

# Annual Report and Financial Accounts 2018





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## Foreword

Operating under a Royal Charter, the Engineering Council is charged with regulating the UK engineering profession on behalf of society. We hold the national Register of those who have satisfied their peers of their competence and commitment as Engineering Technicians, Incorporated Engineers, Chartered Engineers and ICT Technicians. We set the education standards for engineering programmes that provide the underpinning knowledge and understanding required to practise engineering, as well as setting standards for professional development. We can only achieve this through the commitment of the entire professional engineering community, supported by academics and employers.

Professional registration provides the benchmark which allows the public to have confidence and trust that the engineers and technicians on our Register have met globally recognised professional standards.

Nearly a quarter of a million men and women are currently listed on our Register. The UK has an ageing population, and with the number of registrants aged over 60 representing over a third of those on the Register, we must continue to work hard to maintain a talent pipeline to meet future skills requirements. We therefore welcome the joint initiatives that are underway to ensure that more people enter professional engineering careers and that those who are already professionally registered remain so throughout their working life. This is a strategic imperative for the nation if we are to meet the engineering and technological needs of the future.

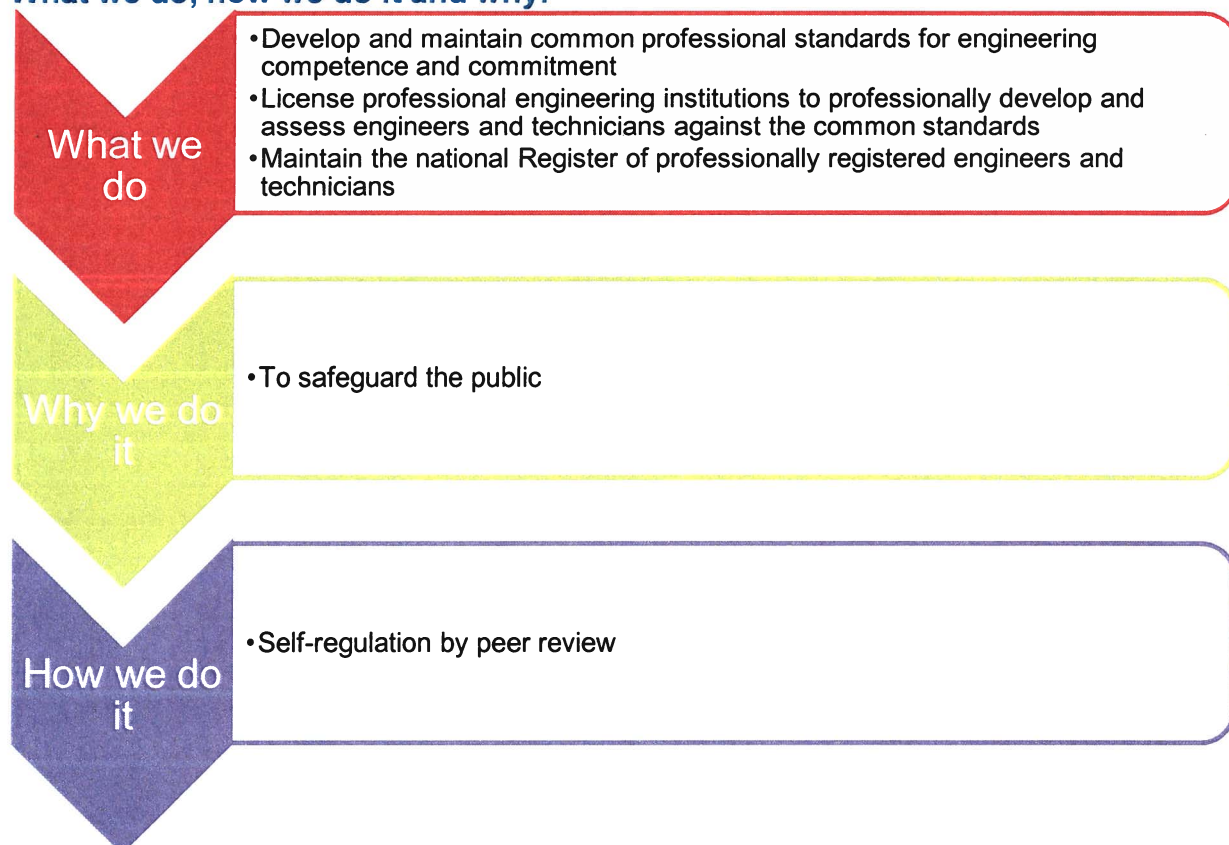
### Vision:

That society continues to have confidence and trust in the engineering profession.

### Mission:

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

### What we do, how we do it and why:





## Chairman and CEO's statements

2018, the first year of our 2018-2020 Strategic Plan, has been another year of consistent delivery for the Engineering Council. We have successfully hosted the prestigious International Engineering Alliance (IEA) meeting in June, enhanced our Continuing Professional Development (CPD) monitoring regime, moved forward with our risk-based approach to Licensing and analysed responses to the public consultation on all aspects of our Standards.

Alongside our Strategic Objectives, the Engineering Council has over the course of 2018 taken on work in a number of key areas in response to the needs of society and the engineering profession. Following the Grenfell Tower tragedy, the Engineering Council has been leading one of the Competence for Building a Safer Future working groups (part of the industry response to Dame Judith Hackitt's independent review of building regulations and fire safety), considering the competence requirements for engineering professionals working on higher risk residential buildings.

To facilitate international mobility for engineers, the Engineering Council is a signatory to international engineering education agreements including the Washington Accord and we are participating in the ongoing debate around international recognition of degrees. We have also set up a working group to ensure the continued consistency of our accreditation process for engineering degree programmes.

The need for a strong focus on ethics for engineering professionals has been highlighted this year, including in responses to our Standards Review consultation. The Engineering Council has explored this through Board-level discussions as well as being part of the Steering Group for the Engineering Ethics Conference held in September 2018, at which trustees Prof Kevin Jones CEng and Prof Chris Atkin CEng both spoke.

We were pleased to support the government's Year of Engineering and the Royal Academy of Engineering's This is Engineering campaigns, which work to change perceptions of engineering as a career and inspire the next generation.

In 2019, the Engineering Council will continue to deliver the objectives of our Strategic Plan, championing standards in the engineering profession and facilitating international mobility, while carrying out our key regulatory functions in a way that meets stakeholders' needs.

**Professor Chris Atkin CEng FRAeS, Chairman**

**Alasdair Coates BEng(Hons) MSc CEng FICE MCIHT CMIOSH. Chief Executive Officer**

## 1. Registration statistics as of 31 December 2018

**FIGURE 1: NEW TITLES ADDED TO THE REGISTER IN 2018 COMPARED TO 2017**

	Interim			Final			Total		
	2017	2018	Change	2017	2018	Change	2017	2018	Change
EngTech	-	-	-	2,431	3,417	40.56%	2,431	3,416	40.52%
IEng	72	50	-30.56%	1,289	1,292	0.23%	1,361	1,342	-1.40%
CEng	138	138	0.00%	6,529	6,223	-4.69%	6,667	6,361	-4.59%
ICTTech	-	-	-	21	22	4.76%	21	22	4.76%
<b>Total</b>	<b>210</b>	<b>188</b>	<b>-10.48%</b>	<b>10,270</b>	<b>10,953</b>	<b>6.65%</b>	<b>10,480</b>	<b>11,141</b>	<b>6.31%</b>

**FIGURE 2: TOTAL NUMBER OF REGISTRANTS ON THE REGISTER IN 2018 COMPARED TO 2017**

	Interim			Final			Total		
	2017	2018	Change	2017	2018	Change	2017	2018	Change
EngTech	141	132	-6.38%	17,771	19,188	7.98%	17,912	19,320	7.86%
IEng	1,423	1,335	-6.18%	27,781	26,879	-3.25%	29,204	28,214	-3.39%
CEng	6,397	6,050	-5.42%	176,026	175,681	-0.20%	182,423	181,731	-0.38%
ICTTech	-	-	-	213	209	-1.88%	213	209	-1.88%
<b>Total</b>	<b>7,961</b>	<b>7,517</b>	<b>-5.58%</b>	<b>221,789</b>	<b>221,958</b>	<b>0.08%</b>	<b>229,752</b>	<b>229,475</b>	<b>-0.12%</b>

**FIGURE 3: LOSS OF TITLES ON THE REGISTER IN 2018 COMPARED TO 2017**

	Interim			Final			Total		
	2017	2018	Change	2017	2018	Change	2017	2018	Change
EngTech	-3	-8	-62.50%	-1,675	-1,979	-15.36%	-1,678	-1,997	-15.55%
IEng	-171	-132	29.55%	-2,295	-2,303	-0.35%	-2,466	-2,435	1.27%
CEng	-494	-398	24.12%	-9,230	-9,978	-7.50%	-9,724	-10,376	-6.28%
ICTTech	-	-	-	-68	-35	94.29%	-68	-35	94.29%
<b>Total</b>	<b>-668</b>	<b>-538</b>	<b>19.46%</b>	<b>-13,268</b>	<b>-14,295</b>	<b>-7.18%</b>	<b>-13,936</b>	<b>-14,833</b>	<b>-6.05%</b>

In reporting this year's registration statistics, we have further refined the granularity of analysis to ensure it remains easy to understand and transparent. An individual registrant can hold more than one designation or title (for example, such as CEng and IEng, or holding CEng with more than one institution), consequently there are more titles recorded on the Register than there are individual registrants. There are currently just over 10,000 individual registrants who hold two or more titles.

To help ensure the clarity of this distinction, reported statistics show the number of "titles" held as well as the number of individual "registrants" this applies to. Whilst the change in numbers is small (less than 0.2%), to ensure an equivalent comparison we have compared 2018 registrants and titles against 2017 registrants and titles.

