REGISTERED CHARITY NO. 286142

THE ENGINEERING COUNCIL

TRUSTEES' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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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 2011

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 230,000 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 16. 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 2011	
	Nominating Body	**Nominated Representative**	**Last mtg**	**First mtg**
1	British Computer Society	Professor Andrew McGettrick		
2	Chartered Institution of Building Services Engineers	Mr David Hughes		
3	Institution of Chemical Engineers	Professor David Bogle		
4	Institution of Civil Engineers	Mr William Kemp		
5	Institution of Engineering & Technology	Professor Kel Fidler **(Chairman)**	May /11	
	Institution of Engineering & Technology	Professor Bob Cryan		Sep/11
6	Institution of Engineering & Technology	Ms Michelle Richmond		
7	Institution of Marine Engineering, Science and Technology	RAdm Nigel Guild **(Vice-Chairman/Chairman from Sep/11)**		
8	Institute of Materials, Minerals and Mining	Eur Ing Dr Graham Woodrow		
9	Institution of Mechanical Engineers	Prof Tony Unsworth		
10	Royal Aeronautical Society	AVM David Couzens		
11	Society of Operations Engineers	Mr Roger O'Loughlin		
12	Institution of Structural Engineers	Professor David Cleland		
13	Group B	Mr Simon Bennett	May/11	
	Group B	Mr Nigel Hendley		Sep/11
14	Group B	Mr Chris Boocock		
15	Group C	Prof Ray Clark		
16	EngineeringUK	Prof Isobel Pollock		
17	EngineeringUK	Mr Christopher Finlayson		
18	EngineeringUK	Ms Dawn Ohlson		
19	EngineeringUK	Mr Pat McMullan	May/11	
	EngineeringUK	Mr David Hogan		Sep/11
20	EngineeringUK	Mr Paul Jackson		
21	EngineeringUK	Ms Yvonne Baker		
22	EngineeringUK	Col Rod Williams		Sep/11

SENIOR STAFF

Chief Executive Officer
Jon Prichard CEng CEnv

Deputy Chief Executive Officer
& Director of Formation
Richard Shearman

Director of Quality Assurance
Dr Adrian Bodimeade CEng

Director of Registration, Finance & IT (until 31 May 2011)
C Simpson ACIS

HR & Administration Manager
Gillian Paterson FCIPD

Marketing & Communications Director
Sue Brough MCIM

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 and LIFE INSURANCE
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 AIMS

The Council's Strategic Aims during 2011 were:

- To develop further the means to maintain the standards.
- To encourage adoption of the standards, sharing of good practice and support for their objectives.
- To challenge traditional procedures and systems to procure straightforward application routes and efficient processing of applications.
- To take a wider role in marketing the benefits of registration, the role of the Engineering Council, and that of Licensed Member Institutions.
- To maintain and improve organisational efficiency.

STRATEGIC PLAN 2012 – 2015

The Council published its strategic plan for the period 2012 – 2015 in December 2011. This included the following strands:

- **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 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.

Additionally the Council will continue to deliver its core business whilst following the following themes over respective years:

- **2012: Consolidating the Baseline.** Delivering appropriate structures, robust processes, sound technological platforms and clear relationship mapping.
- **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, who are 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 & Regulations 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 ICSA 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 21 to the Financial Statements.

ENGINEERING COUNCIL ANNUAL REVIEW 2011

SUMMARY OF KEY ACHIEVEMENTS

During 2011 the Engineering Council had achievements in the following key areas:

Developing: (Aim: To develop further the means to maintain the standards)

- Developed and published a new three year Strategic Plan that encourages the development of IEng and Technician registration.
- Guidance Note on Risk published and launched in March 2011.
- Bid submitted and approved by Gatsby Charitable Foundation to revitalise Technician registration.
- Revised guidance note for the accreditation of academic courses.
- Participated in Technician Council to develop common competencies for technicians across STEM sectors.

Sharing: (Aim: To encourage adoption of the standards, sharing of good practice and support for their objectives)

- Two volunteers seminars held by QA department and 3 QA bulletins issued.
- Series of marketing workshops held with PEIs.
- Agreed a set of learning outcomes for MSc and other non-integrated Masters degrees.
- Funding secured from the National HE STEM Programme for a practice transfer partnership involving four other universities.
- Revisions made to the Engineering Council's guidelines to institutions on Codes of Conduct together with issue of a revised Guidance Note on the accreditation of academic programmes for professional institutions.
- Continued to provide representation to the FEANI Board, and IEA committees in order to encourage international standardisation.
- Commented on four sets of proposed Byelaw changes submitted by PEIs.

