



Engineering Council

Annual Report and Financial Accounts 2020

Registered Charity No 286142

Contents

Foreword	3
Chairman and CEO's statements	4
1. Registration statistics as of 31 December 2020.....	5
2. Strategy and performance in 2020.....	7
3. 2020 Activities and Achievements	7
4. Impact of Covid-19	10
5. Risk and compliance	12
6. Financial review.....	14
7. Public benefit report	16
8. How we operate	19
9. Statement of Trustees' responsibilities	24
Independent auditor's report to the Trustees of The Engineering Council	25

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.

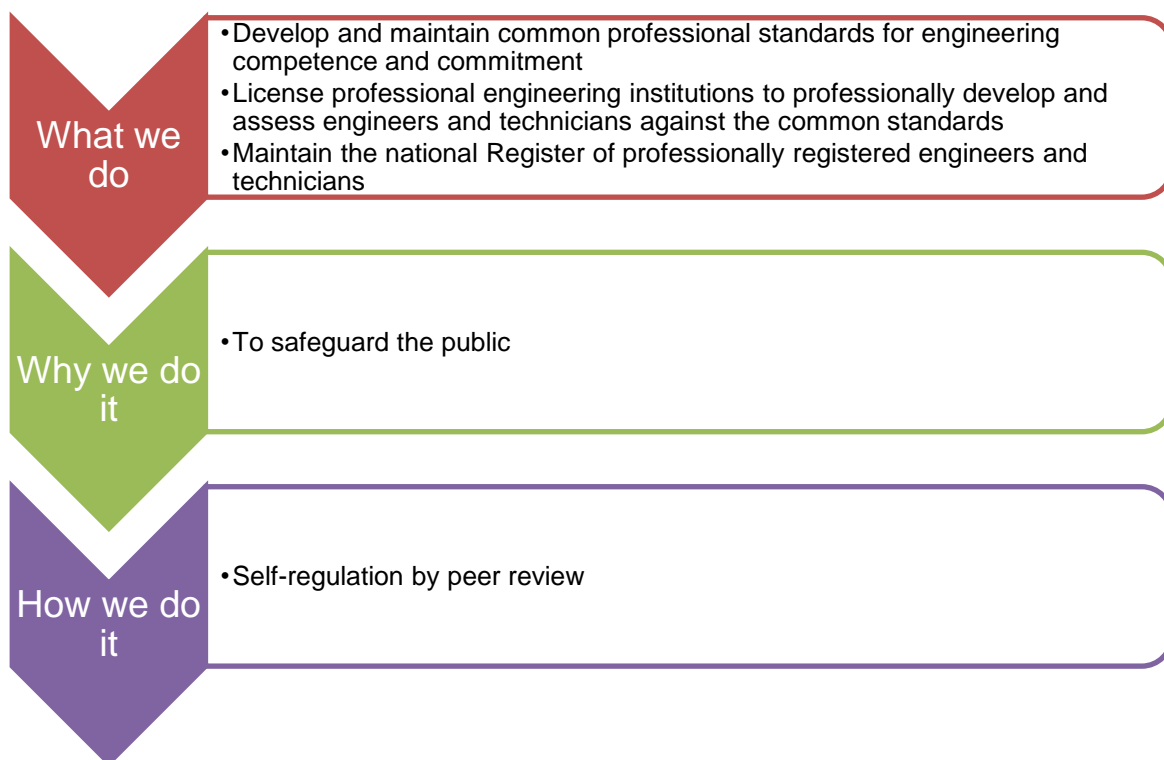
Vision:

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

Any reflection on 2020 must include the highly unusual and challenging nature of this year, with a global pandemic affecting all organisations. These circumstances and the constant change they have created have inevitably had an impact, but we are proud to say that the Engineering Council has adapted to this and found solutions to deliver our core operations. In 2020, we have continued to progress towards the objectives set out in our 2018-2020 Strategic Plan, which – due to current circumstances – has been extended into 2021.

We have focussed on supporting the licensed professional engineering institutions (PEIs) through this challenging time, while maintaining our standards; this is the key balance for the Engineering Council to strike as an effective regulator. This support has included providing guidance on accreditation and advice on virtual professional review interviews, which look likely to continue post-pandemic. We recognise the significant pressures on the engineering community this year and, working with EngineeringUK, froze 2021 registration fees in acknowledgement of this.

Our response to key issues that affect the engineering profession and society at large continued in 2020, progressing the development of a competence framework for engineering professionals working on higher-risk buildings to support the new Building Safety regime, while working towards a Contextualised Register for competent professionals. The Engineering Council is pleased to have supported the development of the UK Cyber Security Council as a member of the Cyber Security Alliance, sharing our expertise on regulatory matters including governance and professional ethics.

We have maintained our governance arrangements, including holding a virtual AGM and EGM successfully. Changes to our Royal Charter, voted on at that EGM, are currently with the Privy Council for its approval. The move to new office premises and change of registered office was a critical project for this year and was delivered successfully, keeping all stakeholders informed.

We published our revised Standards in August 2020 as scheduled, following our periodic Standards Review, as well as an enhanced Course Search database. We responded to the most recent Washington Accord review and engaged extensively with Government and other regulators around the Brexit transition and new requirements.

In 2021, the Engineering Council will announce its new Strategic Plan, setting out our priorities for the next few years as shaped by key stakeholders. In our 40th year of operation, we will continue to 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 2020

FIGURE 1: NEW TITLES ADDED TO THE REGISTER IN 2020 COMPARED TO 2019

	Interim			Final			Total		
	2019	2020	Change	2019	2020	Change	2019	2020	Change
EngTech	8	10	25.00%	5,527	2,687	-51.38%	5,535	2,697	-51.27%
IEng	61	74	21.31%	1,346	1,201	-10.77%	1,407	1,275	-9.38%
CEng	257	286	11.28%	6,313	5,847	-7.38%	6,570	6,133	-6.65%
ICTTech	-	-	-	332	529	59.34%	332	529	59.34%
Total	326	370	13.50%	13,518	10,264	-24.07%	13,844	10,634	-23.19%

