



Engineering Council

Annual Report and Financial Accounts 2019

Registered Charity No 286142

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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.

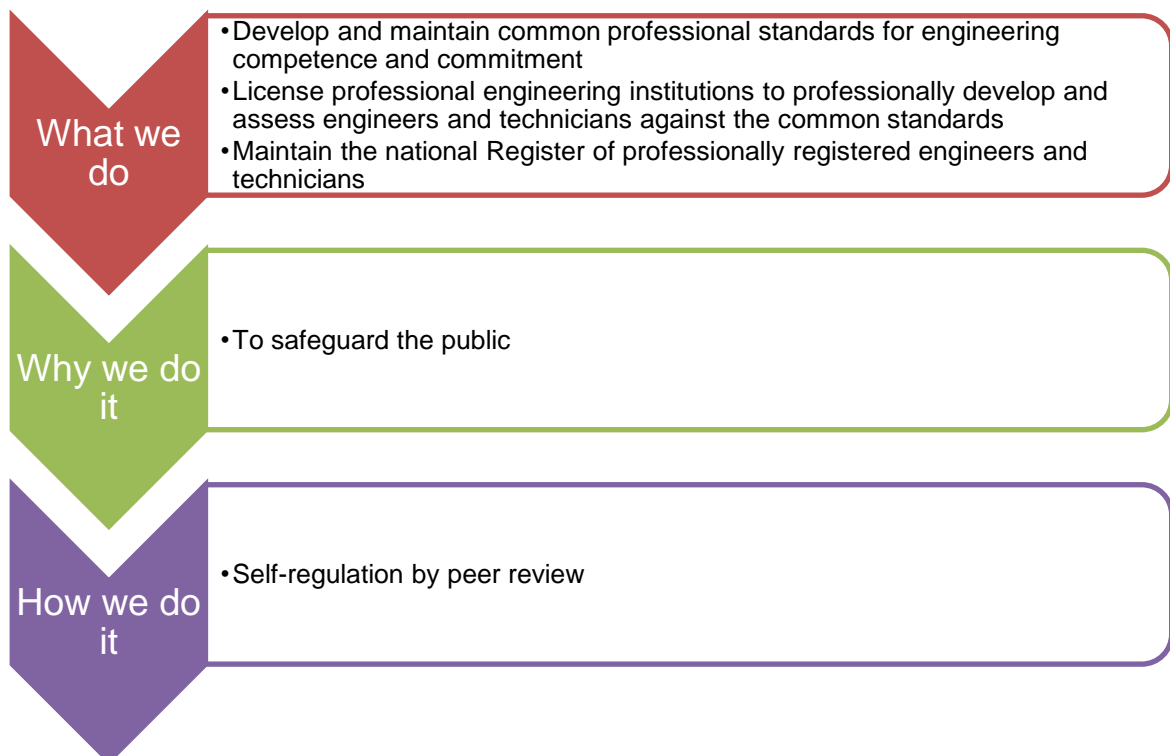
Vision:

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

In 2019 the Engineering Council has continued to progress towards the objectives set out in our 2018-2020 Strategic Plan, building on the work and successes of 2018. We have also remained flexible enough to respond to key issues, affecting the engineering profession and society at large, which were not anticipated in our Strategic Plan.

This has included further work throughout 2019 on enhancing engineering competence, introducing a role of Lead Engineer and improving public safety, as part of the response to the Grenfell Tower fire and Dame Judith Hackitt's independent review of building regulations. We became one of the participants in the Cyber Security Alliance, which - with the Institution of Engineering and Technology (IET) as lead – is now working to deliver the UK Cyber Security Council. The Engineering Council also carried out a substantial amount of work in developing a proposal to deliver External Quality Assurance (EQA) of apprenticeships, recognising their importance as a pathway into engineering.

Maintaining our position as an effective regulator of the profession means ongoing review and improvement of our systems and processes, including the review of our Charter and Byelaws. The regular review of our Standards is nearing completion and we have also commissioned research on the recognition of experiential learning. We have established a joint Engineering Ethics Reference Group with the Royal Academy of Engineering (RAEng) and also put in place a programme to review our guidance for individual engineers and technicians.

To ensure we continue to meet the regulatory needs of the profession, we successfully implemented the risk-based approach to Licensing approved in 2018. As a result, annual risk assessments now supplement the five-yearly Licence Reviews of the professional engineering institutions licensed by the Engineering Council. Our work with the institutions licensed by the Engineering Council remains at the core of our purpose, including providing support with the transition to mandatory CPD sampling.

Our work on international professional recognition has taken on increased significance as the UK negotiates its future relationship with the EU. As well as providing input to the Department for International Trade (DIT) and Department for Business, Energy and Industrial Strategy (BEIS) on mutual recognition of qualifications in the context of trade agreements, we have begun discussions with European regulators about new competence-based mechanisms for mutual recognition.

In 2020, the Engineering Council will continue to deliver the objectives of our Strategic Plan, while working with stakeholders to formulate goals for 2021 onwards. Our core regulatory functions remain crucial to public confidence and safety, as we maintain internationally recognised standards for the engineering profession, champion those standards through the institutions we license and hold the Register of individuals assessed as meeting them.

**Professor Chris Atkin CEng FRAes and Alasdair Coates BEng (Hons) MSc CEng FICE MCIHT
CMIOSH**

1. Registration statistics as of 31 December 2019

FIGURE 1: NEW TITLES ADDED TO THE REGISTER IN 2019 COMPARED TO 2018

	Interim			Final			Total		
	2018	2019	Change	2018	2019	Change	2018	2019	Change
EngTech	-	8	-	3,416	5,527	61.80%	3,416	5,535	62.03%
IEng	50	61	22.00%	1,292	1,346	4.18%	1,342	1,407	4.84%
CEng	138	257	86.23%	6,223	6,313	1.45%	6,361	6,570	3.29%
ICTTech	-	-	-	22	332	1409.09%	22	332	1409.09%
Total	188	326	73.40%	10,953	13,518	23.42%	11,141	13,844	24.26%

FIGURE 2: TOTAL NUMBER OF REGISTRANTS ON THE REGISTER IN 2019 COMPARED TO 2018

	Interim			Final			Total		
	2018	2019	Change	2018	2019	Change	2018	2019	Change
EngTech	132	130	-1.52%	19,188	22,814	18.90%	19,320	22,944	18.76%
IEng	1,335	1,269	-4.94%	26,879	26,382	-1.85%	28,214	27,651	-2.00%
CEng	6,050	5,795	-4.21%	175,681	174,943	-0.42%	181,731	180,738	-0.55%
ICTTech	-	-	-	209	517	147.37%	209	517	147.37%
Total	7,517	7,194	-4.30%	221,957	224,656	1.22%	229,474	231,850	1.04%

FIGURE 3: LOSS OF TITLES ON THE REGISTER IN 2019 COMPARED TO 2018

	Interim			Final			Total		
	2018	2019	Change	2018	2019	Change	2018	2019	Change
EngTech	-8	-4	100.00%	-1,979	-1,875	5.55%	-1,987	-1,879	5.75%
IEng	-132	-116	13.79%	-2,303	-1,730	33.12%	-2,435	-1,846	31.91%
CEng	-398	-419	-5.01%	-9,978	-8,230	21.24%	-10,376	-8,649	19.97%
ICTTech	-	-	-	-35	-31	12.90%	-35	-31	12.90%
Total	-538	-539	-0.19%	-14,295	-11,866	20.47%	-14,833	-12,405	19.57%

An individual registrant can hold more than one designation or title (for example, such as Chartered Engineer (CEng) and Incorporated Engineer (IEng), or holding CEng with more than one institution), consequently there are more titles recorded on the Register than there are individual registrants.