Challenging: (Aim: To challenge traditional procedures and systems to procure straightforward application routes and efficient processing of applications)

- Eight five year licence reviews, were carried out in 2011, together with five other reviews and nine interim reviews.
- Five professional affiliate re-approvals were carried out.
- Conducted survey of PEIs to establish good practice for dealing with potential technicians, particularly on Advanced Apprenticeships.
- Conducted a review of the applicability of natural justice to institution disciplinary process.

Marketing: (Aim: To take a wider role in marketing the benefits of registration, the role of the Engineering Council, and that of Licensed Member Institutions)

- Regular meetings with marketing teams and marketing workshops held. As well as presentations to university students and engineering organisations.
- IEng promotional campaign, commenced in May 2011, developed an 'I am proud to be an IEng' logo for IEng registrants.
- Mystery Shopping project conducted, involving 12 PEIs.
- Refreshment of registrant logos and the development of a specific ICT*Tech* logo.
- Attendance at National Engineering & Construction Recruitment Exhibition (NECR), in May and November - alongside 18 PEIs.
- Developed accreditation logos for use by universities to promote courses that lead to registration.

Optimising: (Aim: Maintain and improve organisational efficiency)

- Conducted two reviews of staff performance and objectives.
- Conducted a series of self-assessments of internal functions.
- Successful ISO9001:2008 surveillance visit.
- In-depth review of the IT infrastructure and suppliers conducted leading to asset rationalisation and development of IT strategy.

Report of the Board of the Engineering Council

The Board met on four occasions in 2011, including a two-day Retreat held at BRE in Watford in September, 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 is 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

Due to the increase in marketing activities, a Marcomms Assistant was recruited early in the year to support the Marketing and Communications Director and Marketing Manager.

The team has built on the marketing workshop programme during 2011. 12 workshops have been run, with attendance numbers growing and all but two of the PEIs represented at one or more of the workshops. New topics have been introduced, often at the request of PEI marketing or membership staff. Individual marketing meetings have continued, 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.

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 May and November. 18 PEIs exhibited on the stand, run by the Engineering Council, during 2011.

The three pieces of research into IEng during 2010 were used to help develop a marketing plan for the IEng promotional campaign, which commenced in May 2011. The campaign has consisted of a series of adverts, press releases, html email activity to jobseekers and employers of engineers, an employers' survey and the creation of a special 'I am proud to be an IEng' logo for IEng registrants. PEIs that have used the campaign materials have reported that the activities have resulted in an increase in IEng enquiries and applications. In addition, the campaign has generated a number of social media discussions and direct communications with EngC surrounding IEng. This campaign is set to continue through 2012.

The third Mystery Shopping project was carried out during 2011, involving 12 PEIs. The results showed a general improvement in 'customer relations' amongst those institutions.

Another piece of research has been the Mercator project – resulting in a useful report mapping the engineering profession.

Refreshed logos, consistent with the new branding, have been created for EngTech, IEng and CEng, while a new logo has been developed for ICT*Tech*.

The Engineering Council ventured into the world of social media towards the end of the year and will be further developing its activities in this arena in the coming months.

Other marketing activities have included presentations to university students and engineering organisations, as well as the introduction of registrant merchandise, currently in the form of ties and lapel pins.

Marketing activities have contributed to a continued increase in numbers of new registrants during 2011.

Report of the Registration Standards Committee

Registration Standards Committee (RSC) met three times in 2011. Mr George O'Neill completed his term of office as Chairman in May and was succeeded by Professor Bob Cryan. 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 policy initiatives and activities by government and others which might offer opportunities or challenges.

A notable addition to UK-SPEC documentation was provided when the Committee agreed a set of learning outcomes for MSc and other non-integrated Masters degrees, which had been developed by a working group chaired by Dr Rob Best. Previously, UK-SPEC had only set out required learning outcomes for integrated MEng degrees, and treated the QAA M level descriptor and the UK-SPEC competence statements as the principal reference points for other kinds of master's degree. The new statements use the general and specific learning outcomes for MEng degrees as a starting point but vary some of these to take account of key differences between MEng and MSc degrees, for example in relation to group projects and design. The statements have been included in the latest edition of *The Accreditation of Higher Education Programmes*. Their publication meets the requirement of the European Network for the Accreditation of Engineering Education, in licensing the Engineering Council to award the EURACE label to accredited degrees, that there should be separate statements for MEng and MSc degrees.

The committee also considered a range of other matters around the accreditation of academic programmes, and these were summarised in a revised Guidance Note issued to professional institutions towards the end of the year. Minor changes to the Regulations for Registration were required to ensure that there were appropriate processes to cover the removal of accreditation from programmes during the lifetime of the accreditation period. This arose from the removal of accredited status from a number of programmes at an English university (as a result of conditions on accreditation not being met) by two professional bodies, and the changes to the Regulations and guidance clarified the actions to be taken by professional institutions in cases such as this (which are fortunately very rare) as well as the responsibilities of the university.

