



Malvern Hills Trust

Draft 5 – public prior to Levy Payers’ meeting

Trustees’ Report and Financial statements For the year ended 31st March 2020

O/S

Trustees’ report – update COVID 19 impact before signing



**Trustees' Report and Financial statements
For the year ended 31st March 2020**

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Reference and administrative details

Charity number: 515804 (England and Wales)

Registered and principal office: Manor House
Grange Road
Malvern
Worcestershire
WR14 3EY

Our advisors

Independent Auditor: Bishop Fleming LLP
Chartered Accountants and Statutory Auditors
16 Queen Square
Bristol
BS1 4NT

Bankers: Lloyds Bank plc
48 Belle Vue Terrace
Malvern
Worcestershire
WR14 4QG

Investment Managers: Brewin Dolphin
9 Colmore Row
Birmingham
B3 2BJ

Key management personnel – Senior Managers

Chief Executive Officer	Duncan Bridges BSc (Hons)
Secretary to the Board	Susan Satchell LI.B (Hons)
Conservation Manager	Jonathan Bills MSc
Operations Manager	Paul Saunder
Finance and Administration Manager	Cheryl Gentry BSc ACA



Trustees

Note – As at 31/3/20

FAR – sits on Finance, Administration and Resources Committee

LM – sits on Land Management Committee

GC – sits on Governance Committee

SC – sits on Staffing Committee

CCC – sits on Covid Contingency Committee

** has served for more than 9 years*

Elected trustees

Priory Ward:	Peter Watson <i>FAR</i> (to 31 st October 2019) John Watts <i>FAR</i> (from 1 st November 2019)
Chase Ward:	Sara Stewart (resigned 13 th July 2019) Graeme Crisp <i>LM</i> (from 1 st November 2019)
Wells Ward:	Simon Freeman <i>LM</i> (to 31 st October 2019) Richard Fowler <i>LM</i> (from 1 st November 2019)
West Ward:	Charles Penn <i>FAR and GC</i>
Dyson Perrins Ward:	David Hawkins (to 31 st October 2019) <i>LM</i> Trevor Parsons <i>LM</i> (from 1 st November 2019)
Malvern Link Ward:	Richard Bartholomew <i>LM, SC, CCC and GC</i>
Pickersleigh Ward:	Peter Forster <i>LM and SC</i> (to 31 st October 2019) David Core <i>FAR and GC</i> (from 1 st November 2019)
Colwall Parish:	Helen Stace <i>LM</i> * Stephen Braim <i>LM, CCC and GC</i>
Guarlford Parish:	David Street <i>FAR</i> (to 31 st October 2019) David Fellows <i>FAR</i> (from 1 st November 2019)
Mathon Parish:	Christopher Rouse <i>LM</i> *

Nominated trustees

Malvern Hills District Council:	Roger Hall-Jones <i>LM</i> (to 31 st October 2019) Chris O'Donnell <i>LM</i> (to 31 st October 2019) Caroline Bovey (resigned 18 th March 2019) Pamela Cumming (to 31 st October 2019) Mick Davies <i>FAR, CCC and SC</i> (Board Chair) John Michael <i>FAR</i> James O'Donnell (to 31 st October 2019) Sarah Rouse <i>FAR and CCC</i> (Board Vice Chair) Mark Dyde <i>LM</i> (from 1 st November 2019) Cynthia Palmer <i>LM, GC, CCC and SC</i> (from 1 st November 2019)
Colwall Parish Council:	Gwyneth Rees <i>LM, CCC and SC</i> *
Mathon Parish Council:	David Baldwin <i>LM and SC</i> *
Church Commissioners:	David Bryer <i>LM and GC</i> (resigned 31 st July 2020)
Herefordshire Council:	Emma Holton (resigned 30 th May 2019) Helen I'Anson <i>LM and SC</i> (from 1 st November 2019) Tony Johnson (from 1 st November 2019)
Worcestershire County Council:	John Raine <i>FAR, SC, CCC and GC</i> Lucy Hodgson <i>FAR</i>

Worcestershire County Council on behalf of the following parishes:-

Castlemorton:	Angus Golightly <i>LM</i> (to 31 st October 2019) Chris Atkins <i>LM</i> (from 1 st November 2019)
Newland:	Tom Yapp <i>LM</i> *
Powick:	Martin Cordey <i>FAR and CCC</i> *

Staff

Malvern Hills Trust employed 18 staff (16 full time equivalent) during the year. Details of staff numbers are given in note 11 to the financial statements.



Report of the trustees for the year ended 31st March 2020

The trustees are pleased to present their annual report together with the financial statements of the charity for the year ending 31st March 2020.

The Board of Trustees resolved to adopt the working name of 'Malvern Hills Trust' on 19th January 2017. This came into effect on 6th April 2017. This name is registered with the Charity Commission. The statutory name remains 'Malvern Hills Conservators'.

Malvern Hills Trust was set up by Act of Parliament (The Malvern Hills Acts 1884, 1909, 1924, 1930 and 1995). It is an unincorporated charity registered with the Charity Commission for England and Wales, number 515804.

The financial statements comply with the Charities Act 2011, the Commissioners' Clauses Act 1847, the five Malvern Hills Acts and *Accounting and Reporting by Charities: Statement of Recommended Practice (SORP)* applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective January 2019).

Our purposes and activities

Malvern Hills Trust was set up to protect the hills and commons under its jurisdiction, in particular to:

- Preserve the natural aspect of the hills,
- Protect and manage trees, shrubs, turf and other vegetation,
- Prevent unlawful digging and quarrying,
- Keep the hills open, unenclosed and unbuilt on as open spaces for the recreation and enjoyment of the public.

Malvern Hills Trust is also obliged under other legislation to:

- Conserve and enhance biodiversity, Sites of Special Scientific Interest and Scheduled Monuments on its land.

In order to meet its purposes, each year Malvern Hills Trust carries out a programme of conservation and maintenance work as guided by the adopted Land Management Plan. This includes tree and shrub clearance, tree maintenance, implementation of a grazing programme, mowing and path maintenance to facilitate access, habitat restoration, litter picking and other general maintenance work.

Malvern Hills Trust provides and maintains a number of car parks for the public to use for easy access to the charity's land. Where parking charges apply, visitors can either buy a day ticket at a meter or an annual parking permit can be purchased.

In planning and delivering its activities, the trustees have referred to the Charity Commission's guidance on public benefit. The trustees confirm they have complied with their duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales.



Under clause 29 of the Malvern Hills Act 1884, Malvern Hills Trust may acquire ‘for the purpose of preserving unenclosed and free from building any lands within 9 miles of Great Malvern Abbey (Priory) which (they) may regard as proper to be so preserved as part of or in connexion with the range of the Malvern Hills or for the purpose of maintaining any common or commonable rights which may subsist over or affecting such lands’.

Potential land acquisitions are considered by the trustees, in accordance with the charity’s Land Acquisition Policy. The trustees will consider acquiring a piece of land where the acquisition is consistent with the powers specified above and where acquisition would further the objectives of the organisation. The criteria in the policy are:

- To own and protect the ridge of the Hills and the steep slopes on either side,
- To own and protect land on the lower slopes which contributes to the landscape and setting of the Hills and Commons,
- To maintain common or commonable rights,
- To keep land open for the recreation and enjoyment of the public,
- To conserve habitats or species which are nationally or regionally scarce and/or are typical of the local area,
- To conserve features of archaeological or geological interest/importance,
- To improve access to the existing land holding for management,
- To divert public pressure/damaging activities away from over-used or sensitive areas of the existing land holding.

Achievements and performance

The Malvern Hills are an iconic and much loved landscape, receiving an estimated 1 million visits each year. Malvern Hills Trust works closely with many user groups and through its Recreation Advisory Panel seeks to understand their needs and minimise potential conflict between different users of the hills and commons.

