

PRIVATE AND CONFIDENTIAL

MINUTES OF THE FINANCE AUDIT AND RISK COMMITTEE MEETING HELD AT 10:00am ON FRIDAY 21 MARCH 2025 VIA MS TEAMS

Present: Mr Nigel Coles, IBMS Honorary Treasurer (Chair)
Mr Charlie Houston, IBMS Council Member
Mr Malcolm Hunter, Independent member
Ms Angela Jean-François, IBMS Council member
Mr Andy Usher, IBMS Council Member – Item 10 onwards

In Attendance: Miss Debbie Buggs, Executive Head of Finance
Ms Kathryn Burton, Partner, Haysmac LLP
Mr Mark Finnie, Project Accountant
Mr Max King, EPOCH – Item 6 only
Mr David Wells, Chief Executive

The Minutes reflect the order in which the agenda items were discussed.

1 APOLOGIES FOR ABSENCE AND WELCOME

The Chair welcomed everyone to the meeting and noted that the meeting was quorate.

It was noted that Mr Usher would be joining the meeting late due to work commitments.

2 DECLARATIONS OF INTERESTS

There were no conflicts of interest declared for the meeting.

3 MINUTES

The minutes of the meeting held on 22 November 2024 were agreed as a correct record of the meeting and would be signed electronically by the Chair after the meeting.

4 MATTERS ARISING

4.1 Action Log

The Committee reviewed the action log. The new lease on No5 Coldbath Square to 3 March 2030 had now been signed, with the annual rent increasing from £64.2k to £67.5k. The day to day banking arrangements with NatWest had been reviewed and the Institute was on the best fee rates Natwest could offer.

In answer to a question, Mr Wells reported that most of the backlogs in terms of education processing had now been cleared and turnaround times were now within agreed targets. The only exception was laboratory approvals which had improved but there was still a backlog to clear.

The Committee noted the management update.

5 BUSINESS CONDUCTED ELECTRONICALLY

Mr Coles confirmed that he had approved the Practice Educator bid from Wales for £150,000 in his capacity as Honorary Treasurer. Mr Wells reported that more applications were expected from other networks following the withdrawal of NHS England funding for the roles. The grant application process may need to be revised in light of the applications received.

There were no FARC items of business conducted electronically to report.

7 MANAGEMENT ACCOUNTS FEBRUARY 2025

Miss Buggs presented the management accounts to the end of February. The expected surplus on Congress in September had been excluded at this stage. At this early stage in the year, the forecast is to achieve the target deficit of £250,000 on on-going activities. Membership income was in line with the previous year with 49% of expected membership income received to date.

The Committee noted the financial performance to date and forecast for the year.

6 PORTFOLIO PERFORMANCE

Mr King reminded the Committee of the objective for the portfolio over the long term was to maintain the real value of the funds (so to match or exceed inflation as measured by the Consumer Price Index). He reported that returns overall had been largely flat (-1%) since the start of the year but better than the peer group benchmark. The Sarasin portfolio had struggled in terms of returns, down around 4% due to the focus on technology stocks. This is not a concern at the moment, but the situation will be kept under review.

Mr King highlighted the increased uncertainty caused by the recent US trade tariffs. This had affected US equity markets, particularly manufacturing stocks. The Chinese and EU markets are likely to be most affected by the trade tariffs. The Chinese economy is not as strong as it was in 2018, the last time there was a trade war, which should reduce their appetite for a prolonged dispute. The UK is thought to be less vulnerable to trade tariffs, but the situation may change.

Mr King reported that inflation is likely to persist and has not reduced as fast as expected. The increase in national insurance charges and higher household bills contribute to this. The bond markets were pricing in slower growth in the future but were not expecting a recession at this stage.

Mr King reported that Chinese and European markets had bounced back. US markets had lost ground, mainly in large tech stocks and valuations appeared more realistic. Overall, markets were back to 2024 levels. Volatility is expected to be higher in the future, possibly with lower returns. This is currently viewed as a slowdown rather than a recession. Investment managers were moving to more defensive strategies to help mitigate the impact of higher volatility.

Mr King updated the Committee on two forthcoming changes. The first was a proposed change of custodian for the portfolio following a review by EPOCH. The current custodian, M&G, had not invested in the platform in recent years and it was becoming outdated. Any change should be cost neutral, and a formal recommendation will be brought to the Committee in due course.

The second was a change in ownership of EPOCH Consulting, who are currently owned by RBC Brewin Dolphin. Although EPOCH Consulting can offer independent advice, this becoming more difficult under its current bank ownership. EPOCH Consulting is currently being wound up and its existing clients will transfer to a new independent entity. Clients will be given more information on the change in the next few weeks.

Action

The Committee agreed that:

- 1. EPOCH present a formal recommendation to the Committee on the change in custodian.**

2. **The new ownership arrangements for EPOCH Consulting be reviewed to ensure that service levels are maintained and that they have a robust infrastructure to properly support clients.**
3. **EPOCH Consulting do a presentation to Council later in the year to educate the new Council members on the investment strategy and objectives.**

8 REVIEW OF 2024 ACCOUNTS

Miss Buggs presented the 2024 group accounts. There had been a net increase in funds of £199,179, partly driven by the return from the investment portfolio. Total funds were £18 million at the year end.