Consideration of these issues took place against a background of considerable change and uncertainty in higher education. While much of this stems from the changes in financing arrangements for both institutions and students which are being introduced, other developments also impinge on our work. The requirement for universities to publish Key Information Sets to inform prospective students has pointed up the need to ensure that full and accurate information about the accreditation status of engineering degree programmes is available, and the committee received reports on our liaison with bodies such as the Higher Education Funding Council for England (HEFCE), the Quality Assurance Agency (QAA), and the Higher Education Better Regulation Group (HEBRG) about how this could be achieved and the development of appropriate statements for use by universities. An Engineering Council Accreditation logo has also been developed and made available to universities, and warmly received. There have been discussions with Pearson Edexcel and City & Guilds about those bodies' development of qualifications at level 6 (Bachelors' degree) and their potential recognition by the profession; these will continue into 2012. The government commissioned Sir Tim Wilson, former Vice-Chancellor of the University of Hertfordshire, to undertake a review of universities' interaction with employers, and a meeting took place with him to outline the way in which the accreditation requirements and processes for engineering degrees can support this, and also to describe the Engineering Gateways initiative and the Masters and Bachelors degrees in Professional Engineering. Notably 2011 saw both the first graduates from the MSc programmes at two universities and the first achievement of CEng registration by a graduate from the MSc programme at Kingston University, and these were well publicised in the professional press. Funding was secured from the National HE STEM Programme for a practice transfer partnership involving four other universities and this is expected to enable a number of further universities to start running these programmes in future.

There was a similar background of external activity and development for RSC's consideration of issues relating to further education and skills, and registration at technician level. The committee received regular reports on the work of the Technician Council, in which Engineering Council senior staff participated. The Technician Council moved towards completion of the first phase of its work in 2011, with the development of agreed criteria for professional technicians which can be used by registration bodies as a guide; these are very much in line with the requirements for registration as an Engineering Technician or an ICT Technician. To inform this work a survey of professional engineering institutions was carried out by the Engineering Council to establish how they dealt with applicants for registration from technicians who had completed Advanced Apprenticeships or similar structured programmes approved by institutions. The survey indicated that in most cases such applicants could demonstrate that they met nearly all the requirements for registration. It is hoped that the Technician Council's work will provide a strong reinforcement for the promotion of EngTech and ICT*Tech* registration in future.

The Technician Council has been supported by the Department of Business, Innovation and Skills (BIS), and as BIS and the Skills Minister, John Hayes MP, developed their thinking and policies there were a number of opportunities for interaction with the Minister and officials, for example in relation to the Minister's C21 Guilds initiative, aimed at bringing different types of body such as professional institutions and Sector Skills Councils (SSCs) closer together. This has facilitated closer contacts between the Engineering Council and some SSCs, in relation to developments such as Higher Apprenticeships, with a view to linking these to Incorporated Engineer registration. The committee encouraged the development of these contacts, which may have a bearing on the review of UK-SPEC which is due to take place in 2013.

The committee also considered during the year proposed revisions to the Engineering Council's guidelines to institutions on Codes of Conduct (approved by the Board at the end of the year); sought the views of professional institutions on the current guidance on the assessment of individual route applicants for registration, and instituted a working group to review and revise this guidance; and began consideration of future approaches to Continuing Professional Development, including any changes in regulatory requirements. This forms a major element in the Engineering Council's new Strategic Plan and will be a major part of the committee's work in 2012.

Report of the Quality Assurance Committee

The primary role of the Quality Assurance Committee (QAC) remains to award appropriate licences to engineering institutions 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 2011 under the Chairmanship of Isobel Pollock. Attendance at the meetings averaged 82%. Four members retired having completed the two, 3-year terms and one new member joined. At present there are 19 members on the Committee compared with 22 at the end of 2010. Current membership is drawn from 17 Institutions, including nine Group A Institutions (i.e. those with greater than 5,000 registrants), four from Group B (1000 to 5000 registrants), four from Group C (less than 1000 registrants). In addition an ex QAC member sits as an ex-officio member as Chairman of the Consistency Panel.

The Science Council and the Society for the Environment have representatives (staff) as observers on QAC. 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. An annual steering group meeting involving CEOs was held in October to discuss progress and plans.

Eight five year licence reviews, were carried out in 2011. They were Institution of Mechanical Engineers, The Chartered Institute for IT (BCS) (jointly with the Science Council), Royal Institution of Naval Architects, Chartered Institute of Plumbing and Heating Engineering, Nuclear Institute (jointly with the Science Council), Society of Environmental Engineers (jointly with the Society for the Environment), Institution of Lighting Professionals and Institution of Railway Engineers.

