

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

18th April 2023

MINUTES OF THE 129th MEETING OF THE ROYAL ENGINEERS ASSOCIATION FINANCE COMMITTEE, HELD AT CHATHAM AND REMOTELY, AT 1030HRS ON TUESDAY 18th APRIL 2023

PRESENT

Col (Retd) JM Ruddy	Chair	(Virtual)
Lt Col MJ Heffer TD	Trustee Member	
Mr K Kirk	Chief Executive	
Mr NR Gunnell	Operations Director	
Maj (Retd) I Sidebottom	Corps Treasurer and Secretary	
WO1 (Corps SM) M Elliott MBE	Corps Sergeant Major	

APOLOGIES

Col RB Hawkins MBE ADC	Corps Colonel
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INTRODUCTION

1. The Chair welcomed all and opened the meeting and reminded those present 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. None were declared.

ITEM 2 – TO CONFIRM THE MINUTES OF THE 128th MEETING

3. The Committee accepted the Minutes of the 128th meeting as a true record of the proceedings.

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 128th 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 is currently held in Minley and a ‘taster event’ was being planned to recruit membership to the newly established RE Ocean Rowing Club. A programme of events is being put in place leading to a 2024 event (Talisker event or similar). The Army Ocean Rowing Club had made an approach asking to use the Sapper boat for training however, due to the boat being committed in support of the RE Club, the Chief Executive was unable to agree the loan.

6. Item 8. The Chief Executive and Corps Treasurer updated the Committee on the Chatham Sports Pavilion project. The build is underway and still on schedule to be used during Sapper Games 2023 which are being held in Chatham. The funds allocated by the REA (£500k) have been released to pay Milestone Payment 1.

ITEM 4 – BRANCH ACCOUNTING - OVERVIEW 2021

7. The Chief Executive informed the Committee there had been an improved response, both in numbers received and quality of return, to the calling note for Branch returns for 2022 albeit a small amount had to be adjusted, post-deadline, during the audit fieldwork. This was highlighted in the auditors’ comments covered under Item 5 below. Longer term, the ambition is to offer a centralised accounting facility to Groups and Branches which would, amongst other benefits, negate the requirement for annual Branch returns for audit. The Chief Executive and Corps Treasurer were tasked to provide a proposal paper to support this initiative.

Action: Chief Executive / Corps Treasurer

ITEM 5 – AUDITORS - KEY AUDIT FINDINGS

8. The Corps Treasurer presented the Auditor’s 2022 Key Audit Findings. There were only two misstatements identified (but unadjusted as it did not exceed materiality thresholds). These were:

a. Income. An accrued legacy of £98,636. This relates to the ‘Hill’ legacy. The legacy paperwork said “1/3 of residue of estate after IHT and funeral expenses. Net value per correspondent is £295,908”. As the income recognition criteria are met for this income it should have been accrued.

b. Creditors. An invoice for £4,000 was raised by King’s School in 2023 for a 2022 term which was paid from the Kitchener Fund. This was received late so accounted for in 2023 rather than 2022.

9. The only key finding specific to the REA was in respect of the Branch returns and sample selections for audit. As a result of late or incorrect submissions, the consolidating spreadsheet was out by c£20k. The Chief Executive will work with the Branches concerned to avoid repetition and (as outlined in Item 4 above) offer the opportunity to have the accounts managed centrally in REA HQ.

Action: Chief Executive

ITEM 6 – REVIEW THE 2022 DRAFT REA TRUSTEE REPORT AND AUDITED ACCOUNTS

10. The Chair and Committee had already had time to study the documents prior to the meeting and were content with the Trustees Annual Report as updated by the Chief Executive.

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

- a. In 2022 the charity's expenditure exceeded income resulting in a net deficit of £544.4k (before investment revaluations).
- b. Income increased by £32k (2.4%) to £1.36M.
- c. Expenditure increased by £458k (31.7%) to £1.9M (mainly due to an increase in charitable activities and recruiting costs).
- d. Investment dividends received for 2022 were £417.3k (a decrease of £10.6k from 2021 having sold units in-year to generate £700k operating capital).
- e. Investment revaluations resulted in a net loss of £1,798,446 (compared to a net gain of £1,139,766 in 2021). The investment property at Ebbsfleet generated rental income of £18k (a 5% yield) and had a net gain (following revaluation) of £21,828.
- f. The investment loss (£1,798,446) when combined with the net deficit (£544.4k) gave an overall deficit for the year of £2,321,000 which reduced the overall worth of the Charity from £14.4m to £12.1m.

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

Action: Corps Treasurer

ITEM 7 – LETTER OF REPRESENTATION

13. The Committee **agreed** the Letter of Representation (copy at **Enclosure 2**) and will submit it to the REA Board for **approval**. The comments at Appendix 1 of the letter are explained under Item 5 above.

ITEM 8 – INVESTMENT UPDATE

14. The Corps Treasurer presented the investment update as at 22nd March 2023 totalling £10,276,762¹ (REA General Fund plus Kitchener Fund). The REA investment valuations are at **Enclosure 3**.

15. The 3-bed property purchased in the Ebbsfleet development with a purchase price of £475k has been revalued as £500k. This property is returning a 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. The Chair asked the Chief Executive and Corps Treasurer to investigate purchasing a second property to further diversify the fund, generating additional steady cashflow from rental income.

Action: Chief Executive / Corps Treasurer

¹ Afternote. The investment valuation at cease of trading 17 Apr 23 was £10,397,549

ITEM 9 – 2023 REA UNIT & BRANCH SUPPORT GRANTS UPDATE

16. The Chief Executive updated the Committee on funds disbursed in Q1/23 (£30k) before presenting a single application for consideration. The bid was from for £630 to fund a memorial bench in the newly authorised Veteran’s Memorial Garden at Shinton Cenotaph (Salford) which includes the names of 4 Sappers who paid the ultimate sacrifice during conflicts ranging from Palestine to Afghanistan. The Committee unanimously supported the bid but felt it a bit ‘light’ so asked the Chief Executive to liaise with the bidders and, if appropriate, offer additional financial support.

Action: Chief Executive

ITEM 10 – ANY OTHER BUSINESS

17. The only item raised under AOB was the Chief Executive’s reiteration the REA must discuss the most apposite use for the McCabe legacy (£1.2M). This is the largest legacy the Corps has ever received and must be used to memorialise the McCabe family in a meaningful way rather than subsumed into ‘business as usual’ activity or simply held as part of the charity’s unrestricted reserves.

Action: Chief Executive

ITEM 11 – DATE OF NEXT METING

18. The next meeting of the REA Finance Committee was confirmed as 1030hrs on Thursday 7th September 2023 in Chatham.



18th April 2023

Secretary

Minutes Approved

Date:

Chairman

Enclosures:

1. Trustee’s Annual Report (TAR) and Audited Accounts 2022.
2. Letter of Representation.
3. Investment Update as at 22 Mar 23.