

# The Royal Engineers Association

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**Patron: HER MAJESTY THE QUEEN**



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Distribution:

Chair REA  
Members of the REA Finance Committee

8 September 2023

## **MINUTES OF THE 130<sup>th</sup> MEETING OF THE ROYAL ENGINEERS ASSOCIATION FINANCE COMMITTEE, HELD ON THURSDAY 7<sup>th</sup> SEPTEMBER 2023**

### **PRESENT**

Col (Retd) JM Ruddy	Chair
Lt Col M Heffer RE TD	Trustee Member
Mr K Kirk	Chief Executive
Mr NR Gunnell	Operations Director
Maj (Retd) I Sidebottom	Corps Treasurer and Secretary

### **APOLOGIES**

Col RB Hawkins MBE ADC	Corps Colonel
WO1 (Corps SM) S Eardley	Corps Sergeant Major

1. The Chair welcomed the Committee before reminding them the primary reason for the meeting was to discuss, refine, and propose the 2024 budget to the REA Board of Trustees.

### **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. No new conflicts were declared.

### **ITEM 2 - TO CONFIRM THE MINUTES OF THE 129<sup>th</sup> MEETING**

3. The Committee accepted the minutes of the 129<sup>th</sup> meeting as a true and accurate record of proceedings.

### **ITEM 3 - MATTERS ARISING FROM THE 127<sup>th</sup> MEETING**

4. There were no matters arising from the previous meeting that were not listed for discussion under today's agenda

#### **ITEM 4 – REVIEW 2023 BUDGET (FOO & BALANCE SHEET)**

5. The Corps Treasurer took the Committee through the latest FOO (as at 31 Aug 23) which is at enclosure 1. The Committee noted the increase in investment dividends, the legacies received, and the Chatham Pavilion being paid for in 2023 (despite being budgeted for 2022) as the build project overran. This is reflected in the difference between budgeted revenue and disbursement and the forecast which is proportionate. The Balance Sheet showed the worth of the charity as £11,287,480.

#### **ITEM 5 - INVESTMENT VALUATIONS**

6. The Corps Treasurer provided an updated fixed assets investment valuation (enclosure 2) which includes the Ebbsfleet investment property. The Committee remain satisfied with the fund performance noting BlackRock have increased the quarterly dividend payments from 2.05p to 2.10p per unit which will generate c£409k per annum for the charity. The rental yield of 5.2% from the investment property validates REA Trustees' decision to diversify our portfolio and the Committee discussed the possibility of purchasing a second property.

**Action: Ch Exec & Corps Treasurer**

#### **ITEM 6 - CONSIDER AND PROPOSE THE BUDGET FOR 2024**

7. The Corps Treasurer and Ch Exec had prepared a draft budget for discussion (enclosure 3). The proposed budget would result in a forecast deficit of £303,329<sup>1</sup> and was based around a number of conditions and assumptions including:

- a. The Days' Pay Scheme revenue is high (as the Corps is overmanned) and forecast to grow at 1% (based on assumed annual salary increase). However, this is likely to reduce from 2025 as the Corps reduces in size.
- b. Investment Property – the property remains occupied with rental income continuing at £2,200 per calendar month (of which the REA receives £2,045 per month).
- c. A new budgetary line has been added as 'Fundraising' with an initial 2024 target of £10k rising to £20k in 2025 and £50k from 2027.
- d. The final payment to RBLI was made in 2023 (total grant £880k).
- e. Unit & Branch Support Grants (renamed CUBS Grants – see Item 10) to endure at £100k per annum.
- f. Salaries/NI/Pension have been increased to reflect the retired Civil Servant staff member being succeeded by a privately employed member of staff. Another member of full-time staff is reaching the end of their project-based contract, which is not being renewed, the savings to be used to fund a part time member of staff linked to event planning. As well as these changes, a budgetary uplift of 4% has been applied to capitalise the Remuneration Committee when they next meet (Nov 23) to discuss staff salary levels.

8. The Committee agreed the 2024 budget proposal and commend it to the Board for ratification. Clearly, the budget could be impacted by unforeseen events / activity (whether that be through poor dividend income following a market crash or additional expenditure due to an increase in benevolence demands) but the Board felt the charity remains well-placed to mitigate and outlast such events.