In addition five other licence reviews were carried out. These were Institution of Engineering Technology (for ICTTech), Institution of Chemical Engineers (for EngTech), Institution of Royal Engineers (for IEng/CEng) and Institution of Diesel and Gas Turbine Engineers (for EngTech).

Nine other interim reviews were carried out at Institution of Structural Engineers, Institute of Materials, Minerals and Mining (jointly with the Science Council), Society of Operational Engineers, Royal Institution of Naval Architects, Chartered Institute of Plumbing and Heating Engineering, Chartered Institution of Water and Environmental Management (jointly with the Science council), Institution of Gas Engineers and Managers and British Institute of Non-Destructive Testing.

Five professional affiliate re-approvals were also carried out at Institute of Mathematics and its Applications (jointly with Science Council), The Institute of Demolition Engineers (a new approval), Institute of Asphalt Technology, Institute of Refrigeration, Institute of Concrete Technology.

Thirteen new liaison officers were nominated by the PEIs in 2011. The pool of liaison officers supporting QAC is now 54 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). The implementation of CPI continued to be a main focus of activity in 2011. It contributes to 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. This is due to increasing commitments of PEI staff and members and an increase in the number of workshops run by the Engineering Council Marketing Group which have proved very popular. In future years it is planned to run a co-ordinated Engineering Council programme of workshops. The workshops 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 the Individual Route to Registration, Moderation and CPI.

The Engineering Council licensing and QA functions continue to be supported by four full time staff.

Report of the Privy Council and Regulations Panel

The role of the Privy Council and Regulations Panel (PCRP) is, primarily, to advise the Board on responses to requests for advice from the Privy Council on matters concerning the constitution of PEIs relevant to engineering and technology; reviewing and amending Engineering Council Bye-laws; and advising PEIs on disciplinary and governance related issues.

The Panel met three times in 2011. A new Board member joined the Panel in 2011. The Panel now comprises four Board members, including Chris Boocock the Chairman, plus Philip Corp (a past member of the Board and Chairman of QAC) and Keith Lawrey, a lawyer from the Foundation for Science and Technology where his role is the Learned Societies' Liaison Officer. Both Philip Corp and Keith Lawrey are Engineering Council Associates.

During 2011 the Privy Council requested Engineering Council comments on proposed amendments submitted by four (seven in 2010) licensed members. No major issues were raised.

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

The emphasis of the Panels work changed significantly in 2011 to focus much more on disciplinary matters. This is a result of more cases (although still very small, less than five per annum) being submitted to the Engineering Council for consideration and a general awareness that greater transparency is required on how the engineering profession monitors and controls the professional conduct of registered engineers. The Haddon-Cave enquiry in particular focused attention on these matters.

Other issues considered by the Panel included 'Whistleblowing' and the procedure for handling 'Complaints and Appeals' which will both be the subject of further consideration in 2012.

International Advisory Panel

The International Advisory Panel 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.

Throughout the year guidance has been provided to many registrants seeking recognition of their academic or professional qualifications for the purposes of work or study outside the UK. The Engineering Council has worked closely with government agencies, migration authorities, national regulators and institution staff to answer queries and resolve problems relating to mobility and equivalence of international qualifications.

The Engineering Council continues to keep institutions informed of international developments that may impact on their members, and to promote participation in government consultations either collectively or individually. During 2011, we responded to formal consultations as part of the review of European Directive 2005/36/EC on Recognition of Professional Qualifications. The European Commission's proposal was published in December 2011 and we responded to the BIS request for inputs to inform the UK negotiating position. We will monitor the progress of the proposal as it is debated by the European Parliament and European Council in 2012.

In September 2011, EngC Chief Executive Officer Jon Prichard was elected to the FEANI Executive Board, succeeding Dr Jim Birch who stood down having completed his second term. The Engineering Council is also represented in FEANI's European Monitoring Committee (EMC) and continues to nominate the majority of new EUR ING applicants. FEANI launched its "engineerING Card" with two national members, Germany

and The Netherlands, participating. Oversight of the scheme is the responsibility of the EMC. We continue to track the progress of the card and have the option to join the scheme at a future date, should this become desirable.

The Engineering Council continues to work with other European Accreditation agencies through the European Network for the Accreditation of Engineering Education (ENAEE), where it is represented on the Administrative Council. Seven agencies, including the Engineering Council, are now authorised to award the EUR-ACE label, with more in the pipeline. Take up of the label in the UK has been slow and we are taking action to promote this more effectively.

Twenty four countries were represented at the biennial conference of the International Engineering Alliance, held in Taipei in June 2011. Our full membership of the Engineers Mobility Forum was extended for a further six years, following the review in 2010. A transition plan for implementation of the updated IEA Graduate Attributes and Competencies was also agreed. The Engineering Council continues to receive approaches from countries interested in joining the Alliance and our policy is to assist where possible within available resources.