FIGURE 2: TOTAL NUMBER OF REGISTRANTS ON THE REGISTER IN 2020 COMPARED TO 2019

	Interim			Final			Total		
	2019	2020	Change	2019	2020	Change	2019	2020	Change
EngTech	130	134	3.08%	22,814	22,637	-0.78%	22,944	22,771	-0.75%
IEng	1,269	1,217	-4.10%	26,382	25,486	-3.40%	27,651	26,703	-3.43%
CEng	5,795	5,578	-3.74%	174,943	173,358	-0.91%	180,738	178,936	-1.00%
ICTTech	-	-	0.00%	517	898	73.69%	517	898	73.69%
Total	7,194	6,929	-3.68%	224,656	222,379	-1.01%	231,850	229,308	-1.10%

FIGURE 3: LOSS OF TITLES ON THE REGISTER IN 2020 COMPARED TO 2019

	Interim			Final			Total		
	2019	2020	Change	2019	2020	Change	2019	2020	Change
EngTech	-4	-6	-33.33%	-1,875	-3,004	-37.58%	-1,879	-3,010	-37.57%
IEng	-116	-130	-10.77%	-1,730	-2,251	-23.15%	-1,846	-2,381	-22.47%
CEng	-419	-531	-21.09%	-8,230	-8,643	-4.78%	-8,649	-9,174	-5.72%
ICTTech	-	-	-	-31	-149	-79.19%	-31	-149	-79.19%
Total	-539	-667	-23.75%	-11,866	-14,047	-15.53%	-12,405	-14,714	-15.69%

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 2020 registrants and titles against 2019 registrants and titles.

Reinstatements in 2020

In 2020, there were 1176 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

Over the last three years the number of new final stage title held by men has fallen by 760. In the same period, new final stage titles held by women have decreased by 13 and (as shown in Table 4) the percentage of female registrants has increased, but by less than 1%. The number of titles held by women and the percentage of registrants who are female are yet to achieve the desired shift, despite the efforts

being made across the profession to encourage women into both engineering and professional registration.

FIGURE 4: NEW FINAL STAGE TITLES BY YEAR, BY REGISTRATION TITLE, BY GENDER, 2018-2020

		EngTech	IEng	CEng	ICTTech	Total	% of total new titles
2018	Male	3,180	1,207	5,335	17	9,739	89.22%
	Female	221	83	870	3	1,177	10.78%
2019	Male	4,926	1,241	5,325	264	11,756	89.43%
	Female	321	89	962	18	1,390	10.57%
2020	Male	2,483	1,099	4,936	461	8,979	87.48%
	Female	173	87	863	41	1,164	11.34%
	Gender not specified	31	15	48	27	121	1.18%

International registrations

FIGURE 5: INTERNATIONAL FINAL STAGE TITLES

	2020	2019
EngTech	1,357	1,381
IEng	2,832	2,947
CEng	41,563	41,428
ICTTech	20	17
Total	45,772	45,773

2. Strategy and performance in 2020

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



3. 2020 Activities and Achievements

The Engineering Council took on work not included in our Strategic Plan in 2019, in response to new issues that arose on behalf of the profession. During 2020, these workstreams have been incorporated into existing objectives, as we continued to invest time and resource in these strategically important areas.

Provide public benefit

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

Annual Report and Financial Accounts 2020

Work on the Mutual Recognition of Professional Qualifications (MRPQ) has intensified in 2020 as the transition period came to an end and the UK ceased to be part of the EU Customs Union and Single Market. We have worked closely with the Department for Business, Energy & Industrial Strategy (BEIS) in our capacity as a competent authority, updating the professional engineering institutions we licence. We have also published a webpage on the transition, to keep registrants and the engineering community informed of the latest position: www.engc.org.uk/brexit

Revisions to the Engineering Council's Charter and Byelaws were voted on and accepted at an Extraordinary General Meeting (EGM) held remotely in July 2020.

To enhance the training, support and guidance we offer volunteers, we are developing an action plan based on our Volunteer Management Strategy.

Our Engineering Ethics Reference Group (EERG), run jointly with the Royal Academy of Engineering (RAEng), is now well established and working at a strategic level. Proposed priorities for the future have been presented to the Professional Engineering Committee and recommendations for action on enhancing the engineering profession's culture of ethical behaviour will be produced in early 2021.

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

Based on the engineering footprint agreed with the RAEng and EngineeringUK, we published '[Mapping the UK's Engineering Workforce](#)'. This report was sent to all MPs, highlighting that 18% of the UK working population work in engineering and at least 15% of the working population of every region are in engineering jobs.

We applied accessibility principles to the revised Standards documents published in 2020, making them clearer and easier to use for all stakeholders.

Our first Diversity & Inclusion (D&I) workshop for PEI staff was held in November 2020 and we began discussions with PEIs on promoting provisions for career/carer breaks and CPD support available to those returning to work, as well as developing guidance on accommodating access needs in the professional registration process.

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

Implementing our ICT Strategic Plan 2018-2020 has enabled enhancements to our IT systems and supported Engineering Council staff in successfully working remotely since March 2020. This included holding an Annual General Meeting (AGM), EGM and our usual calendar of Board, committee and Panel meetings online.

After a successful recertification against quality management standard ISO9001:2015, we continue to investigate other means of quality recognition, such as ISO 27001. We have continued to integrate quality management into our business planning and formalised business improvement processes.

We have made significant improvements to our people management policies and practices in 2020. This includes benchmarking our competence framework and formalising arrangements for remote working.

Maintain a globally recognised standard

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

We continued to be an active participant in the Industry Competence Steering Group (CSG), established to take forward the recommendations of Dame Judith Hackitt's Independent Review of Building Regulations and Fire Safety. The final report of the CSG, *Setting the Bar*, was published in October 2020: www.engc.org.uk/buildingsafety

We worked with UKAS to further develop proposals for third party oversight of bodies undertaking assessment and re-assessment of the competence of individuals whose work impacts on building safety.

We established a Steering Group to take forward the development of a Contextualised Register to support the new building safety regime. This will facilitate engineering professionals becoming registered as competent to work on higher-risk buildings and is expected to be a project across multiple years.

Annual Report and Financial Accounts 2020

We continue to support the development of Recognised Standards for specific sectors, including the Electrician Engineering Technician (EngTech) Standard produced by the Institution of Engineering and Technology (IET) and proposed standards from the work of the Cyber Security Council (CSC).

5. Safeguard and promote UK registration standards internationally

Our Board approved a proposal by IET for a pilot in offering professional registration, against UK-SPEC, in Mandarin. We anticipate the IET project, with representation from the Engineering Council, will begin in Q1 2021

Our 2017/8 Washington Accord Review was concluded with the Engineering Council being given a six-year authorisation until 2023, confirming that our accreditation standards and processes are substantially equivalent to the Washington Accord benchmark.