Malvern Hills Trust has a responsibility to conserve the important features and special qualities of the hills and commons, including the geology, flora, fauna, landscape and archaeology. Keeping a balance between access and conservation is a major challenge for the charity. This is achieved through an active communications policy, using both local and social media and the charity’s website. A programme of free themed events is arranged each year for the public, to help inform their use and enjoyment of the Hills and covering all aspects of the charity’s conservation work. These are very well attended.

A 5-year Business Plan was prepared and adopted by the Board of Trustees in 2017 and is regularly reviewed. The Business Plan sets out the strategic priorities for the charity.

Until 31st March 2020, significant areas of the charity’s land (around 80%) were under the Department for the Environment and Rural Affairs (Defra) Higher Level Stewardship scheme and the new Countryside Stewardship Scheme. With the ending of two agreements covering Castlemorton and the Southern Hills on 31st March 2020, the



proportion of land under the schemes reduced to 40%. Applications have been made for new Countryside Stewardship schemes for both areas. The schemes provide funding for certain land management activities including the grazing of grasslands, which is the most effective way to maintain significant parts of the hills and commons. The grazing programme is complemented by management work carried out by staff, contractors and a dedicated team of volunteers.

Key achievements in the year have included:

- Maintaining over 1,200 hectares open and accessible to the public,
- A public consultation on the changes that might be made under a Charity Commission Scheme concerned with the updating of the Trust's governing Acts,
- The introduction of new meters at all car parks, offering pay by card options to visitors to the Hills in addition to cash payment,
- A new agreement was set up with Malvern Library for the sale of the Trust's residents' car park passes from the library, commencing March 2020. This is in addition to the agreement with Colwall Library which started in 2018. Unfortunately, sales at both libraries were suspended when they were closed at the start of the COVID-19 lockdown,
- Work commenced on improvements to the Community Woodland in Townsend Way funded by a grant from MHDC, but was delayed firstly by bad weather and then the COVID-19 crisis,
- Our conservation work was recognised by Natural England as several areas were upgraded from 'unfavourable recovering' condition to 'favourable',
- Restoration work was carried out on ponds on Castlemorton Common, funded by a grant from Worcestershire County Council's Natural Networks programme,
- Further waymarked mountain biking routes have been established to encourage responsible cycling on the Hills,
- Replacement of signage continued, following the rebranding started in 2017,
- The Belvedere bus shelter was renovated using funds from a generous legacy,
- Plans were drawn up for the renovation of the Victorian donkey sheds in Happy Valley but work was delayed due to the COVID-19 crisis,

Other work included the submission of applications for entry to the new Countryside Stewardship schemes, to support a variety of conservation works across Hills and Commons at Castlemorton and the Southern Hills.

Work has continued to consolidate and modernise the Trust's governing Acts with support and guidance from the Charity Commission. A major milestone was the completion of a public consultation in autumn 2019. The Trust learnt in March 2020 that (contrary to all previous indications) the DCMS would prefer the changes to be made by private bill, rather than using a scheme under s73 Charities Act 2011. The Trust will be taking steps to investigate and cost the options available before deciding how to proceed. This is a long-



term project which it is anticipated may take several years to complete. Delays have been caused by COVID-19.

The COVID-19 crisis impacted on the Trust’s work in the final month of the financial year. Because of the lockdown announced as part of the virus control procedures on 23rd March 2020, the Trust closed its car parks to the public on 27th March 2020. Social distancing guidelines meant the working patterns of both indoor and outdoor staff had to be altered, and work carried out from home where possible. Essential work continued on the Trust’s land whilst ensuring staff safety through new working practices which met the social distancing guidelines.

The car parks were re-opened on 13th May 2020 following the first phase of the lifting of the lockdown [update further as things develop]

Malvern Hills Trust receives enormous support from the work of volunteers for activities such as wardening, litter picking, recording, habitat management, conservation, archiving and administrative support. In 2019 the Conservation Volunteers celebrated their 20th anniversary. The estimated volunteer contribution during the year was the equivalent of 378 working days (7.5 hours) spent on the hills and commons and 120 working days on office work. The contribution of all volunteers is gratefully acknowledged.

Since the COVID-19 control measures have been in place it has not been possible for the Trust’s volunteers to carry out their roles. It is anticipated that this may be the case for several months to come. This will impact on work on the Hills and in the office, both areas being heavily reliant on volunteers.

The impact of the COVID-19 crisis on the Trust’s future activities is considered in the ‘plans for future periods’ section of this report.

Structure, Governance and Management

The Malvern Hills Trust is a body corporate set up under the Malvern Hills Act 1884, subsequently modified by the Acts of 1909, 1924, 1930 and 1995. It is also a registered charity.

The Board of Trustees is the decision making body. It consists of 29 trustees who are appointed for a four-year term. There were 3 vacancies at the time this report was approved. Eleven are directly elected under the Local Elections (Principal Areas) Rules by the residents of the following wards/parishes who contribute to Malvern Hills Trust through a levy paid with their Council Tax. The Chief Executive Officer is the Electoral Returning Officer.

Electoral area	<u>Seats</u>
Priory Ward	1
Chase Ward	1
Wells Ward	1
West Ward	1
Dyson Perrins Ward	1
Malvern Link Ward	1
Pickersleigh Ward	1



Guarlford Parish	1
Colwall Parish	2
Mathon Parish	1

The remaining 18 trustees are nominated by the following bodies:-

Herefordshire Council	2
Worcestershire County Council	2
Worcestershire County Council to represent the parishes of Castlemorton, Newland and Powick	3
Malvern Hills District Council	8
Colwall Parish Council	1
Mathon Parish Council	1
The Church Commissioners	1

Elections last took place on 31st October 2019, with new trustees taking up their seats on 1st November 2019. The next elections will take place in October 2023 and new trustees will take up their seats on 1st November 2023.

Following appointment, trustees are asked to attend training sessions to ensure that they understand their duties and responsibilities under the Malvern Hills Acts and their responsibilities under other legislation which affects the land which they manage. A short tour is also offered to view some of the key management sites and trustees are encouraged to attend land management site visits throughout the year.

The Board of Trustees normally meets at least five times a year in January, March, June, September and November to receive and adopt reports from the committees, to receive reports from representatives serving on outside bodies and the Chief Executive Officer’s management report. There is also an opportunity for members of the public to raise issues. The annual meeting of levy payers was held immediately before the Board meeting in September 2019. At this meeting, at which creditors, levy payers and other interested persons may be present, the financial statements are adopted and Auditor appointed. The Chair and Vice Chair are elected at the Board’s annual meeting in November at which committee members and representatives to serve on outside bodies are also appointed.

COVID-19 crisis measures

The COVID-19 virus control measures brought in from March 2020 meant that Board meetings could no longer be held. Following a decision taken at a meeting of the Board on 12th March 2020, the trustees unanimously agreed to putting the following arrangements in place during the COVID-19 ‘emergency period’:

- All meetings of the Board and Committees were suspended until further notice,
- The public desk at the Trust’s office was closed,



- A temporary increase was made to the CEO's delegated authority to authorise unbudgeted expenditure during the 'emergency period' to £20,000 in total (£10,000 for a single item),
- A temporary delegation of the exercise of Board powers was given to a sub group comprising the Chairs and Vice Chairs of Board, Land Management Committee, Finance Administration and Resources Committee, Staffing Committee and Governance Committees for the 'emergency period', the exercise of such powers to be limited to making any urgent decisions including authorising unbudgeted expenditure (in addition to the CEO's authority) of up to £40,000 in total and
- The subgroup was given permission to adopt its own administrative arrangements (for example to hold meetings by conference call, Skype or other online facility), or agreement by written communication.