Dr Jim Birch retired as Head of International Recognition in October but remains involved as an Expert member of the International Advisory Panel.

Report of the Finance, Audit and Remuneration Panel

The Finance, Audit and Remuneration Panel (FARP) was initially chaired by RAdm Nigel Guild who stepped down after the May meeting in order to become Chairman of the Board of Trustees. He was succeeded by Mr William Kemp. FARP met on four occasions, and discussed other matters by correspondence and telephone as they arose, ratifying decisions formally where necessary.

The Engineering Council budget for 2012, requiring a grant from EngineeringUK of £2,503,109, was determined by the Finance, Audit and Remuneration Panel (FARP) and approved at the May 2011 meeting of the Trustee Board. It was subsequently and 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 5-11 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 2012.

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 2011 the Engineering Council continued to administer an in-house payroll function. 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 (formerly Health Lambert Consulting).

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 £469,000 (2010 - £233,000), increased direct costs by £80,000 (2010 – increase of £33,000) and resulted in an actuarial loss on the scheme of £51,000 (2010 – gain of £472,000). The overall effect of applying FRS17 is thus to increase Net Incoming Resources by £348,000 (2010: £151,000) and to increase the Net movement in funds by £297,000 (2010: increase of £623,000). No significant comment is made with respect to the Net Incoming Resources as the grant mechanism ensures that the required funding is provided.

Investments. Following a decision taken by FARP in 2010, during 2011 the Engineering Council's investments were transferred from HSBC Global Asset Management to Baring Asset Management Limited. FARP continued to monitor 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. A revised recovery plan, was agreed which is expected to see the current funding shortfall eliminated by 2018.

The Engineering Council, as the Principal Employer, continued to make payments in accordance with the schedule of contributions which was agreed in March 2011. FARP agreed that the Executive should consider closing the scheme to future accrual during the course of 2012 in order to reduce the risks.

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 was satisfied that systems were in place to mitigate the Engineering Council's exposure to major risks.

Reserves policy. Following review in November 2011, 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 £516,000 (2010 – deficit £813,000) 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 (2010 – deficit) for reserves policy purposes, the charity's general fund was £1,958,050 (2011 - £1, 910,845), a figure not materially different from eight 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 (2010 - £100,000) that is the figure disclosed in note 17 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 appointed Baring Asset Management Limited as fund managers and funds were transferred from HSBC Global Asset Management during late 2010/early 2011. 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 poor trading conditions experienced in 2011, the fund has not met the stated objectives since inception (-2.6% against a target of 9.8% in last 12 months); 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. In March 2011, they reviewed and approved the detailed assessments that were prepared by the Privy Council & Regulations 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	*It must be clear what the benefits are*	See specific public benefits in Table 2, serials 1-11.
1b	*The benefits must be related to the aims (i.e. objects)*	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	*Benefits must be balanced against any detriment or harm*	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	*The beneficiaries must be appropriate to the aims*	Yes
2b	*Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by:* • *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.
2c	*People in poverty must not be excluded from the opportunity to benefit*	Covered in 2 and 2b above
2d	*Any private benefits must be incidental*	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 2011

STATISTICS AT YEAR END

Total number of Registrants

	2011	2010
Final Stage Registrants	223,088	227,558
Interim Registrants	10,767	11,368
Total	**233,855**	**238,926**

Breakdown of Final Stage Registrants

CEng	177,226	179,573
IEng	32,119	33,766
EngTech	13,612	14,106
ICTTech	131	113
Total	**223,088**	**227,558**

New Final Stage Registrants

CEng	4,884	4,717
IEng	1,053	897
EngTech	1,604	1,477
ICTTech	57	93
Total	**7,598**	**7,184**

Losses from the Register at Final Stage

Deaths	1,299	1,673
Other losses	13,094	10,231

Female Registrants

The number of female registrants rose to 9,228 from 8,748 in 2010; the largest growth for final stage registrants was in Chartered Engineers to which increased from 8,070 in 2010 to 8,483 in 2011.

Overseas Final Stage Registrations

CEng	35,770	36,026
IEng	3,427	3,435
EngTech	1,425	1,292
ICTTech	9	4
Total	**40,631**	**40,757**

Overseas Final Stage registrants amounted to 17.4% (17.8% in 2010) of the register. The largest numbers of overseas Final Stage registrants were based in Hong Kong (9,800), Australia (5,068) and USA (3,253).

