

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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Distribution:

Chairman REA
Members of the REA Finance Committee

7 September 2020

MINUTES OF THE 124th MEETING OF THE ROYAL ENGINEERS ASSOCIATION FINANCE COMMITTEE, HELD REMOTELY AT 1030HRS ON MONDAY 7th SEPTEMBER 2020

PRESENT

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

1. The Chairman opened the meeting, welcomed those attending, and reminded the Committee the primary reason for the meeting was to discuss and propose the 2021 budget.

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. The Corps Colonel reminded the Committee he sits on all Corps Boards and Committees to provide 'overwatch'. Secondly, as the Corps Colonel, he would not be involved in any discussions relating to REA grants in sp of the Comms Hub within RHQ RE.

ITEM 2 - TO CONFIRM THE MINUTES OF THE 123rd MEETING

3. The Committee accepted the minutes of the 123rd meeting as a true and accurate record of proceedings. A copy will be sent to the Chairman for signature.

ITEM 3 - MATTERS ARISING FROM THE 123rd MEETING

4. There were no matters arising from the 123rd meeting which were not listed for discussion during this meeting.

ITEM 4 - REVIEW 2020 BUDGET INCOME & EXPENDITURE

5. The Corps Treasurer took the Committee through the FOO as at 20 Aug 20 (enclosure 1) and commented on / clarified the following:

- a. As at the date of the FOO the charity had received 42% of its forecasted income and released 49% of its budgeted disbursements.
- b. The reason for overspend on the Recruiting & Marketing/Advertising budget was the production of the REA short film clips currently being streamed on social media.
- c. The line serial in respect of Solicitors and Professional Fees was overspent due to the annual Boardable licence (£4,172), a key enabler in all the REA's meetings in the COVID-19 era.
- d. The Committee acknowledged there would be savings in expenditure this year due to the cancellation of the AGM, Annual Dinner, Sapper Sunday Lunch, reduced T&S and the cancellation/curtailment of adventurous training activities.

ITEM 5 - INVESTMENT VALUATIONS

6. The Corps Treasurer provided an updated investment valuation (enclosure 2) including comparisons of the portfolio over the last 5 years. The Committee were impressed with the fund performance in what remains a difficult market. BlackRock have retained the quarterly dividend payments at 1.95p per unit which continues to generate c£400k per annum for the charity.

ITEM 6 - CONSIDER AND PROPOSE THE BUDGET FOR 2021

7. The Corps Treasurer and Controller had prepared a draft budget for discussion (enclosure 3). This was based around a number of conditions and assumptions including:

- a. Line Serial 7 (Investment Income). This had been increased as the need to liquidate assets to generate £220k per annum to fund the RBLI grant had been removed¹.
- b. Line Serial 15 (Corps Activities). Increased to £182.5k for 2020 only as this includes the final payment of the RE Museum Transformation Project (£45k). The £100k per annum Welfare Grant initiative had been included in this line serial pending discussion (see Item 10).
- c. Line Serial 28 (Travel & Subsistence). Reduced by £5k as the use of Zoom (video communications) and Boardable (a cloud based management tool) had substantially reduced the requirement to fund travel and accommodation for meeting attendees.
- d. The estimated investment valuations were included below the proving balances to show the value of the charity once the forecast deficit is applied. The larger deficits for 2020 to 2023 being the result of the RBLI payments (without selling investment units) then steadily moving, from 2024 onwards, towards a surplus.

8. The Committee agreed the 2021 budget proposal and commend it to the Board for ratification. Clearly, the budget could be impacted by any further COVID-19 activity (whether that be through poor dividend income following a market crash or additional expenditure due to an

¹ Following consultation with RBLI it had been agreed to pay the annual grant in 4 tranches in line with receipt of dividend payments.

increase in benevolence demands) but the Board felt the charity was well-placed to mitigate and outlast such events.