We became a founder member of ENGINET, a group of European regulators from Spain, Portugal, France, Italy and the Netherlands. ENGINET members will work towards mutual recognition based on the assessment of professional competence.

We coordinated a response to the BEIS consultation on the future of mutual recognition of overseas professional qualifications and worked alongside other professions in BEIS/Department for International Trade (DIT) advisory groups, providing input into forthcoming UK Trade Agreements

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

We published the Approval and Accreditation of Qualifications and Apprenticeships (AAQA) Standard to support the recognition of a broader range of vocational and technical programmes, began updating the ICTech Standard to align with the revised UK-SPEC, and developed, tested and launched a unified public recognised course search and underlying qualifications database, replacing the earlier degree and technician qualifications databases.

Supporting the PEIs in delivering registrant messages, we ran workshops for PEI staff, published the 2020/21 Pocket Guide to Registration with updated profiles of all PEIs and Professional Affiliates and continued to extend our range of registrant case studies, making this as diverse as possible.

We continued to maintain and improve **mycareerpath** in response to user feedback and consulted PEIs on its future direction, reviewed our current Guidance Note on CPD and created a three-year CPD plan for the Professional Development Steering Group.

Meet future needs

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

We published our revised Standards, updated through a wide-ranging consultation process, in August 2020 and continue to support stakeholders as they implement these changes ahead of the transition deadlines.

We continued to work with university employers through the Technician Commitment and engaged with engineering employers as we started developing guidance on AAQA. We are consulting on the evolution of our employer programme as part of our new Strategic Plan.

We completed the review of our 'Guidance on Sustainability', for publication in early 2021, and started consultation on revisions to our 'Guidance on Risk'.

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

Work on understanding the future of assessment has begun, ensuring continued fit with good assessment practice following the publication of our revised Standards, including learning from remote assessment.

We have successfully implemented our risk-based approach to Licensing, incorporating annual desk-based risk assessments and enhancing the effectiveness of our regulatory regime.

We have put in place an organisation-wide 'Register Programme' that brings together all related work, including the development of a publicly searchable Register and registrant portal.

Annual Report and Financial Accounts 2020

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

We completed the first two phases of agency-led work to test out concepts relating to pathways to professional registration and titles. The next phase will be quantitative information gathering, including a physical workshop, when circumstances permit this being carried out.

We completed our Knowledge Profile Research Project in Q1 2020, with its findings accepted by RSC and QAC; this work will inform our work on understanding the future of assessment.

We published '[Mapping the UK's Engineering Workforce](#)', analysing external Office for National Statistics (ONS) data to set out the size and make-up of the UK's engineering workforce, which forms the future pipeline of registrants.

Going forward

We have started the consultation process to create our next Strategic Plan, to start from 2021, 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 maintain the public's confidence in the engineering profession through greater promotion of:

- the Engineering Council's regulatory work
- its leadership role within the engineering community, and
- an increase in a diverse and engaged registrant population.

4. Impact of Covid-19

Introduction

Following the outbreak of Covid-19 and the subsequent nationwide lock which started in March 2020 Engineering Council staff made a successful transition to working from home, and continued to do so, in the main, throughout 2020 and in to 2021. Although some staff were able to return to the office for short periods, subsequent lockdowns meant that working from home became the 'norm' in 2020. Throughout the whole period Engineering Council staff have continued to work closely with the PEIs and other bodies, particularly with respect to licensing, registration, and accreditation activities. All board, committee, panel and working group meetings have continued on-line.

The following assessment of the impact of Covid-19 and the ensuing lockdown on the organisation and its operations was undertaken in June 2020 and resulted in a change of assessment of the relevant risk item on the Trustees Risk Register. The impact assessment was reviewed and updated in February 2021 taking in to account the impact of the previous twelve months on Engineering Council staff and operations, and the organisation's ability to continue to deliver its strategic and business plans throughout 2021 should home working remain in place during the year.

Risks

Financial risk – Income – the organisation does not believe that Covid-19 has had or will have an impact on its income. Its main income stream is the annual grant from EngineeringUK. This grant is agreed by the Board of EngineeringUK, (which includes the CEOs of the three largest engineering institutions), in July of the preceding year. The agreement to pay the Engineering Council an operational grant to run the organisation's key activities, such as maintaining 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 a current or prospective 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, during periods of national lockdown, 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 internal fee income will be short term. In previous years the renewal rate of FEANI registrations has remained steady at around 80%, in 2020 the renewal rate was circa 72%. Whilst this represents a small fall in income the amount involved does not represent a risk to the organisation's finances. **Impact – minimal**

Financial Risk – Costs – Engineering Council is not incurring additional costs due to Covid-19, to the contrary during 2020 the organisation saw a decrease in some costs particularly those associated with hosting/attendance at physical meetings (catering, travel, and subsistence costs). Additionally, as a precaution during 2020 the Management Panel reviewed its current projects and placed on hold those it felt were not currently operationally or strategically critical. This situation was kept under review throughout the year and in early 2021 it was decided that number of strategic projects could be initiated/revived. **Impact - minimal**

Financial Risk – Reserves – the organisation held free reserves of £2.7m at the end of 2020, 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 into the fund, it has the reassurance that there will be funds available should it need to draw on them.

Although the value of the fund fell by £317K between 31 December 2019 and 31 March 2020, the stock markets improved over the course of 2020 and the losses incurred at the beginning of the year were recouped, with the fund showing an increase in its overall value at year end. Whilst there is a risk that there may be further fluctuations in the stock market which will affect the fund value during 2021, the organisation will be monitoring the situation and will keep its planned expenditure from reserves under constant review. Additionally, the organisation's chosen investment fund favours low risk investments designed to preserve, rather than grow capital. **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 of £108k in 2021, the organisation has no obligation to make any additional contributions to the Scheme until after the results of the next triennial valuation, due at 31 December 2021, are known. As a result, we do not anticipate any impact to the organisation from Covid-19 in relation to the Scheme in 2021. **Impact - minimal**

Operational Risk – Business Plan – all staff are continuing to work predominately from home and have done so successfully since 17 March 2020. The organisation has continued to work effectively and has delivered on its strategic and business plan objectives as expected. Despite the continue lockdown we do not expect any substantive changes to the work we plan to carry out in 2021. Board, panel, and committee meetings have all been held as scheduled, using Zoom and will continue to be held remotely during 2021. These remote meetings have proved to be as effective as face-to-face meetings. There continues to be little negative impact of remote working on delivery of the 2020 or current year's business plan (the new strategic plan has been developed during lockdown and will be launched later in 2021) and we have continued to deliver core business process with minimum interruption. Staff and supplier payments are made promptly, and new registrations and data reconciliations continue to be processed, including a full year end reconciliation at the end of 2020. Whilst some paper-based processes stop during periods of lock down they resume once there is a return to the office-based working. **Impact - minimal**

Operational Risk – Staff wellbeing – ensuring staff have been able to cope as well as possible has been a key priority, particularly given the prolonged time spent in lockdown. Regular individual, 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. A successful virtual staff away day was held in November 2020. The organisation has an Employee Assistance Programme in place, to offer support and advice to staff.

