Unrestricted funds:	15				
Unrestricted funds excluding pension liability		2,222,719		2,062,160	
Pension reserve		(931,000)		(516,000)	
Total unrestricted funds			<u>1,291,719</u>		<u>1,546,160</u>
Total funds	16		<u>1,315,372</u>		<u>1,582,793</u>

The financial statements were approved by the Trustees on 13 June 2013 and signed on their behalf, by:



Mr William Kemp
Chairman of the Finance,
Audit and Remuneration Panel



Rear Admiral Nigel Guild
Chairman of the Board

The notes on pages 23 to 35 form part of these financial statements.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005 and applicable accounting standards.

1.2 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

1.3 Incoming resources

All incoming resources are included in the Statement of financial activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

1.4 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management carried out at Headquarters. Governance costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

1.5 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	20% straight line
Office equipment	-	25% straight line
Computer equipment	-	33% straight line

Assets of nil book value are removed from the asset register after 10 years, irrespective of whether they exist or not. These are included in "Disposals during year" as appropriate.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies (continued)

1.6 Investments

Investments are stated at market value at the balance sheet date. The Statement of financial activities includes the net gains and losses arising on revaluations and disposals throughout the year.

1.7 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of financial activities.

1.9 Pensions

The Council contributes to a contracted-out defined benefit pension scheme, the Engineering Council Pension Scheme. This scheme was closed to new entrants on 3 July 2002. The Scheme closed to future accrual with effect from 30 April 2012.

The Council fully adopts Financial Reporting Standard 17 (FRS17) and the impact of this standard has been reflected throughout the financial statements.

In accordance with FRS17, the Statement of Financial Activities includes: the cost of benefits accruing during the year in respect of current service costs (charged against staff costs within charitable activities); the interest cost and the expected return on assets (shown as direct costs); and actuarial gains and losses (disclosed within other recognised gains and losses).

In accordance with FRS17, the balance sheet includes the surplus or deficit in the scheme. Pension scheme assets are measured at fair value and pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond, rated as AA or equivalent, of the same term and currency as the scheme liabilities (iBoxx Corporate AA 15+ years Index). The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

Further details regarding the scheme are disclosed in note 18.

The Council also contributes to a defined contribution stakeholder pension scheme operated by Scottish Widows. Contributions are charged to the Statement of Financial Activities as they fall due.

1.10 Taxation

The charity is exempt from tax on its charitable activities.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies (continued)

1.11 Value Added Tax

Due to the nature of the Council's income sources, almost all VAT incurred on purchases is irrecoverable. Irrecoverable VAT input charges have therefore been included in the expenditure areas to which they relate.

2. Activities for generating funds

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Trading income	-	15,643	15,643	13,527
Fundraising trading expenses				
Stamp purchases	-	4,215	4,215	3,795
Net income from activities for generating funds	-	11,428	11,428	9,732

Trading income comprises professional stamps, replacement registration certificates and sale of ties and lapel pins.

3. Investment income

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Interest from fixed asset investments	-	42,910	42,910	38,432
Bank interest receivable	-	586	586	924
	-	43,496	43,496	39,356

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

4. Incoming resources from charitable activities

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Charity incoming resources	<u>533,659</u>	<u>2,305,252</u>	<u>2,838,911</u>	<u>2,667,039</u>
	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Grants	416,000	2,087,109	2,503,109	2,422,110
FEANI income	-	90,795	90,795	61,785
Gatsby TRaM grant	69,312	-	69,312	-
Miscellaneous income	-	10,121	10,121	12,860
Admin fee to EngineeringUK	-	87,710	87,710	109,760
Professional services	-	14,600	14,600	(10,200)
Project income	48,347	-	48,347	53,074
PDS license fee	-	14,917	14,917	17,650
Total	<u>533,659</u>	<u>2,305,252</u>	<u>2,838,911</u>	<u>2,667,039</u>

5. Direct costs

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Pension expense (note 10)	111,000	-	111,000	80,000
Project spend	-	63,038	63,038	12,755
Recruitment and temporary staff	44,119	44,627	88,746	44,946
Training	-	7,005	7,005	10,842
Conference fees	-	2,306	2,306	6,064
Computer and information systems costs	7,462	256,865	264,327	198,778
Advertising	-	38,888	38,888	103,150
Travel and subsistence	2,533	78,834	81,367	107,306
Subscriptions and meetings	494	100,762	101,256	43,379
Accommodation costs	-	190,471	190,471	185,553
Wages and salaries (note 9)	311,875	999,168	1,311,043	1,118,687
Total	<u>477,483</u>	<u>1,781,964</u>	<u>2,259,447</u>	<u>1,911,460</u>