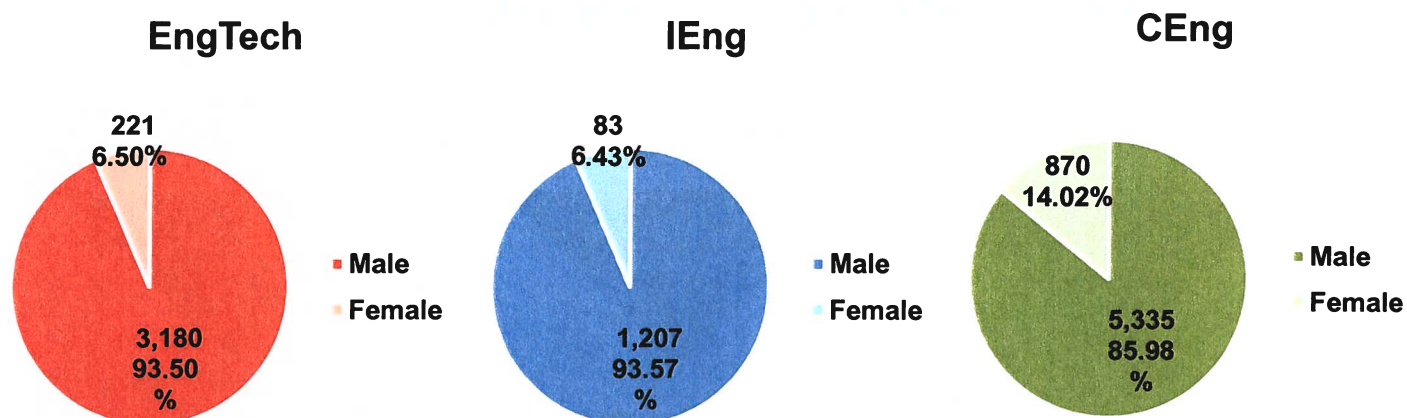
### Reinstatements in 2018

In 2018, there were 2,318 reinstatements to the Register. Reinstatements are registrations that have previously been suspended but have returned to the Register within the last three years.

### Registrations by gender

The percentage of new final stage female titles has increased by 0.25% in 2018 compared to 2017, an increase of 99 in new final stage female registrations, up from 1,078 in 2017 to 1,177 in 2018. Female registrations account for 5.44% of the total number of titles on the Register.

FIGURE 4: NEW FINAL STAGE TITLES BY REGISTRATION TITLE AND GENDER



#### International registrations

FIGURE 5: INTERNATIONAL FINAL STAGE TITLES

	2018	2017
EngTech	1,392	1,378
IEng	3,075	3,191
CEng	41,222	40,733
ICTTech	15	16
Total	45,704	45,318



## 2. Strategy and performance in 2018

FIGURE 6: ENGINEERING COUNCIL'S STRATEGIC PLAN 2018-2020

Our aim to provide public benefit will be delivered through three objectives:



Maintain the Engineering Council's position as an effective and well-respected regulator of the profession

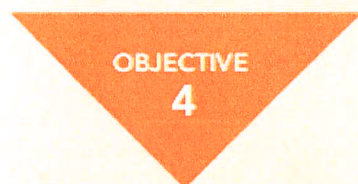


Ensure that no barriers exist for anyone appropriately qualified to become professionally registered

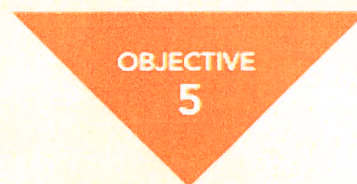


Ensure that the Engineering Council is operationally sound and is recognised by stakeholders as delivering value for money

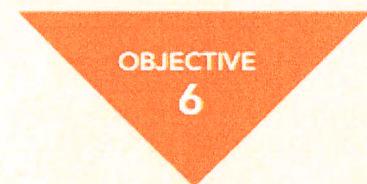
Our aim to maintain a globally recognised Standard will be delivered through three objectives:



Widen engagement with key stakeholders on the promotion of the Register and the Standard



Safeguard and promote UK registration standards internationally



Ensure that the needs and expectations of stakeholders are being met

Our aim to meet future needs will be delivered through three objectives:



Ensure that the regulatory needs of the profession are being met



Ensure that all regulatory functions remain fit for purpose and support the Standard



Ensure that the engineering profession's pathways to registration remain appropriate for the needs of future stakeholders



### 3. 2018 Activities and Achievements

The Engineering Council's Strategic Plan 2018 – 2020 sets out its plans and priorities and shows how this activity supports the delivery of its vision and mission. Our 2018 activities and achievements are reported against the objectives set out in our Strategic Plan.

#### Provide public benefit

##### **1. Maintain the Engineering Council's position as an effective and well-respected regulator of the profession**

A review of the Engineering Council's Charter and Byelaws has been carried out and the revised version was submitted to the Board for approval.

In our capacity as a competent authority in respect of the EU directive on Recognition of Prof Qualifications we engaged with the Department for Business, Energy & Industrial Strategy (BEIS), Department for International Trade (DIT) and the Department for Exiting the European Union (DExEU). We also engaged with the Department for Education (DfE), the Department for Digital, Culture, Media & Sport (DCMS) and the Ministry of Housing, Communities & Local Government (MHCLG) in a variety of contexts, as a competent authority.

We developed a Volunteer Support and Management Strategy, based on research and input from a number of our volunteers, which has been approved and will be implemented over the coming year.

##### **2. Ensure that no barriers exist for anyone appropriately qualified to become professionally registered**

Our five-yearly Standards Review is underway and will ensure that the Standard continues to be relevant, flexible and future-ready for the benefit of all stakeholders. The review is considering potential barriers to professional registration and our public consultation asked respondents to comment on any that they consider exist.

We continue to embrace business improvement techniques to ensure all registration processes remain fit for purpose, efficient and easily understood.

We are acting to champion diversity and inclusion through continuing participation in initiatives including the Royal Academy of Engineering's Graduate Employer Engagement Programme (GEEP) and encouraging the adoption of the Diversity & Inclusion Progression Framework, supporting key stakeholders in integrating diversity and inclusion across the profession.

##### **3. Ensure that the Engineering Council is operationally sound and is recognised by stakeholders as delivering value for money**

The Management Panel has been established, providing direct accountability to the Board and increased transparency, while we continue to operate within stated budgets and accepted parameters. Our risk-based approach to Licensing and ability to engage with work on behalf of the profession (such as the response to Dame Judith Hackitt's independent review of building regulations and fire safety), indicate the value provided by the Engineering Council.

An ICT Strategy has been developed, covering security, data and operations, which will enhance and optimise the IT efficiency of the organisation.

The organisation continues to be certified to the quality management standard ISO9001 and successfully transitioned to the most recent version ISO9001:2015 during 2018. We have formalised and embedded our Project Management Office (PMO) function to support quality standards.

The organisation reviewed many of its policies and procedures during the year, particularly those involving personal data, to ensure they were compliant with the requirements of the General Data Protection Regulation (GDPR) introduced in May 2018. All staff, the Trustee board and many of our volunteers underwent GDPR related training during the year and we held a seminar for PEI staff on the

subject. The finance team continues to make timely payments of all invoices and expenses while managing the annual audit and statutory accounts process.

### Maintain a globally recognised standard

#### **4. Widen engagement with key stakeholders on the promotion of the Register and the Standard**

The Engineering Council's marketing collateral has been reviewed and updated, and we continue to engage with the PEIs and other stakeholders to promote the value of the Register and professional registration.

Having audited our existing branding and defined our key audiences, we are now preparing to research audiences' perceptions of our brand and how it compares to others in our sector.

We have been an integral part of work responding to Dame Judith Hackitt's Review of Building Regulations following the Grenfell Tower tragedy, developing specific competence requirements for engineers working on high-rise, complex buildings. We have also throughout 2018 provided advice and support to those organisations looking to constitute a Cyber Security Alliance, which aims to bring together a number of established bodies to facilitate the professionalisation of those individuals working in the cyber security profession.

#### **5. Safeguard and promote UK registration standards internationally**

Our engagement with overseas partner organisations to secure and maintain appropriate recognition for registrants included successfully hosting the IEA meeting in June 2018. This included a keynote speech from Stephen Metcalfe MP, Government Envoy to the Year of Engineering.

To facilitate mobility, we have agreed a Memorandum of Understanding with Ordem Dos Engenheiros (Portugal) and an Admissions Pathway Agreement (APA) with Engineers Ireland. We have renewed our existing APA with Engineers New Zealand and have received an expression of interest in developing an APA from KIVI (Netherlands).

Working with BSI, we have created a Publicly Available Specification (PAS) to facilitate overseas partners developing and operating competence-based registration systems aligned to UK-SPEC, rather than qualification-based systems.

#### **6. Ensure that the needs and expectations of stakeholders are being met**

Responding to changes in the routes available into engineering, we have engaged with the development of 'T-Levels' in Construction, Digital and Engineering & Manufacturing routes. We also continued to monitor and engage with developments in Trailblazer Apprenticeships, promoting the approval of technician qualifications and apprenticeships as pathways to professional registration. We published a policy statement on Higher Apprenticeships and have developed a model for recognition of these.

As we enhance our CPD monitoring regime, we have established a Professional Development Forum to share practice, tools and processes, and produced a CPD video. We drafted and consulted on an Initial Professional Development (IPD) Policy Statement and we continue to maintain and enhance our online CPD system **mycareerpath** to meet user needs.

We have delivered a well-received series of workshops, with topics based on consultation with stakeholders, including "Promoting professional registration" and "Recruiting and engaging with students".

### Meet future needs

#### **7. Ensure that the regulatory needs of the profession are being met**

Our five-yearly Standards Review, including the UK Standard for Professional Engineering Competence (UK-SPEC) and associated documents, is in progress; we ran a public consultation on all aspects of our Standards, analysed the responses and identified key areas for attention. By year-end we were ready to begin the drafting phase.



Our engagement with employers includes meeting with Thames Water, presenting to Network Rail staff on the value of professional registrations and attending BAE Systems' Professional Registration Steering Group. Employers were also encouraged to respond to the Standards Review consultation.

We are monitoring the use of Engineering Council guidance for engineers and technicians, logging feedback received and suggestions for enhancing this or developing new guidance.

### **8. Ensure that all regulatory functions remain fit for purpose and support the Standard**

We are progressing a risk-based approach to Licensing, including revision of all the associated documentation, expected to be approved in January 2019.