The above Trustees' Report on pages 1-15 was approved by the Trustees on 15 March 2012 and signed on their behalf by the Chairman of the Board:

Rear Admiral Nigel Guild
Chairman of the Board

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 18 to 32. 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 2011 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
Chartered Accountants
Statutory Auditors
Lion House
Red Lion Street
London
WC1R 4GN

2012

The Engineering Council

Statement of financial activities for the year ended 31 December 2011

	Note	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Incoming resources					
Incoming resources from generated funds:					
Activities for generating funds	2	-	**13,527**	**13,527**	15,684
Investment income	3	-	**39,356**	**39,356**	9,811
Incoming resources from charitable activities	4	**228,074**	**2,438,965**	**2,667,039**	2,604,088
Total incoming resources		**228,074**	**2,491,848**	**2,719,922**	2,629,583
Resources expended					
Costs of generating funds:					
Trading expenses	2	-	**3,795**	**3,795**	3,282
Investment management expenses	5	-	-	-	11,327
Charitable activities	6	**191,441**	**1,993,158**	**2,184,599**	2,265,924
Governance costs	9	-	**15,701**	**15,701**	13,035
Total resources expended		**191,441**	**2,012,654**	**2,204,095**	2,293,568
Net incoming resources before investment asset disposals		**36,633**	**479,194**	**515,827**	336,015
Gains and losses on disposals of investment assets	14	-	**(11,677)**	**(11,677)**	81,353
Net incoming resources before revaluations		**36,633**	**467,517**	**504,150**	417,368
Gains and losses on revaluations of investment assets	14	-	**(68,202)**	**(68,202)**	47,071
Actuarial gains and losses on defined benefit pension schemes		-	**(51,000)**	**(51,000)**	472,000
Net movement in funds for the year		**36,633**	**348,315**	**384,948**	936,439
Total funds at 1 January 2011		-	1,197,845	1,197,845	261,406
Total funds at 31 December 2011		**36,633**	**1,546,160**	**1,582,793**	1,197,845

All activities relate to continuing operations.

The notes on pages 21 to 34 form part of these financial statements.

The Engineering Council

Balance sheet
as at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	13		**84,592**		144,296
Investments	14		**1,286,093**		1,327,528
			1,370,685		1,471,824
Current assets					
Debtors	15	**176,811**		147,987	
Cash at bank and in hand		**699,914**		489,316	
		876,725		637,303	
Creditors: amounts falling due within one year	16	**(148,617)**		(98,282)	
Net current assets			**728,108**		539,021
Total assets less current liabilities			**2,098,793**		2,010,845
Defined benefit pension scheme liability	19		**(516,000)**		(813,000)
Net assets including pension scheme liabilities			**1,582,793**		1,197,845
Charity Funds					
Restricted funds	17		**36,633**		-
Unrestricted funds:					
Unrestricted funds excluding pension liability		**2,062,160**		2,010,845	
Pension reserve		**(516,000)**		(813,000)	
Total unrestricted funds			**1,546,160**		1,197,845
Total funds			**1,582,793**		1,197,845

The financial statements were approved by the Trustees on 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 21 to 34 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2011

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 cost 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.

Notes to the financial statements
for the year ended 31 December 2011

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 Council fully adopted Financial Reporting Standard 17 (FRS17) in 2005. 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 19.

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.

Notes to the financial statements
for the year ended 31 December 2011

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 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Trading income	-	13,527	13,527	15,684
Fundraising trading expenses				
Stamp purchases	-	3,795	3,795	3,282
Net income from activities for generating funds	-	9,732	9,732	12,402

3. Investment income

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Interest from fixed asset investments	-	38,432	38,432	8,465
Bank interest receivable	-	924	924	310
Other investment income	-	-	-	1,036
	-	39,356	39,356	9,811

4. Incoming resources from charitable activities

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Charity incoming resources	228,074	2,438,965	2,667,039	2,604,088

	2011 £	2010 £
Grants	**2,422,110**	2,362,110
FEANI income	**61,785**	102,534
Miscellaneous income	**4,980**	17,923
Admin fee to EngineeringUK	**109,760**	92,916
Professional services	**(10,200)**	8,805
Project income	**60,954**	-
PDS license fee	**17,650**	19,800
Total	**2,667,039**	2,604,088

5. Investment management costs

	Total funds 2011 £	Total funds 2010 £
Investment management fees	-	11,327

6. Expenditure by charitable activity

Summary by fund type

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Charitable activities	**191,441**	**1,993,158**	**2,184,599**	2,265,924

7. Direct costs

	Total 2011 £	Total 2010 £
Pension expense	**80,000**	33,000
Project spend	**12,755**	26,627
Recruitment and temporary staff	**44,946**	66,825
Training	**10,842**	5,881
Conference fees	**6,064**	2,948
Computer and information systems costs	**198,778**	170,049
Advertising	**103,150**	38,759
Travel and subsistence	**107,306**	88,941
Subscriptions and meetings	**43,379**	83,571
Accommodation costs	**185,553**	157,274
Wages and salaries	**1,118,687**	1,242,696
	1,911,460	1,916,571