For the purpose of these arrangements, an urgent decision was defined as an item of business which if not discussed or decided upon might reasonably be expected to result in prejudice of an operational, financial, reputational or legal nature to the interests of the Trust.

The sub group, which has been named the COVID-19 Contingency Committee (CCC) met at least weekly via video link during April and early May 2020 [update as new arrangements are put in place]

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the charity's affairs and for implementing strategies and policies agreed by the Board of Trustees.

Committees

Ordinarily there are four committees. Their functions are set out below. The Board of Trustees considers committee reports and adopts, declines or amends their recommendations at the following Board meeting.

Land Management Committee

This committee has oversight of land management issues and strategy, including the statutory duty to maintain the natural aspect. This includes:

- Overseeing production of the Land Management Plan and monitoring progress against the plan,
- Preparing the annual land management budget and monitoring progress against the budget,
- Reviewing policies relating to the management of the charity's land holding,
- Making recommendations on potential land acquisitions,
- Consideration of some applications for easements and wayleaves and making recommendations to the Board thereon,



- Overseeing appropriate levels of access infrastructure, interpretation and information are provided and
- Reviewing funding agreements, licences etc relating to the management of the hills and commons.

Finance, Administration and Resources Committee

This committee has oversight of the following areas:

- Finance, including reviewing the adequacy of financial controls, quarterly and annual financial statements, budgets and budget monitoring,
- Investments, including reviewing the Investment Manager's reports and performance,
- Overseeing production of the business plan and monitoring progress against the plan,
- Administration including legal matters and review and enforcement of the byelaws,
- Rents and charges,
- Reviewing major contracts,
- Ensuring that Malvern Hills Trust has appropriate levels of insurance cover,
- Fundraising.

The committee also has authority to approve unbudgeted expenditure within agreed limits.

Governance Committee

The Governance Committee has oversight of and advises the Board on the following areas:

- Ensuring the organisation complies with the Malvern Hills Acts, charity legislation and other relevant legislation relating to governance,
- Reviewing board and committee performance,
- Reviewing and monitoring compliance with the Governance Handbook, Standing Orders and the Code of Conduct,
- Ensuring that the charity has appropriate risk management systems in place and that risks will be reviewed and updated annually and
- Approving training for trustees.

Staffing Committee

The Committee makes recommendations to the Board of Trustees regarding:

- Staffing and office requirements,
- Policy matters relating to staff salaries and benefits,
- Budget allocation for personnel and health and safety,
- Policy matters relating to terms and conditions of employment/engagement for all staff and volunteers,



- Matters arising from Malvern Hills Trust's Disciplinary and Grievance procedures for staff,
- Health and safety and first aid matters in relation to staff, volunteers and members of the public and
- Pension arrangements.

The Committee also:

- Reviews all employment and human resources policies and procedures and ensures that Malvern Hills Trust acts as a good employer,
- Receives reports from the Chief Executive Officer on human resource matters and
- Ensures that Malvern Hills Trust has a Health and Safety Policy and Health and Safety management systems in relation to staff, volunteers and members of the public and that these are reviewed regularly, properly implemented and the Board of Trustees is kept fully informed.

Charity Governance Code

The Charity Governance Code was published in July 2017 as a reference document to help charities work towards effective governance and the right leadership structure. The Code sets out principles and recommended practice. All trustees are encouraged to meet the principles and outcomes of the Code by either applying the recommended practice or explaining what they have done instead or why they have not applied it.

As a charity governed by statute it is impossible at present for the Trust to adopt all recommended practice as set out in the Code but it has been used as the foundation for formulating the Trust's proposed governance changes. When the COVID-19 pandemic took hold, the Trust was in the process of undertaking a detailed audit of how far the Trust was complying with the Code and where improvements could be achieved within the existing statutory framework. Hopefully this work will be completed during 2020/21 and the outcomes acted upon by the Board.

Review of funds 2020

Malvern Hills Trust is governed by the Malvern Hills Acts 1884, 1909, 1924, 1930 and 1995 and by charity law. These define the Trust's obligations in relation to its funds. The classification of the funds in the annual accounts follows these obligations and also any advice given by the Trust's auditors for meeting the requirements of the Charities SORP.

In the context of work on revising the Trust's governing legislation, further consideration was given to the legal structure of the Trust. Advice received was that, as a body corporate, Malvern Hills Conservators (the statutory name of Malvern Hills Trust), holds the land which it owns beneficially for its statutory purposes and subject to statutory obligations and it is not properly classified as permanent endowment. This advice has no impact on the operation of the Trust, or the use of the funds, but does change the way the funds are shown in the annual accounts.



The Trust's Land Acquisition fund, Parliamentary fund and Capital Outlay Discharged fund were historically included in the restricted funds. Following a review by Crowe Clark Whitehill in 2013 (who were auditors at that time) these funds were reclassified as permanent endowment in the annual accounts for the year ended 31st March 2013.

Following the analysis of the legal position by the Trust's solicitors and the Charity Commission, these funds were reclassified as restricted funds in the 2019 accounts, by way of an in-year transfer.

Financial Review

The financial results are set out on pages 23 to 49. There was a total net increase in funds of £94,480 (2018/19 decrease £67,103).

Net income before transfers on the unrestricted funds was £255,965 (2018/19 net income of £15,688). The net movement on the unrestricted funds after transfers and the FRS 102 pension adjustment was an inflow of £290,674 (2018/19 outflow £133,967).

In addition, there was a net outflow of funds on the restricted funds of £196,194 (note 22) (2018/19 net inflow £66,864).

Total reserves at the financial year end were £2,159,693 (2019 £2,065,213), of which £2,895,030 is restricted (of which £1,162,994 is inalienable, see notes 14 and 15 to the financial statements).

Principal funding sources

Under powers in the Malvern Hills Acts, Malvern Hills Trust charges a levy to Council Tax payers in the Malvern Hills District Council wards of Chase, Dyson Perrins, Malvern Link, Pickersleigh, Priory, Wells and West Malvern and the parishes of Guarlford, Colwall and Mathon. The average band D levy payable in 2019/20 was £37.02 (2018/19 £36.05). The total levy received by the charity was £519,250 (2018/19 £499,250).

Revenue from car parks is the second principal funding source. The total received in 2019/20 was £289,167 (2018/19 £269,281). Car park takings are used to fund the charity's work including maintaining the car parks for public use.

The third major funding source is grants received under the Higher Level Stewardship scheme and the new Countryside Stewardship scheme. These provide the funding for conservation works on the hills and commons, in support of the charity's Land Management Plan 2016-2021 and conservation objectives. The total received during the year was £186,924 (2018/19 £181,337).

Donations and legacies received totalled £299,020 (2018/19 £94,513).

Significant financial impacts

Significant events (and their financial impact) during the year were:

- The financial impact of COVID-19 will be felt most in 2020/21. At 31st March 2020 the crisis had already led to the closure of all the Trust's car parks and had a significant impact on the charity's investment portfolio,



- The car park meters were upgraded at a total cost of £40,855 (£8,171 of which was spent in 2018/19),
- The Board maintained its policy of updating vehicles, plant and machinery, spending £40,137,
- A legacy of £292,000 was received from the estate of the late Mr Stubbs,
- The Belvedere bus shelter was renovated at a cost of £8,649, funded by part of a legacy from the late Mr Izzard,
- Work on revision of the Trust's governing Acts continued, with legal costs of £2,336 being charged to the designated fund set aside for this project during the year. Total costs of £110,990 had been incurred on this project from its start to 31st March 2020,
- Future replacement costs for a failing drainage field serving the public lavatories at British Camp were estimated at £40,000 to £50,000. Work was delayed pending the issue of a new discharge licence by the Environment Agency and since its receipt has been further delayed by the COVID-19 pandemic,
- Sales of the 'Nature in Malvern' book covered the Trust's share of its cost and raised a further £1,844 towards conservation work,
- Direct costs of £18,903 were incurred on the public consultation on the Charity Commission scheme, which were charged to the designated fund set up for those costs (see note 20). Total costs incurred on the consultation from its start to 31st March 2020 were £19,111.

