

Honorary Treasurer's Report to the 2022 AGM
of the Royal Engineers Association
7th October 2023

1. In the current state of global political and financial uncertainty, it is pleasing to reassure members that REA finances remain healthy. Black Rock has continued to ensure that our investments return a very satisfactory dividend (c£109k per quarter in 2022) and, overall, we continue to meet costs from current income.
2. The forecast deficit for 2022 was £811,375. The year closed on 31st December 2022 with a reduced deficit of £541,297 against budget. As in previous years the deficit was managed by judicious managing of spend, plus several generous legacies, and our cash flow remains healthy. The RE Days' Pay Scheme income remains buoyant as the Corps enjoys a period of over manning and a 95% uptake. However, this is a trend that will, inevitably, turn downwards as the size of the Corps reduces (as can be seen from 2025 onwards in Line Serial 1 of the enclosed budget) so will continue to be monitored by your committee. Regular weekly allowances were made to about 40 applicants, 1288 Christmas cards and 140 monetary gifts were distributed, and the annual grants to ABF (£60k) and SSAFA Forces Help (£30k) were made.
3. For your convenience a copy of the updated Forecast of Outturn for 2023 is attached. It will be seen that spend on Benevolence is running below budget. That said, we saw the same trend last year however, at year-end, exceeded our budget as costs continually increased putting more pressure on our Sapper Family.
4. The Budget Plan for 2024 -2028 is also attached. Significant 'outgoings' for 2024 are:
 - a. **Benevolence:** This remains a key part of our *raison d'être*. In 2022, £974,021 was spent against a budget of £819,250. This years' benevolence spend is covered above.
 - b. **Unit and Branch Support Grants:** This annual allocation of £100k to support worthwhile initiatives that are not supported through the Public Purse has continued to be welcomed by Units and Branches. 2022 again saw great success with more than £75k being disbursed to subsidise a wide range of initiatives which have materially improved the 'wellnesses of the recipients.
 - c. **Other Grants:** These are perennial allocations designed to improve the lived experience of the Sapper Family and include:
 - i. Adventurous Training - £68k. Bids in 2022 exceeded £52k as we see a return to normal with regards Adventurous Training. The Finance Committee will

- consider a request for the minimum grant per person (currently £50) to be increased to £75 but remain cognisant that, whilst other grants (higher formation and Army Adventure Training Group as well as Public funding) have been reduced, the Corps grant level has endured (based on personal contribution and the truly adventurous level of the expedition).
- ii. Op Tour Welfare Grants– max of £5k for major units; £2.5k for minor units. Annual budget £10k.
 - iii. Recruits ‘tribal’ RE items (e.g., stable belts, TRFs, Short History of the Corps etc) - £26k
 - iv. Sports Scholarships (for aspiring National/Olympic sportsmen/women). Various grants based on Level achieved – annual budget (based on numbers selected) c£24k.
- d. **RBLI:** The overall commitment to RBLI of £880k (over four years) continues to be serviced by payments which are linked to cash flow and paid after the quarterly dividend from investments has been received i.e., as far as possible, out of current income. The REA brought forward part of the 2023 instalment to assist the RBLI with cashflow blockages so the final payment of £160,000 was made in May 2023.
- e. **Salaries:** The REA Remuneration Board will sit in November to consider increases in annual salaries (with the associated NI and Pension contributions) for the RHQ REA team. The enclosed budget (at Line Serial 24) has a 4% uplift included to capitalise the Remuneration Board but this neither commits nor restricts them in their decision making which will be made in direct support of the developing REA strategy.

5. Investments:

- a. **Market Investments:** REA capital is invested in the Armed Forces Charities Growth & Income Fund. On 1st September this year (having sold units to generate £700k operating capital) the capital value (including the Kitchener Fund) was £9,878,603 compared to £11,468,450 in 2022 and £12,456,179 in 2021. No further capital was invested during 2022 although, following the arrival of several legacies in late 2022 and 2023, we will consider topping-up our portfolio until such time decisions are reached regarding the use of these legacies. Our portfolio manager, Black Rock, continues to achieve commendable results despite the continuing uncertainties of the market overall. Following the sale of investment units to realise working capital, the dividends in 2022 were still £435,277 compared with £427,925 in 2021.

b. **Investment Property:** At the end of 2021, the REA purchased a three-bed property in a new development in Ebbsfleet Valley for £475k. This was a conscious effort to diversify our portfolio in an uncertain market and generate rental income commensurate, as a minimum, to the yield returned from our market investments. I am pleased to report, the property was occupied within 5 days of completion and is currently producing a 5.2% yield. After fees and insurances, this delivers £24,540 per annum to the charity.

Kenneth Kirk

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Major (Retd) Ian Sidebottom
Corps Treasurer