Our current Standards Review Programme includes the Registration Code of Practice and the supporting guidance to the professional engineering institutions.

Work is underway to deliver a registrant portal in 2019, which will allow registrants access to a suite of online services, including the option to view their registration data, renew international registrations and purchase professional stamps.

### **9. Ensure that the engineering profession's pathways to registration remain appropriate for the needs of future stakeholders**

We continue to emphasise that there are multiple pathways available to professional registration, including through our library of case studies and production of a "Benefits of professional registration" video.

Our Registration Working Group is considering how we best meet future needs, including changes in the available routes into engineering.

Building on the work already done with the Royal Academy of Engineering and EngineeringUK to develop an agreed engineering footprint, we have started to develop a report based on Office for National Statistics (ONS) data that will provide a fuller and more up-to-date picture of the UK's engineering workforce.

## **Core business**

The Engineering Council sets and maintains internationally recognised standards for the UK engineering profession, promoting excellence in the licensing of competent institutions, while delivering effective and efficient processes around our Register and providing robust Governance. This is enabled by developing and improving our MarComms, Admin and ICT functions, to provide effective support to our core purpose.

During 2018, we continued to hold regular licence reviews and interim licence reviews for all licensed institutions, carried out reconciliations of our registration data with the data held by institutions and reported to our Board, its committees and panels about our operations.

The Engineering Council also facilitated a series of Engineering Accreditation Board (EAB) visits to universities requesting accreditation of their degree programmes, ran Volunteer Seminars for registrants who act as Liaison Officers with the licensed institutions (and members of our Quality Assurance Committee (QAC)), and carried out external security testing of our systems. Outside the five-yearly Standards Review begun in 2018, the Engineering Council engaged with issues related to education and professional development for professional engineers and technicians, and responded to government consultations.

### Plans for 2019

We continue to work towards the priorities set out in our Strategic Plan, with the overall goal that the Engineering Council maintains its ability to meet the needs of the profession, key stakeholders and society.

In 2019, we expect to tackle a series of challenges and opportunities, including:

- Presenting our revisions to the Engineering Council's Charter & Byelaws to the Privy Council for approval.
- Engaging with the Department for Business, Energy & Industrial Strategy (BEIS) and Department for International Trade (DIT) on post-Brexit arrangements for professional recognition.
- Implementing our Volunteer Support and Management Strategy.
- Continuing our Standards Review, drafting updates to our Standards and related documents as required, before further consultation with stakeholders.
- Implementing our risk-based approach to Licensing and carrying our risk assessment for the licensed institutions.
- Upgrading our SharePoint system for document sharing and storage to maximise business effectiveness.

Understanding and developing the Engineering Council's brand, to ensure it communicates effectively.

Our objective is to be recognised for:

- Our effective and respected regulation of the engineering profession for public benefit
- Delivering an efficient and sustainable service to the profession
- Ensuring our regulatory model remains fit for purpose for both current and future engineers and technicians
- Our wide engagement with stakeholders, consultation and consensus building.



## 4. Risk and compliance

### How the Engineering Council manages risk

The Engineering Council maintains a risk management policy which forms part of the EngC's internal control and governance arrangements. The policy explains the EngC's underlying approach to risk management including how the organisation views, identifies, assesses and manages risk. It also describes the process the Board uses to manage the Engineering Council's risk management process and evaluate the effectiveness of the internal control procedures.

Engineering Council maintains a Trustee Risk Register which identifies risks that could have an impact on the organisation's ability to deliver its strategic objectives, including all legal and financial mandates, assess the probability and impact of those risks occurring and details the measures in place to manage and mitigate them.

The Trustee Risk Register is supported by a number of Functional Risk Registers, each covering the main activities of the Board's Committees and Panels, and which identify risks that could have an impact on the organisation's ability to deliver its strategic objectives in those areas. These registers are reviewed at each of the Committee/Panel meetings with the Management Panel undertaking a holistic review every quarter.

### Role of the Executive Team and Management Panel

Day to day management of individual risks is the responsibility of the appropriate Executive Team member or volunteer(s) where decisions are delegated to them as recorded in the Risk Register. The Risk Register is regularly reviewed by the Executive Team and relevant volunteers and on a by-exception basis. The Management Panel reviews the Risk Register at each meeting and reports any concerns about risk and their management to the Board. The Risk Register is reviewed once a year by the Board. Should any other risk emerge during the year that is assessed to fall into one of the categories described above or which may result in the levels of tolerable risk set out in the EngC's risk appetite statement being exceeded then this should be referred to the Board for review and not wait for the annual review

As part of the business planning process, the Executive Team scans the horizon to identify changes in the external environment that may have an impact on the Engineering Council's operations. Both PESTLE and SWOT analysis frameworks are utilised to do this, which then instructs the 'opportunity and risk' identification process.

As part of the Business Planning process, all key tasks will record risks, opportunities and issues that may affect the achievement of expected outputs in either Functional Risk Registers or the Projects Risk & Opportunities Register and Issues Register.

Based on the horizon scan and organisational SWOT analysis, the emergent opportunities are identified and captured in the Risk and Opportunities Register. The Executive Team reviews the Opportunity Register in the autumn of each year, and prepares and prioritises projects that may exploit the opportunities, subject to resources being available. This will also inform any options analysis, which then drives the budgeting forecast the following year.

This process involves assessing the most significant individual risks on the basis of the likelihood of it occurring, and what the impact to the organisation would be should the risk occur and considering ways of avoiding the risk(s) or mitigating its effect. Each area of risk has been assessed by providing a score to both the impact and the probability of each risk and using these to calculate the overall severity, and therefore, Gross Risk. With the identification and definition of suitable controls and monitoring actions, a judgement is then made as to what extent the impact of the Gross Risk is reduced, thereby reflecting what the Net Risk is.

### Role of the Board

The Trustees assessed the major risks to which the Engineering Council was exposed in accordance with SORP 2015 and were satisfied that systems were in place to mitigate the Engineering Council's exposure to major risks.

The organisation's Risk Policy & Procedure contains the following key principles that outline the Engineering Council's approach to risk management:

- a. As the EngC's principal body, the Board is responsible for risk management;
- b. The Board is responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives while safeguarding the public and other funds and assets for which it is responsible in accordance with its Charter and By-laws;
- c. There should be an open and receptive approach to mitigating risk;
- d. The Finance, Audit & Remuneration Panel (FARP) advises the Board on risk management and advises on compliance to the risk management process. The Risk Register is reported to the Board via FARP who will advise whether they believe the risk management process and policy has been complied with.
- e. The CEO and Executive Team, with input from the volunteer committees and panels where relevant, are responsible for encouraging and implementing good risk management practice across the organisation, in particular the identification, evaluation and management of risk
- f. Early warning mechanisms will be put in place and monitored to alert the Board so that remedial action can be taken to manage any potential hazards.

This policy includes consideration of the organisation's **Risk Appetite** i.e. the level of risk that EngC is prepared to accept in pursuit of its strategic objectives. This Statement informs the EngC's strategy and business planning processes and is reviewed annually by the Board. It sets the context for managing risk and forms an integral part of this policy. The Risk Appetite Statement will also form the basis of delegated levels of authority for decisions including at subordinate panels and committees.

In terms of its willingness to accept certain types of risk, the EngC's approach is to minimise exposure to reputational, compliance and financial risk, whilst accepting that a certain level of risk must be taken to achieve its strategic objectives. Acceptance of risk is subject to ensuring that risks and potential benefits are fully considered and understood before activities are undertaken and that sensible measures are in place to mitigate risk.

### Developments in risk management

2018 saw the formal introduction of the shadow process as trialled in 2017 which saw risks escalate up and cascade down from functional risk registers (e.g. for QAC) which were owned and reviewed regularly by each of the Board's key committees and panels.

The High and Medium Risks as set out on the Trustees Risk Register as of 31 December 2018 were:

#### HIGH Net Risk

1. **UK secession from EU (BREXIT):** Risk that registered engineers would no longer be subject to directives on mobility: other forms of recognition and ways to enable mobility would become more important.  
Mitigation: Continuing work through ETF, leading input into Professional Qualifications Working Group, input and participation in key workshops and consultations

#### MEDIUM Net Risk

2. **Review of profession:** Risk that the current reviews of the profession (e.g. Uff Review) result in the regulatory function being removed or moved to alternative body  
Mitigation: EngC represented on Professional Engineering Committee (PEC) and contributing to key consultations

3. **Registrant numbers:** Risk that registrant recruitment, retention & demographics will/is resulting in loss of registrants and decreasing income to both EngC and EngUK  
Mitigation: EngC Strategic Plan 18-20 proposes key objectives in the area of retention (including consideration of Diversity and Inclusion)
4. **Data Protection:** Risk that EngC does not comply with the requirements of the new General Data Protection Regulation (GDPR)  
Mitigation: Project Team managing transition, legal advisors engaged, key staff trained at both Foundation and Practitioner level

### Internal and external auditing

The Quality Management System (QMS) is now embedded within the Engineering Council's Operational Framework and a robust internal audit schedule is in place. This plan is created and revised by the internal Quality Management Team (QMT), which also manages the internal audit team. In addition, QMT monitors the internal audit process, reviews internal audit reports and follows up on both ISO9001 and internal audit non-conformances and root cause analysis. All findings are recorded in the Internal Audit Log as requested by the Executive Team. The Engineering Council was successfully certified against the ISO 9001:2015 quality management standard in June 2018.



## 5. Financial review

The areas of activity funded during 2018 are set out in section 3 - **2018 Activities and Achievements**. A detailed breakdown of expenditure for the year appears in notes 5-10 to the Financial Statements. FARP regularly scrutinises the organisation's expenditure to ensure that the work of the Engineering Council remains cost-effective.

The inclusion of the Engineering Council Pension Scheme under FRS102 has reduced staff costs by £465,000 (2017 - £465,000), increased direct costs by £91,000 (2017 - £34,000) and resulted in an actuarial gain on the scheme of £172,000 (2017 - £405,000). The overall effect of applying FRS102 is to increase Net Income for the year by £374,000 (2017 - £431,000) and to increase the net movement in funds by £546,000 (2017 - £836,000).