To help ensure clarity, the report shows 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 presented 2019 registrants and titles against 2018 registrants and titles.

Reinstatements in 2019

In 2019, there were 2,320 reinstatements to the Register. Reinstatements are registrations that have previously been suspended but have returned to the Register within the last three years.

New final titles by gender

Looking at new final stage titles added to the Register by gender, the percentage of these held by women was 10.57% in 2019, compared to 10.78% in 2018. The percentage of new final stage titles held by women has remained below 11% since 2017 and has changed by less than 1% over this period. While the number of new final stage titles held by women has increased each year, the number of new final stage titles held by men has increased faster, meaning the overall proportion has remained the same. Female registrations account for 6.16% of the total number of titles on the Register.

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

	EngTech		IEng		CEng		ICTTech		Total		Total	% females
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female		
2017	2,257	162	1,205	81	5,681	835	20		9,163	1,078	10,241	10.53%
2018	3,180	221	1,207	83	5,335	870	17	3	9,739	1,177	10,916	10.78%
2019	4,926	321	1,241	89	5,325	962	264	18	11,756	1,390	13,146	10.57%

International registrations

FIGURE 5: INTERNATIONAL FINAL STAGE TITLES

	2019	2018
EngTech	21,786	1,392
IEng	25,494	3,075
CEng	148,628	41,222
ICTTech	537	15
Total	196,445	45,704

2. Strategy and performance in 2019

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



3. 2019 Activities and Achievements

Over the course of 2019 the Engineering Council has carried out work not included in our Strategic Plan, in response to new issues that have arisen on behalf of the profession. This has required the organisation to be flexible and demonstrate its agility, investing resource in areas that are strategically important for the future.

- Work begun in 2018 in response to the Grenfell Tower tragedy and Dame Judith Hackitt's independent review of building regulations has continued, with the Engineering Council leading a working group on competence. Working with the professional engineering institutions it licenses and the broader cross-industry Competence Steering Group (CSG), the Engineering Council has

committed to take forward a series of solutions to enhance engineering competence, introduce the role of Lead Engineer and improve public safety.

- In response to the changing apprenticeship landscape, we have worked with the Institute for Apprenticeships & Technical Education (IfATE) to understand requirements for External Quality Assurance (EQA) of apprenticeships. As a result, we have developed a proposal to offer this service to professional engineering institutions registered with IfATE as End-Point Assessment Organisations (EPAOs) and submitted this for approval at the end of 2019.
- Recognising the importance of Cyber Security to the economy and national resilience, the Government carried out consultations on the formulation of a UK Cyber Security Council. The Cyber Security Alliance, in which the Engineering Council is an active participant, has begun a new programme of work to deliver that Council.

Provide public benefit

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

We have continued to work closely with the Department for Business, Energy & Industrial Strategy (BEIS) in our capacity as a competent authority in respect of the EU directive on Mutual Recognition of Professional Qualifications (MRPQ). This included giving input on professional registration processes and standards to be considered for arrangements post-Brexit. We have also responded to a series of external consultations, on topics including apprenticeship routes, engineering ethics and higher technical education.

Revisions to the Engineering Council's Charter and Byelaws have been approved by the Privy Council and an Extraordinary General Meeting (EGM) is being arranged for 2020 to formally adopt these changes.

Our Volunteer Support and Management Strategy now has four workstreams established, on centralising data, setting up common processes, creating common message and increasing understanding.

Building on our existing ethics work, we have established an Engineering Ethics Reference Group with the Royal Academy of Engineering, operating at a strategic level, to steer the profession towards enhancing a culture of ethical behaviour. The group led on the profession's response to the Inter-Disciplinary Ethics Applied Centre (IDEA) Engineering Ethics 2028 Vision.

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

We have provided each of the licensed professional engineering institutions with a map of engineers and technicians in their sector, based on the engineering footprint agreed with the Royal Academy of Engineering and EngineeringUK, using the latest available Office for National Statistics (ONS) data.

Business improvements include producing professional stamps faster and more efficiently, providing an enhanced service to registrants as part of our overall continuous improvement programme.

We continue to champion policies and practices to promote diversity and inclusion across the profession, including encouraging the professional engineering institutions to benchmark their progress, working closely with the Royal Academy of Engineering and including diversity issues in our Standards Review.

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

Following a review, we have changed IT support provider and increased the operational IT resource available, enhancing the organisation's IT efficiency. Planning has begun for establishing the network infrastructure of our new offices and optimising our AV/meeting room facilities.

After a successful transition to quality management standard ISO9001:2015, we have integrated quality management into our business planning and formalised business improvement processes. Improvements include enhancing our Complaints process, internal audit procedure and issue management across the organisation, as well as updated document control processes.

The organisation has remained largely fully staffed through the year and is considering adopting further flexible working practices to make the most effective use of available staff resource. Core functions of HR and Finance have continued to operate efficiently, supporting our wider goals.

Maintain a globally recognised standard

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

We are developing a public-facing document to promote awareness of the Register and the value of professional registration in a clear and simple way, alongside working closely with stakeholders.

Research has been carried out on key audiences' perceptions of the Engineering Council's brand and benchmarking this against comparable organisations. This will provide the evidence base for future development of our brand and how we articulate the organisation's work.

Work is in progress to bring the professional engineering institutions together to implement a contextualised register for building safety. This follows the development of competence requirements for engineers working on higher risk residential buildings (HRRBs) in response to the Grenfell Tower tragedy, on which legislation is expected during 2020.

5. Safeguard and promote UK registration standards internationally

To facilitate mobility, we provided input on mutual recognition of qualifications for professional engineers (in the context of trade agreements) to the Department for International Trade (DIT) and Department for Business, Energy and Industrial Strategy (BEIS) through a series of expert groups. We have developed a cooperation agreement with the Kuwait Society of Engineers (KSE), which will be signed in early 2020, and are in discussions with European regulators about mechanisms for mutual recognition based on the assessment of competence.

Discussions have been held with our Board and key stakeholders on the feasibility of developing more formal links with overseas bodies that operate competence-based registration.