The Engineering Council

Notes to the financial statements
for the year ended 31 December 2012

6. Support costs

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Telephone	-	21,059	21,059	23,702
Printing, stationery and office supplies	-	28,737	28,737	49,579
Maintenance of equipment	-	8,502	8,502	4,534
Sundries	-	4,313	4,313	7,520
Rental of office equipment	-	24,022	24,022	8,345
Bank charges	-	2,917	2,917	3,229
Accountancy	-	20,296	20,296	19,384
Legal and professional fees	69,156	33,455	102,611	44,542
Insurance	-	40,335	40,335	52,600
Depreciation	-	48,067	48,067	59,704
Total	<u>69,156</u>	<u>231,703</u>	<u>300,859</u>	<u>273,139</u>

7. Governance costs

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Auditors' remuneration	-	13,056	13,056	12,701
Accountancy	-	3,825	3,825	3,000
Total	<u>-</u>	<u>16,881</u>	<u>16,881</u>	<u>15,701</u>

8. Net incoming resources / (resources expended)

This is stated after charging:

	2012 £	2011 £
Depreciation of tangible fixed assets: - owned by the charity	48,066	59,704
Auditor's remuneration	13,056	12,701
	<u>61,122</u>	<u>72,405</u>

During the year, no Trustees received any remuneration (2011 - £NIL).

During the year, no Trustees received any benefits in kind (2011 - £NIL).

15 Trustees received reimbursement of expenses amounting to £13,029 in the current year, (2011 - 15 Trustees - £17,870).

The Engineering Council

Notes to the financial statements
for the year ended 31 December 2012

9. Staff costs

Staff costs were as follows:

	2012 £	2011 £
Wages and salaries	996,898	1,022,195
Social security costs	108,886	111,966
Other pension costs (Note 17)	205,259	21,017
	<u>1,311,043</u>	<u>1,155,178</u>

The average monthly number of employees during the year was as follows:

	2012 No.	2011 No.
	<u>21</u>	<u>22</u>

The number of higher paid employees was:

	2012 No.	2011 No.
In the band £60,001 - £70,000	1	2
In the band £80,001 - £90,000	1	1
In the band £120,001 - £130,000	0	1
In the band £130,001 - £140,000	1	0
	<u>3</u>	<u>4</u>

10. Pension expense

	2012 £	2011 £
Expected return on pension scheme assets	308,000	412,000
Interest on pension scheme liabilities	(419,000)	(492,000)
	<u>(111,000)</u>	<u>(80,000)</u>

The Engineering Council

Notes to the financial statements
for the year ended 31 December 2012

11. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2012	215,563	65,835	102,247	383,645
Additions	-	6,023	37,375	43,398
At 31 December 2012	<u>215,563</u>	<u>71,858</u>	<u>139,622</u>	<u>427,043</u>
Depreciation				
At 1 January 2012	142,313	65,556	91,184	299,053
Charge for the year	33,710	1,715	12,641	48,066
At 31 December 2012	<u>176,023</u>	<u>67,271</u>	<u>103,825</u>	<u>347,119</u>
Net book value				
At 31 December 2012	<u>39,540</u>	<u>4,587</u>	<u>35,797</u>	<u>79,924</u>
At 31 December 2011	<u>73,250</u>	<u>279</u>	<u>11,063</u>	<u>84,592</u>

The Engineering Council

Notes to the financial statements
for the year ended 31 December 2012

12. Fixed asset investments

	Listed securities £
Market value	
At 1 January 2012	1,286,093
Additions	42,910
Revaluations	48,931
At 31 December 2012	<u>1,377,934</u>
Historical cost	<u>1,356,916</u>

Investments at market value comprise:

	2012 £	2011 £
Listed investments	<u>1,377,934</u>	<u>1,286,093</u>

All the fixed asset investments are held in the UK.

Material investments

	31 December 2012 £	31 December 2011 £
Baring Targeted Return Fund	1,377,558	1,286,093

13. Debtors

	2012 £	2011 £
Trade debtors	57,274	36,290
EngineeringUK	13,456	24,449
Other debtors	105,981	50,354
Prepayments and accrued income	65,520	65,718
	<u>242,231</u>	<u>176,811</u>

14. Creditors:
Amounts falling due within one year

	2012 £	2011 £
Trade creditors	28,527	88,573
Social security and other taxes	55,075	47,044
Accruals and deferred income	19,837	13,000
	<u>103,439</u>	<u>148,617</u>

