

# 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:

Chair REA  
Members of the REA Finance Committee

8<sup>th</sup> April 2022

## **MINUTES OF THE 127<sup>th</sup> MEETING OF THE ROYAL ENGINEERS ASSOCIATION FINANCE COMMITTEE, HELD AT CHATHAM AND REMOTELY, AT 1030HRS ON THURSDAY 7<sup>th</sup> APRIL 2022**

### **PRESENT**

Col (Retd) JM Ruddy  
Col M Quare MBE ADC  
Lt Col MJ Heffer TD  
Mr K Kirk  
Maj (Retd) I Sidebottom  
WO1 (Corps SM) M Elliott MBE

Chair  
Corps Colonel  
Trustee Member  
Chief Executive  
Corps Treasurer and Secretary  
Corps Sergeant Major

### **INTRODUCTION**

1. The Chair welcomed all and opened the meeting noting the number of agenda items to get through. He reminded the Committee the main reason for the meeting was to scrutinise the annual audit before passing it to the Board for ratification.

### **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. One declaration was made by the Chair<sup>1</sup> which would be added to the Conflicts of Interest Register by the Secretary.

### **ITEM 2 – TO CONFIRM THE MINUTES OF THE 126<sup>th</sup> MEETING**

3. The Committee accepted the Minutes of the 126<sup>th</sup> meeting as a true record of the proceedings.

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<sup>1</sup> A potential conflict as a part-time Career Consultant for the Officers' Association.

4. The Secretary confirmed he would send a copy of the minutes to the Chairman for signature.

**Action: Corps Treasurer**

### **ITEM 3 – MATTERS ARISING FROM THE 126<sup>th</sup> MEETING**

5. Item 3. The Chair asked for an update on the boat used for the Atlantic Rowing Challenge. The Chief Executive stated the boat has been returned to the UK and remains the property of the REA. There then followed a discussion about scheduled events utilising the boat and the Chief Executive undertook to provide a 'calendar' to clearly show when the boat was committed.

**Action: Chief Executive**

6. Item 8. The Corps Colonel updated the Committee on the Chatham Sports Pavilion project. The build is underway (the Chief Executive took part in the brick laying ceremony on 1 April 2022) and the pavilion will be used during Sapper Games 2023 which are being held in Chatham. The funds allocated by the REA (£500k) are held by the Corps Treasurer to be released at milestone points in consultation with the Chief Executive and Corps Colonel.

7. Item 9. The Corps Colonel reminded the Board that, since the last meeting, the grant allocated in support of Platinum Jubilee celebrations had been increased to £20k. The revised figure has been included in the amended 2022 budget (see paragraph 17e below).

### **ITEM 4 – BRANCH ACCOUNTING - OVERVIEW 2021**

8. The Chief Executive informed the Committee there had been a c90% response to the calling note for Branch returns for 2021 albeit a small amount arrived, post-deadline, during the audit fieldwork. This improvement was highlighted in the auditors' comments covered under Item 5 below.

### **ITEM 5 – AUDITORS - KEY AUDIT FINDINGS**

9. The Corps Treasurer presented the Auditor's 2021 Key Audit Findings. There was only one misstatement identified (but unadjusted as it did not exceed materiality thresholds). This was for £3,553 as the cost of untaken leave as at year-end<sup>2</sup>.

10. The only key finding specific to the REA was in respect of the Branch returns and sample selections for audit. This had been a 'Major Issue' (Red) finding in the 2020 audit and had now, thanks to the efforts of the Chief Executive, been downgraded to a 'Other' (Amber) recommendation. The Auditor's will continue to select a number of Branches / Groups for annual desk top audit and those who did not produce their submissions this year will be selected again next year. The Committee wished to record a vote of thanks to the Chief Executive for his work in instigating a much improved system to reduce the burden on Treasurers.

### **ITEM 6 – REVIEW THE 2021 DRAFT REA TRUSTEE REPORT AND AUDITED ACCOUNTS**

11. The Chair 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.

12. The Corps Treasurer summarised the years' accounts as follows:

- a. In 2021 the charity's expenditure exceeded income resulting in a net deficit of £118.5k (before investment revaluations).

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<sup>2</sup> The amount it would cost the charity to 'buy back' the untaken leave if required.

- b. Income increased by £146k (12%) to £1.33m.
- c. Expenditure increased, in line with expectations, by £45k to £1.4 million (mainly due to an increase in grant payments of £129k).
- d. Investment dividends received for 2021 were £427.9k (a decrease of only £2.9k on 2020 despite having sold units in-year to generate £250k operating capital).
- e. Investment revaluations resulted in a net gain of £1,139,766 (compared to a gain £580k in 2020).
- f. The investment gain (£1,139,766) when combined with the net deficit (£118.5k) gave an overall surplus for the year of £1,021,236 which increased the worth of the Charity from £13.4m to £14.4m.