Building on the publication of the Engineering Council sponsored Publicly Available Specification (PAS 525:2018), we have presented at the Lisbon Civil Engineering Summit and shared knowledge with partners in our global and European networks on the assessment of professional engineering competence.

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

We are a signatory to the Technician Commitment, which supports professional recognition for technical staff, and are engaged with the review of technical education provision for Engineering and Manufacturing being carried out by IfATE. Work on the Standards Review includes recognition of the increased focus on apprenticeships at all levels and an Engineering Technician Value Proposition Working Group has been established.

Our support to the professional engineering institutions in delivering registrant messages included running our first Annual Statistics workshop for their staff and enhancing our Annual Statistics report to provide information in a more actionable form, as well as sharing current practice around career breaks and the use of interim registration.

We continued to support the professional engineering institutions through the transition to mandatory sampling of registrants and the Professional Development Steering Group is monitoring progress on this. Four new institutions became users of our online CPD system **mycareerpath**, which saw further strong growth in account creation and usage by members.

Meet future needs

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

Our Standards Review made excellent progress, with revisions drafted, consulted on and further developed by the relevant Working Groups before a final round of consultation with the professional engineering institutions. The Review includes the UK Standard for Professional Engineering Competence

(UK-SPEC) and associated documents, which have been prepared for consideration by our Registration Standards Committee (RSC), for recommendation to the Board.

Our engagement with employers included presentations to Network Rail staff, engaging with British Airways on how professional recognition can build credibility and supporting a University of Sheffield event on professional registration for staff at all levels. We also contributed an article to *The Engineer* magazine on how professional registration supports skills development.

A programme is underway to review our existing guidance for individual engineers and technicians, starting with our Guidance on Sustainability. We also anticipate developing new guidance on relevant topics, informed by our consultation.

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

We have successfully implemented a risk-based approach to Licensing, which includes carrying out annual desk-based risk assessments of the licensed professional engineering institutions. These are then followed up through reviewing areas of potential risk, enhancing the effectiveness of our regulatory function.

We have worked with IfATE to understand requirements for External Quality Assurance (EQA) of Apprenticeships and have developed a proposal to offer this service to Professional Engineering Institutions registered with IfATE as End-Point Assessment Organisations. This was submitted to IfATE for approval at the end of 2019.

We are exploring the feasibility of creating a searchable Register, considering the needs of registrants and other key stakeholders, and working to understand the operational and regulatory issues involved.

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

We have embedded the existence of multiple routes to registration as a key message in our marketing and communications, including our library of registrant case studies. We have also reviewed the terminology used in Standards documents to ensure this does not suggest the existence of one preferred route.

A research report has been commissioned, based on feedback from key stakeholders, on recognition of experiential learning. This will inform thinking on process changes and other opportunities to enhance support for individuals with experiential learning seeking international recognition.

We have provided each of the licensed professional engineering institutions with a map of engineers and technicians in their sector, using Office for National Statistics (ONS) data and based on the engineering footprint agreed with the Royal Academy of Engineering and EngineeringUK. In 2020, we will produce a public report giving an overview of the UK's engineering workforce.

Going forward

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.

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. Impact of Covid-19

Introduction

Following the outbreak of Covid-19 the Engineering Council undertook a risk assessment of the impact of the virus and the ensuing lockdown on the organisation and its operations. This resulted in a change of assessment of the relevant risk item on the Trustees Risk Register.

All staff were requested to work from home from 17 March in accordance with Government guidelines and IT systems have held up well. Engineering Council has been actively working with Professional Engineering Institutions to help them to deal with the effects of a national lockdown particularly with respect to licensing and accreditation activities.

At the time of the lockdown the Engineering Council, along with EngineeringUK were mid-way through the refurbishment of and move to new premises. Despite the risk that this could have stalled, the project has been managed well and the move continues on plan with the clearing of the old office in accordance with Government advice on safe working procedures. We expect the relocation to the new office to be completed by the end of May.

Financial risk – Income – the organisation does not believe that Covid-19 will have an impact on its income as its main income stream is the annual grant from EngineeringUK. This grant is agreed by the Board of EngineeringUK in July of the preceding year. The EngineeringUK Board includes the CEOs of the three largest engineering institutions and the Chair of the Engineering Council Board. The agreement to pay the Engineering Council an operational grant to run the organisation's key activities, including the maintenance of the Register of professionally qualified engineers and technicians, is laid out in the organisation's Royal Charter. In terms of the sustainability of this revenue stream, evidence shows that registration is valued by individuals, particularly in times of economic uncertainty when new professional registrations tend to increase rather than decrease, highlighting the value that registration brings in demonstrating individuals' competence and commitment to either their current or prospective new employer. Engineering Council is not reliant on income from sources such as donations, grants, fund raising or commercial arrangements (such as events or publications). **Impact – minimal**

Financial Risk – International Fee Income – As staff are not set up to print, receive post or send post out from home, there will be a delay in the receipt of some international fee income. However, once the organisation returns to more office based working this issue will be quickly rectified. Any delay in receipt of the international fee income will be short term. **Impact – minimal**

Financial Risk – Costs – Engineering Council is not currently incurring additional costs as a result of Covid-19, in fact we anticipate there will be a fall in costs in some areas particularly on the administrative side, for instance, costs associated with hosting physical meetings (travel and subsistence costs). In addition, on the project side the Management Panel has reviewed its current projects and placed on hold those it feels are not currently operationally or strategically critical. **Impact - minimal**

Financial Risk – Reserves – the organisation held free reserves of £2.5m at the end of 2019, in the form of cash in the bank and an investment fund with Barings Asset Management. Whilst the organisation does not draw an income from its investment fund and reinvests any gains back in to the fund, it has the reassurance that there would be funds available should it need to draw on them.

Although the value of the fund dropped by £317K between 31 December 2019 and 31 March 2020, the stock markets improved in April and the fund value had increased by £75K by 30 April. We believe that the losses seen so far in 2020 are likely to be short-term and the investment fund value should recover in due course. **Impact - minimal**

Financial Risk – Pension Scheme – at its last triennial valuation the Scheme was in surplus on a technical provisions basis by £327K. Following the valuation, the Scheme Trustees implemented a revised investment strategy aimed at minimising the exposure of the Scheme's investments to stock market volatility. Whilst the Engineering Council has agreed to pay a contribution towards the scheme's running costs, £105k in 2020, the organisation has no obligation to make any additional contributions to the Scheme until after the results of the next triennial valuation, due at 1 December 2021, are known. As a result, we

do not anticipate any impact to the organisation from Covid-19 in relation to the Scheme at this time. **Impact - minimal**

Operational Risk – Business Plan – all staff are currently working effectively from home and, given the level of activity across the organisation, we have not found it necessary to furlough any members of staff. As a result, we do not expect any substantive changes to the work we had planned to carry out in the coming period. Board, panel, and committee meetings have all been held as scheduled, using Zoom. These remote meetings have proved to be as effective as face-to-face meetings. There has been little negative impact of remote working on delivery of the current year's business plan (or preparation for next year's Strategic Plan and business plans) and we have continued to deliver core business process with minimum interruption. Staff and supplier payments are being made and new registrations and data reconciliations continue to be processed; although some paper-based processes have stopped in the short-term, these will resume once we return to the office-based working. **Impact - minimal**