The Engineering Council

Notes to the financial statements
for the year ended 31 December 2012

15. Statement of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Gains £	Carried Forward £
Unrestricted funds						
General fund	1,962,160	2,364,391	(2,034,763)	(218,000)	48,931	2,122,719
Legal fund	100,000	-	-	-	-	100,000
Pension reserve	(516,000)	-	-	218,000	(633,000)	(931,000)
	<u>1,546,160</u>	<u>2,364,391</u>	<u>(2,034,763)</u>	<u>-</u>	<u>(584,069)</u>	<u>1,291,719</u>
Restricted funds						
Engineering Gateway project	36,633	48,347	(61,327)	-	-	23,653
Pension fund grant	-	416,000	(416,000)	-	-	-
Gatsby TRaM Fund	-	69,312	(69,312)	-	-	-
	<u>36,633</u>	<u>533,659</u>	<u>(546,639)</u>	<u>-</u>	<u>-</u>	<u>23,653</u>
Total of funds	<u>1,582,793</u>	<u>2,898,050</u>	<u>(2,581,402)</u>	<u>-</u>	<u>(584,069)</u>	<u>1,315,372</u>

Legal fund

This is a designated fund set aside to cover potential legal costs resulting from either proceedings concerning a registrant's conduct, failure of the FEANI register, or proceedings concerning an examination candidate.

Engineering Gateway project

The Engineering Council has been awarded a 'practice transfer partnership' by the National HE STEM Programme as part of the HE STEM Programme's workforce development programme. This partnership is led by the Engineering Council and involves several external partners. It will enable successful practice from the work-based 'engineering gateways' framework, developed by the Engineering Council, to be shared with the aim of enabling more universities to offer this type of degree.

The initiative is led by Deborah Seddon at the Engineering Council with the support of a lead facilitator for the HE STEM programme, Hal Igarashi, based at the Royal Academy of Engineering. The project finished in Autumn 2012, however there is an on-going brief to develop and update the web and the tool kit that was developed during the project.

Pension fund grant

This is a grant from EngineeringUK that must be used to pay the pension deficit.

Gatsby TRaM Fund

The Engineering Council has been awarded a sum of money by the Gatsby Charitable Foundation to undertake research in order to understand why Engineering Technician membership and registration has not been taken up by the vast majority of technicians who operate in the relevant sectors of industry and to explore with employers, education and training interests, professional institutions and those operating in technician roles how membership and registration could be developed so that it is recognised for the significant contribution that it makes to the development of skills and to organisational and economic success.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

16. Analysis of net assets between funds

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Tangible fixed assets	-	79,924	79,924	84,593
Fixed asset investments	-	1,377,934	1,377,934	1,286,093
Current assets	23,653	868,300	891,953	876,725
Creditors due within one year	-	(103,439)	(103,439)	(148,618)
Provisions for liabilities and charges	-	(931,000)	(931,000)	(516,000)
	<u>23,653</u>	<u>1,291,719</u>	<u>1,315,372</u>	<u>1,582,793</u>

17. Pension commitments

The charity operates a Defined benefit pension scheme.

The Engineering Council contributes to a contracted-out defined benefit pension scheme, The Engineering Council Pension Scheme. This scheme was closed to new entrants on 3 July 2002.

The full actuarial valuation as at 31 December 2009 was updated to the Scheme's accounting date by an independent qualified actuary in accordance with FRS17. As required by FRS17, the actuarial method adopted to calculate the present value of members' expected benefits is the projected unit method.

Contributions to the Scheme, as a percentage of pensionable salary, are 23% for employer contributions and 7% for employee contributions. Following consultation with the actuaries, The Engineering Council made a lump-sum contribution of £316,000 to the scheme in March 2012 and £100,000 in June 2012.

The present value of the liability to meet future pension obligations of members is arrived at by applying a discount rate equivalent to the return expected to be derived from a class AA corporate bond. At 31 December 2012 this was 4.00% (2011 - 4.60%).

The assets of the Scheme are valued at their market value at the balance sheet date. This value will therefore, fluctuate materially from year to year in response to market conditions.

The Engineering Council is the principal employer and EngineeringUK is a participating employer under this scheme. The proportion of the total Scheme fund attributable to Engineering Council staff or ex-Engineering Council staff is estimated to be approximately 93% (2011 - 93%). On withdrawal from the Scheme by the Engineering Council or closure, assets would be segregated in a similar proportion.

The Scheme closed to future accrual with effect from 30 April 2012.

