

## **Malvern Hills Trust**

Finance Administration and Resources Committee

Manor House, Grange Road, Malvern

Tuesday 11 February 2020 7.00pm

**Present:** Mr M Cordey (Chair), Mr M Davies, Mr D Fellows, Mr J Michael, Mr C Penn, Prof J Raine, Ms S Rouse, Mr J Watts.

**In attendance:** Chief Executive Officer (CEO), Finance and Administration Manager, Secretary to the Board, Financial Assistant, Mr I Burrows (Brewin Dolphin), Mr C Atkins, Dr S Braim, Dr G Crisp, Mr R Fowler, Dr T Parsons, 1 member of the public.

Mr Cordey welcomed everyone to the meeting.

**1. Apologies for absence**

Mrs L Hodgson, Mr D Core.

**2. Chair's communications**

- Mr Watts wanted to raise some points about the management accounts, and Mr Cordey suggested this be dealt with after agenda item 10.1.
- It had been confirmed that the levy for a Band D property would be £37.90 (2.36 % increase).
- Trustees were requested to respond to the invitation to a training event on 16/17/18 March by 12 February.
- The procedure for trustees who wanted to request an item go onto an agenda was to contact the Chair or Vice Chair of the relevant committee, the Chair of Vice Chair of the Board, the CEO or the relevant officer, preferably at least one month before the meeting.

**3. Declarations of interest**

There were none.

**4. Public comments**

There were none.

**5. Matters arising from the previous meetings**

There were none.

**6. To review investment fund risk categories**

Mr Cordey introduced Mr Burrows, who went through his paper and discussed the investment criteria for risk category 6 as illustrated in the Brewin Dolphin Risk Guide.

In response to questions, Mr Burrows said he did not think leaving the European Union would affect the portfolio in a major way, because of its composition. Less than half the equities were invested in the UK stock market. Also the companies

listed on the UK stock market were in the main multinational companies trading worldwide. Brexit was a UK issue. It was a consideration but not a major one. Generally, his charity clients invested around risk category 5 or 6. A few were in a higher risk category, some with a split portfolio, part invested at higher risk and part elsewhere and in one unusual instance, a family charity run by someone from within the investment industry. Charities investing at a lower risk tended to be investing their reserves, aiming only to keep pace with inflation and needing to be able to access the funds at short notice.

The CEO said that while some broad national data was published, local land agents did not provide any analysis of local land prices (keeping pace with inflation in land prices having been a stated aim of the investment policy).

On the proposal of Ms Rouse, seconded by Mr Fellows it was **RESOLVED** unanimously to recommend to the Board that the Trust continue to apply Brewin Dolphin risk category 6 to both the Lands Acquisition Fund and the Parliamentary and Lands Maintenance Fund.

#### 7. Report of the Ethical Investment Working Group

The considerations of the working group were set out in the paper.

Dr Braim suggested using the term “mining company”.

Mr Burrows discussed the possible impact on returns of adopting the working group’s proposals. There were 4 holdings that would need to be sold if the condition was applied, amounting to less than 4 % of the value of the portfolio. The excluded categories made up 17 % by value of the UK stock market. There was a graph in the paper showing a comparison of a performance index with all investments, and one excluding fossil fuels. The performance excluding fossil fuels was slightly better over the illustrated historic period, and the fall in value during the financial crisis was roughly the same. It appeared on a historical basis that the altered criteria would not be an impact on the performance of the portfolio. The effect would be reviewed on a regular basis. If the situation changed, the Trust could re-consider its policy.

On the proposal of Mr Michael, seconded by Mr Penn it was **RESOLVED** unanimously to recommend to the Board that the Trust updates the investment policies for both the Lands Acquisition and Parliamentary/Lands Maintenance fund portfolios to include the following statement on ethical considerations:

Malvern Hills Trust exists to protect the Malvern Hills and commons. Climate change poses a threat to the unique environment we care for. The Trust will therefore exclude any fossil fuel, mining and quarrying companies from its investment portfolio by 31<sup>st</sup> March 2021.

The policy will also exclude individual investments which are perceived to conflict with the charity’s purpose.

Mr Burrows left the meeting.

## 8. Worcestershire Pension Scheme.

There were no questions on the paper and the contents were noted. The Finance and Administration Manager said that the only scenario where the matter might come back to the committee before the next triennial valuation was if the LGPS dropped the termination deficit requirement.

## 9. Reserves policy annual reassessment

The background on the reserves policy was set out in the paper. The reserves were well above the minimum at present. The Finance and Administration Manager explained how the figure in the paper linked to the figures in the management accounts.

On the proposal of Mr Cordey, seconded by Mr Davies it was **RESOLVED** unanimously to recommend to the Board that

- The Board record that the assessment of the reserves position is satisfactory
- Continue with the quarterly reporting of reserves to FAR Committee and
- The Committee carry out the next annual assessment of the Reserves Policy in February 2021.

## 10. Reports

### 10.1 Management accounts for the 6 months ended 30 September 2019

The Finance and Administration Manager went through the paper. Mr Fellows asked about the note under “Administrative costs” on legal feeds which related to issues raised by a member of the public. Mr Davies explained that the Trust had dealt with a complaint, which had been addressed by seeking advice on the matters raised. The complaint was found to be groundless. Subsequently there was a Subject Access Request which had also required legal advice. This was followed by a complaint to the ICO. The Trust was found to have complied with the legal requirements.