### Engineering Council Pension Scheme

The Trustees of the Engineering Council Pension Scheme met three times during 2018. The Engineering Council, as the Principal Employer, made a deficit plan payment of £465,000 (£465,000 in 2017) to the Scheme, in accordance with the ten-year schedule of contributions, agreed by the Trustees and the Employer in December 2013.

The triennial valuation, as at 31 December 2015, showed a reduced past service deficit of £1,216,000 compared to the deficit disclosed by the 2012 valuation of £3,291,000. The principal factors affecting the change in deficit were: the deficit reduction contributions made by the Employer and the value placed on the liabilities, which was lower than in the previous year due mainly to the increase in the corporate bond yield.

The Trustees and the Employer have agreed that deficit payments should continue in accordance with the previously agreed schedule of contributions, which should see the deficit eliminated in 2019, subject to changes in underlying asset and liability values. The next triennial valuation is due as at 31 December 2018.

### Reserves

In 2018 the Engineering Council held funds of £2,605,403 (£2,729,423 – 2017) as follows:

**Unrestricted general funds** - The Engineering Council's policy is to maintain a level of unrestricted reserves, in accordance with accepted good practice, of a minimum of six months of operating budget. In 2018 six months operating budget was £1.55M (£1.5M – 2017). In calculating the amount of reserves, it should hold the FARP also reviewed the key financial risks to the organisation and identified changes to funding mechanism and/or a shortfall in the annual operating grant, which could result in a lack of funds for Engineering Council operations. Consequently, a minimum reserve of six months operating budget was deemed appropriate.

**Restricted funds** – The organisation continues to hold a small restricted fund of £18,772 – 2018 (£18,772 – 2017) in respect of the Gateways Knowledge Partnership funding.

The pension reserve was £nil at the year end with the pension grant received in year again being equivalent to the current year recovery plan contributions of £465k (£465k – 2017).

The general fund, as shown in the financial statements, includes an unrecognised surplus of £1.921M (2017 surplus - £1.375), due to an excess of assets over liabilities in the scheme this year. The figure as calculated under FRS102 is in respect of the defined benefit scheme. This amount is not recognised within the Engineering Council's financial statements as the organisation has no rights over the Scheme's assets. The 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 organisation's cash flow in the short term, and that in the long term its effects can be sustained from future income.



Disregarding the above and the tangible fixed assets for reserves policy purposes, the charity's general fund was £2,484,015 (2017 - £2,534,589); a figure not materially different from nine months' expenditure.

The majority of the reserves are held in investments, with the remainder held in cash.

### Investment Policy and Returns

The Trustees considered the most appropriate policy for investing funds to be 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.

The Barings Targeted Return Fund invests across asset classes and through both direct holdings as well as in-house and third party funds. The Targeted Return Fund does not invest directly in companies which manufacture tobacco products.

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. The investment manager's fees are absorbed in the value of the fund and are therefore not separately identifiable.

FARP reviews the fund performance at each of its meetings and the fund manager attends FARP once a year to discuss fund performance. The fund manager's report for 2018 follows.

*During 2018 there was considerable nervousness and volatility in financial markets. This has been somewhat surprising given that forward earnings of companies have grown by about 8% and yet their share prices fell 8.5% (MSCI World Total Return). It has been a combination of factors. Firstly, the impact of gradual increases in interest rates in the United States and the draining of liquidity led to less cash being available for investment in assets. Secondly economic activity had been slowing which should not have come as a great surprise given that there have been 8-10 years of growth and so it is a late stage in the cycle. Thirdly concerns about growth elsewhere in the world were heightened by the rising tensions over international trade and in particular relations between China and US. All of these factors combined, had major impacts across many asset classes. In total 14 out of 15 major asset classes fell in 2018 and that left nowhere to hide. The Targeted Return fund fell 6.6% during the year. The bulk of the losses occurred in the fourth quarter when a number of the issues discussed above came to a climax. The Fund has maintained its exposure to equity and economically sensitive bonds such as credit and so the bulk of the fall occurred in that period.*

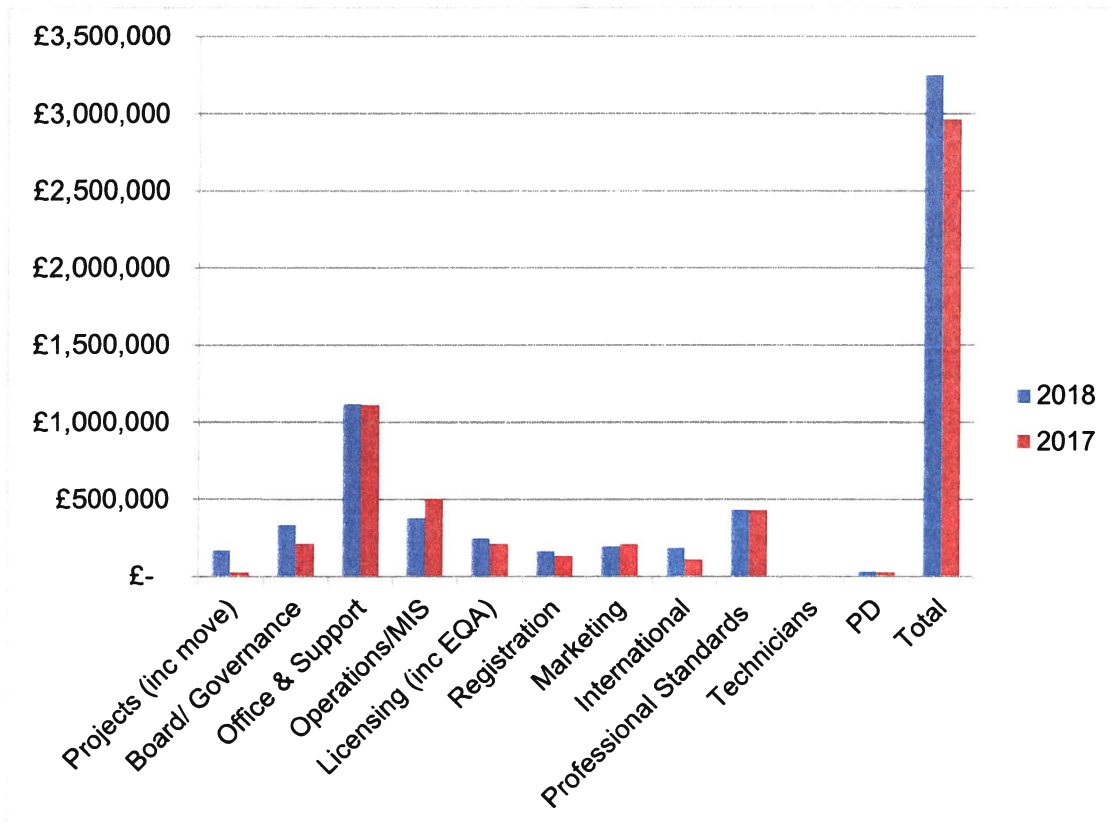
The Trustees confirmed they were happy to continue with the appointment of Baring Asset Management Limited as fund managers.

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

### Expenditure on charitable activities

The following graph sets out the amounts spent on key areas of activity in both 2017 and 2018

FIGURE 7: 2018 & 2017 EXPENDITURE



## 6. Public benefit report

One of the key elements of the organisation's core business is to ensure that the professional engineering community continues to provide public benefit through appropriate structures and professional behaviours.

This section provides a review of the significant or main activities undertaken by the Engineering Council to further its charitable purposes for the public benefit.

The Trustees confirm they have referred to the Charity Commission's general guidance on Public Benefit when reviewing the Engineering Council's aims and objectives and in planning future activities that will contribute to delivering the strategy OR vision and mission.

### **What is the Engineering Council there to achieve?**

The purposes of the Engineering Council are set out as follows:

#### **Objective:**

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 licence competent institutions to champion the standards, for the deliverance of public benefit.

#### **Vision:**

That society continues to have confidence and trust in the engineering profession.

### **What has the Engineering Council done during 2018 to carry out those purposes for the public benefit?**

#### ***Against the principles of public benefit***

Against each of the principles of public benefit and their key factors, as set out in the Charity Commission guidance, the Engineering Council is able to assess whether each factor has been met.



Table 1

Serial	Principle or factor	Assessment
<b>1</b>	<b><i>There must be an identifiable benefit or benefits</i></b>	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 is that 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 emphasise safety, sustainability and concern for the environment. Benefits vastly outweigh detriment. Downside would be greater without professional ethical commitment. See Table 2, serial 2.
<b>2</b>	<b><i>Benefit must be to the public, or to a section of the public</i></b>	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>	Confirmed.
2b	<i>Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted by:</i>  <i>Geographical or other restrictions</i>  <i>Ability to pay any fees charged</i>	Individual registrants, totalling more than 230,000, 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 £19 for Engineering Technician to £39 for Chartered Engineer, reducible to £8.40 and £17.60 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	<i>People in poverty must not be excluded from the opportunity to benefit</i>	Covered in 2 and 2b above.
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.



**As per specific activities and benefits:****Table 2**

Serial	Engineering Council activity	Institution activity	Effect	Public benefit
1	Set and maintain standards of professional competence in four categories: Engineering Technician, Incorporated Engineer, Chartered Engineer, ICT Technician	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 and 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 vocational qualifications and programmes for technicians; host a technician working group to develop initiatives and share good practice	Approve Vocational Qualifications (VQs) and apprenticeship programmes	Links existing VQs and apprenticeship programmes to Engineering Technician standard	Informs awarding organisations and apprenticeship developers of suitability of VQs and apprenticeship programmes for registration; allows individuals with approved VQs and apprenticeships 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 and 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

## 7. How we operate

### How we are governed

The Engineering Council, whose registered office is Woolgate Exchange, 25 Basinghall Street, London, EC2V 5HA was incorporated by Royal Charter on 27 November 1981 and is a registered charity, No. 286142, whose objects are:

*To advance education in, and to 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.*

However, as a result of changes made to the profession under the direction of Lord Sainsbury, Minister for Science and Innovation (1998 to 2006), the scope and responsibility was narrowed down to operate the national Register.