Operational Risk – Office move – the refurbishment of and move to new offices has continued according to schedule and we expect to exit our offices at Woolgate Exchange when the lease expires on 1 June 2020, thereby avoiding an additional period of double rent. Once lockdown is lifted, our new offices at Lower Thames Street will be ready for immediate occupation. The office move project continues to be delivered to budget. **Impact – minimal**

Operational Risk – Staff wellbeing – ensuring staff have been able to cope as best as possible during the crisis has been a key priority. Regular team, departmental and full office meetings have been held to ensure staff are able to keep in contact not just on projects and the day-to-day matters but on the wider business operations. This has been a positive aspect of the lockdown. A constant review of working arrangements continues and the return to office-based work will be carefully planned to take account of Government advice and staff safety and welfare. **Impact - minimal**

The organisation has not so far felt it necessary to take advantage of the Government aid offered during the period of lockdown such as furloughing staff or delaying the payment of VAT and PAYE. All staff have been fully deployed throughout the lockdown and have access to the systems required to carry out their roles. The Management Panel believes that the robustness of its business planning and financial management has allowed activities to continue uninterrupted and extreme measures have not been required. Our IT systems have been sufficiently robust and well developed to allow all staff to work effectively from home with minimum disruption to business activities. Additionally, that the organisation has been able to continue with the planned office move despite the lockdown further demonstrates the strength of its operations and business planning. The Management Panel continues to monitor both the finances and business processes on a weekly basis and reports accordingly to the Trustees.

5. 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 several 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 Charity Commission guidance 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.

As of 31 December 2019, there were no HIGH Net Risks on the Trustees Risk Register with the risk relating to the UK's secession from the EU (BREXIT) having been removed

The remaining **Medium** Risks as set out on the Trustees Risk Register as of 31 December 2019 were:

1. **UK SPEC standard:** Risk of loss of credibility of UK SPEC registration standard
Mitigation: UK SPEC periodic reviews and horizon-scanning, Licensing and liaison activities and International liaison
2. **Mandatory recording of CPD/sanctions:** Risk of losing registrants and members, through sanctions or through lapsing members as a result of new CPD policy (Byelaw changes, if required, might require membership votes and may take significant amounts of time).
Mitigation: Professional Development Steering Group put in place to oversee and support implementation; Comms to spread messages from within and without profession that member/registrant losses are unlikely to be significant; Continued emphasis on the value of CPD and PEIs putting forward support, not policing; Proposed timescale should allow for internal PEI governance changes/code of conduct amendments/new processes.
3. **Technician Database:** Risk of incomplete or inaccurate data on the existing technician database minimising the exploitation of external opportunities for vocational qualifications and apprenticeships, impacting on stakeholder engagement, credibility, and upon standard routes to registration.
Mitigation: Education & Skills Executive to promote prompt completion; Licensing and liaison activities; EATQ Forum working group established to support the development of new database (2015) with close PEI engagement.
4. **Accreditation practice:** Risk of Perceived inconsistencies in PEI accreditation practice leading to loss of credibility of EngC accreditation standard and process. Mitigation: EAB Working Group to review EngC student progression policy and guidance; AHEP and RCoP reviews.
5. **Teaching Excellence Framework:** Risk of prospective students, their influencers and prospective employers confusing subject-level TEF outcomes with accreditation Mitigation: Communication of subject-level TEF and accreditation by EngC and OfS; Monitor outcomes of subject-level TEF pilot (2018-2020); Work with other stakeholders: professional bodies for other subjects in the pilot; OfS; education providers; employers; STEM education bodies including EUK; STEM Learning etc; organisations providing advice to prospective students.
6. **EngC withdraws from EQA provision:** Risk to EngC credibility as the regulator of the profession if it were to withdraw from EQA provision.
Mitigation: Continue to work with IfATE to understand barriers to EngC becoming an EQA Provider; Clarify and publish statement of position on occupational competence.

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.

6. Financial review

The areas of activity funded during 2019 are set out in section 3 - **2019 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 £350,000 (2018 - £465,000), increased direct costs by £125,000 (2018 - £91,000) and resulted in an actuarial gain on the scheme of £529,000 (2018 - £172,000). The overall effect of applying FRS102 is to increase Net Income for the year by £225,000 (2018 - £374,000) and to decrease the net movement in funds by £754,000 (2018 - £546,000).

Engineering Council Pension Scheme

The Trustees of the Engineering Council Pension Scheme met three times during 2019. The Engineering Council, as the Principal Employer, made a deficit plan payment of £350,000 (£465,000 in 2018) 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 2018, showed a past service surplus of £327K compared to the deficit disclosed by the 2015 valuation of £1.2M. 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 an annual contribution towards the Scheme running costs will be made until the next triennial valuation which is due as at 31 December 2021.

Reserves

In 2019 the Engineering Council held funds of £2,647,638 (£2,605,403 – 2018) 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 2019 six months operating budget was £1.55M (£1.55M – 2018). 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.

Disregarding the tangible fixed assets for reserves policy purposes, the charity's general fund was £2,616,808 (2018 - £2,484,015); a figure not materially different from ten months' expenditure.

At its October 2019 meeting FARP agreed the principle of reserves in excess of six months' operating costs being used to support those projects that supported the organisation's strategic plan, but only on condition that the six months' operating costs be retained at all times.

Restricted funds

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 £350k (£465k – 2018).

The general fund, as shown in the financial statements, includes an unrecognised surplus of £2.9M (2018 surplus - £1.921M), 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.

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 2019 follows.

'Over the 12 months to 31st of December 2019, the Fund returned 13.7% net of fees compared to the objective of CPI plus 5% of i.e. 6.9%.

Whilst trade issues dominated the news headlines and contributed to market volatility in 2019, the US economy continued to perform strongly, led by consumer spending and the improving US housing market. After a period of stability during the summer, markets moved decisively higher over the fourth quarter of 2019. This increase in risk appetite was driven by a number of factors ranging from slightly better economic data releases to anticipation around a 'phase one' trade agreement between China and the US.

