

# The Royal Engineers Association

(Registered under the Charities Act 1992 and a charity registered in Scotland)

**Patron: HER MAJESTY THE QUEEN**



All correspondence to:

The Controller  
RE Association  
Brompton Barracks  
CHATHAM  
Kent  
ME4 4UG

**Telephone: 01634 822407**  
**Fax: 01634 822394**  
**Website: [www.reahq.org.uk](http://www.reahq.org.uk)**  
**Email: [info@reahq.org.uk](mailto:info@reahq.org.uk)**

Distribution:

Chairman REA  
Members of the REA Finance Committee

9 April 2018

**MINUTES OF THE 119<sup>th</sup> MEETING OF THE ROYAL ENGINEERS ASSOCIATION FINANCE COMMITTEE, HELD IN THE UPPER CONFERENCE ROOM, RAVELIN BUILDING, BROMPTON BARRACKS, AT 1030HRS ON THURSDAY 5<sup>th</sup> APRIL 2018**

**PRESENT**

Col (Retd) CM Davies MBE	Chairman
Col M Quare MBE ADC	Corps Colonel
Mr K Kirk	Controller
Maj (Retd) I Sidebottom	Corps Treasurer and Secretary

Apologies:

Lt Col MJ Heffer TD	Trustee Member
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1. The Chairman opened the meeting and welcomed those present especially Mr Ken Kirk, Controller REA, as this was his first REA Fin Cttee mtg.

**ITEM 1 - DECLARATION OF CONFLICTS OF INTEREST**

2. As a standing agenda item, the Committee were given the opportunity to declare any actual or potential conflicts of interest they were aware of. None were declared.

**ITEM 2 - TO CONFIRM THE MINUTES OF THE 118<sup>th</sup> MEETING**

3. The Committee accepted that the Minutes of the 118<sup>th</sup> meeting were a true record of the proceedings.

4. The Chairman signed the Minutes.

### **ITEM 3 - MATTERS ARISING FROM THE 118<sup>h</sup> MEETING**

5. Item 3 (paragraph 5). The Committee viewed the latest RE Reserves Days Pay Scheme membership figures (42%) and noted this was still work in progress with membership growing steadily. The Corps Colonel reminded the Committee that Reserve unit strength figures often included a significant number of Long Term Non-attenders (LTNA) which would adversely influence the unit membership %.
6. Item 3 (paragraph 6). The RE Museum is still to produce a formal letter to Trustees regarding the revised Transformation plan following the unsuccessful lottery fund bid. This would allow the Committee to present options to Council regarding the initial pledge of £75k, over two years, which was made based on the original, fully funded, Transformation plan.
7. Item 10 (paragraph 22). The posts of REA Controller and Deputy Controller have both been filled - NFA.

### **ITEM 4 - BRANCH ACCOUNTING - OVERVIEW 2017**

8. The Controller briefed the Committee that all 2017 Branch accounts had been received on time for the external annual audit less from the Dover Branch, London Group and Wolverhampton Branch who will all be the subject of a full desktop audit next year.
9. The consequences of such omissions are that the financial statements of the charity could be materially misstated if either the balances on the missing branch returns were larger or more returns were submitted late (or incomplete).

### **ITEM 5 - BRANCH ACCOUNTS SPREADSHEETS - 2017**

10. The Corps Treasurer briefed the Committee, with some initial analysis, on the Branches' Statement of Financial Activities (SOFA) and Branch Balances as at 31 December 2017. Overall, Branch income was down on 2016 by £10k and expenditure down by £26k (due to Sapper 300 income (grants) and expenditure (events) last year).

### **ITEM 6 - AUDITORS - KEY ISSUES MEMORANDUM (KIM)**

11. The Corps Treasurer presented the 2017 KIM highlighting there were no adjustments or significant misstatements identified by the auditors. The only issues raised in the 2017 KIM specific to the REA related to the missing branch returns detailed in paragraph 8 above.

### **ITEM 7 - TRUSTEE LETTER OF REPRESENTATION**

12. The Corps Treasurer reminded those present that the perennial Letter of Representation is an integral, supporting, document to the annual audit which confirms to the auditors that Trustees have discharged their duties diligently. The letter will be signed, following Chief Royal Engineer's Committee meeting, by the Corps Colonel on behalf of all Corps charities.
13. The Committee were satisfied with the contents of the letter which will be brought to the attention of Council. A copy of the Letter is attached at **Enclosure 1**.

### **ITEM 8 - REVIEW THE 2017 DRAFT REA TRUSTEE REPORT AND AUDITED ACCOUNTS**

14. The Chairman and Committee had already had time to study the documents prior to the meeting and asked a number of questions of, or asked for clarification from, the Corps Treasurer in several areas of the report. The Corps Treasurer answered all queries satisfactorily.
15. The Committee commended the Trustees' Report and Financial Statements to the REA Council. The document is at **Enclosure 2**.

16. A discussion followed with regards the Kitchener Scholarship Fund and the REA Reserves policy. The following have been identified as two areas where changes could be considered:

a. Kitchener Scholarship Fund. The possibility of the upper age limit (currently 18) for assistance from this fund being removed to allow the fund to assist with college or university education. The link to secondary education could perhaps also be removed to allow it to be used for nursery fees. This fund has not been used since July 2013 and currently holds £504k in investments and £113k in the bank. The Controller was tasked to investigate further and draft a recommendation to Council.