Acknowledgements

Malvern Hills Trust gratefully acknowledges the financial support of Defra Rural Development Programme for England, Worcestershire County Council, Herefordshire Council, Malvern Hills District Council, Natural Networks (through Worcestershire County Council and European Growth Funding) and Malvern Hills Area of Outstanding Natural Beauty (AONB) partnership.

Investment powers and policy

The Trust has placed the Lands Acquisition Fund, Lands Maintenance Fund and Parliamentary Fund under investment with Brewin Dolphin. The trustees have provided Brewin Dolphin with written investment policies for both funds, which are reviewed annually. The Trust's principal objective from the investment of the Lands Acquisition Fund is to generate a return (net of costs, including reinvestment of earnings) sufficient to maintain the purchasing value of the Land Acquisition Fund. The Trust aims to produce the best financial return with a moderate level of risk.

The Trust's investment objective for the Lands Maintenance Fund and the Parliamentary Fund is to produce the best financial return (capital growth and income) with a moderate level of risk.

The trustees understand that in order to manage inflation risk, this is likely to mean that investments will partly be in assets such as equities and that in the short-term the capital value could fluctuate.



The charity's assets can be invested widely and are diversified by asset class, geographical spread, sector and security. The Trust's investment policies provide that Asset classes that the trustees consider could be included within the portfolio are cash, fixed interest products, equities, commercial property, private equity, commodities and any other asset that may be agreed to be suitable for the charity. Access to these asset classes can be achieved directly or via collective investment vehicles such as unit or investment trusts. No single direct equity investment should exceed 5 % of the total value of the portfolio and no single investment in a collective fund should exceed 10 % of the value of the portfolio. Investments in negotiable instruments known as 'derivatives' are not permitted without prior approval of the trustees.

The Finance, Administration and Resources Committee, with the advice of the Trust's Investment Manager, is charged with recommending to the trustees a suitable asset allocation strategy, with the aim of achieving the charity's investment objectives. Brewin Dolphin's risk category 6 Index is used as a guide for the structure of the portfolio and provides a ready measure of its performance.

Investment performance

The estimated annual yield on the Lands Acquisition portfolio was 2.8 % and on the Parliamentary and Lands Maintenance portfolio 3.6 %. The portfolio return gross of fees on the Lands Acquisition portfolio was -7.89 % (net of fees -8.62 %) against the benchmark of -7.17 % and on the Parliamentary and Lands Maintenance portfolio it was -6.55 % (net of fees -7.28 %) against a benchmark of -7.17 %. The trustees receive a full report from Brewin Dolphin in June and December and an interim report in March and September.

Since March 2020, the global impacts of COVID-19 on investments has been a major risk. The Trust is receiving regular information and briefings from its Investment Manager through this turbulent period. **[update nearer to signing, drop in value to be disclosed]**

The Trust's assets are invested in line with the long term interests of the charity. Malvern Hills Trust exists to protect the Malvern Hills and commons. Climate change poses a threat to the unique environment the Trust cares for. The trustees have therefore agreed to exclude any fossil fuel, mining and quarrying companies from the investment portfolios by 31st March 2021. The trustees will also exclude individual investments which are perceived to conflict with the charity's purpose.

Reserves policy and going concern

The Board of Trustees is required to maintain sufficient unrestricted funds to enable it to finance its principal activities. For this purpose, Malvern Hills Trust's reserves are defined as the total unrestricted funds, excluding funds designated for a specific purpose, fixed assets funded from the general fund and the defined benefit pension scheme deficit.

The level of reserves and cash balances are reviewed quarterly against the agreed policy. That policy is reassessed annually.



The level of reserves required will vary from time to time depending on the Trust's overall financial position, the economic climate, the security of income from grants and other sources (in particular from parking revenue), the expected levels of planned expenditure and the risks of unplanned costs.

The financial impact of the COVID-19 crisis will not fully be known until such time as all restrictions are lifted. [update nearer to signing, quantify loss of income, costs and any other impact at that time]

The Trust's policy is to aim to maintain the total unrestricted reserves level (excluding the FRS 102 pension provision and committed designated funds) above £250,000. This threshold has been set by the trustees taking into account the following factors:

- The need to hold funds to maintain the viability of MHT in case of unexpected events leading to uninsured costs,
- The need to provide protection against the risk of a significant drop in grant or other income or unexpected delays in receipts,
- The need to provide working capital for MHT, both for day to day work and for future (possibly grant-funded) development and
- The need to provide a degree of protection against fluctuations in investment income.

The policy was adopted in June 2018 and updated in January 2019. At 31st March 2020 the unrestricted reserves shown in the accounts (excluding the FRS102 pension fund balance) amounted to £1,106,663 of which £334,668 is the General Fund. Deducting the net book value of fixed assets and committed designated funds, the level of reserves as defined above was £697,342 at 31st March 2020. The balance is higher than the target level due to the receipt of a generous unrestricted legacy during the year. Plans are being drawn up on how best to use this legacy. Details of all the designated funds are given in note 20 to the financial statements.

Pension scheme

Malvern Hills Trust is a member of the Worcestershire County Council Pension Fund (WCCPF), which is a defined benefit scheme. The costs and liabilities shown in these financial statements are accounted for under FRS 102, with details being given in note 27. The pension figures reflected in these financial statements have been provided by Mercer, the Actuary to the Fund.

The FRS 102 accounting deficit at the year end has been calculated as £1.842 million (2019 £1.834 million). The employer's contribution rate during the year was 18.2% (2018/19 18.2%).

The most recent Actuarial valuation was carried out at 31st March 2019. This valuation provides the basis for the calculation of future contributions to WCCPF. The Trust's deficit (that is the excess of pension liabilities over assets) in WCCPF at 31st March 2019 was



£926,000 (69 % funding level). This was an improvement over the position at the 2016 valuation (deficit of £1,092,000, 57 % funding level).

The Trust receives a schedule of contribution rates from the Actuary following each triennial valuation, comprising a rate to support on-going benefits and a deficit recovery element. The Business Plan and budgets include provision for these payments. The deficit recovery period following the 2019 Actuarial Valuation is 15 years. The deficit payments in 2019/20 totalled £72,000 (2018/19 £69,400). The amount due for 2020/21 is £63,600.

In July 2016 the Board closed WCCPF to new joiners, following a review of pension provision. In order to meet its obligations under auto enrolment legislation, new employees are enrolled in the People's Pension, which is a defined contribution scheme. The employer's contribution rate to this scheme is 10 %.

Plans for future periods

In the early months of the 2020/21 financial year, the impact of the COVID-19 restrictions has hit all areas of the Trust's operations. Income has been lost through the closure of the car parks. Reduced staff capacity through furloughing, the loss of volunteer support and restrictions on contractors have all reduced the capacity to carry out planned work.

In the first 2 months of 2020/21, conservation work has been affected by the furloughing of staff and diversion of staff away from conservation work to carry out essential COVID-19 related tasks and to support the Wardening service. Woodland assessments which should have been carried out in April 2020 did not happen. Communications work to help prevent unlawful and damaging mountain biking activity has been delayed. Events have been cancelled and the Trust's ability to engage with the public has been vastly reduced.