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 well-being. **Impact - minimal**

The organisation has not, so far not felt it necessary to take advantage of the Government support offered to businesses as a result of the pandemic. All staff have been fully deployed throughout the lockdowns and have access to the equipment and systems required to carry out their roles. The organisation 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, during the first lockdown, the organisation was able to complete a planned office move/office refurbishment to deadline and budget, further demonstrating the strength of its operations planning. The Management Panel continues to monitor both the finances and business processes monthly basis and reports regularly on them to the Trustees.

We believe that the organisation is well placed to continue to successfully deliver all business activities despite the restrictions imposed on it by lockdown and organisation wide home-based working.

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 (July 2020) 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 Management Panel (MP) manages the EngC's Risk and Opportunity Management Process.
- e. The Finance, Audit & Remuneration Panel (FARP) advises the Board on risk assurance.
- f. The Risk Register is reported to the Board via MP.
- g. 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.
- h. 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 2020, there were **three HIGH** Net Risks on the Trustees Risk Register as follows:

UK secession from EU (BREXIT): Risk that registered engineers would no longer be subject to directives on mobility: other forms of recognition and ways to enable mobility would become more important.

Mitigation: Work through ETF; should be factored into discussions about future engagement in recognition tools such as EUR-ACE, EUR ING, Engineering Card, international Accords and Agreements and Mutual Exemption Agreements; leading input into Professional Qualifications Working Group (requested by EtF/PEC), facilitated by RAEng and attended by PEIs.

Major disaster (e.g., terrorist attack, pandemic): Risk of a major event preventing access to Engineering Council offices for a significant period of time.

Mitigation: Routine penetration testing; Business Continuity provisions; Home working provision including provision of Callswitch (phone system), MS Teams and Zoom licences

Maintaining licensing function during COVID-19 outbreak: With the outbreak of COVID-19, the risk of not maintaining the various strands of the licensing function (licence reviews, Liaison Officer monitoring, volunteer seminars, workshops etc) to the current standard

Mitigation: All Licensing stakeholders have been notified of how it is anticipated the Licensing function will continue during the change to working practices; Revisions to the Licensing manual for the provision to conduct all types of licence reviews remotely; Ensuring Liaison Officers (LOs) are provided access to remote meetings held by Licensed Members for the continuation of LO reporting; Expectations of CPD activities and sampling; As part of regular Licensing team meetings, discussions will be held re the issue of training materials to key stakeholders as alternatives to conducting seminars / workshops. Additionally, research will be undertaken as to how to undertake online webinars."

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 2020 are set out in section 3 - **2020 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 £105,000 (2019 - £350,000), increased direct costs by £317,000 (2019 - £125,000) and resulted in an actuarial loss on the scheme of £1,107,000 (2019 – gain of £529,000). The overall effect of applying FRS102 is thus to decrease income for the year by £62,000 (2019 – increase of £225,000) and to decrease the net movement in funds by £1,169,000 (2019 – increase of £754,000).

Engineering Council Pension Scheme

The Trustees of the Engineering Council Pension Scheme met three times during 2020. The Engineering Council, as the Principal Employer, made contribution towards scheme running costs of £105,000, as opposed to the scheme deficit contribution of £350,000 made in 2019. This change resulted from the triennial valuation, 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 the 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 at 31 December 2021.

Reserves

In 2020 the Engineering Council held funds of £2,777,200 (£2,647,638 – 2019) 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 2020 six months operating budget was £1.5M (£1.55M – 2019). In calculating the level 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 £2,530,155 (2019 - £2,616,808); a figure not materially different from ten months' expenditure.

At its October 2020 meeting FARP agreed the principle of utilising reserves in excess of six months' operating costs to fund projects that supported the organisation's strategic plan, but only on condition that a minimum of 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 £105k (£350k – 2019).

The general fund, as shown in the financial statements, includes an unrecognised surplus of £1.506M (2019 surplus - £2.675M), 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.

Annual Report and Financial Accounts 2020

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.

In January 2020, the Targeted Return Fund moved from being a Charity Commission approved Common Investment Fund to a Charity Authorised Investment Fund (CAIF) recognised by the Charity Commission and the Financial Conduct Authority (FCA). An advantage of a CAIF is that its fees are not subject to irrecoverable VAT, as a result of converting to a CAIF Barings reduced their management fees by 0.1%, so the overall effective fee moved from 0.6% to 0.4%. Additionally, the fund is now subject to financial oversight by the FCA, which was felt by Barings to be a stricter and tougher regulator than the Charity Commission. At the same time the fund performance target was reduced from CPI plus 5%, to CPI plus 3%, which was intended to make the fund more competitive without changing its structure, and lessening equity market risk. 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 2020 follows.

'The COVID 19 pandemic had dramatic impact on investments in 2020, with the lockdowns causing a striking fall in economic activity but also significant disruption in stock markets. All assets became correlated, including unusually government bonds which all fell sharply so that the Fund saw a sharp fall in the first quarter of 2020. However, the fund manager took advantage of some of these falls and introduced Investment Grade Bonds and increased the Fund's US equity position. Throughout the year companies and investors learned to live with Covid assisted by the unprecedented monetary and fiscal support offered by the authorities around the world. Markets ended 2020 on a positive note with an easing of international trade tensions, the outcome of the US presidential election and the prospect of three successful vaccines and on Christmas Eve the signing of Brexit. The Fund has been achieving its real yield target of CPI plus 1% with a yield of 3.4% but nonetheless saw a fall in the level of distributions with companies cutting or suspending dividends. Whilst the fund has seen a recovery in performance over recent months, the one and three years the numbers reflect the adverse impact of the pandemic.'