Miss Buggs presented the 2024 accounts for IBMS (Professional Services) Ltd. There was no Congress in 2024, and the loss generated was in line with expectations. The typographical error would be corrected before the papers were sent to Council.

The Committee noted the accounts for the group and IBMS (Professional Services) Ltd.

9 AUDIT FINDINGS REPORT

Ms Burton presented the Audit Findings Report. She confirmed that the expectation was to issue a clean (i.e unqualified and unmodified) audit opinion once the final documentation had been completed.

Ms Burton reported that there were no concerns identified, based on the risks set out in the planning stage. The level of materiality was lower for 2024 as there was no Congress during the year. They were comfortable with managements' estimates around investments, the investment property and fixed assets. The data analytics had not identified any areas of concern and there was no control points identified during the audit.

Ms Burton drew the Committee's attention to the emerging issues set out in the report. In particular, the upcoming review of the Charity SORP and the thresholds on charity size.

The Committee noted the report and thanked Ms Burton for her presentation.

ACTION

HaysMac to update the Committee in due course on the changes to the Charity SORP and thresholds on charity size which will impact the IBMS.

10 GOING CONCERN REVIEW

Miss Buggs presented the going concern review which provided assurance to trustees on the long term financial viability of the Institute. Member renewals were on track (see item 7), and demand for qualifications remained strong. The Institute retained support of stakeholders and was using reserves to invest in the profession.

The Committee noted the one of the principal risks to the group was that the IT infrastructure and systems become unreliable, vulnerable to attack and out-dated leading to a poor member experience. The planned replacement of systems is a key way of mitigating this risk. The new CRM, website and finance system are the outworking of this strategy. The implementations are proceeding as planned and as with all projects of this nature, some teething problems are expected before the full benefits are realised.

The abolition of NHS England is not expected to have an adverse effect on the Institute's viability.

The Committee noted the review, and concurred that the Group was a going concern.

11 LETTERS OF REPRESENTATION

Miss Buggs presented the letters of representation for the Institute and for IBMS (Professional Services) Ltd.

The Committee reviewed both letters and was satisfied with their contents.

12 PRIVATE DISCUSSION WITH AUDITORS

The staff left the meeting.

Ms Burton expressed thanks to the team at CBS who cooperated with the audit in the usual manner and provided all the data/information as requested in a timely manner. There was a brief discussion about excessive reserves in charities. Ms Burton said that in general, charities don't have excessive reserves but charities like ours (professional bodies/education charities) often do, and for very good reasons. She wasn't overly concerned about our total reserves.

The staff rejoined the meeting.

The replacement finance IT system was discussed, and Ms Burton provided some general comments and suggestions.

13 RECOMMENDATION OF ACCOUNTS AND LETTER OF REPRESENTATION

The committee observed that the completion items for the financial statements covered above had been satisfactorily dealt with.

ACTION

The Committee unanimously agreed to:

- 1. Recommend the group accounts and letter of representation to Council for approval.**
- 2. Recommend the accounts and letter of representation for IBMS (Professional Services) Ltd to the company directors for approval.**

14 RECOMMENDATION OF THE RE-APPOINTMENT OF HAYSMAC AS AUDITORS

The Committee noted that HaysMac LLP had been the Institute's auditors for around ten years. There had been a change in audit partner two years ago, and there was an action to undertake a market testing exercise in 2025. There were no concerns identified.

ACTION

The Committee unanimously agreed to recommend to Council and the directors of IBMS (Professional Services) Ltd the re-appointment of HayMac LLP as auditors.

15 CONGRESS UPDATE

Mr Wells presented the update paper on Congress. He reported that everything was going to plan and delegate bookings were now open. The development of the programme and identification of speakers was going well. There were some issues with the Virology programme which are being resolved with the SAP.

The Association of Laboratory Medicine event is being incorporated into Congress on the same terms as in 2023.

The event complies with the ethical business requirements for this type of event. The expectation is that the event will be as successful as Congress 2023 and at least meet the budgeted financial target.

The Committee noted the update.

16 ANY OTHER BUSINESS

Mr Coles reported that Mr King had recently taken him for lunch. The items of business that were discussed at the lunch were the change in custodian used by Epoch and the change in the owners of Epoch as reported in item 6. The lunch was at a local pub with an estimated cost of £25 per head (and was therefore below the £50 threshold for completing an entry in the gifts and entertainment register).

Ms Jean-François and Mr Usher said they were unable to make the current date, Fri 23 May, for the next meeting.

The Committee noted that this could be last Committee meeting for Mr Usher before he steps down from Council at the AGM in June. The Committee thanked him for his long standing service and contribution to the work of the Committee.

There were no other items of business.

17 DATE OF NEXT MEETING

The next meeting was planned for Friday 23 May 2025 at 1pm on teams, however the availability of two members necessitated a change.

ACTION

Miss Buggs to re-schedule the date of the next meeting to help ensure it is quorate.

[Confirmed after the Meeting as Tuesday 3 June 12noon on teams]