13. The Committee commended the Trustees' Report and Financial Statements to the REA Trustee Board. The document is at **Enclosure 1**.

14. The Committee **agreed** the Letter of Representation (copy at **Enclosure 2**) and will submit it to the REA Board for **approval**.

**Action: Corps Treasurer**

#### **ITEM 7 – INVESTMENT UPDATE**

15. The Corps Treasurer presented the investment update as at 22<sup>nd</sup> March 2022 totalling £12,724,799.96 (REA General Fund plus Kitchener Fund). The REA Armed Forces Charities Growth & Income Fund (managed by BlackRock) valuation is at **Enclosure 3**. The REA realised investment units at the end of March 2022 to generate £600k working capital (to fund the Chatham Sports Pavilion grant and property purchase). This means the investment portfolio, as at 6<sup>th</sup> April 2022, was £11,595,592.04<sup>3</sup>. This sale of units will reduce the dividend by £5k per quarter until further investment units are purchased (possibly funded from legacies).

16. The newly acquired fixed asset is the 3-bed property purchased in the Ebbsfleet development with a purchase price / valuation of £475k. Once let, this property is estimated to return a c4-5% yield which is in line with Trustees desire to at least match the yield had the funds remained invested with BlackRock (c3-4%). The Committee agreed this was a prudent use of investment funds and provided the portfolio diversity the Board wanted.

***Afternote:** The property has now been let and tenants move in at the end of April.*

#### **ITEM 8 – 2022 REVISED BUDGET**

17. The Corps Treasurer and Chief Executive had made several adjustments to the 2022 budget based on known commitments and expected income. A copy of the revised budget is at **Enclosure 4** and the relevant amendments were:

- a. Line Serial 6. Donations and Legacies for 2022 set to £330k with 2023 increased to £100k. Further legacies are being notified but will not be included until amounts are known.
- b. Line Serial 7. Investment dividends for 2023 amended to reflect the reduced dividend following unit sales.

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<sup>3</sup> Which means the fund has very quickly recovered £72k of the £600,000 realised.

- c. Line Serial 7b. property rental income, from 2023 onwards, has been increased to £24k per annum as the property will generate £2k per month after fees and insurances.
- d. Line Serial 14a. The Committee were reminded 2023 would be the final tranche of the £880k grant made to RBLI in support of the Centenary Village.
- e. Line Serial 15. Corps Activities would be reduced to £234.7k from 2023 onwards following the additional grants made in 2022 to support Platinum Jubilee celebrations, Gibraltar anniversary celebrations and the Chatham Sports Pavilion. The amount allocated to support Platinum Jubilee events has been increased to £20k.
- f. Line Serial 21. Salaries/National Insurance increased for 2022 and 2023 to reflect the salary for the newly appointed Website Developer (an 18-month fixed contract).

#### **ITEM 9 – 2022 REA UNIT & BRANCH SUPPORT GRANTS UPDATE**

18. Following a short update from the Chief Executive on the 10 applications received thus far, the Committee agreed the following:

- a. Solo Atlantic row (£1,500) – Approved.
- b. RE Motor Sports trailer (£3,609) – Approved.
- c. Improvements to all ranks’ facilities (£5,100) - Reduced grant of £2,500 approved.
- d. VC Winner grave repairs and clean (£600) - Increased grant of £2,000 approved.
- e. Hoodies (£4,000) - Not approved.
- f. Placemats and Flag (£2,100) - Placemats approved (£1,500), flag not approved. Unit asked to provide a more ‘joint’ approach to unit identity and encouraged to raise another funding request.
- g. Rugby strip (£1,125) – Approved.
- h. RESPA Clubhouse (£42,152) - Reduced grant of max £10,000 earmarked for release following a more detailed resubmission.
- i. REA Peterborough gazebo (£1,677) - Approved.
- j. Commonwealth Games trial costs (£1,000) - Reduced grant of £500 approved with additional £500 from RECCT.

19. Platinum Jubilee Grants. The Chief Executive took the Committee through the proposed Platinum Jubilee grants (initially based upon unit strength to be adjusted based on bids) which were agreed. These grants have been allocated but will not be paid until units request them.

#### **ITEM 10 – ANNUAL GROUP AND NATIONAL BRANCH WELFARE GRANTS**

20. The Chief Executive presented details of the proposed Group and Branch grants, adjusted based on current holdings, which were approved by the Committee.

#### **ITEM 11 – ANY OTHER BUSINESS**

21. There were no items raised for discussion under AOB.

**ITEM 12 – DATE OF NEXT METING**

22. The next meeting of the REA Finance Committee was confirmed as 1030hrs on Thursday 8<sup>th</sup> September 2022.



8<sup>th</sup> April 2022

Secretary

Minutes Approved

Date:

Chairman

Enclosures:

1. Trustee's Annual Report (TAR) and Audited Accounts 2021.
2. Letter of Representation.
3. Investment Update as at 22 Mar 22.
4. REA Revised 2022 Budget.