The Trustees confirmed they were happy to continue with the appointment of Baring Asset Management as fund managers and that the investments held were acquired in accordance with the powers available to the Trustees.

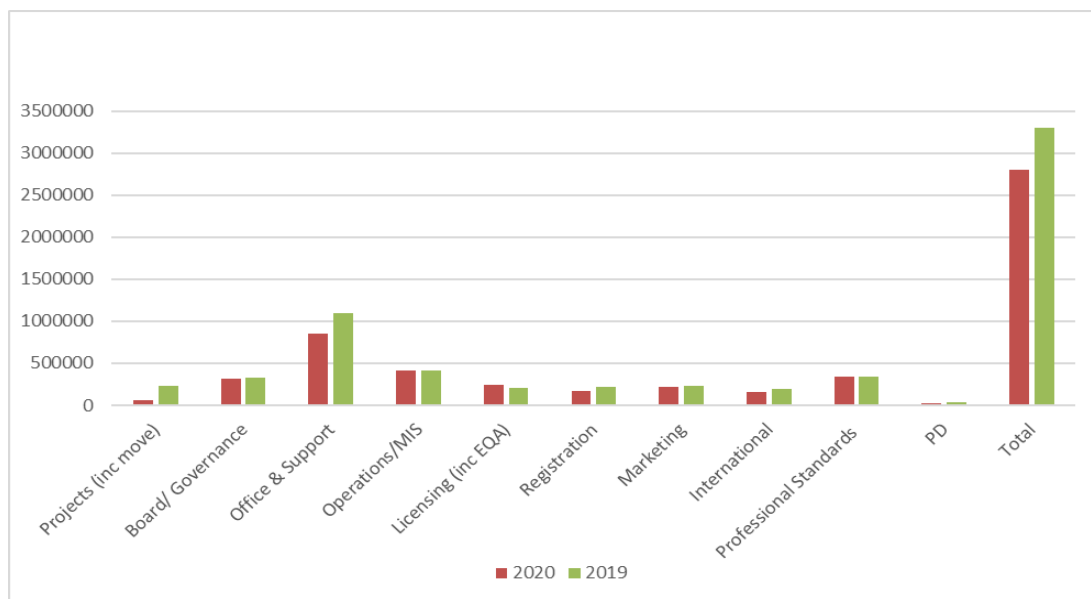
Post Balance Sheet Event

On 14 April Barings Asset Management advised that it would be closing its Targeted Return Fund with effect from 31 August 2021. Whilst the Trustees do not anticipate any significant fall in the fund's value because of the closure, they will be seeking alternative fund managers.

Expenditure on charitable activities

The following graph sets out the amounts spent on key areas of activity in 2019 and 2020.

FIGURE 7: 2020 & 2019 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

Annual Report and Financial Accounts 2020

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 5th Floor, 10 Lower Thames St, 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.

Annual Report and Financial Accounts 2020

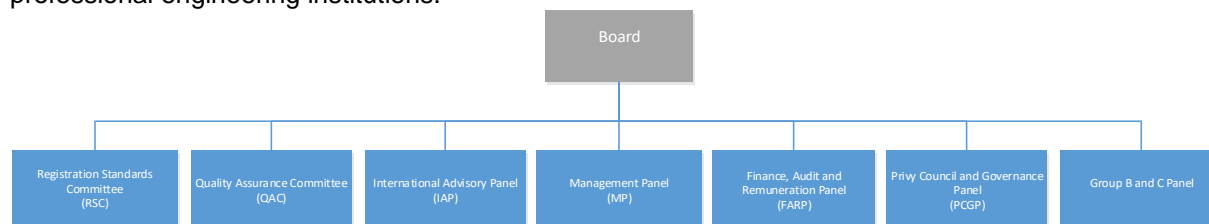
The following table presents changes to Board members during 2020.

	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	Dr Rob Best CEng FICHEM		
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 Mike McLoughlin CEng FIMechE		
10	Royal Aeronautical Society	Prof Chris Atkin CEng FRAeS		
11	Society of Operations Engineers	Mr Stephen Catte CEnv IEng HonFSOE		
12	Institution of Structural Engineers	Mr Phil Nelson CEng FStructE		
13	Group B Institutions	Terry Fuller CEng MICE MCIWEM		
14	Group B Institutions	Mr Neil Phelps IEng MIED		
15	Group C Institutions	Mr Tony Gibson CEng MNucl MIET MAPM MINCOSE		
16	EngineeringUK	Mr Doug Alexander*		
		Mr David Short CEng FRAeS MIET		
17	EngineeringUK	Ms Ann Watson		
18	EngineeringUK	Matt Gantley	Jun 2020	
		Carolyn Griffiths CEng FIMechE FREng		Jun 2020
19	EngineeringUK	Ms Estelle Clark CQP FCQI FRSA		
20	EngineeringUK	Mrs Josephine Parker MBE CEng FCIWEM FICE F!Water		Jun 2020
		Col Martin Court CEng FIMechE	Jun 2020	
21	EngineeringUK	Capt Mike Rose RN CEng MIMarEST		
22	EngineeringUK	Ms Ann Francke		

*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 2020.

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 2020.

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 2020.

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 2020.

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.

Annual Report and Financial Accounts 2020

PCGP comprises suitable nominees from the Board, together with advisors to assist in this work of the Panel. The PCGP met four times in 2020.

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.

A remote Volunteers Seminars was held in November in 2020, which was well attended.

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

..... 2021 and signed on their behalf by the Chairman of the Board:

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

Opinion

We have audited the financial statements of The Engineering Council for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet and the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2020 and of the charity's net movement in funds for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the charity; or
- sufficient accounting records have not been kept; or
- the charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statements set out on page 24, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Engineering Council, we identified that the principal risks of non-compliance with laws and regulations relates to the Charities Act 2011 and its Royal Charter, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Charities Act 2011 and the application of FRS 102, income tax and payroll tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to application of controls around authorisation of expenditure and payments. Audit procedures performed by the engagement team included:

- Enquiries of management regarding correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular, journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates;
- Reviewing the assumptions and judgements used by the professional actuary in relation to the Council's pension asset.