Notes to the financial statements
for the year ended 31 December 2011

8. Support costs

	Total 2011 £	Total 2010 £
Telephone	**23,702**	28,673
Printing, stationery and office supplies	**49,579**	73,644
Maintenance of equipment	**4,534**	5,869
Sundries	**7,520**	11,627
Rental of office equipment	**8,345**	7,917
Bank charges	**3,229**	3,362
Accountancy	**19,384**	20,177
Legal and professional fees	**44,542**	96,568
Insurance	**52,600**	43,140
Depreciation	**59,704**	58,376
	273,139	349,353

9. Governance costs

	Total funds 2011 £	Total funds 2010 £
Auditors' remuneration	**12,701**	10,035
Accountancy	**3,000**	3,000
	15,701	13,035

10. Net incoming resources

This is stated after charging:

	2011 £	2010 £
Depreciation of tangible fixed assets:		
- owned by the charity	**59,704**	58,376
Auditors' remuneration	**12,701**	10,035

During the year, no Trustees received any remuneration (2010 - £NIL).
During the year, no Trustees received any benefits in kind (2010 - £NIL).
15 Trustees received reimbursement of expenses relating to travel and subsistence amounting to £17,870 in the current year (2010 - 14 Trustees - £19,128).

Notes to the financial statements
for the year ended 31 December 2011

11. Staff costs

Staff costs were as follows:

	2011 £	2010 £
Wages and salaries	**1,022,195**	1,024,948
Social security costs	**111,966**	107,351
Other pension costs (Note 19)	**21,017**	137,455
	1,155,178	1,269,754

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

	2011 No.	2010 No.
	22	23

The number of higher paid employees was:

	2011 No.	2010 No.
In the band £60,001 - £70,000	**2**	2
In the band £80,001 - £90,000	**1**	2
In the band £120,000 - £130,000	**1**	0
	4	4

12. Other finance income

	2011 £	2010 £
Expected return on pension scheme assets	**412,000**	481,000
Interest on pension scheme liabilities	**(492,000)**	(514,000)
	(80,000)	(33,000)

Notes to the financial statements
for the year ended 31 December 2011

13. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2011 and 31 December 2011	215,563	65,835	102,247	383,645
Depreciation				
At 1 January 2011	99,268	59,587	80,494	239,349
Charge for the year	43,045	5,969	10,690	59,704
At 31 December 2011	142,313	65,556	91,184	299,053
Net book value				
At 31 December 2011	73,250	279	11,063	84,592
At 31 December 2010	116,295	6,248	21,753	144,296

Notes to the financial statements
for the year ended 31 December 2011

14. Fixed asset investments

	Listed securities £
Market value	
At 1 January 2011	**1,327,528**
Additions	**75,282**
Disposals	**(48,515)**
Revaluations	**(68,202)**
At 31 December 2011	**1,286,093**
Historical cost	**1,314,381**

Investments at market value comprise:

	2011 £	2010 £
Listed investments	**1,286,093**	1,327,528

All the fixed asset investments are held in the UK.

Material investments

	31 December 2011 £	31 December 2010 £
Baring Targeted Return Fund	**1,286,093**	1,279,014

15. Debtors

	2011 £	2010 £
Trade debtors	**36,290**	14,951
EngineeringUK	**24,449**	7,820
Other debtors	**50,354**	47,033
Prepayments and accrued income	**65,718**	78,183
	176,811	147,987

Notes to the financial statements
for the year ended 31 December 2011

16. Creditors: Amounts falling due within one year

	2011 £	2010 £
Trade creditors	**88,573**	38,822
Social security and other taxes	**47,044**	44,508
Other creditors	**-**	1,952
Accruals and deferred income	**13,000**	13,000
	148,617	98,282

Notes to the financial statements
for the year ended 31 December 2011

17. Statement of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Gains £	Carried Forward £
Unrestricted funds						
General fund	1,910,845	2,491,848	(2,012,654)	(348,000)	(79,879)	1,962,160
Legal fund	100,000	-	-	-	-	100,000
Pension reserve	(813,000)	-	-	348,000	(51,000)	(516,000)
	1,197,845	2,491,848	(2,012,654)	-	(130,879)	1,546,160
Restricted funds						
Engineering Gateway project	-	53,074	(16,441)	-	-	36,633
Pension fund grant	-	175,000	(175,000)	-	-	-
	-	228,074	(191,441)	-	-	36,633
Total of funds	1,197,845	2,719,922	(2,204,095)	-	(130,879)	1,582,793

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 runs from August 2011 to June 2012 and 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.