The requirement for staff to work at home where possible has impacted on efficiency, with significant amounts of time being spent on video conferences with colleagues and trustees. However, IT systems have worked well. Arrangement are being made for future board meetings to be held via video link [update nearer to signing]

The impact of the loss of volunteers is significant. The volunteer warden service has been lost. Conservation projects such as thistle pulling, rubbish picking and some biological recording have been halted, as have some mapping and research projects. In the office, the team that assists with the Trust's archive and vital administration support with telephone answering and recording car park pass sale has been lost. At this stage the Trust does not know when its volunteers will be able safely to return.

Much of the routine work of the charity is carried out on an on-going basis. The Land Management Plan, which will be updated in the next year, will be followed to meet its conservation and public access objectives. The car parks and paths will continue to be maintained to facilitate public access to the charity's land.

In addition to the routine work, the following work is planned for the forthcoming year:

- Agreement of a new 5-year land management plan 2021-2026,
- Continued review and implementation of the 5-year Business Plan,



- Completion of 2 applications to the new Countryside Stewardship schemes,
- Completion of delayed pathworks (as a result of wet weather) at the Community Woodland at Townsend Way,
- Fund-raising opportunities will be pursued as outlined in the Business Plan, but are vulnerable to a shift in charitable giving towards health-related charities as a result of the COVID-19 crisis,
- Habitat and access improvements will be undertaken in accordance with the Land Management Plan,
- Subject to the easing of current budgetary restrictions resulting from the COVID-19 crisis, essential refurbishment works may be carried out at the charity's premises at the Lower Shed and Manor House and
- Work on consideration of the consolidation and updating of the Trust's governing Acts will continue.

Remuneration Policy

Staff salaries are set against the Local Government pay scale with the exception of the Chief Executive Officer. Posts other than the Chief Executive Officer are allocated to a spinal column point depending upon the level of responsibility and qualifications needed for the post. Salaries were last independently benchmarked in 2018. The salary of the Chief Executive Officer is set by the Board, following an annual appraisal.

Statement of trustees' responsibilities and corporate governance

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP 2015 (FRS 102),
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the governing Acts. They



are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charity's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Risk management

The trustees have in place a formal risk management process to assess business risks and implement risk management strategies. This has involved identifying the types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying ways of managing the risks.

The key risks identified this year were:

- COVID-19 crisis – as referred to above, the impact of this is far-reaching. Specific Health and Safety risks also arise both from changes to working practices and protection of public-facing staff,
- Grant funding reducing – this risk relates to the Defra Higher Level Stewardship agreements which are 10-year agreements covering around 40 % of the charity's land, two of which ended on 31st March 2020 and two others will end in 2023. Natural England have confirmed a grant for the North and Central Hills under the new 'Countryside Stewardship' scheme for 10 years commencing January 2018. Applications for new Countryside Stewardship Schemes have been submitted for Castlemorton and the Southern Hills.
- Defra's schemes are part-funded by the EU. The outcome of the UK's exit from the EU could have an impact on all future schemes. Other grant funding sources may also be adversely affected by Brexit.
- Pension commitments – the pension liability (accounting deficit) under the LGPS is disclosed in detail in note 27 to the financial statements. Medium-term financial plans have been drawn up to ensure the charity can make the required contribution payments in the future and the scheme has been closed to new joiners. [COVID -19 impact – add when available from WCC]



Statement as to disclosure to our auditors

In so far as the trustees are aware at the time of approving the trustees' annual report, the trustees have each taken appropriate steps to make themselves aware of any information relevant to the audit and to establish that the auditor is aware of that information.

By order of the Board of Trustees

Mick Davies (Chair)
10th September 2020

DRAFT

Independent Auditor's Report to the Trustees of Malvern Hills Trust

Opinion

We have audited the financial statements of Malvern Hills Trust (the 'charity') for the year ended 31 March 2020 which comprise Statement of financial activities, Balance sheet, Statement of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2020, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 18, the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

This report has not yet been signed
For and on behalf of Bishop Fleming LLP
16 Queen Square
Bristol
BS1 4NT

Date: 10th September 2020

Bishop Fleming LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.



Statement of Financial Activities for the year ended 31st March 2020

	Note	Unrestricted funds	Restricted funds	Total funds 2020	Total funds 2019 (note 29)
		£	£	£	£
Income and endowments from:					
Donations and legacies	3	297,820	1,200	299,020	94,513
Charitable activities:					
Management of the hills and commons	7	722,812	4,617	727,429	731,643
Car parks		289,167	0	289,167	269,281
Other trading activities	4	39,168	3,232	42,400	34,973
Investments:					
Bank deposits		3,145	0	3,145	2,691
Investment portfolio		0	48,172	48,172	55,719
Other	5	6,002	0	6,002	37,576
Total income		1,358,114	57,221	1,415,335	1,226,396
Expenditure on:					
Charitable activities	6	1,102,149	80,004	1,182,153	1,185,930
Other expenditure	6	0	0	0	6,425
Total expenditure		1,102,149	80,004	1,182,153	1,192,355
Net gains/(losses) on investments	16	0	(150,702)	(150,702)	65,856
Net income/(expenditure)		255,965	(173,485)	82,480	99,897
Transfers between funds		22,709	(22,709)	0	0
Other recognised gains/(losses)					
Actuarial gains/(losses) on defined benefit pension scheme	27	12,000	0	12,000	(167,000)
Net movement in funds		290,674	(196,194)	94,480	(67,103)
Reconciliation of funds:					
Total funds brought forward		(1,026,011)	3,091,224	2,065,213	2,132,316
Total funds carried forward	24	(735,337)	2,895,030	2,159,693	2,065,213

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 26 to 49 form part of these financial statements.



Balance Sheet as at 31st March 2020

	Note	2020	2019
		£	£
Fixed Assets			
Tangible fixed assets	14	518,912	533,464
Heritage assets	15	1,060,261	1,060,261
Investments	16	1,353,684	1,541,713
Total fixed assets		<u>2,932,857</u>	<u>3,135,438</u>
Current Assets			
Livestock		25,320	25,320
Debtors	17	182,148	364,641
Short term deposits		965,535	484,856
Cash at bank and in hand		172	200
Total current assets		<u>1,173,175</u>	<u>875,017</u>
Creditors: Amounts falling due within one year	18	<u>(104,339)</u>	<u>(111,242)</u>
Net Current Assets excluding pension liability		1,068,836	763,775
Net assets		4,001,693	3,899,213
Pension Fund liability	27	<u>(1,842,000)</u>	<u>(1,834,000)</u>
Net Assets including pension liability		<u>2,159,693</u>	<u>2,065,213</u>
The funds of the charity			
Unrestricted - General Fund	19	334,668	311,064
Unrestricted - Designated Funds	20	771,995	496,925
Unrestricted - Pension Fund	21	(1,842,000)	(1,834,000)
Restricted Funds	22	2,895,030	3,091,224
Total charity funds		<u>2,159,693</u>	<u>2,065,213</u>

The notes on pages 26 to 49 form part of these financial statements.

Signed

Mick Davies
Chair of Trustees on behalf of the Trustees
10th September 2020



Statement of cash flows for the year ended 31st March 2020

	2020	2019
	£	£
Cash flows from operating activities		
Net movement in funds	94,480	(67,103)
Add back depreciation charge	116,277	109,419
Investment (gains)/ losses	150,702	(65,856)
Profit on disposal of fixed assets	(1,950)	(18,400)
Income on investing activities retained in portfolio	(25,361)	(32,819)
(Gain)/loss on pension scheme	8,000	192,000
Decrease in stock	0	10,800
Decrease/(increase) in debtors	182,493	(117,404)
Decrease in creditors	(6,903)	(32,678)
Net cash provided by/(used in) operating activities	517,738	(22,041)
Cashflows from investing activities:		
Proceeds from the sale of fixed assets	1,950	18,400
Purchase of property, plant and equipment	(101,725)	(473,838)
Investment manager's fees deducted from portfolio	8,947	10,358
Funds transferred from investment portfolio	53,741	310,347
Net cash provided by investing activities	(37,087)	(134,733)
Change in cash and cash equivalents in the reporting period	480,651	(156,774)
Cash and cash equivalents at the beginning of the reporting period	485,056	641,830
Cash and cash equivalents at the end of the reporting period	965,707	485,056
Analysis of cash and cash equivalents		
Cash in hand	172	200
Current account	200	51,472
Notice deposits (less than 3 months)	965,335	433,384
Total cash and cash equivalents	965,707	485,056

The notes on pages 26 to 49 form part of these financial statements.