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 section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

Haysmacintyre LLP
Statutory Auditors
[date]

10 Queen Street Place
London
EC4R 1AG

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

The Engineering Council

Statement of financial activities for the year ended 31 December 2020

Note	Restricted funds 2020 £	Unrestricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Income from:				
Charitable activities	105,000	2,813,226	2,918,226	3,082,018
Other trading activities	-	7,754	7,754	26,358
Investments	-	54,082	54,082	78,450
	<u>105,000</u>	<u>2,875,062</u>	<u>2,980,062</u>	<u>3,186,826</u>
Total income				
Expenditure on:				
Raising funds	-	2,582	2,582	2,159
Charitable activities	105,000	2,762,855	2,867,855	3,084,006
	<u>105,000</u>	<u>2,765,437</u>	<u>2,870,437</u>	<u>3,086,165</u>
Total expenditure				
Net (losses)/gains on investments	-	(42,063)	(42,063)	166,574
	<u>-</u>	<u>67,562</u>	<u>67,562</u>	<u>267,235</u>
Net movement in funds before other recognised gains/(losses)				
Other recognised gains/(losses):				
Actuarial (losses)/gains on defined benefit pension schemes	-	(1,107,000)	(1,107,000)	529,000
Derecognition of pension surplus	-	1,169,000	1,169,000	(754,000)
	<u>-</u>	<u>129,562</u>	<u>129,562</u>	<u>42,235</u>
Net movement in funds				
Reconciliation of funds:				
Total funds brought forward	-	2,647,638	2,647,638	2,605,403
Net movement in funds	-	129,562	129,562	42,235
	<u>-</u>	<u>2,777,200</u>	<u>2,777,200</u>	<u>2,647,638</u>
Total funds carried forward				

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

The notes on pages 31 to 53 form part of these financial statements.

The Engineering Council

Balance sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	14	247,045	30,830
Investments	15	2,016,073	2,004,916
		<u>2,263,118</u>	<u>2,035,746</u>
Current assets			
Debtors	16	171,120	293,905
Cash at bank and in hand		688,715	671,177
		<u>859,835</u>	<u>965,082</u>
Creditors: amounts falling due within one year	17	(345,753)	(353,190)
		<u>514,082</u>	<u>611,892</u>
Net current assets		514,082	611,892
Net assets including pension scheme liabilities		<u>2,777,200</u>	<u>2,647,638</u>
Charity funds			
Restricted funds	18	-	-
Unrestricted funds	18	2,777,200	2,647,638
		<u>2,777,200</u>	<u>2,647,638</u>
Total funds		<u>2,777,200</u>	<u>2,647,638</u>

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

The notes on pages 31 to 53 form part of these financial statements.

The Engineering Council

Statement of cash flows for the year ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Net cash provided by/(used in) operating activities	360,103	31,699
	<hr/>	<hr/>
Cash flows from investing activities		
Dividends, interests and rents from investments	862	1,032
Purchase of tangible fixed assets	(273,427)	-
Purchase of investments	(70,000)	(74,418)
	<hr/>	<hr/>
Net cash used in investing activities	(342,565)	(73,386)
	<hr/>	<hr/>
Change in cash and cash equivalents in the year	17,538	(41,687)
Cash and cash equivalents at the beginning of the year	671,177	712,864
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	688,715	671,177
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 31 to 53 form part of these financial statements

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

1. General information

The Engineering Council is an unincorporated charity registered with the Charity Commission. The registered office is 10 Lower Thanes Street, London, EC3R 6EN.

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 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

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.

Whilst the impact of the COVID-19 pandemic has been assessed by the Trustees, so far as is reasonably possible, due to its unprecedented impact on the worldwide economy it is difficult to evaluate with any certainty the potential outcomes on the Charity's future activities. However, taking into consideration the Charity's level of reserves, the Trustees believe that the Charity will be able to continue in operational existence for the foreseeable future.

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.

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.

**Notes to the financial statements
for the year ended 31 December 2020**

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.

**Notes to the financial statements
for the year ended 31 December 2020**

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 2020

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 24.

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.

**Notes to the financial statements
for the year ended 31 December 2020**

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 2020

4. Income from charitable activities

	Restricted funds 2020 £	Unrestricted funds 2020 £	Total funds 2020 £
Grants	105,000	2,611,523	2,716,523
FEANI income	-	98,404	98,404
Miscellaneous income	-	35	35
Admin fee from EngineeringUK	-	44,664	44,664
Professional services	-	24,600	24,600
MCP license fees	-	34,000	34,000
	<u>105,000</u>	<u>2,813,226</u>	<u>2,918,226</u>

Prior year - 2019

	<i>Restricted funds 2019 £</i>	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
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>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

5. Other trading activities

	Unrestricted funds 2020 £	Total funds 2020 £
Trading income	7,754	7,754
Stamp purchases	(2,159)	(2,159)
	<u>5,595</u>	<u>5,595</u>
Prior year - 2019		
	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
Trading income	26,358	26,358
Stamp purchases	(2,159)	(2,159)
	<u>24,199</u>	<u>24,199</u>

Trading income comprises professional stamps and replacement registration certificates.

6. Investment income

	Unrestricted funds 2020 £	Total funds 2020 £
Interest from fixed asset investments	53,220	53,220
Bank interest receivable	862	862
Pension income (note 25)	(150,000)	(150,000)
	<u>(95,918)</u>	<u>(95,918)</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

Prior year - 2019

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
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>

7. Analysis of expenditure by activities

	Activities undertaken directly 2020 £	Support costs 2020 £	Total funds 2020 £
Charitable activities	<u>2,424,855</u>	<u>293,000</u>	<u>2,717,855</u>

Prior year - 2019

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

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

8. Direct costs

	Restricted funds 2020 £	Unrestricted funds 2020 £	Total funds 2020 £
Pension expense (note 12)	-	167,000	167,000
Project spend	-	1,739	1,739
Recruitment and temporary staff	-	6,553	6,553
Training	-	3,449	3,449
Computer and information systems costs	-	217,083	217,083
Marketing	-	4,780	4,780
Travel and subsistence	-	18,508	18,508
Subscriptions and meetings	-	88,530	88,530
Accommodation costs	-	285,893	285,893
Wages and salaries (note 11)	105,000	1,526,320	1,631,320
	<u>105,000</u>	<u>2,319,855</u>	<u>2,424,855</u>

Prior year - 2019

	<i>Restricted funds 2019 £</i>	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
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
Marketing	-	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>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