ITEM 7 - REA RESERVE WORKING GROUP UPDATE

9. The Committee agreed that, until the medium to long-term impact of the pandemic was known, the Working Group should restrict, but not cease, its research linked to the aim of reducing reserves by c£2M.

10. A discussion started in the previous meeting, vis-à-vis, diversifying our portfolio into property, was revisited and the Committee agreed it should be explored further. As long as the rental income generated at least matched the amount of dividend expected had the funds remained invested it made fiscal sense. Longer-term, the greater benefit would come when the property was re-sold. Lt Col M Heffer asked if there was a Charity Commission view on how much a charity could hold as asset-based reserves compared with free reserves².

Action: Corps Treasurer

ITEM 8 – DISCUSS COVID IMPACT STATEMENT FOR 2020 AUDIT REPORT

11. The Corps Treasurer had drafted a suggested COVID-19 Impact Statement for inclusion in the REA Trustees Annual report which our stakeholders, and auditors, would expect to see. Following discussion and some minor amdots the statement was agreed and is commended to the REA Board (enclosure 4).

ITEM 9 – REVIEW RESERVES STATEMENT FOR 2020 AUDIT REPORT

12. The Corps Treasurer reminded the Committee of the extant reserve policy before proposing a revised statement (enclosure 5). The Committee approved the draft and agreed to present it for approval at the next Board meeting.

ITEM 10 - REA WELFARE GRANT UPDATE

13. The Controller took the Committee through the financial allocations made from the 2020 fund against a budget of £100k (enclosure 6). Three bids had been received after the cut-off date so would have to be resubmitted for consideration next year. It was unanimously agreed the annual allocation of £100k to this incentive, which is greatly enhancing the charity's reputation and influence, should continue.

ITEM 11 - ANY OTHER BUSINESS

14. **Salty Sappers – Funding of Ocean Rowing Team.** The Controller raised the subject of the ocean rowing team due to compete in the December 2021 Atlantic Challenge. The team have requested additional support to enable them to purchase the boat this September and meet the registration deadline. They have not as yet been able to secure the full financial sponsorship they require partly due to many companies postponing sponsorship due to the effects of the pandemic. The REA have been approached to bridge the gap with further assistance. Following discussion, it was agreed to propose to the REA Board to *underwrite* the final £30k required to enable the registration to take place. The team will then be expected to repay the charity when they secure additional sponsorship or, post-event, from the sale of the boat.

15. **Minibus / Campervan Exchange.** 32 Engr Regt wished to swap their campervan for a minibus held by 71 Engr Regt as it is being underused thus not covering its operating/maintenance costs. As the campervan was purchased as part of the 2017 round of welfare grants the

² Afternote: As the Trustees have the power to convert the property into 'income' it is down to the Board to decide what % of reserves the charity can comfortably hold as investment property assets (for generating rentals income or capital appreciation).

Committee were asked if they considered this appropriate. Following discussion, it was agreed the unit could dispose of the vehicle in this way as it did not have any impact on the REA (no upkeep or maintenance fees fall to the charity) and it would be inappropriate to veto the exchange thereby condemning the unit to retain and fund an under-utilised asset.

16. **Bequest.** The Committee were asked to note the extremely generous legacy of £80k to the Hull Branch of the REA from the estate of the late Leslie Boosey. The Controller agreed to liaise with the Branch to provide support and guidance as required.

Action: Controller

ITEM 12 - DATE OF NEXT MEETINGS

17. The 2021 meetings of the REA Finance Committee were agreed as follows:

- a. Wednesday 7th April 2021.
- b. Thursday 26th August 2021.

7 September 2020

Secretary

Minutes Approved

Date

Chairman

Enclosures:

1. FOO as at 20 Aug 20.
2. Investment valuations.
3. Proposed REA budget for 2021 and projected forecast 2022-2025.
4. Proposed COVID Impact Statement for 2020 audit report..
5. Proposed Reserves Statement for 2020 audit report.
6. REA Welfare Grant 2020 - update.