Notes to the financial statements for the year ended 31st March 2020

1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation and uncertainty in the preparation of the financial statements are as follows:

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective January 2015) – (Charities SORP (FRS102)) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Malvern Hills Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

a) Preparation of the financial statements on a going concern basis

The charity reported a cash inflow of £480,651 for the year. The charity has cash resources and has no requirement for external funding. The trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. They continue to believe the going concern basis of accounting to be appropriate in preparing the annual financial statements.

b) Income

Income is recognised when all of the following criteria are met:

- Entitlement – control over the rights or other access to the economic benefit has passed to the charity,
- Probable – it is more likely than not that the economic benefit associated with the transaction or gift will flow to the charity,
- Measurement – the monetary value or amount of the income can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Income is deferred when the donor specifies the grant or donation must be used in a future accounting period.

When donors specify that grants or donations, including capital grants, are for particular restricted purposes, this income is included in the incoming resources of restricted funds when it is receivable.

Grants that are subject to performance-related conditions are recognised when those conditions have been met.

Legacies are recognised upon the earlier of notification of probate being granted or receipt.



c) Operating leases

Income from operating leases is recognised in the statement of financial activities on a straight-line basis over the lease term.

d) Expenditure

Expenditure is included in the statement of financial activities on an accruals basis, exclusive of VAT. Support costs are apportioned on a reasonable basis. Salaries are allocated on an estimate of time spent on each activity. Depreciation is allocated by the use of the assets. Administration costs are allocated by invoice where possible otherwise an estimate has been made based on staff time. Governance costs include direct and indirect expenditure involved in ensuring that the charity complies with its charitable and statutory obligations.

e) Recognition of liabilities

Liabilities are recognised on an accruals basis, and once there is a legal or constructive obligation that commits the charity to the obligation.

f) Taxation

Malvern Hills Trust is a registered charity, and as such is entitled to taxation exemptions on all its income and gains, properly applied for its charitable purposes.

g) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. A capitalisation limit of £500 has been set by the Trustees.

The land held by Malvern Hills Trust is reported in the Balance Sheet at cost. It is Malvern Hills Trust's objective to preserve and manage the land. The land is deemed to have an indefinite life and the Trustees do not therefore consider it appropriate to charge depreciation.

Depreciation on other assets is provided at rates calculated to write off the cost of fixed assets less their residual value on a straight-line basis over their expected useful lives on the following bases:

Vehicles and equipment	25 % of cost
Office equipment	25 % of cost
Car Park improvements	20 % of cost
Improvements to land and buildings	20 % of cost
Office buildings	2 % of cost

h) Heritage Assets

Part of the freehold land of the charity is held for conservation purposes to meet its charitable objects and is therefore considered to be a heritage asset. As this land is central to the charitable objects and can only be sold in very limited circumstances, it is also considered to be an inalienable asset.



i) Investments

Investments are shown in the Balance Sheet at market value. Changes in the valuation of investments during the year are shown as gains or losses in the Statement of Financial Activities.

j) Livestock

Livestock is valued at the lower of cost or net realisable value.

k) Pension scheme

The charity participates in the Worcestershire County Council Pension Fund which is a part of the Local Government Pension Scheme (LGPS), a multi-employer scheme. The LGPS is a defined benefit scheme. Contributions are accounted for in accordance with FRS102. Further details are given in note 27 to the financial statements. Membership of the LGPS is closed to new joiners.

In order to meet its obligations under auto-enrolment, the charity enrolls eligible new staff in the People's Pension Scheme, a defined contribution scheme.

l) Fund accounting

In April 2019 advice on the legal structure of the charity was received in the context of work on the Charity Commission Scheme. A consequence of part of this advice is that those funds previously categorised as permanent endowment in the accounts were reclassified as restricted funds by way of an in-year transfer in the accounts for the year ended 31st March 2019. Further details are given in the Trustees' Annual Report, page 12 'Review of funds'.

Funds (as defined by the SORP, which are not necessarily cash funds or available for expenditure) held by the trustees are either:-

- Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees.
- Unrestricted designated funds – these funds are set aside by the trustees out of unrestricted general funds for specific future purposes or projects.
- Unrestricted pension fund – this represents the estimate of pension liabilities as required by FRS 102.
- Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor, when funds are raised for particular restricted purposes or when required by the Malvern Hills Acts.
- Permanent Endowment Funds (prior year figures only) – these funds include all of the lands acquired under the Malvern Hills Acts and the disposal proceeds of any interests in that land.

Further explanation of the nature and purpose of each fund is included in notes 19-23 to the financial statements.

m) Debtors

Trade and other debtors are recognised at the settlement date less any provision for bad debts. Prepayments are valued at the amount prepaid.



n) Short term deposits and cash at bank and in hand

Short term deposits comprise short-term highly liquid investments with a short maturity of three months or less. Cash at bank and in hand is the petty cash balance held.

o) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

p) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Financial assets measured at fair value comprise quoted investments. Financial assets measured at settlement value comprise cash at bank and in hand, deposit financial statements, trade debtors and accrued income. Financial liabilities measured at settlement value comprise trade creditors and accruals.

Details of financial instruments are given in note 28 to the financial statements.

q) Significant estimates and judgements

Significant estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items in the financial statements where these estimates and judgements have been made include the useful economic lives of tangible fixed assets and bad debts.

The annual depreciation charge for the tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are amended where necessary to reflect the current estimates, based on technological advancement, future investment, economic utilisation and the physical condition of the assets.

Provision is made for bad debts if they remain outstanding for more than three months.

2 Legal status of the charity

Malvern Hills Trust is registered with the Charity Commission for England and Wales, number 515804.

The charity is a body corporate constituted by 5 Acts of Parliament, the Malvern Hills Acts 1884, 1909, 1924, 1930 and 1995.

The registered office is Manor House, Grange Road, Malvern, Worcestershire WR14 3EY.

The accounts are prepared in pounds sterling and rounded to the nearest £1.



3 Analysis of income from donations and legacies

	2020	2019
	£	£
Gifts	7,020	13,128
Legacies	292,000	81,385
	<u>299,020</u>	<u>94,513</u>

The income from donations and legacies was £299,020 (2019 £94,513) of which £297,820 was unrestricted (2019 £91,659) and £1,200 restricted (2019 £2,854).

The charity benefits greatly from the involvement and enthusiastic support of its many volunteers, details of which are given in the Trustees' annual report. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the financial statements.

4 Analysis of income from other trading activities

	2020	2019
	£	£
Rental income	32,389	27,496
Easements and wayleaves	6,889	5,057
Sales of books and leaflets	3,122	2,420
	<u>42,400</u>	<u>34,973</u>

Rental income in both years is unrestricted. £280 of the easements and wayleaves (2019 £nil) and £2,952 of the sales of books and leaflets (2019 £2,354) were restricted.

5 Analysis of other income

	2020	2019
	£	£
Employment allowance	3,000	3,000
Filming	0	600
Compensation for works	0	5,233
Profit on disposal of fixed assets	1,950	18,400
Other	1,052	10,343
	<u>6,002</u>	<u>37,576</u>

All of the above income is unrestricted.