9. Support costs

	Unrestricted funds 2020 £	Total funds 2020 £
General support		
Telephone	10,922	10,922
Printing, stationery and office supplies	60,219	60,219
Maintenance of equipment	15,120	15,120
Sundries	2,607	2,607
Rental of office equipment	8,323	8,323
Bank charges	3,913	3,913
Accountancy	4,750	4,750
Legal and professional	18,036	18,036
Insurance	47,401	47,401
Application fees	14,802	14,802
Office move costs	14,228	14,228
Depreciation	56,969	56,969
	<hr/>	<hr/>
Governance	257,290	257,290
Accountancy	21,170	21,170
Auditors' remuneration	14,540	14,540
	<hr/>	<hr/>
	293,000	293,000
	<hr/> <hr/>	<hr/> <hr/>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

Prior year - 2019

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
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 fees	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
	<u>288,961</u>	<u>288,961</u>
Accountancy	21,349	21,349
Auditors' remuneration	16,239	16,239
	<u>326,549</u>	<u>326,549</u>

10. Auditor's remuneration

	2020 £	2019 £
Fees payable to the charity's auditor for the audit of the charity's annual accounts - excluding VAT	<u>11,950</u>	<u>11,950</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

11. Staff costs

	2020 £	2019 £
Wages and salaries	1,407,744	1,298,688
Social security costs	154,651	140,326
Contribution to defined contribution pension schemes	235,925	349,960
	<u>1,798,320</u>	<u>1,788,974</u>

Included within wages and salaries is an ex-gratia termination payment of £15,000 (2019: £Nil), which was paid in full during the year.

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

	2020 No.	2019 No.
	<u>32</u>	<u>32</u>

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

	2020 No.	2019 No.
In the band £60,001 - £70,000	1	1
In the band £70,001 - £80,000	-	1
In the band £80,001 - £90,000	1	-
In the band £100,001 - £110,000	1	1
In the band £140,001 - £150,000	1	1

Employers pension contributions totalling £38,619 (2019: £37,228) were paid to higher paid employees.

The total employment benefits of the key management personnel were £495,325, including employer's national insurance contributions of £47,365 (2019 - £475,386, including employer's national insurance contributions of £42,853).

12. Pension expense

	2020 £	2019 £
Interest on pension scheme liabilities	255,000	347,000
Interest on scheme assets	(105,000)	(350,000)
Administrative expenses	167,000	128,000
	<u>317,000</u>	<u>125,000</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

13. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2019 - £NIL).

During the year ended 31 December 2020, expenses totalling £2,019 were reimbursed or paid directly to 4 Trustees (2019 - £9,587 to 18 Trustees) for travel expenses incurred.

14. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	196,280	29,171	279,618	505,069
Additions	248,119	4,170	21,138	273,427
At 31 December 2020	<u>444,399</u>	<u>33,341</u>	<u>300,756</u>	<u>778,496</u>
Depreciation				
At 1 January 2020	168,569	27,905	277,765	474,239
Charge for the year	49,761	1,310	6,141	57,212
At 31 December 2020	<u>218,330</u>	<u>29,215</u>	<u>283,906</u>	<u>531,451</u>
Net book value				
At 31 December 2020	<u>226,069</u>	<u>4,126</u>	<u>16,850</u>	<u>247,045</u>
At 31 December 2019	<u>27,711</u>	<u>1,266</u>	<u>1,853</u>	<u>30,830</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

15. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 January 2020	2,004,916
Additions	53,220
Revaluations	(42,063)
At 31 December 2020	2,016,073
Net book value	
At 31 December 2020	2,016,073
<i>At 31 December 2019</i>	<i>2,004,916</i>

Historical cost of investments held would be £1,749,070. All investments are held in the UK.

16. Debtors

	2020 £	2019 £
Due within one year		
Trade debtors	50,027	31,381
Amounts owed by group undertakings	-	58,715
Other debtors	46,820	119,088
Prepayments and accrued income	74,273	84,721
	171,120	293,905

17. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	33,751	139,530
Amounts owed to group undertakings	29,610	-
Other taxation and social security	75,189	72,361
Other creditors	5,383	10,678
Accruals and deferred income	201,820	130,621
	345,753	353,190

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

18. Statement of funds

Statement of funds - current year

	Balance at 1 January 2020 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 December 2020 £
Unrestricted funds						
General Funds	2,647,638	2,875,062	(2,765,437)	62,000	(42,063)	2,777,200
Pension reserve	-	-	-	(62,000)	62,000	-
	<u>2,647,638</u>	<u>2,875,062</u>	<u>(2,765,437)</u>	<u>-</u>	<u>19,937</u>	<u>2,777,200</u>
Restricted funds						
Pension fund grant	-	105,000	(105,000)	-	-	-
	<u>-</u>	<u>105,000</u>	<u>(105,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total of funds	<u><u>2,647,638</u></u>	<u><u>2,980,062</u></u>	<u><u>(2,870,437)</u></u>	<u><u>-</u></u>	<u><u>19,937</u></u>	<u><u>2,777,200</u></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.

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.

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

18. Statement of funds (continued)

Statement of funds - prior year

	<i>Balance at 1 January 2019 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 December 2019 £</i>
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><u>2,605,403</u></u>	<u><u>3,186,826</u></u>	<u><u>(3,086,165)</u></u>	<u><u>-</u></u>	<u><u>(58,426)</u></u>	<u><u>2,647,638</u></u>

19. Summary of funds

Summary of funds - current year

	Balance at 1 January 2020 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 December 2020 £
General funds	2,647,638	2,875,062	(2,765,437)	-	19,937	2,777,200
Restricted funds	-	105,000	(105,000)	-	-	-
	<u>2,647,638</u>	<u>2,980,062</u>	<u>(2,870,437)</u>	<u>-</u>	<u>19,937</u>	<u>2,777,200</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

19. Summary of funds (continued)

Summary of funds - prior year

	<i>Balance at 1 January 2019 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 December 2019 £</i>
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>

20. Analysis of net assets between funds

Analysis of net assets between funds - current period

	Unrestricted funds 2020 £	Total funds 2020 £
Tangible fixed assets	247,045	247,045
Fixed asset investments	2,016,073	2,016,073
Current assets	822,697	822,697
Creditors due within one year	(308,615)	(308,615)
Total	<u>2,777,200</u>	<u>2,777,200</u>

Analysis of net assets between funds - prior period

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
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>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

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

	2020 £	2019 £
Net income for the period (as per Statement of Financial Activities)	67,562	267,235
Adjustments for:		
Depreciation charges	57,212	71,786
Gains/(losses) on investments	58,843	(166,574)
Dividends, interests and rents from investments	(862)	(1,032)
Decrease in debtors	90,810	39,518
Increase in creditors	24,538	45,391
Pension adjustments	62,000	(225,000)
Write off of investments	-	375
Net cash provided by operating activities	360,103	31,699

22. Analysis of cash and cash equivalents

	2020 £	2019 £
Cash in hand	688,715	671,177
Total cash and cash equivalents	688,715	671,177

23. Analysis of changes in net debt

	At 1 January 2020 £	Cash flows £	At 31 December 2020 £
Cash at bank and in hand	671,177	17,538	688,715
	671,177	17,538	688,715

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

24. 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 2018 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 £105,000 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 2020 this was 1.30% (2019 - 2.00%).

