

The Royal Engineers Association

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

Patron: HER MAJESTY THE QUEEN



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Chairman REA
Members of the REA Finance Committee

5 April 2019

MINUTES OF THE 121st MEETING OF THE ROYAL ENGINEERS ASSOCIATION FINANCE COMMITTEE, HELD IN THE UPPER CONFERENCE ROOM, RAVELIN BUILDING, BROMPTON BARRACKS, AT 1030HRS ON THURSDAY 4th APRIL 2019

PRESENT

Col (Retd) CM Davies MBE	Chairman
Col M Quare MBE ADC	Corps Colonel
Lt Col MJ Heffer TD	Trustee Member
Mr K Kirk	Controller
Maj (Retd) I Sidebottom	Corps Treasurer and Secretary

1. The Chairman opened the meeting and welcomed those present reminding them this was the annual meeting at which the financial activities of last year would be reviewed.

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 120th MEETING

3. The Committee accepted that the Minutes of the 120th meeting were a true record of the proceedings.

4. The Chairman signed the Minutes.

ITEM 3 – MATTERS ARISING FROM THE 120th MEETING

5. There were no matters arising from the previous meeting that were not going to be discussed during the current meeting.

6. The Controller provided an update on the Kitchener Scholarship Fund which indicated that, whilst the revised interpretation of the rules had increased the scope and availability of the fund (and it is being socialised), it was still not being widely used.

7. The Corps Colonel gave a short update on the RE Annual Dinner & Awards which are partly sponsored by the REA.

ITEM 4 – BRANCH ACCOUNTING - OVERVIEW 2018

8. The Controller briefed the Committee that all 2018 Branch accounts had been received on time for the external annual audit less from the Wolverhampton Branch who will be the subject of a full desktop audit next year. Branch accounts would also be discussed under ITEM 6.

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 - 2018

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 2018. Overall, Branch income was down on 2017 by £3k and expenditure was up by £15k.

ITEM 6 – AUDITORS - KEY AUDIT FINDINGS

11. The Corps Treasurer presented the 2018 Key Audit Findings highlighting there were no adjustments or misstatements identified by the auditors. The only issues raised in the 2018 Key Audit Findings specific to the REA related to branch returns: The Bournemouth Branch account was incorrect by £550; the London Group return, having been late last year, was incomplete this year as it omitted the bank balance (overdrawn by £439); the Wolverhampton Branch account, which was incorrect last year, had not been submitted at all this year.

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 (individually and collectively). The letter will be signed in July, 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 at **Enclosure 1**.

ITEM 8 – REVIEW THE 2018 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 Corps Treasurer summarised the years' accounts as follows:

- a. In 2018 the charity's income exceeded expenditure providing a surplus of £322k (before investment revaluations).

- b. Income reduced compared against 2017 by £43k to £1.18m (mainly due to the legacies received in 2017 (£72k) and a reduction in 2018 of Days' Pay Scheme income (£9,675)).
- c. Expenditure reduced by £1.02m to £849.5k (mainly due to the 2017 £1m REA Welfare Grants).
- d. Investment revaluations resulted in a loss of £1.18m (compared to a gain of £955k in 2017).
- e. The investment loss (£1.18m) when combined with the surplus (£322k) gave an overall net deficit for the year of £855k which decreased the value of the Charity's funds from £12.64m to £11.78m.

16. The Committee commended the Trustees' Report and Financial Statements to the REA Council. The document is at **Enclosure 2**.

ITEM 9 – INVESTMENT UPDATE

17. The Corps Treasurer presented the investment update as at 18th March 2019 which totalled £11,381,186.89 (REA General Fund plus Kitchener Fund). The REA AFCIF investment fund value is at **Enclosure 3**.

ITEM 10 – UPDATE ON 2019 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 2019, there were no obvious signs of unauthorised overspends or areas for concern. A small number of amdts were made and the FOO, as at 15th March 2019, is at **Enclosure 4**.