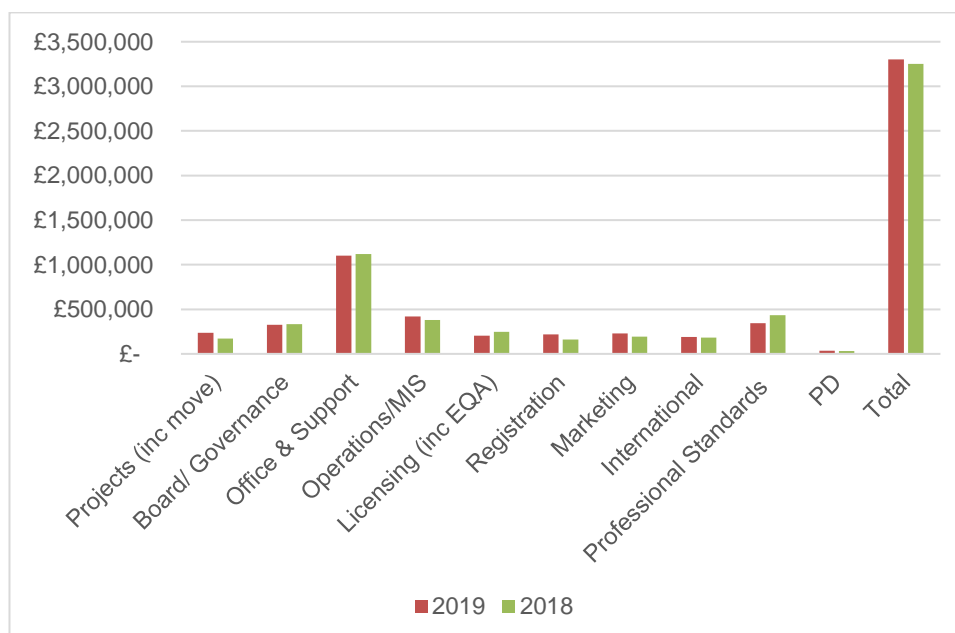
Throughout the year Emerging Bonds (Hard Currency) and High Yield Bonds performed well. With the economic data looking fairly lacklustre in second quarter and third quarter we had a proportion of our allocation in to these higher yielding areas, where the income is sufficient to provide both a level of return and protection.'

The Trustees confirmed they were happy to continue with the appointment of Baring Asset Management Limited as fund managers and 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 2018 and 2019

FIGURE 7: 2019 & 2018 EXPENDITURE



7. 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 2019 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
1	<i>There must be an identifiable benefit or benefits</i>	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.
2	<i>Benefit must be to the public, or to a section of the public</i>	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

8. How we operate

How we are governed

The Engineering Council, whose registered office is Northern & Shell Building, 10 Lower Thames St, Billingsgate, London EC3R 6EN 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 Engineering Council does not raise funds from the general public.

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 2019.

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). 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. Further trustee training, including GDPR training, is undertaken as appropriate.

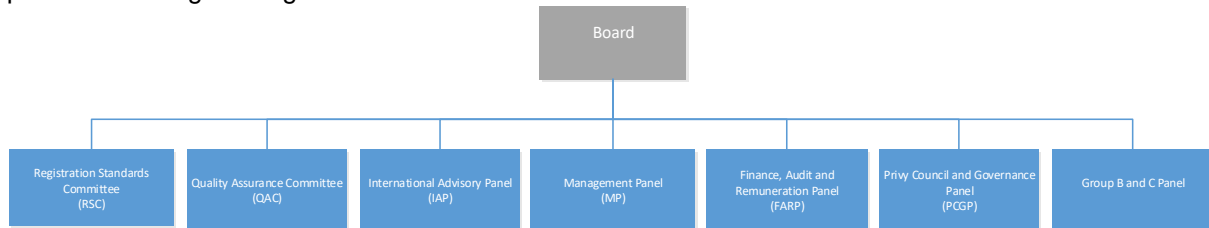
The following table presents changes to Board members during 2019.

	Nominated by	Board Member	Term of Office ended	Term of Office started
1	BCS, The Chartered Institute for IT	Prof Kevin Jones CEng CITP 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	Jun 2019	
		Dr Rob Best CEng FICHEM		Jun 2019
4	Institution of Civil Engineers	EUR ING Bill Hewlett CEng FICE FIET		
5	Institution of Engineering & Technology	Mr James Baker CEng FIET		
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	Jun 2019	
		Mr Mike McLoughlin CEng FIMechE		June 2019
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	Jun 2019	
		Mr Phil Nelson CEng FIStructE		June 2019
13	Group B Institutions	Terry Fuller CEng MICE MCIWEM		
14	Group B Institutions	EUR ING Prof Simon Vaitkevicius CEng FIED	Jun 2019	
		Mr Neil Phelps IEng MIED		Jun 2019
15	Group C Institutions	George Marsh TD DL CEng FICE FInstRE	Jun 2019	
		Mr Tony Gibson CEng MNucl MIET MAPM MINCOSE		Jun 2019
16	EngineeringUK	Mr Doug Alexander*		
		Mr David Short CEng FRAeS MIET	Jun 2019	
17	EngineeringUK	Ms Ann Watson		
18	EngineeringUK	Carolyn Griffiths CEng FIMechE FREng		
19	EngineeringUK	Mr Chris Boyle BComm	Mar 2019	
		Ms Estelle Clark CQP FCQI FRSA		Jun 2019
20	EngineeringUK	Col Martin Court CEng FIMechE		
21	EngineeringUK	Capt Mike Rose RN CEng MIMarEST		
22	EngineeringUK	Ms Ann Francke		Jun 2019

*As Chair of FARP Doug Alexander remains on the Board of Trustees as a non-voting member.

Committees and Panels

The Board operates through the two principal committees and four 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 2019.

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 2019.

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 2019.

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 2019.

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 five times in 2019.

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 2019. 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 & Pension Administrators	Cartwright Benefit Consultants Ltd.	175 Kings Road, Reading, RG1 4EY
Auditors	Haysmacintyre LLP	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
Lawyers	Veale Wasbrough Vizards LLP	Narrow Quay House, Narrow Quay, Bristol BS1 4QA

9. 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 1-25 was approved by the Trustees on

..... 2020 and signed on their behalf by the Chairman of the Board:

Prof Chris Atkin CEng FRAeS

The Engineering Council

Independent auditor's report

Opinion

We have audited the financial statements of The Engineering Council (the 'charity') for the year ended 31 December 2019 which comprise the Statement of financial activities, the Balance sheet, the Statement of cash flows and the related notes, 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).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with the Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2019 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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 United Kingdom, including the Financial Reporting Council'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.

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.

The Engineering Council

Independent auditor's report (continued)

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements which 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.

The Engineering Council

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements

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.