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% (2019 - 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 date (expressed as weighted averages):

	2020	2019
Discount rate	1.30%	2.00%
Retail price inflation	3.10%	3.10%
Future salary increases	3.00%	3.00%

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

	2020 £	2019 £
Equities	3,228,000	3,142,200
Bonds	12,589,200	12,411,690
Cash	322,800	157,110
	<u>16,140,000</u>	<u>15,711,000</u>

The actual return on scheme assets was £1,064,000 (2019 - £1,464,000).

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

The amounts recognised in the Balance sheet are as follows:

	2020 £	2019 £
Present value of funded obligations	(14,634,000)	<i>(13,036,000)</i>
Unrecognised past service cost	16,140,000	<i>15,711,000</i>
	<hr/>	<hr/>
Surplus in scheme	1,506,000	<i>2,675,000</i>
Adjustment for non-recoverable surplus	(1,506,000)	<i>(2,675,000)</i>
	<hr/>	<hr/>
Net assets	-	<i>-</i>
	<hr/> <hr/>	<hr/> <hr/>

The charity has an unrecognised surplus of £1,506,000 (2019 - £2,675,000) 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:

	2020 £	2019 £
Interest on obligation	(255,000)	<i>(347,000)</i>
Expected return on scheme assets	105,000	<i>350,000</i>
Administrative expenses	(167,000)	<i>(128,000)</i>
	<hr/>	<hr/>
Total amount recognised in the Statement of financial activities	(317,000)	<i>(125,000)</i>
	<hr/> <hr/>	<hr/> <hr/>

The actuarial loss on the scheme at year end was £1,107,000 (2019 - Gain - £529,000).

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

	2020 £	2019 £
Opening defined benefit obligation	13,036,000	<i>12,687,000</i>
Interest cost	255,000	<i>347,000</i>
Actuarial losses/(gains)	1,916,000	<i>585,000</i>
Benefits paid	(573,000)	<i>(583,000)</i>
	<hr/>	<hr/>
Closing defined benefit obligation	14,634,000	<i>13,036,000</i>
	<hr/> <hr/>	<hr/> <hr/>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

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

	2020 £	2019 £
Opening fair value of scheme assets	15,711,000	14,608,000
Expected return on assets	105,000	350,000
Actuarial gains/(losses)	809,000	1,114,000
Contributions by employer	255,000	350,000
Benefits paid	(573,000)	(583,000)
Administrative expenses	(167,000)	(128,000)
	<u>16,140,000</u>	<u>15,711,000</u>

The charity expects to contribute £105,000 to its Defined benefit pension scheme in 2020 increasing annually on 1 January at 3.4% per annum

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

	2020	2019
Equities and property	20%	20%
Bonds	78%	79%
Cash	2%	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 2020 were £218,925 (2019 - £221,960).

25. Capital commitments

	2020 £	2019 £
Contracted for but not provided in these financial statements	<u>7,000</u>	<u>-</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

26. Operating lease commitments

At 31 December 2020 the charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	145,741	191,272
Later than 1 year and not later than 5 years	449,605	544,231
Later than 5 years	-	691,627
	<u>595,346</u>	<u>1,427,130</u>

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 2020, the following transactions took place between the parties arising from the above:

EngineeringUK provided a grant to the Engineering Council of £2,611,523 (2019 - £2,535,459) to fund its operation plus £105,000 (2019 - £350,000) for the pension scheme.

To cover administration costs, The Engineering Council charged EngineeringUK £44,664 (2019 - £44,664) in the year.

On 31 December 2020, Engineering Council owed EngineeringUK the sum of £29,610 (2019 Debtor - £58,715). This amount is disclosed within creditors 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 2019 £</i>	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>
Income from:			
Charitable activities	350,000	2,732,018	3,082,018
Other trading activities	-	26,358	26,358
Investments	-	78,450	78,450
Total income	<u>350,000</u>	<u>2,836,826</u>	<u>3,186,826</u>
Expenditure on:			
Raising funds	-	2,159	2,159
Charitable activities	<u>368,772</u>	<u>2,715,234</u>	<u>3,084,006</u>

The Engineering Council

Notes to the financial statements for the year ended 31 December 2020

Total expenditure	<u>368,772</u>	<u>2,717,393</u>	<u>3,086,165</u>
Net income before investment gains/(losses)	<u>(18,772)</u>	<u>119,433</u>	<u>100,661</u>
Net gains/(losses) on investments	<u>-</u>	<u>166,574</u>	<u>166,574</u>
Net income before other recognised gains and losses	<u>(18,772)</u>	<u>286,007</u>	<u>267,235</u>
Derecognition of pension surplus	<u>-</u>	<u>(754,000)</u>	<u>(754,000)</u>
Actuarial gains on defined benefit pension scheme	<u>-</u>	<u>529,000</u>	<u>529,000</u>
Net movement in funds	<u>(18,772)</u>	<u>61,007</u>	<u>42,235</u>
Reconciliation of funds:			
Total funds brought forward	<u>18,772</u>	<u>2,586,631</u>	<u>2,605,403</u>
Total funds carried forward	<u>-</u>	<u>2,647,638</u>	<u>2,647,638</u>

On 14 April 2021 Barings Asset Management advised that it would be closing the Targeted Return Fund with effect from 31 August 2021. Whilst this is a non-adjusting post balance sheet event, the Trustees do not foresee any significant change in the value of the fund at the time of closure. The Trustees are in the process of appointing new managers for the fund.