Following a discussion, on the proposal of Mr Penn, seconded by Ms Rouse, it was **RESOLVED** unanimously to recommend to the Board:

That the following designated funds be closed and the balances transferred to the tree disease designated fund:

Thirds Wood (balance £4,529)

Mountain Bike fund (£948)

and the balance in the Election Expenses fund be retained in that designated fund AND that the FAR Committee approve additional expenditure on trustee training up to a total of £4,000.

Mr Watts suggested changes to the Management Accounts - they should be changed to reflect the charities’ SORP and to reflect activities and drivers. He stated the SORP was like management accounting. For example, the staff costs were not allocated to the relevant activities, eg land management and visitor

services. He could not see how much money was being spent on each. He suggested a working group to look at this in greater detail.

Mr Cordey said the point of the management accounts was to enable the organisation to have the information it needed between the audit periods, to manage itself effectively.

The CEO said to take the SORP as the ideal was not appropriate for the monthly management accounts which were for monthly monitoring of income and expenditure against budget. Delivery of activities was shown in the project progress report. The information in the management accounts provided more information than the SORP. The format of the management accounts had evolved over the years, as requested by FAR and the CEO and his predecessors. He thought they were entirely appropriate. It would be very difficult to allocate the staffing costs of the wardens into different activities. The wardens would have to fill in time sheets. The Finance and Administration Manager said this had been tried some years ago but FAR requested it be stopped.

Mr Fellows asked whether, if a trustee was concerned and wanted more information, could he or she come to discuss it? Mr Cordey said the information provided in the covering reports was dynamic – for example when the RPA payments were not being made, more information was provided on cash flow. He took Mr Watts point about what the SORP did, and agreed it was right for the year end accounts, but management accounts had a different purpose.

Prof Raine said the Trust was a small organisation and many staff had multiple roles. The most useful documents to him were the Land Management Plan, and the project progress report. These revealed whether the organisation was performing as intended. He could not equate activity based accounting with a small organisation.

Mr Penn said he found the accounts helpful in their current form. He was also concerned that there would be increased administration costs in doing the sort of job Mr Watts was suggesting. As far as possible money should be spent on the Trust's charitable activities and not on administration.

Mr Davies said the management accounts provided the trustees with as much detail as they needed. The auditors in recent years had reported a clean audit and congratulated the Trust on the quality of its financial management. That included the Trust's controls in relation to reporting, controls and risk. The controls and reporting should be appropriate to the nature and scale of the business.

Ms Rouse said the information was presented clearly and in plain English which allowed the trustees without financial experience to do their job. She thanked the Finance and Administration Manager for this.

Mr Watts said he did not think the expenditures shown were total expenditures when labour was excluded. The CEO said labour costs were not broken down on a category by category basis. To achieve what Mr Watts was seeking would mean the individual staff would have to break down what they were doing on a day to day basis, to little advantage.

On the proposal of Mr Davies, seconded by Ms Rouse it was **RESOLVED** (with one abstention) that the committee express its satisfaction with the current financial

controls and reporting regime as being sufficient to inform the decisions of trustees and that no further time or effort should be made on reviewing that situation.

#### **10.2 Review of major projects (including Land Management)**

The CEO went through the Project Progress Report. He explained that the report was updated 8 times a year.

Several projects (Bridleway Link Common, Community Woodland access, Shire Ditch restoration, improvements at Manor House, British Camp sewage system) were likely to be carried over to the next financial year. The Donkey Shed restoration work was likely to require the Trust to go to tender.

The CEO explained the background and the current position in relation to the British Camp sewage system for the benefit of new trustees. He was aware that the Environment Agency had publicised the Trust's application for a discharge licence so it appeared the project was making some progress. The tender process was currently suspended pending granting of this licence.

The CEO confirmed in relation to the Community Woodland, that any necessary cutting back of vegetation had been carried out and the remaining work would not affect nesting birds.

#### **10.3 Charity Commission Scheme costs – report from monitoring team**

There had been no additional legal costs and the consultation costs were £16,868.

#### **10.4 Fundraising**

A meeting of the working group was scheduled for 19 February.

#### **10.5 Report of CEO's exercise of delegated expenditure powers**

There had been no further exercise of the CEO's delegated power since the last FAR meeting.

#### **10.6 Legacy Working Group**

The group were yet to fix a meeting date.

#### **10.7 Red Flag items off Risk Schedule**

The risk in relation to the agri-environment schemes had increased following the transfer of their administration to RPA and the Government's proposals to replace the European Agricultural Policy following Brexit. It appeared that the new criteria for Countryside Stewardship did not accommodate applications for part commons. Common Land Unit 9 (CL9) (Castlemorton, Shadybank, Hollybed and Coombe Green Commons) was not wholly owned by the Trust. The risk level for this item had therefore been raised to red.

### **11. Urgent business**

There was none.

### **12. Date and time of next meeting**

Thursday 14 May 2020 7pm.

**The meeting closed at 8.42pm**