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. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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 and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Haysmacintyre LLP

Statutory Auditor

10 Queen Street Place

London

EC4R 1AG

Date:

Haysmacintyre LLP are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

The Engineering Council

Statement of financial activities for the year ended 31 December 2019

	Note	Restricted funds 2019 £	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Income from:					
Charitable activities		350,000	2,732,018	3,082,018	3,242,747
Other trading activities	5	-	26,358	26,358	10,830
Investments		-	78,450	78,450	77,952
Total income		350,000	2,836,826	3,186,826	3,331,529
Expenditure on:					
Raising funds	5	-	2,159	2,159	1,854
Charitable activities	7	368,772	2,715,234	3,084,006	2,881,264
Total expenditure		368,772	2,717,393	3,086,165	2,883,118
Net gains on investments	15	-	166,574	166,574	(198,431)
Net movement in funds before other recognised gains/(losses)		(18,772)	286,007	267,235	249,980
Other recognised gains/(losses):					
Actuarial gains on defined benefit pension schemes		-	529,000	529,000	172,000
Derecognition of pension surplus		-	(754,000)	(754,000)	(546,000)
Net movement in funds		(18,772)	61,007	42,235	(124,020)
Reconciliation of funds:					
Total funds brought forward		18,772	2,586,631	2,605,403	2,729,423
Net movement in funds		(18,772)	61,007	42,235	(124,020)
Total funds carried forward		-	2,647,638	2,647,638	2,605,403

The Statement of financial activities includes all gains and losses recognised in the year.

The notes on pages 31 to 52 form part of these financial statements.

The Engineering Council

Balance sheet as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	14	30,830	102,616
Investments	15	2,004,916	1,764,299
		<u>2,035,746</u>	<u>1,866,915</u>
Current assets			
Debtors	16	293,905	333,423
Cash at bank and in hand		671,177	712,864
		<u>965,082</u>	<u>1,046,287</u>
Creditors: amounts falling due within one year	17	(353,190)	(307,799)
Net current assets		611,892	738,488
Net assets including pension scheme liabilities		<u>2,647,638</u>	<u>2,605,403</u>
Charity funds			
Restricted funds	19	-	18,772
Unrestricted funds	19	2,647,638	2,586,631
Total funds		<u>2,647,638</u>	<u>2,605,403</u>

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

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

Professor Christopher Atkin CEng FRAeS FEng
Chairman of the Board

The notes on pages 31 to 52 form part of these financial statements.

The Engineering Council

**Statement of cash flows
for the year ended 31 December 2019**

	2019	2018
	£	£
Cash flows from operating activities		
Net cash provided by operating activities	31,699	<i>126,199</i>
Cash flows from investing activities		
Dividends, interests and rents from investments	1,032	<i>480</i>
Purchase of tangible fixed assets	-	<i>(5,997)</i>
Purchase of investments	(74,418)	<i>(73,472)</i>
Net cash used in investing activities	(73,386)	<i>(78,989)</i>
Change in cash and cash equivalents in the year	(41,687)	47,210
Cash and cash equivalents at the beginning of the year	712,864	<i>665,654</i>
Cash and cash equivalents at the end of the year	<u>671,177</u>	<i><u>712,864</u></i>

The notes on pages 31 to 52 form part of these financial statements

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity has elected to apply all amendments to FRS 102, as set out in the Financial Reporting Council's triennial review published in December 2017, and included in Update Bulletin 2 to the Charities SORP (FRS 102), prior to mandatory adoption for accounting periods beginning on or after 1 January 2019.

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 Engineering Council meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

2.2 Going concern

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

2.3 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.

2.4 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, all incurred in achieving the charity's objectives.

All expenditure is inclusive of irrecoverable VAT.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable, and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives.

Depreciation is provided on the following bases:

Fixtures and 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 the year" as appropriate.

2.6 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 the 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 presented as 'Gains/(Losses) on investments' in the Statement of financial activities.

2.7 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 institution with whom the funds are deposited.

2.8 Operating leases

Rentals paid 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.

2.9 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.

2.10 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.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

2. Accounting policies (continued)

2.11 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 in the Statement of financial activities as a finance cost.

2.12 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.

2.13 Foreign currencies

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

2.14 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.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

2. Accounting policies (continued)

2.15 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 25.

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.

2.16 Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

2.17 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.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

3. 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 25.

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.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

4. Income from charitable activities

	Restricted funds 2019 £	Unrestricted funds 2019 £	Total funds 2019 £
Grants	350,000	2,535,459	2,885,459
FEANI income	-	91,128	91,128
Admin fee from EngineeringUK	-	44,664	44,664
Professional services	-	24,850	24,850
MCP license fees	-	35,917	35,917
	<u>350,000</u>	<u>2,732,018</u>	<u>3,082,018</u>
Prior year - 2018			
	<i>Restricted funds 2018 £</i>	<i>Unrestricted funds 2018 £</i>	<i>Total funds 2018 £</i>
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 license fees	-	30,333	30,333
	<u>465,000</u>	<u>2,777,747</u>	<u>3,242,747</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

5. Other trading activities

	Unrestricted funds 2019 £	Total funds 2019 £
Trading income	26,358	26,358
Stamp purchases	(2,159)	(2,159)
Net income from other trading activities	<u>24,199</u>	<u>24,199</u>
Prior year - 2018		
	<i>Unrestricted funds 2018 £</i>	<i>Total funds 2018 £</i>
Trading income	10,830	10,830
Stamp purchases	(1,854)	(1,854)
Net income from other trading activities	<u>8,976</u>	<u>8,976</u>

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

6. Investment income

	Unrestricted funds 2019 £	Total funds 2019 £
Interest from fixed asset investments	74,418	74,418
Bank interest receivable	1,032	1,032
Pension income (note 25)	3,000	3,000
	<u>78,450</u>	<u>78,450</u>

The Engineering Council

**Notes to the financial statements
for the year ended 31 December 2019**

Prior year - 2018

	<i>Unrestricted funds 2018 £</i>	<i>Total funds 2018 £</i>
Interest from fixed asset investments	73,472	73,472
Bank interest receivable	480	480
Pension income (note 25)	4,000	4,000
	<u>77,952</u>	<u>77,952</u>

7. Analysis of expenditure by activities

	Activities undertaken directly 2019 £	Support costs 2019 £	Total funds 2019 £
Charitable activities	<u>2,755,606</u>	<u>328,400</u>	<u>3,084,006</u>

Prior year - 2018

	<i>Activities undertaken directly 2018 £</i>	<i>Support costs 2018 £</i>	<i>Total funds 2018 £</i>
Charitable activities	<u>2,593,878</u>	<u>287,386</u>	<u>2,881,264</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

8. Direct costs

	Restricted funds 2019 £	Unrestricted funds 2019 £	Total funds 2019 £
Pension expense (note 12)	-	128,000	128,000
Project spend	-	5,650	5,650
Recruitment and temporary staff	-	43,857	43,857
Training	-	20,531	20,531
Computer and information systems costs	-	389,106	389,106
Advertising	-	29,999	29,999
Travel and subsistence	-	115,294	115,294
Subscriptions and meetings	-	111,202	111,202
Accommodation costs	-	250,993	250,993
Wages and salaries (note 11)	350,000	1,310,974	1,660,974
	<u>350,000</u>	<u>2,405,606</u>	<u>2,755,606</u>

Prior year - 2018

	<i>Restricted funds 2018 £</i>	<i>Unrestricted funds 2018 £</i>	<i>Total funds 2018 £</i>
Pension expense (note 12)	-	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 11)	465,000	1,052,531	1,517,531
	<u>465,000</u>	<u>2,128,878</u>	<u>2,593,878</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