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<sup>1</sup> Total income £1,045,328. Total expenditure £1,348,657.

## ITEM 7 – BRANCH FUND ACCOUNT UPDATE

9. The Committee reviewed the initial report from the REA Branch Fund Manager and were satisfied with the numbers currently participating in the new scheme. It was agreed Branches who have issues with the 2023 Treasurers' audit submission / desk top audit will be encouraged to join the scheme to remove the reporting burden.

## ITEM 8 – FUNDRAISING (INCL GOVERNANCE)

10. The Ch Exec led a discussion around the REA's intention to undertake fundraising with one of the key points being the additional scrutiny charity fundraising brings from the Charities Commission. To ensure Branches and Groups do not inadvertently fundraise at the local level in a manner which could lead to collective reputational damage and, worst case, sanctions, REA HQ will produce a fundraising guide to ensure Branch/Group activity dovetails into the collective fundraising objects of the REA, thus avoiding 'fundraising fratricide'.

**Action: Ch Exec**

## ITEM 9 – BENEVOLENCE EXPENDITURE

11. The Ch Exec explained the Q2 Benevolence figures as shown as enclosure 4. The Chair was assured that no grants were declined for 'administrative errors' but were either assessed as *want* not *need* or did not otherwise meet the extant criteria for support.

## ITEM 10 – REA BRANCH & UNIT GRANTS 2023

12. Firstly, to better capture the aim and wider target audience of the fund, the Committee agreed to rename this endeavour the Community, Unit & Branch Grant Scheme (CUBS). The Ch Exec provided an update on 2023 expenditure with the Committee noting the overspend of £32.5k as we approach Q4. This being primarily due to a single, large, grant of £60k<sup>2</sup>.

13. As any single, large, grant rapidly depletes the annual allocation, the Committee took the view that (from 2024) any grant request above £10k would not be considered under the CUBS budget but would need to be submitted as a standalone business case to be considered for funding from other REA funds. This would be made clear in the 2024 CUBS guidance.

14. It was further agreed the CUBS grants would be paid from a newly formed Restricted Fund named the 'McCabe Fund'. The generous McCabe legacy (£1.1M) to be placed into a Restricted Fund (held in investments) and augmented from existing REA investment holdings to create a £2M fund. This to be used to fund the £100k perennial CUBS budgetary line and self-sustain based on the following 10-year forecast / assumptions:

Calendar Year	Initial Investment	Annual Dividend (based on 8.40p per unit)	Annual Expenditure (CUBS Scheme)	Revised Investment Valuation (Year-end)
2024	£2,000,000	£80,388	£100,000	£1,980,388
2025	£1,980,388	£80,388	£100,000	£1,960,776
2026	£1,960,776	£80,388	£100,000	£1,941,164
2027	£1,941,164	£80,388	£100,000	£1,921,552
2028	£1,921,552	£80,388	£100,000	£1,901,940
2029	£1,901,940	£80,388	£100,000	£1,882,328
2030	£1,882,328	£80,388	£100,000	£1,862,716
2031	£1,862,716	£80,388	£100,000	£1,843,104
2032	£1,843,104	£80,388	£100,000	£1,823,492
2033	£1,823,492	£80,388	£100,000	£1,803,880

<sup>2</sup> Soldier Space redevelopment at Minley Station.

**Action: Corps Treasurer**

**ITEM 11 - ANY OTHER BUSINESS**

15. There were items raised under AOB.

**ITEM 12 - DATE OF NEXT MEETINGS**

16. The 2024 meetings of the REA Finance Committee were agreed as follows:

- a. Thursday 11<sup>th</sup> April 2024.
- b. Thursday 12<sup>th</sup> September 2024.



8 September 2023

Secretary

Minutes Approved

Date

Chair

Enclosures:

- 1. FOO as at 31 Aug 23.
- 2. Investment valuations.
- 3. Proposed REA budget for 2024 and projected forecast 2025-2028.
- 4. Benevolence Grants Q2.