ITEM 11 – 2019 REA WELFARE FUND UPDATE

20. The Controller gave a short update on approved applications that had been paid and those pending approval / payment. The Committee decided it would be beneficial for the Welfare Fund application form to be revised to include a section for declaring which other funding sources had been explored / approached as part of the bid.

Action: Controller

21. A discussion followed regarding the 2018 grant allocated to Wimbish. The Corps Colonel will write to the CO asking for a one page update to show: where the grant is being held; has any of it been expended; if not when do they expect to spend it. This update will inform a final (out-of-committee) decision regarding the possible recovery of the grant (whether that be to place it in a higher interest account for the benefit of the charity or returned pending resubmission of the business case) depending how it is linked into additional funding streams.

Action: Corps Colonel

22. The Committee further decided an update is required on the 2018 Marne Pavilion project vis-à-vis stakeholder input, outstanding actions and timeframe. This update should also explore whether there is a view the project should be completely re-started (supported by a new bid against the REA Welfare Fund).

Action: Controller

23. The Corps Colonel raised the point that positive messages from the Welfare Fund allocations made thus far should be promulgated to demonstrate the success of the initiative. The Committee concurred and the Controller agreed to write a letter which would be reinforced by the Corps Colonel and Corps Sergeant Major down their respective communication chains.

Action: Controller and Corps Colonel

ITEM 12 – REVETT REVISED GRANT REQUEST

24. The Committee read the revised grant request from REVETT (£30k per annum for 3 years) but were uncomfortable with providing a charitable grant to cover the salary of another charity's employee. The Committee agreed that REVETT should provide an update on the use of the previous grants given and resubmit their latest request in support of a tangible output or asset rather than salary costs.

Action: Controller

ITEM 13 – ANNUAL GROUP WELFARE GRANTS

25. The Controller reminded the Committee of the process of allocating annual grants to the Groups. Following discussion it was agreed in principal that a new budgetary line be created from 2020 to allow National Branches to bid for grants in support of *specific* national events. These bids to be considered on a case-by-case basis by the Controller with REA Finance Committee input as required. The Controller will refine a proposed bidding process (to include a one page business case) and report back to the Committee.

Action: Controller

ITEM 14 – REA RESERVE WORKING GROUP

26. The Controller briefed the Committee on progress made by the REA Reserve Working Group¹. Following the update, the Chairman thanked the Working Group for their work thus far and directed they continue exploring the most beneficial channels to best utilise the reserve funding. The Controller will brief the initial findings of the Working Group to the next Council meeting for information.

Action: Controller

ITEM 15 – QUINQUENNIAL REVIEW

27. The Corps Treasurer briefed the Committee on the ongoing Quinquennial Review of all RE Charities. To inform the Chairman's reports² the Committee then reviewed its modus operandi and construct finally agreeing that, whilst no major changes were required, the inclusion of observers to the REA Finance Committee meetings would enhance transparency and spread understanding. The Corps Treasurer (as Secretary) will invite two observers to the next meeting (August 2019).

Action: Corps Treasurer

ITEM 16 – ANY OTHER BUSINESS

28. There were no other items of business raised by the Committee.

¹ Established to identify potential initiatives to reduce the REA unrestricted reserves by c£2m over the next 5 years.

² Interim report to Chief Royal Engineer's Committee 2 Jul 19 and final written report 3 Dec 19.

ITEM 17 – DATE OF NEXT METING

29. The next meeting of the REA Finance Committee was confirmed as 1030hrs, Thursday 22nd August 2019, in the Ravelin Building, Chatham.

5th April 2019

Secretary

Minutes Approved

Date

Chairman

Enclosures:

1. Letter of Representation.
2. Trustee's Annual Report (TAR) and Audited Accounts.
3. Investment Update as at 18 Mar 19.
4. FOO as at 15 Mar 19.