9. Support costs

	Unrestricted funds 2019 £	Total funds 2019 £
General support		
Telephone	8,953	8,953
Printing, stationery and office supplies	51,574	51,574
Maintenance of equipment	15,601	15,601
Sundries	3,168	3,168
Rental of office equipment	3,057	3,057
Bank charges	4,546	4,546
Accountancy	4,500	4,500
Legal and professional	29,435	29,435
Insurance	48,084	48,084
Application fees	5,530	5,530
Office move costs	40,675	40,675
Depreciation	71,786	71,786
Bad debts	2,052	2,052
Governance	288,961	288,961
Accountancy	21,349	21,349
Auditors' remuneration	16,239	16,239
	<u>326,549</u>	<u>326,549</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

Prior year - 2018

	<i>Unrestricted funds 2018 £</i>	<i>Total funds 2018 £</i>
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
	<u>254,041</u>	<u>254,041</u>
Accountancy	20,436	20,436
Auditors' remuneration	12,909	12,909
	<u>287,386</u>	<u>287,386</u>
10. Auditor's remuneration		
	2019	2018
	£	£
Fees payable to the charity's auditor for the audit of the charity's annual accounts - excluding VAT	<u>11,950</u>	<u>10,800</u>
11. Staff costs		
	2019	2018
	£	£
Wages and salaries	1,298,688	1,180,725
Social security costs	140,326	127,730
Contribution to defined contribution pension schemes	349,960	304,076
	<u>1,788,974</u>	<u>1,612,531</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

11. Staff costs (continued)

The average number of persons employed by the charity during the year was as follows:

	2019 No.	2018 No.
	<u>32</u>	<u>27</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2019 No.	2018 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
In the band £100,001 - £110,000	1	-
In the band £140,001 - £150,000	1	1

Employers pension contributions totalling £37,228 (2018: £35,927) were paid to higher paid employees.

The total employment benefits of the key management personnel were £475,386, including employer's national insurance contributions of £42,853 (2018 - £458,185, including employer's national insurance contributions of £41,517).

12. Pension expense

	2019 £	2018 £
Interest on pension scheme liabilities	347,000	327,000
Interest on scheme assets	(350,000)	(331,000)
Administrative expenses	128,000	95,000
	<u>125,000</u>	<u>91,000</u>

13. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2018 - £NIL-).

During the year ended 31 December 2019, expenses totalling £9,587 were reimbursed or paid directly to 18 Trustees (2018 - £5,728 to 10 Trustees) for travel expenses incurred.

The Engineering Council

Notes to the financial statements
for the year ended 31 December 2019

14. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2019	196,280	29,171	279,618	505,069
At 31 December 2019	<u>196,280</u>	<u>29,171</u>	<u>279,618</u>	<u>505,069</u>
Depreciation				
At 1 January 2019	129,313	27,073	246,067	402,453
Charge for the year	39,256	832	31,698	71,786
At 31 December 2019	<u>168,569</u>	<u>27,905</u>	<u>277,765</u>	<u>474,239</u>
Net book value				
At 31 December 2019	<u><u>27,711</u></u>	<u><u>1,266</u></u>	<u><u>1,853</u></u>	<u><u>30,830</u></u>
At 31 December 2018	<u><u>66,967</u></u>	<u><u>2,098</u></u>	<u><u>33,551</u></u>	<u><u>102,616</u></u>

15. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 January 2019	1,764,299
Additions	74,418
Revaluations	166,574
Amounts written off	(375)
At 31 December 2019	<u><u>2,004,916</u></u>
Net book value	
At 31 December 2019	<u><u>2,004,916</u></u>
At 31 December 2018	<u><u>1,764,299</u></u>

Historical cost of investments held would be £1,695,850. All investments are held in the UK.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

16. Debtors

	2019 £	2018 £
Due within one year		
Trade debtors	31,381	9,638
Amounts owed by group undertakings	58,715	46,583
Other debtors	119,088	224,005
Prepayments and accrued income	84,721	53,197
	<u>293,905</u>	<u>333,423</u>

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	139,530	112,579
Other taxation and social security	72,361	69,672
Other creditors	10,678	1,414
Accruals and deferred income	130,621	124,134
	<u>353,190</u>	<u>307,799</u>

18. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through income and expenditure	2,004,916	1,889,258
Financial assets measured at amortised cost	783,351	794,262
	<u>2,788,267</u>	<u>2,683,520</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(280,829)</u>	<u>(238,127)</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.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

19. Statement of funds

Statement of funds - current year

	Balance at 1 January 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 December 2019 £
Unrestricted funds						
General Funds	2,586,631	2,836,826	(2,717,393)	(225,000)	166,574	2,647,638
Pension reserve	-	-	-	225,000	(225,000)	-
	<u>2,586,631</u>	<u>2,836,826</u>	<u>(2,717,393)</u>	<u>-</u>	<u>(58,426)</u>	<u>2,647,638</u>
Restricted funds						
Engineering Gateway project	18,772	-	(18,772)	-	-	-
Pension fund grant	-	350,000	(350,000)	-	-	-
	<u>18,772</u>	<u>350,000</u>	<u>(368,772)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total of funds	<u>2,605,403</u>	<u>3,186,826</u>	<u>(3,086,165)</u>	<u>-</u>	<u>(58,426)</u>	<u>2,647,638</u>

Pension reserve

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

Engineering Gateway project

In 2012 the Engineering Council was awarded a 'practise transfer partnership' by the HE STEM Programme as part of the HE STEM's workforce development programme. This allowed successful practise 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 practise through regular workshops. This year the remaining funds were used towards staff time spent working on the website.

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.

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Notes to the financial statements
for the year ended 31 December 2019

19. Statement of funds (continued)

Statement of funds - prior year

	Balance at 1 January 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 December 2018 £
Unrestricted funds						
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>
Restricted funds						
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>
Total of funds	<u>2,729,423</u>	<u>3,331,529</u>	<u>(2,883,118)</u>	<u>-</u>	<u>(572,431)</u>	<u>2,605,403</u>

20. Summary of funds

Summary of funds - current year

	Balance at 1 January 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 December 2019 £
General funds	2,586,631	2,836,826	(2,717,393)	-	(58,426)	2,647,638
Restricted funds	18,772	350,000	(368,772)	-	-	-
	<u>2,605,403</u>	<u>3,186,826</u>	<u>(3,086,165)</u>	<u>-</u>	<u>(58,426)</u>	<u>2,647,638</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

20. Summary of funds (continued)

Summary of funds - prior year

	<i>Balance at 1 January 2018 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 December 2018 £</i>
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>-</u>	<u>(572,431)</u>	<u>2,605,403</u>

21. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £	Total funds 2019 £
Tangible fixed assets	30,830	30,830
Fixed asset investments	2,004,916	2,004,916
Current assets	965,082	965,082
Creditors due within one year	(353,190)	(353,190)
Total	<u>2,647,638</u>	<u>2,647,638</u>