### How we are funded

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

This operating grant is used to cover the cost of carrying out regulatory activities, which include maintenance of standards; licensing of professional engineering institutions as Licensed Members and Professional Affiliates; international representation in FEANI and the International Engineering Alliance; operation of the engineering profession's national Register; and support for the promotion of registration by professional engineering institutions.

The annual registration fees from Engineering Technicians, Incorporated Engineers, Chartered Engineers and ICT Technicians support the work of the Engineering Council and EngineeringUK.

### The Board of Trustees

The Engineering Council is governed by a 22-member Board of Trustees, which is appointed in accordance with the Engineering Council's Bye-laws. Twelve of the members are appointed by the major professional engineering institutions, three by the smaller institutions and the remaining seven by EngineeringUK. The composition of the Board provides stakeholder representation through institution-nominated members, and the involvement of the wider profession through EngineeringUK nominees.

The Board chaired by Prof Chris Atkin CEng FRAeS met on three occasions in 2018.

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

The constitution and membership of the Board is published on the Engineering Council website ([www.engc.org.uk](http://www.engc.org.uk)). An extranet requiring a password (from October 2017, the Partner Portal, at <https://partner.engc.org.uk>) is available to stakeholders; primarily Licensed Members, Professional Affiliates, Engineering Council Trustees, and volunteer members of the Engineering Council's Committee and Panels, as well as Engineering Council staff. The Charter and Bye-laws, Regulations and Terms of Reference of the Board's Committees and Panels are published on the Partner Portal together with other information including agendas, minutes and papers and proceedings of the Board, Committees and Panels.

Within three months of joining the Board, Trustees are given an induction by the Executive Team, which is based on the Institute of Chartered Secretaries and Administrators Best Practice Guide to the Appointment and Induction of Charity Trustees.

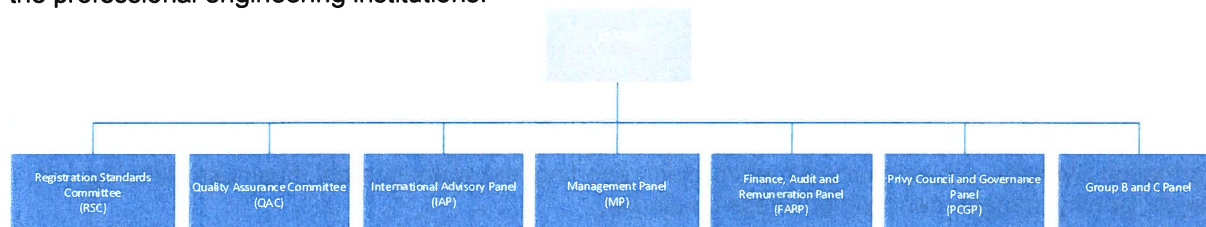


The following table presents the Board members.

	Nominated by	Board Member	Term of Office ended	Term of Office started
1	BCS, The Chartered Institute for IT	Prof Kevin Jones CEng CIP CSci FIET FBCS		
2	Chartered Institution of Building Services Engineers	Mr George Adams CEng FCIBSE		
3	Institution of Chemical Engineers	Prof Jonathan Seville CEng FICHEM FREng		
4	Institution of Civil Engineers	EUR ING Bill Hewlett CEng FICE FIET		
5	Institution of Engineering & Technology	Mr Tom Ridgman CEng FIET	Jun 2018	
		Mr James Baker CEng FIET		Jun 2018
6	Institution of Engineering & Technology	Ms Michelle Richmond CEng FIET		
7	Institute of Marine Engineering, Science & Technology	John Chudley CEng FIMarEST		
8	Institute of Materials, Minerals and Mining	EUR ING Dr Graham Woodrow CEng FIMMM		
9	Institution of Mechanical Engineers	Mr Rob Smith CEng FIMechE		
10	Royal Aeronautical Society	Prof Chris Atkin CEng FRAeS		
11	Society of Operations Engineers	Mr Stephen Catte CEnv IEng HonFSOE		
12	Institution of Structural Engineers	Prof Roger Plank CEng MICE FISTructE		
13	Group B Institutions	Terry Fuller CEng MICE MCIWEM		
14	Group B Institutions	EUR ING Prof Simon Vaitkevicius CEng FIED		
15	Group C Institutions	George Marsh TD DL CEng FICE FInstRE		
16	EngineeringUK	Mr Doug Alexander		
17	EngineeringUK	Mr Paul Excell CEng FIET FBCS	Jun 2018	
		Ms Ann Watson		Jun 2018
18	EngineeringUK	Dr Carolyn Griffiths CEng FIMechE FREng		
19	EngineeringUK	Mr Chris Boyle BComm		
20	EngineeringUK	Col Martin Court CEng FIMechE		
21	EngineeringUK	Vacant		
		Capt Mike Rose RN CEng MIMarEST		Apr 2018
22	EngineeringUK	Vacant		
		Mr David Short CEng FRAeS MIET		Apr 2018

## Committees and Panels

The Board operates through the two principal committees and five panels listed below. All committee and panel Chairs are members of the Board. Other committee and panel members are nominated by the professional engineering institutions.



The **Registration Standards Committee (RSC)** has oversight of matters to do with the education, training and professional development of professional engineers and technicians. It is responsible for maintaining the standards of competence and commitment and maintaining the underpinning knowledge and understanding requirements for professional registration. This includes publishing, and keeping under review, the Registration Code of Practice that aligns with the requirements set out in the UK Standard for Professional Engineering Competence (UK-SPEC), the ICT Technician Standard, and the standards for the accreditation of HE programmes and approved apprenticeships. RSC comprises nominees from professional engineering institutions, including from academia and industry, which ensures that the Engineering Council is kept abreast of developments in education and professional development that relate to professional engineers and technicians. The committee met three times in 2018.

The **Quality Assurance Committee (QAC)** is responsible for licensing professional engineering institutions that are considered competent to assess candidates for professional registration, accredit academic programmes, and approve professional development schemes. This involves a periodic review of the institutions' registration process, reviewing and making appropriate changes to licensing policies and processes, and encouraging information exchange between institutions, while maintaining an overview of licence related issues. It also approves suitable bodies as Professional Affiliates. QAC comprises members nominated by the licensed institutions who are registrants and of suitable standing and experience. The committee met four times in 2018.

The **International Advisory Panel (IAP)** is responsible for advising on matters that have an impact on the global recognition of Engineering Council standards and the international mobility of engineering professionals. This involves advising on the international promotion of the national Register, updating the Board on relevant international developments, guiding the Engineering Council's international activity and identifying suitable representatives of the UK engineering profession to join international committees. IAP acts as the National Monitoring Committee for FEANI registration purposes and as the responsible Committee for the UK section of International Registers. IAP also promotes the flow of communications between the Engineering Council and the institutions on international matters. IAP comprises nominees from professional engineering institutions, including from academia and industry, with international experience and expert knowledge of mobility issues affecting professional engineers and technicians. The panel met three times in 2018.

The **Finance, Audit and Remuneration Panel (FARP)** has responsibility for keeping the financial management of the Engineering Council under review. Through the delegated authority of the Board, it approves variations to expenditure and investment policy within established limits. The Panel advises the Board and CEO on financial services; monthly management accounts; remuneration; staff pensions; subscription and fees policies; the annual budget, report and accounts; risk assessment policy; audit reports; delegated financial authorities; marketing and promotions activity; and the business continuity plan. In addition to the Chair, FARP comprises three current trustees and one other member with relevant knowledge and experience. The panel met three times in 2018.

The **Privy Council and Governance Panel (PCGP)** is responsible for the periodic review of the Charter, Bye-laws and Regulations of the Engineering Council, and making proposals for change to the Board. The Panel also advises the Board on its response to requests for advice from the Privy Council Office and other government departments on matters concerning the constitution of relevant institutions.



PCGP provides advice to professional engineering institutions on constitution, governance and disciplinary procedures. This involves publishing and reviewing guidance on disciplinary procedures and consulting with Licensed Members on significant proposed changes to policies or procedures. PCGP also considers representations from professional engineering institutions, registrants or members of the public concerning the conduct of institutions or registrants and determines whether, and if so how, appeal proceedings should take place. PCGP comprises suitable nominees from the Board, together with advisors to assist in this work of the Panel. The PCGP met four times in 2018.

The **Management Panel (MP)** is responsible for day to day operational decision making and management of the organisation. The Panel is chaired by the CEO and comprises of the CEO, the Deputy CEO/Operations Director, Head of Professional Standards and the Head of Administration & Support and meets approximately every four to six weeks. Its standing agenda includes IT and Management Information Systems, project management/project reporting, risk management, business planning, HR, finance, quality management and business continuity.

The **Group B and C Panel** provides a forum for the exchange of information and good practice with respect to membership and registration matters concerning small (Group C) and medium-sized (Group B) institutions. It also discusses pan-engineering issues of joint concern and, where appropriate, provides focus for campaigns or lobbying and the dissemination of a collective view. The Panel provides a platform for organisations and individuals to present topics of common interest, including identifying and implementing opportunities for co-operation between institutions for mutual benefit and the public good.

### 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 days given freely to the Engineering Council throughout the year as approximately 1,200. Given the standing of those involved, the financial equivalent would be in the order of £620,000 per annum. These figures have not significantly changed in the last year.

Volunteers Seminars were held in May and November in 2018. These were well attended, with more than 50 volunteers at each session.

### Remuneration Policy

The Engineering Council is committed to ensuring that it pays staff fairly and at an appropriate level in order to attract and retain people with the right skills and experience to ensure that the organisation delivers its charitable objectives and strategic plan.

FARP has delegated authority from the Board of Trustees to determine all matters relating to staff pay and reward. In determining staff remuneration, FARP considers factors such as the increase in cost of living and the general rate of salary increases in the market during the preceding 12 months. Bonus payments are awarded on a discretionary basis to provide staff with appropriate incentives to encourage enhanced performance and to reward them in a fair and responsible manner for their individual contributions to the success of the organisation.

