

IChemE AGM – 15 June 2020

Member questions and answers

- 1. QUESTION:** The President has stated the given COVID-19 emergency, a stress test of the IChemE Finances has been undertaken

1.1. QUESTION: Did a Professional body undertake this stress test or a simple internal exercise?

RESPONSE: Three different scenarios were produced for both the budgeted income and expenditure for 2020 based on a best case, medium case and worst case. The data was then used to calculate a cashflow forecast up to the end of April 2021. The three scenarios and cashflow forecast were reviewed by the external auditors as part of the statutory accounts sign off for the 2019 accounts. Additional disclosures on the impact of COVID-19 were then added to the Trustees Report and notes to the financial statements.

1.2. QUESTION: What assumptions were made, in terms of reduced commercial revenue, investment income etc. to carry out this stress test?

RESPONSE: Income is broken down into a number of categories. At a high level these are: membership & accreditation, journals & publications, safety centre, and training & events.

The impact on each income stream has been assessed and updated based on actual data to the end of April 2020.

An allowance for a reduction of up to 5% in membership subscription fees has been included in the worst-case scenario. It should be noted that the majority of subscription income had been collected prior to the main impact of COVID-19.

An allowance has been made for a small percentage of the Safety Centre subscribers to drop off at renewal time during June to December where they have not yet confirmed that they will renew.

The main impact is on the training and events activity and for the purposes of this modelling exercise the assumption has been made that no physical events will take place for the remainder of the year. The Commercial team have been working with course directors and the events committees to move the courses and events online. This has helped to mitigate some of the impact. Although income from this activity will be significantly down on budget, the costs associated with running the courses and events are also significantly reduced.

Investment income only accounts for approximately 1% of turnover and any changes in income do not therefore have a significant impact. The investment strategy in place to hold funds with two different investment fund managers and in different types of funds has helped reduce the overall volatility in the market value of the funds. As at the end of May the overall investment portfolio was only down 2% compared to the start of the year.

Overall, based on the worst-case scenario, income could come in at £2m under budget. However, cost saving measures put in place at an early stage will reduce the net impact on reserves to under £500,000.

- 1.3. **QUESTION:** Despite the defined benefit pension scheme being closed since 2006, it is still in deficit and in fact, it appears from the accounts that this deficit has widened in 2019.

To date how much additional funding since the closure of the scheme, in terms of cash and assets have the Pension scheme trustees required IChemE to inject into the scheme?

RESPONSE: The current recovery plan agreed between the Board of Trustees and Pension Trustees is for IChemE to pay in an annual contribution of £274,000 (rising annually with CPI) until January 2028. In addition, a lump sum payment of £1.15m was paid into the Scheme in 2018.

Full details of the pension scheme are set out in note 23 to the statutory accounts.

- 1.4. **QUESTION:** When does the IChemE Trustees expect to achieve a satisfactory resolution of the pension fund deficit with the scheme Trustees?

RESPONSE: A satisfactory resolution could take a number of forms, ranging from the scheme being fully funded on a buy-out basis to the last beneficiary receiving their final payment. As with all other Defined Benefit schemes, there are a number of variables beyond the control of either set of Trustees (such as stock market performance and liability assumptions) which affect valuations. The scheme currently has a deficit with an agreed recovery plan that would mean it was fully funded (on a statutory funding basis) by January 2028. However, this position may change at the next triennial valuation (which is due to commence as at 31 December 2020), when the assumptions and financial performance of the investments are reviewed and updated.

- 1.5. **QUESTION:** How much additional funding do the IChemE Trustees expect will be required to achieve this resolution?

RESPONSE: This will depend on the factors stated above.

- 1.6. **QUESTION:** The minutes of the April Board of Trustees meeting show that the Trustees agreed to the Honorary Treasurers recommendation that the use of the unrestricted reserves be limited to £500,000 due to the current COVID-19 emergency Is this recommendation still valid or given the ongoing situation has the Honorary Treasurer revised their recommendation or has the recommendation been revised?

RESPONSE: The recommendation remains valid.

2. **QUESTION:** The minutes of the April Board of Trustees meeting show that the Trustees agreed to a relaxation of the by-laws relating to fees. It would appear that a considerable amount of effort was expended last year to ensure the register of members is an accurate reflection of members in good standing. The minutes also indicated the CEO view was that there were a number of members' whose ability to pay is affected by COVID-19 and could return once the emergency was over.

- 2.1. **QUESTION:** Why at the first opportunity did the Trustees revert to the old system?

RESPONSE: The Board of Trustees have not reverted to the old system, which allowed members to stay on the membership register for up to three years after their last subscription payment had been made, nor have the Trustees agreed to relax the By-laws. The Trustees have decided to allow a temporary extension of member benefits for three months only. This decision will not affect the ability of the Institution to manage membership suspension in accordance with the timelines set out in By-law 38. The 2021 subscription process will therefore start with clean data, as planned in 2019.

2.2. QUESTION: Does the CEO have any non-anecdotal evidence to support his view that COVID-19 is affecting members ability to pay?