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

Summary of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Gains £	Carried Forward £
General funds	1,197,845	2,491,848	(2,012,654)	-	(130,879)	1,546,160
Restricted funds	-	228,074	(191,441)	-	-	36,633
	1,197,845	2,719,922	(2,204,095)	-	(130,879)	1,582,793

Notes to the financial statements
for the year ended 31 December 2011

18. Analysis of net assets between funds

	Restricted funds 2011 £	Unrestricted funds 2011 £	Total funds 2011 £	Total funds 2010 £
Tangible fixed assets	-	**84,593**	**84,593**	144,297
Fixed asset investments	-	**1,286,093**	**1,286,093**	1,327,528
Current assets	**36,633**	**840,092**	**876,725**	637,303
Creditors due within one year	-	**(148,618)**	**(148,618)**	(98,283)
Provisions for liabilities and charges	-	**(516,000)**	**(516,000)**	(813,000)
	36,633	**1,546,160**	**1,582,793**	1,197,845

Notes to the financial statements
for the year ended 31 December 2011

19. 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 20.3% for employer contributions and 7% for employee contributions. Following consultation with the actuaries, The Engineering Council made a lump-sum contribution of £175,000 to the scheme in February 2011.

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 2011 this was 4.60% (2010 - 5.40%).

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% (2010 - 93%). On withdrawal from the Scheme by the Engineering Council or closure, assets would be segregated in a similar proportion.

The amounts recognised in the Balance sheet are as follows:

	2011	2010
	£	£
Present value of funded obligations	**(9,373,000)**	(9,340,000)
Fair value of scheme assets	**8,857,000**	8,527,000
Net liability	**(516,000)**	(813,000)

The amounts recognised in profit or loss are as follows:

	2011	2010
	£	£
Current service cost	**(41,000)**	(49,000)
Interest on obligation	**(492,000)**	(514,000)
Expected return on scheme assets	**412,000**	481,000
Total	**(121,000)**	(82,000)
Total actuarial gain/(loss)	**(51,000)**	472,000

19. Pension commitments (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2011 £	2010 £
Opening defined benefit obligation	**9,340,000**	9,316,000
Current service cost	**41,000**	49,000
Interest cost	**492,000**	514,000
Contributions by scheme participants	**12,000**	18,000
Actuarial Gains	**(56,000)**	(73,000)
Benefits paid	**(456,000)**	(402,000)
Reduction of 1% in share of scheme assets	**-**	(82,000)
Pension scheme expenses	**-**	-
Closing defined benefit obligation	**9,373,000**	9,340,000

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

	2011 £	2010 £
Opening fair value of scheme assets	**8,527,000**	7,880,000
Expected return	**412,000**	481,000
Actuarial gains and (losses)	**(107,000)**	399,000
Contributions by employer	**469,000**	233,000
Contributions by scheme participants	**12,000**	18,000
Benefits paid	**(456,000)**	(402,000)
Reduction of 1% in share of scheme assets	**-**	(82,000)
	8,857,000	8,527,000

The charity expects to contribute £331,000 to its Defined benefit pension scheme in 2012.

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

	2011	2010
Equities	**46.00%**	47.00%
Bonds	**53.00%**	52.00%
Cash	**1.00%**	1.00%

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

	2011	2010
Discount rate at 31 December	**4.60%**	5.40%
Retail price inflation	**2.70%**	3.50%
Future salary increases	**3.70%**	4.50%
Future pension increases	**2.70%**	3.40%
Deferred pension revaluation rate	**2.70%**	3.50%

19. Pension commitments (continued)

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

Defined benefit pension schemes

	2011 £	2010 £	2009 £	2008 £	2007 £
Defined benefit obligation	**(9,373,000)**	(9,340,000)	(9,316,000)	(7,034,000)	(8,734,000)
Scheme assets	**8,857,000**	8,527,000	7,880,000	7,159,000	7,953,000
(Deficit)/surplus	**(516,000)**	(813,000)	(1,436,000)	125,000	(781,000)
Experience adjustments on scheme liabilities	**56,000**	56,000	(2,159,000)	1,973,000	(864,000)
Experience adjustments on scheme assets	**(107,000)**	399,000	448,000	(1,203,000)	23,000

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 2011 were £81,430 (2010 - £67,112).

20. Operating lease commitments

At 31 December 2011 the charity had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2011 £	2010 £
Expiry date:		
Between 2 and 5 years	-	117,152

21. 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 the EngineeringUK.

During the year ended 31 December 2011, the following transactions took place between the parties arising from the above.

EngineeringUK provided a grant to the Engineering Council of £2,422,110 (2010 - £2,362,110) 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 £186,803 (2010 - £187,656) in the year.

To cover administration costs, the Engineering Council charged EngineeringUK £109,760 (2010 - £92,916) in the year.

On 31 December 2011, EngineeringUK owed the Engineering Council the sum of £24,449 (2010 - £7,820). This amount is disclosed with debtors falling due within one year.