### Key management personnel

#### Chief Executive Officer

Alasdair Coates BEng(Hons) MSc CEng FICE MCIHT CMIOSH

#### Operations Director & Deputy Chief Executive Officer

Paul Bailey BSc (Hons)

#### Head of Administration & Support

Gillian Paterson MA FCIPD

#### Head of Professional Standards

Katy Turff CMgr MCMI



## Professional Advisors

Service	Organisation	Address
Actuaries	Cartwright Benefit Consultants Ltd.	175 Kings Road, Reading, RG1 4EY
Auditors	haysmacintyre	10 Queen Street Place, London EC4R 1AG
Bankers	HSBC Bank plc	165 Fleet Street, London, EC4A 2DY
Financial Accountants	Kreston Reeves LLP	37 St Margaret's Street, Canterbury, CT1 2TU
Investment Managers	Barings Asset Management Ltd	155 Bishopsgate, London, EC2M 3XY
Insurance Brokers	Aon Consulting Ltd	Briarcliff House, Kingsmead, Farnborough, GU 14 7TE
Pension Administrators	Cartwright Benefit Consultants Ltd.	Boundary House, 4 Country Place, Chelmsford, Essex, CM2 0RP
Pension & Life Assurance Advisors	Jelf Group plc	Endeavour House, Crow Arch Lane, Ringwood, Hampshire, BH24 1HP
Solicitors – Pensions and general	Wedlake Bell LLP	52 Bedford Row, London, WC1R 9HF
Solicitors - Property	Bates Wells & Braithwaite London LLP (BWB)	10 Queen Street Place, London, EC4R 1BE
Solicitors - Governance	Bircham Dyson Bell	50 Broadway, Westminster, London, SW1H 0BL

## 8. 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 and Wales requires the Trustees to prepare financial statements for each financial year, which provides a true and fair view of the state of affairs and 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 Statements of Recommended Practice (SORP)
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, insofar 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, the applicable Charity (Accounts and Reports) Regulations and the provisions of the Trust Deed. They are also responsible for safeguarding the assets of the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The above Trustees' Report on pages 1-28 was approved by the Trustees on

20 June 2019 and signed on their behalf by the Chairman of the Board:

A handwritten signature in blue ink, appearing to read 'C. J. Atkin', followed by a period.

Prof Chris Atkin CEng FRAeS FREng

## Independent auditor's report to the Trustees of The Engineering Council

### Opinion

We have audited the financial statements of The Engineering Council for the year ended 31 December 2018 which comprise the Statements of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2018 and of the charity's net movement in funds 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.

### Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 27, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



### Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the charity; or
- sufficient accounting records have not been kept; or
- the charity 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.

### Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an Auditor's 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's trustees as a body for our audit work, for this report, or for the opinions we have formed.

*Haysmacintyre LLP*

Haysmacintyre LLP  
Statutory Auditors  
10 Queen Street Place  
London  
EC4R 1AG

Date: *3rd July 2019*

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**Statement of financial activities  
for the year ended 31 December 2018**

	Note	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
<b>Income from:</b>					
Charitable activities	2	465,000	2,777,747	3,242,747	3,023,533
Other trading activities	3	-	10,830	10,830	10,556
Investments	4	-	77,952	77,952	65,520
<b>Total income</b>		<b>465,000</b>	<b>2,866,529</b>	<b>3,331,529</b>	<b>3,099,609</b>
<b>Expenditure on:</b>					
Raising funds	3	-	1,854	1,854	517
Charitable activities	5	465,000	2,416,264	2,881,264	2,550,596
<b>Total expenditure</b>		<b>465,000</b>	<b>2,418,118</b>	<b>2,883,118</b>	<b>2,551,113</b>
<b>Net income before investment gains/(losses)</b>					
		-	448,411	448,411	548,496
Net gains/(losses) on investments	12	-	(198,431)	(198,431)	110,549
<b>Net income before other recognised gains and losses</b>		-	249,980	249,980	659,045
Derecognition of pension surplus	20	-	(546,000)	(546,000)	(836,000)
Actuarial gains on defined benefit pension schemes	20	-	172,000	172,000	405,000
<b>Net movement in funds</b>		-	(124,020)	(124,020)	228,045
<b>Reconciliation of funds:</b>					
Total funds brought forward		18,772	2,710,651	2,729,423	2,501,378
<b>Total funds carried forward</b>		<b>18,772</b>	<b>2,586,631</b>	<b>2,605,403</b>	<b>2,729,423</b>

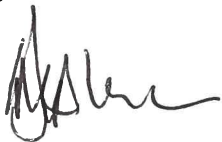
The notes on pages 34 to 54 form part of these financial statements.

## Balance sheet as at 31 December 2018

	Note	£	2018 £	£	2017 £
<b>Fixed assets</b>					
Tangible assets	11		102,616		176,062
Investments	12		<u>1,764,299</u>		<u>1,889,258</u>
			1,866,915		2,065,320
<b>Current assets</b>					
Debtors	13	333,423		257,709	
Cash at bank and in hand			<u>712,864</u>	<u>665,654</u>	
			1,046,287	923,363	
<b>Creditors:</b> amounts falling due within one year	14		<u>(307,799)</u>	<u>(259,260)</u>	
<b>Net current assets</b>			<u>738,488</u>		<u>664,103</u>
<b>Net assets including pension scheme liabilities</b>			<u>2,605,403</u>		<u>2,729,423</u>
<b>Charity Funds</b>					
Restricted funds	16		18,772		18,772
Unrestricted funds	16		<u>2,586,631</u>		<u>2,710,651</u>
<b>Total funds</b>			<u>2,605,403</u>		<u>2,729,423</u>

The financial statements were approved and authorised for issue by the Trustees on and signed on their behalf, by:

20 June 2019



Mr Douglas Alexander  
Chairman of the Finance,  
Audit and Remuneration Panel



Professor Christopher Atkin CEng FRAeS FREng  
Chairman of the Board

The notes on pages 34 to 54 form part of these financial statements.



**Statement of cash flows  
for the year ended 31 December 2018**

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	18	<u>126,199</u>	<u>242,968</u>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		480	5,367
Purchase of tangible fixed assets		(5,997)	(1,864)
Purchase of investments		<u>(73,472)</u>	<u>(60,153)</u>
<b>Net cash used in investing activities</b>		<u>(78,989)</u>	<u>(56,650)</u>
<b>Change in cash and cash equivalents in the year</b>		<b>47,210</b>	<b>186,318</b>
Cash and cash equivalents brought forward		<u>665,654</u>	<u>479,336</u>
<b>Cash and cash equivalents carried forward</b>	19	<u><u>712,864</u></u>	<u><u>665,654</u></u>

The notes on pages 34 to 54 form part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2018

### 1. Accounting policies

#### 1.1 Legal status

The Engineering Council is an unincorporated charity registered with the Charity Commission. The registered office is 5th Floor, Woolgate Exchange, 25 Basinghall Street, London, EC2V 5HA.

#### 1.2 Basis of preparation of financial statements

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) published on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and Charities Act 2011.

The Engineering Council constitutes a public benefit entity as defined by FRS 102.

#### 1.3 Going concern

The Trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

#### 1.4 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

#### 1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred on the charity's operations, including support costs and costs relating to the governance of the charity apportioned to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

**Notes to the financial statements  
for the year ended 31 December 2018**

**1. Accounting policies (continued)**

**1.6 Tangible fixed assets and depreciation**

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

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. 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.

**1.7 Investments**

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of financial activities.

**1.8 Interest receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

**1.9 Operating leases**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

**1.10 Debtors**

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**1.11 Cash at Bank and in hand**

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.



## Notes to the financial statements for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.12 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### 1.13 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

#### 1.14 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.

#### 1.15 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 or 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.

**Notes to the financial statements  
for the year ended 31 December 2018**

**1. Accounting policies (continued)**

**1.16 Critical accounting estimates and areas of judgment**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates and assumptions:*

The charity makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Defined benefit pension scheme*

In the application of the accounting policies, Trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

The charity also contributes to the Engineering Council Pension Scheme. The scheme is a defined benefit scheme in accordance with section 28 of FRS 102. Service costs, curtailments, settlement gains and losses, net financial returns and remeasurement gains and losses are included in the Statement of Financial Activities in the year to which they relate.

Changes in the assets and liabilities of the scheme in the year are disclosed and allocated as follows:

- Changes relating to current or past service costs and gains and losses on settlements and curtailments and pension finance costs arising from changes in the net of the interest costs and expected return on assets, are allocated to the relevant activity heading based on staff costs of employees within the scheme.
- Pension finance charges arising from similar changes are recognised as expenditure.
- Remeasurement gains and losses are recognised as other recognised gains and losses.

The assets, liabilities and movements in the surplus or deficit of the scheme are calculated by qualified independent actuaries as an update to the latest full actuarial valuation.

Details of the scheme assets and liabilities and major assumptions are shown in note 20.

*Tangible fixed assets*

The useful economic lives of tangible fixed assets are based on management's judgement and experience. When management identifies that accrual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted retrospectively. Although tangible fixed assets are significant, variances between actual and estimated useful economic lives will not have a material impact on the operating results. Historically, no changes have been required.

In the view of the trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

## Notes to the financial statements for the year ended 31 December 2018

### 1. Accounting policies (continued)

#### 1.17 Pensions

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

The Engineering Council fully adopts Financial Reporting Standard 102 (FRS102) and the impact of this standard has been reflected throughout the financial statements.

In accordance with FRS102, 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 FRS102, the balance sheet includes the surplus or deficit in the scheme. This has been estimated for the purposes of FRS102 based on the results of the funding Actuarial Valuation, adjusted for the different assumptions and taking into consideration subsequent cash flows.

Further details regarding the scheme are disclosed in note 20.

The Engineering 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.

#### 1.18 Taxation

The charity is exempt from tax on its charitable activities.

#### 1.19 Value Added Tax

Due to the nature of the Engineering 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.