RESPONSE: As stated in the minutes, the staff member dealing with enquiries to the Chemical Engineers' Benevolent Fund has seen a two-fold increase in enquiries when compared to a similar period in the previous year. A number of these enquiries include a request that the Benevolent Fund pay the individual member subscription on behalf of the member, which the Benevolent Fund Trustees guidance prevent them from doing.

2.3. QUESTION: How many members are currently technical in arrears?

RESPONSE: A member is not technically in arrears until eight months have passed (By-law 38 refers). Therefore no members are technically in arrears. However, in advance of the eight month cut-off date, the staff compare subscription income performance with previous years. At the present time, payments from around 3% of the membership are later than they were last year.

2.4. QUESTION: In the February edition of the *The Chemical Engineer* an article on the new accreditation process stated. "Furthermore, we found a significant number of people practicing Chemical Engineering but with degrees in other subjects, such as chemistry, other engineering disciplines, and mathematics ..." This indicates IChemE no longer believes a degree in Chemical Engineering is a prerequisite to practicing Chemical Engineering.

Can the Trustees please provide a clear policy statement on the requirements for membership?

RESPONSE: All candidates for Chartered Membership will be required to demonstrate knowledge and understanding commensurate with that acquired by a graduate with an IChemE accredited M-Standard qualification. Those without such a qualification (or without an IChemE accredited B-Standard plus an IChemE accredited F-Standard qualification) will be required to demonstrate that their knowledge meets the same learning outcomes as those required for such an accredited programme. Such candidates will be assessed individually. We already do this through the Technical Report which is a [crude] one-size fits all solution. The new Individual Case Procedure will determine the specific shortfall in knowledge and then assess the candidate's submission against this via document submission and interview.

2.5. QUESTION: Concerning the quote, how many is a significant number?

RESPONSE: We currently see approximately 150 candidates go through the Technical Report Route per annum of which c50 do not have first degrees in chemical engineering. We anticipate that this will increase to 400 per annum with the new Individual Case Procedure.

2.6. QUESTION: Recently IChemE accredited its 33rd UK University Chemical Engineering Undergraduate course. This is up from about 20 when I graduated in the late 1970's. Do the trustees think that the saturation point for Chemical Engineering Undergraduate courses has now been reached?

RESPONSE: IChemE has accredited programmes at 30 universities in the UK. Universities [globally] cannot afford to put on chemical engineering programmes lightly. The universities approach IChemE for accreditation and we will try and accommodate where we can. We believe it better for society that such programmes meet our standards where they can. It also helps graduates from such programmes become professionally qualified with us. It should be noted that the IChemE has no authority to tell providers which courses they may or may not run. IChemE's legitimate interest is in whether or not the taught syllabus meets the required Learning Outcomes. It is up to providers to determine whether or not they can attract sufficient students to ensure that the course is viable.

3. QUESTION: RE Project SMART success criteria and timeline - What is our target for new members each year or membership growth? Subsequently what is our member grade conversion rate (upwards) target? What % of graduating Chemical Engineers in the UK join IChemE?

RESPONSE: Programme SMART is about addressing sustainable membership growth, ie the balance between those members who are professionally and those who are not and en-route to becoming professionally qualified. Currently 35% of IChemE's membership is professionally qualified. This compares with in excess of 40% across the Professional Engineering Institution (PEI) community with many including some of the larger PEIs having closer to or in excess of 50% of their membership professionally qualified. Programme SMART aims to reduce barriers to professional qualification in order to shift the balance to 40%. It is difficult to quantify the percentage of graduating Chemical Engineers who join IChemE as they can do this across a number of years. However, approximately 33% of those graduating in the UK join in the year following graduation.

4. QUESTION – Please outline the steps the Institution will be taking to reverse the decline in membership over the past several years

RESPONSE: Please see answer above regarding Programme SMART. In the past, we allowed a growth in student numbers to shift the balance of the Institution membership grade profile. This shift was unsustainable as IChemE needs to have an appropriate number of professionally qualified members to populate those voluntary roles that require competence (such as mentors, assessors and subject matter experts). For example, the number of mentors should be proportional to the number of graduates. Encouraging our Associate Members and Affiliates to become professionally qualified increases retention which in time will increase membership in a sustainable manner. The respect for an Institution is not determined by the size of its membership, but by the quality of its contribution and the value that it provides to both its members and the society that they serve.

5. QUESTION: The Annual Review mentions global challenges 'such as climate change' that our members are working hard at addressing – yet we have failed to mention IChemE addressing this at Institutional level and indeed there is no note of this important global challenge any further in our Annual Review – not in 2022 aspirations, nor at all in Strategy 2024 (where neither the words Climate or Carbon are mentioned once). By publishing an annual review with no mention to Climate or Carbon – in direct comparison to other Engineering Professional institutions, who are leading their annual summaries with the relevance of their organisational and member activities to the Climate Emergency, do we risk losing currency and relevance across our membership and global communities – and indeed risk losing members?

RESPONSE: This topic is at the very top of the Institution's priorities with much activity taking place in this area - from the Climate Change Task Group who are working hard to define the IChemE position; the publication of a collection of Journal articles on climate change; plus the collaboration with many other institutions through the UK's National Engineering Policy Centre.

