

# AGM minutes

THE INSTITUTION OF CHEMICAL ENGINEERS

## Minutes of the Ninety Fifth Annual General Meeting

The NINETY FIFTH Annual General Meeting of The Institution of Chemical Engineers was held at the International Convention Centre, Birmingham on Wednesday 10 May 2017.

### PRESENT:

Professor J P K Seville (President) in the Chair, Mr J McGagh (Deputy President), Mr K J Rivers (Honorary Treasurer), and 39 other Voting members of the Institution.

**APOLOGIES** for absence were received from 25 members.

### NOTICE:

The President welcomed everyone to the Ninety Fifth Annual General Meeting, declared a quorum present and the meeting open. The Chief Executive then read the notice convening the meeting.

### DEATHS:

Members stood in silence for one minute as a mark of respect for those members whose deaths had been recorded during the period 30 April 2016 to 1 May 2017.

### MINUTES:

The President proposed that the minutes of the Ninety Fourth Annual General Meeting held on 24 May 2016 and published in the April 2017 issue of *The Chemical Engineer*, should be adopted. This was seconded by Dr A Jamieson and approved by the members present. The minutes were duly signed by the President as a true and correct record of the meeting.

### ANNUAL REPORT & ACCOUNTS:

Mr J Prichard (Chief Executive) presented the Annual Report of Council for the year ended 31 December 2016, as published in the Annual Review.

In introducing the Annual Review, the Chief Executive reported that 2016 had been a year of change and challenge. He thanked the President and Council who, during 2016, had reaffirmed IChemE's vision and mission and had laid firm foundations for a strategy review. He then outlined a few highlights taken from the review which portrayed an institution that was in good shape and looking forward to its centenary year in 2022.

Membership had remained stable at just over 44,000 in 120 countries worldwide. The Malaysian community celebrated its tenth anniversary during 2016 and was particularly noteworthy with the second highest concentration of members.

Involving and enabling members was central to IChemE's work. The AGM was being held on the eve of the Hazards27 conference. While its roots could be traced back to IChemE's NW Branch in 1960, the conference was now an international affair and was staged in Australia, Malaysia and, for the first time in 2016, in Singapore as well as the UK. The Hazards activity was an excellent example of an activity that could not happen without a significant contribution from member volunteers.

First and foremost IChemE was a learned society and the *Chemical Engineering Matters* initiative offered a definitive take on the diversity

of 21st Century chemical engineering and its application in the modern world. This work would continue to guide IChemE's technical strategy in the years to come.

IChemE had maintained a strong focus on growing its organisational capacity. The maintenance of professional standards sat at the core of what we do and the Institution had successfully completed its licence review with the UK Engineering Council in 2016, thereby securing the right to continue awarding Chartered Engineer status which was the benchmark of engineering professionalism.

Professor Seville thanked Mr Prichard for his presentation and invited Mr Rivers to present the Annual Accounts. Mr Rivers confirmed that the accounts had been scrutinised and verified by BDO LLP, the Institution's independent auditors, and had been given a clean bill of health. He went on to read out the opinion of the Auditors and also gave a brief overview of the accounts.

He had reported at the previous AGM that the Institution had posted a deficit of £789k at the end of 2015 (the first in 12 years) primarily as a result of the impact of lower oil prices and the knock-on effect of training and conference attendance, but also due to some structural changes in advertising revenues due to moves from print to virtual publications. These factors had continued, as anticipated, into 2016 and at last year's AGM the forecasts were showing an operational budget deficit of £500k in non-restricted funds. However, through sterling work by the Institution staff and some difficult decisions, including a voluntary redundancy programme to reduce head count and a re-phasing of project activities, the operational deficit (in non-restricted funds) had been brought back to a break-even position. Taking into account investment returns and restricted fund activity, this had led to an overall surplus of £436k.

The Honorary Treasurer reported that whilst conditions remained challenging, he was confident that the Institution would continue to be in overall surplus in 2017.

He then went on to report on revenues, reserves and pension liabilities.

A recovery in conferences and events and journals, in addition to the increase in subscriptions, had led to revenues growing to nearly £8m in 2016, while unrestricted free reserves had increased from £5.1m to £5.6m.

This level of free reserves was stated before taking account of the pension funding deficit of £5,615,000 (calculated under FRS 102). Due to the extremely long-term nature of the pension reserve, the unrestricted reserves freely available were considered a more appropriate measure. During 2016 the Pension Fund Trustees, in consultation with the Institution, had been looking at ways to further de-risk the scheme.

The current level of reserves held by the Institution was in excess of policy and Council considered the level of reserves held at year end to be sufficient to protect it from the risk of insolvency or serious disruption to its work.

The Honorary Treasurer reported that once again the accounts were clean and unadjusted which represented a tremendous achievement by the accounts staff at Rugby. He wished to pass on both his personal thanks and those of Council to Ms Jo Downham and her finance team for producing an excellent set of accounts.