Analysis of net assets between funds - prior year

	<i>Restricted funds 2018 £</i>	<i>Unrestricted funds 2018 £</i>	<i>Total funds 2018 £</i>
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)
Total	<u>18,772</u>	<u>2,586,631</u>	<u>2,605,403</u>

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**Notes to the financial statements
for the year ended 31 December 2019**

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

	2019	<i>2018</i>
	£	<i>£</i>
Net income for the year (as per Statement of Financial Activities)	267,235	249,980
Adjustments for:		
Depreciation charges	71,786	<i>79,443</i>
Gains/(losses) on investments	(166,574)	<i>198,431</i>
Dividends, interests and rents from investments	(1,032)	<i>(480)</i>
Decrease/(increase) in debtors	39,518	<i>(75,714)</i>
Increase in creditors	45,391	<i>48,539</i>
Pension adjustments	(225,000)	<i>(374,000)</i>
Write off of investments	375	<i>-</i>
Net cash provided by operating activities	<u>31,699</u>	<i><u>126,199</u></i>

23. Analysis of cash and cash equivalents

	2019	<i>2018</i>
	£	<i>£</i>
Cash in hand	671,177	<i>712,864</i>
Total cash and cash equivalents	<u>671,177</u>	<i><u>712,864</u></i>

24. Analysis of Net Debt

	At 1 January 2019	Cash flows	At 31 December 2019
	£	£	£
Cash at bank and in hand	712,864	(41,687)	671,177
	<u>712,864</u>	<u>(41,687)</u>	<u>671,177</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

25. Pension commitments

The charity operates a defined benefit pension scheme.

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

The full actuarial valuation as at 31 December 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 member's expected benefits is the projected unit method.

Following consultation with the actuaries, The Engineering Council made a lump-sum contribution of £350,000 in March 2019.

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 2019 this was 2.00% (2018 - 2.80%).

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% (2018 - 100%). On withdrawal from the Scheme by Engineering Council or closure, assets would be segregated in a similar proportion.

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

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

	2019	2018
Discount rate	2.00%	2.80%
Retail price inflation	3.10%	3.40%
Future salary increases	3.00%	3.30%

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

	2019 £	2018 £
Equities	3,142,200	2,629,440
Bonds	12,441,690	11,832,480
Cash	157,110	146,080
	<u>15,741,000</u>	<u>14,608,000</u>

The actual return on scheme assets was £1,464,000 (2018 - £ (345,000)).

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

The amounts recognised in the Balance sheet are as follows:

	2019 £	2018 £
Present value of funded obligations	(13,036,000)	(12,687,000)
Unrecognised past service cost	15,711,000	14,608,000
Surplus in scheme	2,675,000	1,921,000
Adjustment for non-recoverable surplus	(2,675,000)	(1,921,000)
Net assets	-	-

The charity has an unrecognised surplus of £2,675,000 (2018 - £1,921,000) in respect of its defined benefit pension scheme as it does not expect to recover the plan surplus either through reduced contributions in the future or through refunds from the plan.

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

	2019 £	2018 £
Interest on obligation	(347,000)	(327,000)
Expected return on scheme assets	350,000	331,000
Administrative expenses	(128,000)	(95,000)
Total amount recognised in the Statement of financial activities	(125,000)	(91,000)

The actuarial gain on the scheme at year end was £529,000 (2018 - £172,000).

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

	2019 £	2018 £
Opening defined benefit obligation	12,687,000	14,009,000
Interest cost	347,000	327,000
Actuarial losses/(gains)	585,000	(848,000)
Benefits paid	(583,000)	(801,000)
Closing defined benefit obligation	13,036,000	12,687,000

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Notes to the financial statements for the year ended 31 December 2019

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

	2019 £	2018 £
Opening fair value of scheme assets	14,908,000	15,384,000
Expected return on assets	350,000	331,000
Actuarial gains/(losses)	1,114,000	(676,000)
Contributions by employer	350,000	465,000
Benefits paid	(583,000)	(801,000)
Administrative expenses	(128,000)	(95,000)
	<u>16,011,000</u>	<u>14,608,000</u>

The charity expects to contribute £105,000 to its Defined benefit pension scheme in 2020.

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

	2019	2018
Equities and property	20%	18%
Bonds	79%	81%
Cash	1%	1%

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 2019 were £221,960 (2018 - £209,076).

26. Operating lease commitments

At 31 December 2019 the charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	191,272	159,421
Later than 1 year and not later than 5 years	544,231	66,553
Later than 5 years	691,627	-
	<u>1,427,130</u>	<u>225,974</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

27. 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 2019, the following transactions took place between the parties arising from the above:

EngineeringUK provided a grant to the Engineering Council of £2,535,459 (2018 - £2,461,610) to fund its operation plus £350,000 (2018 - £465,000) for the pension scheme.

To cover administration costs, The Engineering Council charged EngineeringUK £44,664 (2018 - £44,664) in the year.

On 31 December 2019, EngineeringUK owed Engineering Council the sum of £58,715 (2018 £46,583). This amount is disclosed within debtors falling due within one year.

There were no other related party transactions in the current or the prior year.

28. Comparative statement of financial activities

	<i>Restricted funds</i>	<i>Unrestricted funds</i>	<i>Total funds</i>
	2018	2018	2018
	£	£	£
Income from:			
Charitable activities	465,000	2,777,747	3,242,747
Other trading activities	-	10,830	10,830
Investments	-	77,952	77,952
Total income	<u>465,000</u>	<u>2,866,529</u>	<u>3,331,529</u>
Expenditure on:			
Raising funds	-	1,854	1,854
Charitable activities	465,000	2,416,264	2,881,264
Total expenditure	<u>465,000</u>	<u>2,418,118</u>	<u>2,883,118</u>
Net income before investment gains/(losses)	-	448,411	448,411
Net gains/(losses) on investments	-	(198,431)	(198,431)
Net income before other recognised gains and losses	-	249,980	249,980
Derecognition of pension surplus	-	(546,000)	(546,000)
Actuarial gains on defined benefit pension scheme	-	172,000	172,000
Net movement in funds	-	(124,020)	(124,020)
Reconciliation of funds:	-	-	-
Total funds brought forward	<u>18,772</u>	<u>2,710,651</u>	<u>2,729,423</u>
Total funds carried forward	<u>18,772</u>	<u>2,586,631</u>	<u>2,605,403</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2019

29. Post Balance Sheet Event

Covid-19 is a non-adjusting post balance sheet event, the biggest impact of which for the Engineering Council is the fall in the value of investments.

At the date of signing the accounts the most recent investment fund valuation available was £1,762,808, which was as at 30 April 2020, compared to the valuation at the balance sheet date of £2,004,916.

The Trustees have assessed that there is no material impact on activities going forward and have provided their detailed assessment on page 11 of the Trustees' report.