The amounts recognised in the Balance sheet are as follows:

	2012 £	2011 £
Present value of funded obligations	(10,280,000)	(9,373,000)
Fair value of scheme assets	9,349,000	8,857,000
Net liability	<u>(931,000)</u>	<u>(516,000)</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

17. Pension commitments (continued)

The amounts recognised in the Statement of financial activities are as follows:

	2012 £	2011 £
Current service cost	(12,000)	(41,000)
Interest on obligation	(419,000)	(492,000)
Expected return on scheme assets	308,000	412,000
Losses on curtailments and settlements	36,000	-
	<u>(87,000)</u>	<u>(121,000)</u>
Total	<u>(87,000)</u>	<u>(121,000)</u>
Total actuarial (loss)	<u>(633,000)</u>	<u>(51,000)</u>

Movements in the present value of the defined benefit obligation were as follows:

	2012 £	2011 £
Opening defined benefit obligation	9,373,000	9,340,000
Current service cost	12,000	41,000
Interest cost	419,000	492,000
Contributions by scheme participants	4,000	12,000
Actuarial Losses/(gains)	1,027,000	(56,000)
Gains on curtailments	(36,000)	-
Benefits paid	(519,000)	(456,000)
Reduction of 1% in share of scheme assets	-	-
Pension scheme expenses	-	-
	<u>10,280,000</u>	<u>9,373,000</u>
Closing defined benefit obligation	<u>10,280,000</u>	<u>9,373,000</u>

Changes in the fair value of scheme assets were as follows:

	2012 £	2011 £
Opening fair value of scheme assets	8,857,000	8,527,000
Expected return on assets	308,000	412,000
Actuarial gains and (losses)	394,000	(107,000)
Contributions by employer	305,000	469,000
Contributions by scheme participants	4,000	12,000
Benefits paid	(519,000)	(456,000)
	<u>9,349,000</u>	<u>8,857,000</u>
	<u>9,349,000</u>	<u>8,857,000</u>

The charity expects to contribute £316,000 to its Defined benefit pension scheme in 2013.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2012	2011
Equities	46.76 %	45.99 %
Bonds	50.67 %	52.59 %
Cash	2.57 %	1.42 %

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

17. Pension commitments (continued)

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2012	2011
Discount rate at 31 December	4.00 %	4.60 %
Retail price inflation	2.80 %	2.70 %
Future salary increases	- %	3.70 %
Future pension increases	2.80 %	2.70 %
Deferred pension revaluation rate	2.80 %	2.70 %

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2012 £	2011 £	2010 £	2009 £	2008 £
Defined benefit obligation	(10,280,000)	(9,373,000)	(9,340,000)	(9,316,000)	(7,034,000)
Scheme assets	9,349,000	8,857,000	8,527,000	7,880,000	7,159,000
(Deficit)/surplus	<u>(931,000)</u>	<u>(516,000)</u>	<u>(813,000)</u>	<u>(1,436,000)</u>	<u>125,000</u>
Experience adjustments on scheme liabilities	(1,027,000)	56,000	56,000	(2,159,000)	1,973,000
Experience adjustments on scheme assets	<u>394,000</u>	<u>(107,000)</u>	<u>399,000</u>	<u>448,000</u>	<u>(1,203,000)</u>

Stakeholder and other pension schemes

The board at a meeting on 3 July 2002 decided to no longer offer entry to the Engineering Council Pension Scheme to new staff and nominated a stakeholder pension scheme instead. This is a defined contribution scheme operated by Scottish Widows and is not contracted out for the earnings related part of the State Pension Scheme. The employer contributes 10% of pensionable salary and the employee 5%.

The Engineering Council employer contributions during 2012 were £81,663 (2011 - £81,430).

The Engineering Council

Notes to the financial statements for the year ended 31 December 2012

18. Related party transactions

EngineeringUK is a related party to the Engineering Council. Under the Engineering Council supplemental charter which came into effect on 22 March 2002, EngineeringUK may nominate 7 of its 22 Board members. By its Regulations, the Engineering Council has assigned all income from its registration fees to EngineeringUK. Changes to this regulation cannot be made without EngineeringUK's approval. The level of fee is determined by EngineeringUK.

During the year ended 31 December 2012, the following transactions took place between the parties arising from the above:

EngineeringUK provided a grant to the Engineering Council of £2,503,109 (2011 - £2,422,110) to fund its operations.

The Engineering Council and EngineeringUK occupy the same floor at 246 High Holborn. The lease is jointly held by the Engineering Council and EngineeringUK. Where possible, each party has paid directly for its own costs. To cover accommodation and service costs, EngineeringUK charged the Engineering Council £81,849 (2011 - £186,803) in the year.

To cover administration costs, the Engineering Council charged EngineeringUK £86,774 (2011 - £109,760) in the year.

On 31 December 2012, EngineeringUK owed the Engineering Council the sum of £13,456 (2011 - £24,449). This amount is disclosed with debtors falling due within one year.