The President then invited comments or questions from the members present on both the Chief Executive's and Honorary Treasurer's reports.

Eurlng Keith Plumb (Fellow) requested clarification on the financial review on page six of the accounts where it stated that the Institution had an overall surplus of £431,000 but then in the next paragraph suggested that when looking at trading income and expenditure, there was a small deficit.

Mr Rivers explained that in terms of the overall position there was a small operating deficit, but when taken together with the gains on investments this cumulatively resulted in a surplus.

He agreed that in themselves, the international financial reporting requirements put together by corporate bodies across the world, were not a very transparent articulation of the information which was why this was explained in the notes to try and pick out the highlights. He confirmed that IChemE was in a relatively comfortable position with respect to cash and reserves.

Eurlng Plumb noted that there was no big change in overall staff numbers in 2016 from the previous year, but was concerned at the total payroll costs for these staff members which had increased from £3.844m in 2015 to £4.128m in 2016 and also the impact of the redundancy payments made during the year. The Honorary Treasurer expected impact to be seen in the 2017 year-end accounts.

Finally, Eurlng Plumb advised that he did not understand the impact, or otherwise, of the £5.5m hole in the pension fund.

Mr Rivers responded that the level of unrestricted reserves increased from £5.1m to £5.6m. This level of free reserves is stated before taking account of the pension-funding deficit. Due to the extremely long term nature of the pension liability, the unrestricted reserves freely available are considered a more appropriate measure.

The actuarial loss on the pension fund seen in 2016 reflects lower bond yields which increases the weight of future liabilities. The Pension Fund Trustees (in consultation with the Institution) have been looking at ways to further de-risk the scheme.

The current level of reserves held is in excess of policy. A very conservative approach is taken on required reserves levels (committed costs + 10%) which for 2016 was £4m. Looking at the commitments for this year, the required reserves levels are expected to reduce to around £3.5m.

Council has considered the level of reserves held at year end and believes they are sufficient to protect it from risk of insolvency or serious disruption to its work. This level of reserves puts the Institution in a relatively comfortable position as we move through testing times and provides flexibility to use "excess reserves" to invest in our strategy if suitable opportunities arise and Council think it prudent.

In terms of the obligation that IChemE had to the pension scheme, this was handled through a triennial valuation of the scheme where assumptions were reviewed and a recovery plan was agreed between the pension scheme trustees and Council. The last review in 2015 led

to IChemE continuing to input £173,000 per annum into the pension scheme. In addition, IChemE also gave first charge on the Rugby property (£500k) to the pension scheme. The trajectory of bond yields continued to go down so the annual contribution to the scheme would increase to £265,000 per annum in 2018. The next triennial valuation review is in 2018.

Professor Seville then reported that a number of members had questioned the employment rates of graduate engineers in the UK. In response, he advised that HESA conduct a six monthly survey of those graduates in work. The unemployment rates for UK domiciled chemical engineering graduates in 2015 was now around 7%, having peaked at 13% in 2008. Broadly speaking this figure tracked what had happened for all science and engineering graduates.

Finally, Mr Richard Cadbury, in his role as a member of the Professional Formation Forum (PFF), wished to confirm that the figure of 117 new Chartered Members stated in the annual review was in fact the net increase, year on year.

There being no further questions from the meeting the Honorary Treasurer proposed the adoption of the annual report and accounts. This proposal was seconded by Dr A Jamieson and carried by a majority of members present, with one abstention.

## **ELECTION OF HONORARY OFFICERS AND COUNCIL:**

PRESIDENT: Mr J McGagh; DEPUTY PRESIDENT: Mr K J Rivers; HONORARY TREASURER: Mr K J Rivers; PAST PRESIDENT: Professor J P K Seville; ORDINARY MEMBER OF COUNCIL: Mr S T Moran

## **APPOINTMENT OF AUDITORS:**

Mr Rivers advised that it was prudent on occasion for organisations to review their auditors and the decision had been taken to move from BDO LLP and to appoint RSM as the Institution's auditors. Mr Rivers then proposed that the remuneration of the Auditors for the year beginning immediately after the AGM should not exceed £20,000 for the consolidated accounts of the charity, and a further AUS\$12,000 for the Australian charity. The motion was seconded by Mr S Harrow and, following a show of hands, carried unanimously.

## **FORMAL HANDOVER:**

Professor Seville then handed over the Chain of Office to Mr McGagh and congratulated him on becoming IChemE's 78th President.

## **VOTE OF THANKS:**

The President, Mr J McGagh, called on Mr Malcolm Wilkinson who proposed a vote of thanks to the retiring President and members of Council.

## **CLOSURE:**

There being no further competent business the President, Mr J McGagh, declared the meeting closed at 15:05