With regards to the 2019 Annual Review, some examples of IChemE's work in this area was included as well as statements on how our profession must meet the challenges of the UN Sustainable Development Goals, the majority of which cover climate change, responsible production and sustainable cities.

To highlight the importance of this topic, the Trustees asked the Learned Society Committee to lead the creation of a new climate change position paper for IChemE. The consultation for this will be issued later this month. All members will be able to review the paper and provide feedback via their regional group or technical group i.e. SIGs and others such as the Energy Centre or via Congress. Once this position paper is launched, specific action plans will be developed and implemented over the coming months.

The Trustees are critically aware of the importance of our profession's reputation and that in order to serve society we must take concrete action to equip members with the knowledge and skills to meet the challenge of climate change.

6. QUESTION - How is IChemE doing in moving to a net-zero carbon footprint?

RESPONSE: Climate change is at the very top of the Institution's priorities with much activity taking place in this area. For the moment, the Climate Change Task Group is concentrating on developing an IChemE position statement and policy on climate change. This is currently being drafted, with broad input from IChemE's membership. By the end of the year, the Task Group aims to deliver an agreed position that is progressive, leading and has actionable commitments, with an indication of follow up commitments and actions for IChemE. These are likely to include a commitment to reporting on and reducing IChemE's carbon emissions from direct operations. Meanwhile we are already improving the energy efficiency of our operations where we can. It should be noted that IChemE's main asset is a 1970s building, which does not easily lend itself to emissions efficiency. The speed at which this inefficiency can be addressed will depend on a number of factors, including the appetite of the membership to make the necessary changes, when balanced against other priorities.

7. QUESTION: Does COVID-19 present an opportunity for IChemE to collaborate more closely with other UK Professional Engineering Institutions, by seeking synergies among PEIs whilst maintaining their individual distinctiveness?

RESPONSE: COVID-19 has presented challenges that the Professional Engineering Institutions (PEIs) and Engineering Council have had come together to address quickly. On accreditation and qualifications, the huge challenges that universities/colleges are facing at this time with programme delivery has necessitated a pan-engineering discipline response to accreditation. The PEIs and Engineering Council have good relationships that have enabled this response and it makes sense to review and address such matters collectively.

In the Learned Society area, IChemE is supporting an active group of 70+ volunteers who are engaged on COVID-19. They are working closely with sister organisations, such as the International Society for Pharmaceutical Engineering (ISPE) and the British Genetic Manufacturers Association (BGMA) as well as a research group within the Department of Chemical Engineering at University College London. In addition, we have contributed to the Royal Academy of Engineering's central database of relevant engineering experts and volunteers, which brings together expertise from across the RAEng's 35 member PEIs. Our efforts around COVID-19 are not restricted to the UK. The group has members from 10 different countries and has

engaged with effort in Sri Lanka and the US. The international workstream has focussed on facilitating knowledge exchange, discussion and implementation across the globe.

8. QUESTION: What's IChemE doing about diversity in its senior leadership?

RESPONSE: IChemE recognises the value that a diverse membership brings to its activities. The governance changes that IChemE made in 2018, in opening up all trustee and congress roles to election has been an important step in this process. For example, of the three candidates who stood for the role of Deputy President in the recent election, two were female and domiciled outside of the UK and one was of Asian ethnicity. IChemE wishes to encourage applications from all those that have energy and the relevant skills and experience to apply for such roles.

9. QUESTION: Is there a plan to return furloughed staff back to the organisation or will this be the new norm with an adjusted organogram? To allow continued support to members with a virtual & physical support to aid cost saving and still provide a service to members and volunteers etc alike to add value and engagement through ongoing project and ramp up to IChemE 100.

RESPONSE: COVID-19 has had a significant impact on the workload in some areas of the business. As a result, a small number of staff have been put on furlough leave. IChemE has followed the UK Government guidance throughout. The position is being reviewed on a monthly basis and staff will be brought back from Furlough leave as activity levels return to pre-COVID-19 levels.

10. QUESTION: Are there any plans for reduced annual membership fees for 2021 due to COVID-19 and millions of job losses?

RESPONSE: IChemE offers a reduced rate for annual membership fees for those members that are on maternity or paternity leave, retired, unemployed, on a career break and for full-time postgraduate students.

IChemE also works closely with the Chemical Engineers Benevolent Fund. Although the Fund is unable to pay the annual membership fees for IChemE members, it may be able to offer other types of financial assistance to those in need. Further information is available on the Fund's website www.benevolentface.org

11. QUESTION: How can members retired from work help IChemE?

RESPONSE: IChemE relies on its volunteer members to oversee and deliver Learned Society and Qualifications activities as well as promoting the profession via STEM activities. We have recently published articles in TCE promoting the vital work that volunteers undertake for the Institution across the range of activities. These have indicated how members can volunteer. We also run "recruitment" campaigns from time to time for specific roles. IChemE's "Volunteer Engagement" project will look at how best to engage with members to promote and recruit for these roles.