**Notes to the financial statements  
for the year ended 31 December 2018**

**2. Income from charitable activities - 2018**

	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £
Grants	465,000	2,461,610	2,926,610
FEANI income	-	70,915	70,915
Miscellaneous income	-	141,250	141,250
Admin fee from EngineeringUK	-	44,664	44,664
Professional services	-	28,975	28,975
MCP licence fees	-	30,333	30,333
	<u>465,000</u>	<u>2,777,747</u>	<u>3,242,747</u>

**Income from charitable activities - 2017**

	Restricted funds 2017 £	Unrestricted funds 2017 £	Total funds 2017 £
Grants	465,000	2,389,913	2,854,913
FEANI income	-	67,753	67,753
Miscellaneous income	-	315	315
Admin fee from EngineeringUK	-	44,452	44,452
Professional services	-	27,100	27,100
MCP licence fees	-	29,000	29,000
	<u>465,000</u>	<u>2,558,533</u>	<u>3,023,533</u>

**3. Other trading activities**

	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Trading income	<u>-</u>	<u>10,830</u>	<u>10,830</u>	10,556
Stamp purchases	<u>-</u>	<u>1,854</u>	<u>1,854</u>	517
Net income from other trading activities	<u>-</u>	<u>8,976</u>	<u>8,976</u>	10,039

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

In 2018, all £10,830 (2017: £10,039) of other trading activities was attributable to unrestricted funds.

**Notes to the financial statements  
for the year ended 31 December 2018**

**4. Investment income - 2018**

	<b>Restricted funds 2018 £</b>	<b>Unrestricted funds 2018 £</b>	<b>Total funds 2018 £</b>
Interest from fixed asset investments	-	73,472	73,472
Bank interest receivable	-	480	480
Pension income (note 10)	-	4,000	4,000
	<u>-</u>	<u>77,952</u>	<u>77,952</u>

**Investment income - 2017**

	<b>Restricted funds 2017 £</b>	<b>Unrestricted funds 2017 £</b>	<b>Total funds 2017 £</b>
Interest from fixed asset investments	-	60,153	60,153
Bank interest receivable	-	367	367
Pension income (note 10)	-	5,000	5,000
	<u>-</u>	<u>65,520</u>	<u>65,520</u>

**5. Expenditure on Charitable Activities**

	<b>Activities undertaken directly 2018 £</b>	<b>Support costs 2018 £</b>	<b>Total 2018 £</b>	<b>Total 2017 £</b>
Charitable activities	<u>2,593,878</u>	<u>287,386</u>	<u>2,881,264</u>	<u>2,550,596</u>
Total 2017	<u>2,279,311</u>	<u>271,285</u>	<u>2,550,596</u>	

**Notes to the financial statements  
for the year ended 31 December 2018**

**6. Direct costs - 2018**

	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £
Pension expense (note 10)	-	95,000	95,000
Project spend	-	220,637	220,637
Recruitment and temporary staff	-	51,659	51,659
Training	-	20,213	20,213
Computer and information systems costs	-	232,174	232,174
Advertising	-	22,296	22,296
Travel and subsistence	-	91,546	91,546
Subscriptions and meetings	-	107,930	107,930
Accommodation costs	-	234,892	234,892
Wages and salaries (note 9)	465,000	1,052,531	1,517,531
	<u>465,000</u>	<u>2,128,878</u>	<u>2,593,878</u>

**Direct costs - 2017**

	Restricted funds 2017 £	Unrestricted funds 2017 £	Total funds 2017 £
Pension expense (note 10)	-	39,000	39,000
Project spend	-	29,669	29,669
Recruitment and temporary staff	-	50,860	50,860
Training	-	20,423	20,423
Computer and information systems costs	-	201,043	201,043
Advertising	-	52,042	52,042
Travel and subsistence	-	107,649	107,649
Subscriptions and meetings	-	102,375	102,375
Accommodation costs	-	230,485	230,485
Wages and salaries (note 9)	465,000	980,765	1,445,765
	<u>465,000</u>	<u>1,814,311</u>	<u>2,279,311</u>



**Notes to the financial statements  
for the year ended 31 December 2018**

**7. Support costs - 2018**

	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £
<b>General support</b>			
Telephone	-	9,299	9,299
Printing, stationery and office supplies	-	44,828	44,828
Maintenance of equipment	-	19,493	19,493
Sundries	-	4,336	4,336
Rental of office equipment	-	2,218	2,218
Bank charges	-	3,955	3,955
Accountancy	-	4,680	4,680
Legal and professional fees	-	30,642	30,642
Insurance	-	30,087	30,087
Application fees	-	20,239	20,239
Office move costs	-	4,821	4,821
Depreciation	-	79,443	79,443
<b>Governance</b>			
Accountancy	-	20,436	20,436
Auditors' remuneration	-	12,909	12,909
	<u>-</u>	<u>287,386</u>	<u>287,386</u>

**Support costs - 2017**

	Restricted funds 2017 £	Unrestricted funds 2017 £	Total funds 2017 £
<b>General support</b>			
Telephone	-	11,547	11,547
Printing, stationery and office supplies	-	38,740	38,740
Maintenance of equipment	-	19,376	19,376
Sundries	-	7,110	7,110
Rental of office equipment	-	4,232	4,232
Bank charges	-	4,103	4,103
Accountancy	-	5,180	5,180
Legal and professional fees	-	16,119	16,119
Insurance	-	46,496	46,496
Application fees	-	2,866	2,866
Office move costs	-	285	285
Exchange rate variance	-	59	59
Depreciation	-	81,447	81,447
<b>Governance</b>			
Accountancy	-	21,411	21,411
Auditors' remuneration	-	12,314	12,314
	<u>-</u>	<u>271,285</u>	<u>271,285</u>

**Notes to the financial statements  
for the year ended 31 December 2018**

**8. Net income/(expenditure)**

This is stated after charging:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets:		
- owned by the charity	<b>79,443</b>	81,447
Auditor's remuneration - excluding VAT	<b>10,800</b>	10,470
Operating lease rentals	<b><u>130,474</u></b>	<u>130,474</u>

During the year, no Trustees received any remuneration (2017 - £NIL).

During the year, no Trustees received any benefits in kind (2017 - £NIL).

10 Trustees received reimbursement of expenses amounting to £5,728 in the current year, (2017 - 8 Trustees - £3,837).

**9. Staff costs**

Staff costs were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>1,180,725</b>	1,122,847
Social security costs	<b>127,730</b>	122,322
Pensions - contributions to defined contribution scheme	<b>209,076</b>	200,596
Pensions - operating costs of defined benefit scheme	-	-
	<b>1,517,531</b>	1,445,765
Pensions - Administrative expenses	<b>95,000</b>	80,000
Adjustment to recognise full value of defined benefit pension scheme	-	(41,000)
	<b><u>1,612,531</u></b>	<u>1,484,765</u>

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

<b>2018</b>	<b>2017</b>
<b>No.</b>	<b>No.</b>
<b><u>29</u></b>	<u>27</u>

**Notes to the financial statements  
for the year ended 31 December 2018**

The number of higher paid employees was:

	2018 No.	2017 No.
In the band £60,001 - £70,000	1	1
In the band £70,001 - £80,000	1	1
In the band £90,001 - £100,000	1	1
In the band £110,001 - £120,000	-	1
In the band £140,001 - £150,000	1	-
	<u>4</u>	<u>4</u>

Employers pension contributions totalling £35,927 (2017: £29,298) were paid to higher paid employees.

The total employment benefits of the key management personnel were £458,185, including employer's national insurance contributions of £41,517 (2017 - £420,566, including employer's national insurance contributions of £37,847).

**10. Pension expense**

	2018 £	2017 £
Interest on scheme liabilities	(327,000)	(334,000)
Interest on scheme assets	331,000	339,000
Administrative expenses	(95,000)	(80,000)
Adjustment to recognise full value of defined benefit pension scheme	-	41,000
	<u>(91,000)</u>	<u>(34,000)</u>



**Notes to the financial statements  
for the year ended 31 December 2018**

**11. Tangible fixed assets**

	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2018	196,280	27,146	275,646	499,072
Additions	-	2,025	3,972	5,997
At 31 December 2018	196,280	29,171	279,618	505,069
<b>Depreciation</b>				
At 1 January 2018	90,056	26,038	206,916	323,010
Charge for the year	39,257	1,035	39,151	79,443
At 31 December 2018	129,313	27,073	246,067	402,453
<b>Net book value</b>				
At 31 December 2018	66,967	2,098	33,551	102,616
At 31 December 2017	106,224	1,108	68,730	176,062

**12. Fixed asset investments**

	Listed securities £
<b>Market value</b>	
At 1 January 2018	1,889,258
Additions	73,472
Revaluations	(198,431)
At 31 December 2018	1,764,299
<b>Historical cost</b>	
	1,621,807

All investments are held in the UK.

**Notes to the financial statements  
for the year ended 31 December 2018**

**13. Debtors**

	2018 £	2017 £
Trade debtors	9,638	7,916
Amounts owed by group undertakings	46,583	12,663
Other debtors	224,005	165,010
Prepayments and accrued income	53,197	72,120
	<u>333,423</u>	<u>257,709</u>

**14. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	112,579	40,559
Other taxation and social security	69,672	63,397
Other creditors	1,414	1,414
Accruals and deferred income	124,134	153,890
	<u>307,799</u>	<u>259,260</u>

**15. Financial instruments**

	2018 £	2017 £
Financial assets measured at fair value through income and expenditure	1,889,258	1,889,258
Financial assets measured at amortised cost	<u>794,262</u>	<u>710,326</u>
	<u>2,683,520</u>	<u>2,599,584</u>
Financial liabilities measured at amortised cost	<u>(238,127)</u>	<u>(186,578)</u>

Financial assets measured at fair value through income and expenditure comprise fixed asset investments.