**Action: REA Controller**

b. Reserves Policy. It was considered the level of unrestricted reserves being held (£11.98m as at 31 Dec 17) was excessive and could bring the charity to the attention of the Charities Commission. The Committee thought it prudent to review the holdings and surmised a reduction of circa £2m, over the next 5 years, could serve the dual purpose of reducing REA unrestricted reserves (whilst retaining the safety net of 10 years' operating costs) and release funds in support of a 5 year plan. This plan to be 'paused' at any time should investment performance or Days Pay Scheme membership falter. Before any 5 year plan is drafted for consideration, it was decided to raise the issue at Council to gauge support or otherwise for this initiative.

**Action: REA Controller**

#### **ITEM 9 - INVESTMENT UPDATE**

17. The Corps Treasurer presented the investment update as at 23<sup>rd</sup> March 2018. The REA AFCIF investment fund value is at **Enclosure 3**. The Corps Treasurer mentioned market volatility stating the investment value since 23 Mar had, by the end of March, risen by 1% then fell by 1.5% on 4 Apr.

#### **ITEM 10 - UPDATE ON 2018 BUDGET (FOO)**

18. The Corps Treasurer took the Committee through the latest Forecast of Outturn (FOO).

19. The Committee were content that, during the first quarter of 2018, there were no obvious signs of unauthorised overspend or areas for concern. The FOO, as at 15<sup>th</sup> March 2018, is at **Enclosure 4**.

#### **ITEM 11 – REA WELFARE FUND UPDATE**

20. The Controller gave a detailed update on the small number of approved bids that had yet to be paid. It was decided that the units concerned be contacted by the Corps Colonel and given a deadline of 30 June 2018 for the submission of outstanding invoices for payment.

**Action: Corps Colonel**

21. A discussion followed regarding the carried forward Marne Pavilion grant (£270k) with a full update from the Corps Colonel vis-à-vis stakeholder input and outstanding actions. It was subsequently agreed that a deadline of 31 Dec 18 be set for 32 Engr Regt for drawing down this grant. It must not be carried forward again as a Creditor into 2019.

22. The Committee then endorsed the proposal for further Welfare Fund initiatives and commend the proposal to Council. The revised procedures and timetable are at **Enclosure 5**.

## **ITEM 12 – REVETT GRANT UPDATE**

23. The Committee read the update from REVETT (**Enclosure 6**) regarding grant expenditure and were content with the progress being made, propriety of expenditure and future plans. The Committee agreed that, should REVETT not spend the entire grant allocation for 2018, the final tranche (£30k in 2019) should continue as planned.

## **ITEM 13 – GRANTS TO REUNION WEEKENDS**

24. The previous Controller had pointed out that, whilst annual grants are routinely made to support the three REA reunion weekends (Minley, Chatham and Chilwell) and Council informed, they are not formally requested and approved via the REA Finance Committee. Following discussion, the Committee approved the level of grants for the REA national reunion weekends: Chatham £8.5k, Minley £7.5k; Chilwell £8.5k.

## **ITEM 14 – SUBSCRIBER CRM COSTINGS AND FUNDING**

25. The Committee fully supported this initiative (**Enclosure 7**) and commend Funding Option 2 to Council. The total cost being £7,448 capital cost followed by an annual fee of £450.

## **ITEM 15 – PROPOSED GRANT TO RE MUSEUM**

26. Following discussion, the Committee could not recommend a non-specific enduring, index linked, annual grant to the RE Museum. However, the Committee agreed that a specific project would be more appropriate and easier to support in line with charitable objects. The Controller was asked to invite the Museum to produce a business case for a suitable project to which the REA could contribute (the display focussing on the Corps VC winners, referred to in the REMLA Chairman's letter, would seem a perfect example).

**Action: REA Controller**

## **ITEM 16 – ANY OTHER BUSINESS**

27. Finance Support for Sappers Network Limited (SNL). The Committee had read the SNL application (**Enclosure 8**) for the REA to consider funding the proposed Membership Manager post at £16k pa plus overheads (£20k pa). Following discussion, and noting the current lack of success of the business model, the Committee felt unable to endorse the application as it stood and do not commend it to Council.

28. The National Memorial Arboretum. The Committee noted the requirement for the previously agreed, one off, £48k endowment payment for essential maintenance of the Corps' Memorial at Alrewas to be increased to £54,800 (additional cost to cover scarification and weed control in perpetuity). The Committee agreed the additional funds.

## **ITEM 17 – DATE OF NEXT METING**

29. The next meeting of the REA Finance Committee was confirmed as 1030hrs, Thursday 23<sup>rd</sup> August 2018, in the Ravelin Building, Chatham.

5<sup>th</sup> April 2018

Secretary

Minutes Approved

Date

Chairman

Enclosures:

1. Letter of Representation.
2. Trustee's Annual Report (TAR) and Audited Accounts.
3. Investment Update.
4. FOO as at 15 Mar 18.
5. REA Welfare Fund.
6. REVETT Grant Update.
7. Subscriber CRM Project.
8. Finance Support for Sappers Network Ltd (SNL).