6 Analysis of expenditure

Expenditure on charitable activities:

	Estate manage ment £	Wardenin g £	Car parks £	PR £	Governan ce £	Adminstr ation £	Total 2020 £	2019 £
Salaries (note 10)	308,085	98,350	0	0	77,301	138,909	622,645	583,969
Direct expenses	242,038	9,002	14,391	12,316	0	0	277,747	287,767
Rates and water	5,913	0	0	0	0	2,632	8,545	8,007
Heat and light	2,134	0	1,663	0	0	2,570	6,367	6,365
Insurance	23,483	0	0	0	0	6,393	29,876	28,046
Maintenance of buildings	2,649	0	0	0	0	0	2,649	1,382
Depreciation	108,495	0	0	0	0	7,782	116,277	109,419
Investment management	0	0	0	0	0	8,947	8,947	10,358
Support costs (note 8)	7,589	0	0	0	62,869	38,642	109,100	150,617
	<u>700,386</u>	<u>107,352</u>	<u>16,054</u>	<u>12,316</u>	<u>140,170</u>	<u>205,875</u>	<u>1,182,153</u>	<u>1,185,930</u>

Other expenditure

Nature in Malvern book							<u>0</u>	<u>6,425</u>
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Expenditure on charitable activities was £1,182,153 (2019 £1,185,930) of which £1,102,149 was unrestricted (2019 £1,108,800) and £80,004 was restricted (2019 £2,242 plus £74,888 charged to the Permanent Endowment).

7 Summary analysis of expenditure and related income for charitable activities

This table shows the cost of the main charitable activities and the sources of income directly to support those activities.

	M'gt of hills and commons £	Car Parks £	Total 2020 £	Total 2019 £
Income				
Levy on Council Tax payers in precepted parishes	519,250	0	519,250	499,250
Stewardship grants	192,394	0	192,394	181,337
Other grants	15,785	0	15,785	51,056
Car park takings	0	289,167	289,167	269,281
Total income from charitable activities	<u>727,429</u>	<u>289,167</u>	<u>1,016,596</u>	<u>1,000,924</u>
Charitable expenditure	<u>(1,166,099)</u>	<u>(16,054)</u>	<u>(1,182,153)</u>	<u>(1,185,930)</u>
Net contribution/(cost funded by other income)	<u>(438,670)</u>	<u>273,113</u>	<u>(165,557)</u>	<u>(185,006)</u>



8 Analysis of support costs

	Estate m'tce	Governa nce	Office costs	Total 2020	Total 2019	Basis of allocation
	£	£	£	£	£	
Telephones	0	0	2,988	2,988	3,489	Invoice
Cleaning	0	0	3,586	3,586	3,134	Invoice
Postage	0	0	881	881	1,786	Invoice
Office equipment	0	170	2,738	2,908	2,123	Invoice
Printing and stationery	0	1,430	5,117	6,547	4,159	Invoice
Travelling	0	0	1,310	1,310	2,054	Invoice
IT	0	420	9,652	10,072	9,237	Invoice
Legal fees	1,322	25,467	0	26,789	99,271	Invoice
Audit fee	0	7,000	0	7,000	5,925	Invoice
Other professional fees	6,267	21,353	2,664	30,284	8,658	Invoice
Subscriptions	0	0	1,018	1,018	1,222	Invoice
Training	0	5,311	5,390	10,701	3,637	Invoice
Miscellaneous	0	1,718	(373)	1,345	2,692	Invoice
Bank charges	0	0	3,671	3,671	3,230	Invoice
	<u>7,589</u>	<u>62,869</u>	<u>38,642</u>	<u>109,100</u>	<u>150,617</u>	

9 Net income/(expenditure) for the year

This is stated after charging:

	2020	2019
	£	£
Depreciation	116,277	109,419
Auditor's remuneration:		
Audit fees	7,000	5,925
Operating lease charges	0	0



10 Analysis of staff costs, trustee remuneration and expenses and the cost of key management personnel

	2020	2019
	£	£
Salaries and wages	415,435	392,709
Social security costs	42,331	33,240
Pension costs	135,873	128,669
Group life assurance	1,641	1,381
Casual staff	1,365	1,830
FRS 102 - pension adjustment	20,000	25,000
FRS 102 - short term compensated absence charge to SOFA	6,000	1,140
	<u>622,645</u>	<u>583,969</u>

No employees had benefits in excess of £60,000 (2019 £nil). Pension costs are allocated to activities in proportion to the related staffing costs and are wholly charged to unrestricted funds.

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2019 £nil). No travelling expenses were reimbursed to trustees during the year (2019 £nil). Travelling expenses paid on behalf of trustees were £190 for three journeys (2019 £368 for three journeys). No charity trustee received payment for professional or other services supplied to the charity (2019 £nil).

The key management personnel comprise the Chief Executive Officer, the Conservation Manager, the Operations Manager, the Secretary to the Board and the Finance and Administration Manager. The total employee benefits of key management personnel of the charity, including employer's NI and pension contributions, were £217,301 (2019 £203,091).

11 Staff numbers

The average monthly head count was 18 staff (2019: 17.75 staff) and the average monthly number of full-time equivalent employees (including part-time staff) during the year were as follows:

	2020	2019
Wardens	3	3
Field Staff	6.6	6.5
Office based staff	6.5	5.9
	<u>16.1</u>	<u>15.4</u>

12 Related party transactions

Under the Charities SORP, trustees are required to disclose transactions with related parties. The trustees have identified the following transactions: -

- Worcestershire County Council has the power to appoint trustees to the charity. It made two grants to the charity during the year totalling £15,017 (2019 one grant of £10,100).



There were also some small commercial transactions with the Council which the trustees do not consider material to these financial statements.

- Malvern Hills District Council also has the power to appoint trustees. During the year, the charity paid business rates to the Council. There were also some other small commercial transactions with the Council which the trustees do not consider material to these financial statements.
- In 2019, Matthew Rouse, who is the son of trustee Christopher Rouse and brother of trustee Sarah Rouse, received payments under the stewardship scheme totalling £22,133 plus VAT. He also made payments of £2,000 to the Trust for rent. The businesses of Messrs and Miss Rouse are independent of each other. The agreement ended on 30th November 2018. There are no transactions to report in the year ended 31st March 2020.

13 Corporation tax

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objectives.

14 Tangible Fixed assets

	Heritage Assets - Land & buildings (note 15) £	Other land	Office building £	Improvements to land and buildings £	Car parks £	Vehicles and equipment £	Office equipment £	Total £
Cost								
1st April 2019	1,060,261	102,733	138,770	861,016	160,460	353,067	65,674	2,741,981
Additions	0	0	0	26,455	0	72,821	2,449	101,725
Disposals	0	0	0	0	0	(9,055)	(11,186)	(20,241)
At 31st March 2020	1,060,261	102,733	138,770	887,471	160,460	416,833	56,937	2,823,465
Depreciation								
At 1st April 2019	0	0	16,649	643,393	160,460	274,840	52,914	1,148,256
Charge in the year	0	0	2,775	62,316	0	46,179	5,007	116,277
On disposals	0	0	0	0	0	(9,055)	(11,186)	(20,241)
At 31st March 2020	0	0	19,424	705,709	160,460	311,964	46,735	1,244,292
Net book value								
31st March 2020	1,060,261	102,733	119,346	181,762	0	104,869	10,202	1,579,173
31st March 2019	1,060,261	102,733	122,121	217,623	0	78,227	12,760	1,593,725

'Other land' is in-by-land at Hollybed Common, purchased pursuant to an order made by the Charity Commission under S105 of the Charities Act 2011. This land forms part of the inalienable assets of the charity.



15 Heritage Assets

Land and buildings (heritage assets) are held for the purposes of the charity. Details of the Lands Acquisition policy are given in the trustees' report. Under the Malvern Hills Acts, land can only be sold in very limited circumstances and so is considered inalienable. This land is shown at cost and therefore does not include the value of donated land.