Financial assets measured at amortised cost comprise cash at bank and in hand, accrued income, trade debtors, intercompany balances and season ticket loans.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

**Notes to the financial statements  
for the year ended 31 December 2018**

**16. Statement of funds**

**Statement of funds - current year**

	Balance at 1 January 2018 £	Income £	Expenditure £	Transfers in/(out) £	Gains £	Balance at 31 December 2018 £
<b>Unrestricted funds</b>						
General fund	2,710,651	2,866,529	(2,418,118)	(374,000)	(198,431)	2,586,631
Pension reserve	-	-	-	374,000	(374,000)	-
	<u>2,710,651</u>	<u>2,866,529</u>	<u>(2,418,118)</u>	<u>-</u>	<u>(572,431)</u>	<u>2,586,631</u>
<b>Restricted funds</b>						
Engineering Gateway project	18,772	-	-	-	-	18,772
Pension fund grant	-	465,000	(465,000)	-	-	-
	<u>18,772</u>	<u>465,000</u>	<u>(465,000)</u>	<u>-</u>	<u>-</u>	<u>18,772</u>
<b>Total of funds</b>	<u><b>2,729,423</b></u>	<u><b>3,331,529</b></u>	<u><b>(2,883,118)</b></u>	<u><b>-</b></u>	<u><b>(572,431)</b></u>	<u><b>2,605,403</b></u>

**Pension reserve**

This represents the movement on the defined benefit pension scheme. At the end of the year the scheme was in surplus, however, this was de-recognised since it is deemed non-recoverable.

**Engineering Gateway project**

In 2012 the Engineering Council was awarded a 'practice transfer partnership' by the HE STEM Programme as part of the HE STEM's workforce development programme. This allowed 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. Although the project finished in Autumn 2012 there remains an on-going brief to update and develop the website and tool kit that were developed during the project and to continue to share successful practice through regular workshops.

**Pension fund grant**

This represents the grant from EngineeringUK which was paid into the defined benefit pension scheme as a lump-sum contribution following consultation with the actuaries.



**Notes to the financial statements  
for the year ended 31 December 2018**

**16. Statement of funds (continued)**

**Statement of funds - prior year**

	Balance at 1 January 2017 £	Income £	Expenditure £	Transfers in/(out) £	Gains £	Balance at 31 December 2017 £
<b>General funds</b>						
General fund	2,482,606	2,634,609	(2,086,113)	(431,000)	110,549	2,710,651
Pension reserve	-	-	-	431,000	(431,000)	-
	<u>2,482,606</u>	<u>2,634,609</u>	<u>(2,086,113)</u>	<u>-</u>	<u>(320,451)</u>	<u>2,710,651</u>
<b>Restricted funds</b>						
Engineering Gateway project	18,772	-	-	-	-	18,772
Pension fund grant	-	465,000	(465,000)	-	-	-
	<u>18,772</u>	<u>465,000</u>	<u>(465,000)</u>	<u>-</u>	<u>-</u>	<u>18,772</u>
<b>Total of funds</b>	<u>2,501,378</u>	<u>3,099,609</u>	<u>(2,551,113)</u>	<u>-</u>	<u>(320,451)</u>	<u>2,729,423</u>

**Summary of funds - current year**

	Balance at 1 January 2018 £	Income £	Expenditure £	Gains £	Balance at 31 December 2018 £
General funds	2,710,651	2,866,529	(2,418,118)	(572,431)	2,586,631
Restricted funds	18,772	465,000	(465,000)	-	18,772
	<u>2,729,423</u>	<u>3,331,529</u>	<u>(2,883,118)</u>	<u>(572,431)</u>	<u>2,605,403</u>

**Summary of funds - prior year**

	Balance at 1 January 2017 £	Income £	Expenditure £	Gains £	Balance at 31 December 2017 £
General funds	2,482,606	2,634,609	(2,086,113)	(320,451)	2,710,651
Restricted funds	18,772	465,000	(465,000)	-	18,772
	<u>2,501,378</u>	<u>3,099,609</u>	<u>(2,551,113)</u>	<u>(320,451)</u>	<u>2,729,423</u>

**Notes to the financial statements  
for the year ended 31 December 2018**

**17. Analysis of net assets between funds**

**Analysis of net assets between funds - current year**

	Restricted funds 2018 £	Unrestricted funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	102,616	102,616
Fixed asset investments	-	1,764,299	1,764,299
Current assets	18,772	1,027,515	1,046,287
Creditors due within one year	-	(307,799)	(307,799)
	<u>18,772</u>	<u>2,586,631</u>	<u>2,605,403</u>

**Analysis of net assets between funds - prior year**

	Restricted funds 2017 £	Unrestricted funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	176,062	176,062
Fixed asset investments	-	1,889,258	1,889,258
Current assets	18,772	904,591	923,363
Creditors due within one year	-	(259,260)	(259,260)
	<u>18,772</u>	<u>2,710,651</u>	<u>2,729,423</u>

**18. Reconciliation of net movement in funds to net cash flow from operating activities**

	2018 £	2017 £
Net income for the year (as per Statement of Financial Activities)	249,980	659,045
<b>Adjustment for:</b>		
Depreciation charges	79,443	81,447
Losses / (gains) on investments	198,431	(110,549)
Dividends, interest and rents from investments	(480)	(5,367)
Increase in debtors	(75,714)	(12,668)
Increase in creditors	48,539	62,060
Defined benefit pension scheme movement	(374,000)	(431,000)
<b>Net cash provided by operating activities</b>	<u>126,199</u>	<u>242,968</u>

**19. Analysis of cash and cash equivalents**

	2018 £	2017 £
Cash in hand	<u>712,864</u>	<u>665,654</u>
Total	<u>712,864</u>	<u>665,654</u>

## Notes to the financial statements for the year ended 31 December 2018

### 20. Pension commitments

The charity operates a Defined benefit pension scheme.

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

	2018	2017
Discount rate at 31 December	2.80%	2.40%
Retail price inflation	3.40%	3.40%
Future salary increases	3.30%	3.30%

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 2015 was updated to the Scheme's accounting date by an independent qualified actuary in accordance with FRS102. As required by FRS102, the actuarial method adopted to calculate the present value of members' expected benefits is the projected unit method.

Following consultation with the actuaries, The Engineering Council made a lump-sum contribution of £465,000 in March 2018.

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 2018 this was 2.80% (2017 - 2.40%).

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 Engineering UK is a participating employer under this scheme. The proportion of the total scheme fund attributable to Engineering Council staff and ex-Engineering Council staff is 100% (2017 - 100%). 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.



**Notes to the financial statements  
for the year ended 31 December 2018**

**20. Pension commitments (continued)**

The assets in the scheme and the expected rates of return were:

	Fair value at 31 December 2018 £	Fair value at 31 December 2017 £
Equities	2,629,440	3,230,640
Bonds	11,832,480	12,153,360
Cash	146,080	-
Total market value of assets	<u>14,608,000</u>	<u>15,384,000</u>

The actual return on scheme assets was £(345,000) (2017 - £842,000).

The amounts recognised in the Balance sheet are as follows:

	2018 £	2017 £
Present value of funded obligations	(12,687,000)	(14,009,000)
Unrecognised past service cost	<u>14,608,000</u>	<u>15,384,000</u>
Surplus in scheme	1,921,000	1,375,000
Adjustment for non-recoverable surplus	<u>(1,921,000)</u>	<u>(1,375,000)</u>
Net asset	<u>-</u>	<u>-</u>

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

	2018 £	2017 £
Interest on obligation	(327,000)	(334,000)
Expected return on scheme assets	331,000	339,000
Adjustment to recognise full value of defined benefit pension scheme	-	41,000
Administrative expenses	<u>(95,000)</u>	<u>(80,000)</u>
Total	<u>(91,000)</u>	<u>(34,000)</u>
Actual return on scheme assets	<u>172,000</u>	<u>405,000</u>

**Notes to the financial statements  
for the year ended 31 December 2018**

**20. Pension commitments (continued)**

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

	2018 £	2017 £
Opening defined benefit obligation	14,009,000	13,106,000
Interest cost	327,000	359,000
Actuarial (gains)/losses	(848,000)	136,000
Benefits paid	(801,000)	(579,000)
Adjustment to recognise full defined benefit obligation	-	987,000
Closing defined benefit obligation	<u>12,687,000</u>	<u>14,009,000</u>

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

	2018 £	2017 £
Opening fair value of scheme assets	15,384,000	13,645,000
Expected return on assets	331,000	364,000
Actuarial gains and (losses)	(676,000)	541,000
Contributions by employer	465,000	465,000
Administrative expenses	(95,000)	(80,000)
Benefits paid	(801,000)	(579,000)
Adjustment to recognise full value of scheme assets	-	1,028,000
	<u>14,608,000</u>	<u>15,384,000</u>

The charity expects to contribute £350,000 to its Defined benefit pension scheme in 2019.

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

	2018	2017
Equities and property	18.00%	21.00%
Bonds	81.00%	79.00%
Cash	1.00%	- %

**Notes to the financial statements  
for the year ended 31 December 2018**

**20. Pension commitments (continued)**

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

Defined benefit pension schemes

	2018 £	2017 £	2016 £	2015 £	2014 £
Defined benefit obligation	(12,687,000)	(14,009,000)	(13,106,000)	(12,125,000)	(12,717,000)
Scheme assets	<u>14,608,000</u>	<u>15,384,000</u>	<u>13,645,000</u>	<u>11,586,000</u>	<u>11,740,000</u>
Surplus/(deficit)	<u>1,921,000</u>	<u>1,375,000</u>	<u>539,000</u>	<u>(539,000)</u>	<u>(977,000)</u>
Experience adjustments on scheme liabilities	848,000	(136,000)	(1,176,000)	361,000	(1,079,000)
Experience adjustments on scheme assets	<u>(676,000)</u>	<u>541,000</u>	<u>1,971,000</u>	<u>(221,000)</u>	<u>935,000</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 2018 were £209,076 (2017 - £200,553).

**21. Operating lease commitments**

At 31 December 2018 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

	2018 £	2017 £
<b>Amounts payable:</b>		
Within 1 year	159,421	159,421
Between 1 and 5 years	<u>53,396</u>	<u>212,816</u>
Total	<u>212,817</u>	<u>372,237</u>



**Notes to the financial statements  
for the year ended 31 December 2018**

**22. 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 2018, the following transactions took place between the parties arising from the above:

EngineeringUK provided a grant to the Engineering Council of £2,461,610 (2017 - £2,389,913) to fund its operations plus £465,000 (2017 - £465,000) for the pension scheme.

To cover administration costs, the Engineering Council charged EngineeringUK £44,664 (2017 - £44,664) in the year.

On 31 December 2018, EngineeringUK owed Engineering Council the sum of £46,583 (2017 - £12,663). This amount is disclosed within debtors falling due within one year.