Year		£	£
1903	Hill land near Brand Lodge		220
1925	W. Berington's mineral rights, Little Malvern		10,132
1925	Ecclesiastical Commissioners' mineral and manorial rights		1,036
1925	Foley Manor	16,092	
	Less: sale of Belle Vue island and Edith Walk	(85)	
			16,007
1926	Price & Laird's land, The Wyche (portion)		999
1927	Miss Cabrera's land and mineral rights		687
1928	Major Raper's land and mineral rights		517
1931	West of England quarries		24,654
1931	Thirds Wood, Jubilee Drive		1,897
1937	Land at Malvern Wells		25
1938	Land at Malvern Wells		286
1955	Land near Combe Lodge		350
1958	Land, part of The Shrubbery		74
1958	Land on North Hill		369
1958	Land at Wood Street, Guarlford		37
1958	Land on Malvern Common		24
1958	Lease of Park Cottage, West Malvern		51
1958	Land at Old Wyche		171
1958	Land at Happy Valley		13
1959	Land at Old Wyche		81
1960	Land at British Camp		243
1960	Land at Happy Valley		82
1960	Land at West Malvern		127
1960	Land at Scar Quarry		8
1960/62	Providence Cottages, The Wyche		940
1961	Land at Holy Well		182
1961	Land at The Old Collets		24
1962	Land at Holly Bush Roughs		2,848
1962	Hill Top Cottage, Chase End		773
1962	Land at Castlemorton		656
1963	Cottages and land at West Malvern		580
1964	F. B. Bradley-Birt manorial rights at Chase End and Ragged Stone Hill		343
1964	Land at Upper Wyche		62
1966	Castlemorton Common land		1,459
1966	St. Ann's Well		3,743
1967	Land at Colwall		256
1967	Land at Malvern Wells		115
1967	Land at Old Hills and Newland		1,796
1969	Land at 34 Wyche Road, Malvern		3,500
1970	Land at Camp End		771
1971	Land at Black Hill		206
1972	Land at Earnslaw		86
1976	The Moat Pond, Sherrards Green		59
1976	Thirds Wood, Chase Road (part)		1,057
1977	Land at Castlemorton to be known as Brrok Meadow, Snookes Croft and Plants Piece)		2,061
1980	Land at Chances Pitch		100
1980	Mount Pleasant, Jubilee Drive		2,700
1981	Land at West Malvern		8,000
1982	Gullet Quarry		4,500
	Sub-total		94,907



15 Heritage assets - continued

Year		£	£
	Sub total b/fwd		94,907
1984	Gullet Quarry	15,217	
	Less Countryside Commission grant	<u>(4,500)</u>	10,717
1986	Earnslaw and Wyche Quarries	25,212	
	Less: Countryside Commission grant	<u>(12,500)</u>	12,712
1986	Grundy's Meadow	6,203	
	Less Countryside Commission grant	<u>(3,058)</u>	3,145
1989	Ballards Land, Upper Colwall	15,000	
	Less Gift from Mrs N. Hadfield	<u>(3,750)</u>	11,250
1990	Park Wood, West Malvern		36,000
1991	Fish Pool, Leys Coppice		15,373
1993	Lodge Fields		25,370
1993	Gardiners Cottage		3,367
1993	Park Wood, West Malvern		5,600
1994	Land at St. Andrew's Road		5,000
1995	Hill land at West Malvern, Eaton Road and Holy Well		35,000
1995	Mill Pond, Castlemorton		2,500
1998	Woodford's Meadow		52,000
1999	Meadow land at Park Wood		10,000
1999	Colwall lands		40,417
2002/03	Land at Broomy Hill, Castlemorton		8,584
2002/03	Land at Old Hollow, West Malvern		65,625
2003	Land at The Hacketts, Mathon		176,411
2003	Land at Little Malvern		54,099
2007/08	Tank Quarry		25,498
2007/08	Land at The Purlieu, West Malvern Road		10,915
2007/08	Land at The Patch, Castlemorton		16,448
2008/09	Small parcels of land at Worcestershire Beacon and above Jubilee Drive		4,471
2009/10	Land on 4 areas on East side Worcestershire Beacon, Black Hill and		1,395
2009/10	Small parcels of land		7,495
2010/11	Small parcels of land		2,229
2011/12	Small parcels of land		4,945
2012/13	Small parcels of land		200
2018/19	Land at Castlemorton		7,505
2018/19	Land at Holywell		13,684
2018/19	Land at Castlemorton		297,399
	Total to 31 st March 2020		<u><u>1,060,261</u></u>



16 Investments

Investments are held to provide capital growth and a return for the charity. There are two investment portfolios. One holds the Lands Acquisition Fund and the other the Lands Maintenance Fund and part of the Parliamentary Fund. Income earned on the Lands Acquisition portfolio is retained within the fund and reinvested. Income on the Parliamentary and Lands Maintenance portfolio is transferred to the Trust's current account each month.

The movement on the funds during the year was:

	LA	Parl & LM	Combined 2020	2019
	£	£	£	£
Opening Market Value	868,708	673,006	1,541,714	1,763,743
Additions	224,264	73,576	297,840	143,827
Disposal proceeds	(204,030)	(118,283)	(322,313)	(459,417)
Equalisations	807	410	1,217	0
Gains/(losses)	(92,684)	(58,018)	(150,702)	65,856
Change in cash	(4,731)	(9,341)	(14,072)	27,704
Closing market value	<u>792,334</u>	<u>561,350</u>	<u>1,353,684</u>	<u>1,541,713</u>

The historical cost of investments at the balance sheet date was £1,386,893 (2019 £1,414,241). At the Balance Sheet date, the Lands Acquisition portfolio was invested in the following classes of investment:

	2020		2019	
	%	£	%	£
UK Bonds	9.5	75,115	10.8	93,615
Overseas bonds	5.8	46,336	4.9	42,928
UK equities	26.9	213,515	36.5	316,858
North American equities	22.9	181,331	17.9	155,379
European equities	7.4	58,606	4.2	36,562
Japanese equities	3.2	25,436	3.2	27,964
Asia pacific equities	4.7	37,326	4.1	35,704
Emerging markets	1.2	9,551	1.2	10,310
Absolute return	4.7	36,974	2.9	24,771
Global investments	3.9	30,512	5.3	45,689
Property	2.2	17,084	2.1	18,447
Other investments	4.7	36,953	3.7	32,154
Cash	3.0	23,595	3.3	28,326
		<u>792,334</u>		<u>868,707</u>



At the Balance Sheet date, the Parliamentary and Lands Maintenance portfolio was invested in the following classes of investment:

	2020		2019	
	%	£	%	£
UK Bonds	11.5	64,521	10.8	72,354
Overseas bonds	4.1	23,101	4.3	29,123
UK equities	28.6	160,668	31.9	214,761
North American equities	20.6	115,737	18.8	126,531
European equities	6.3	35,405	5.4	36,414
Japanese equities	2.4	13,384	2.3	15,329
Asia pacific equities	4.6	25,884	3.3	22,099
Emerging markets	1.3	7,540	1.3	8,888
Absolute return	2.2	12,466	2.0	13,215
Global investments	7.4	41,551	8.4	56,635
Property	2.6	14,553	2.4	16,185
Other investments	6.1	34,206	5.9	39,796
Cash	2.2	12,334	3.2	21,676
		<u>561,350</u>		<u>673,006</u>

No single investment is considered material in the context of the investment portfolio.

17 Debtors

	2020	2019
	£	£
Trade debtors	8,672	16,430
VAT recoverable	0	2,845
Other debtors	2,457	0
Accrued income	124,596	334,540
Prepayments	46,423	10,826
	<u>182,148</u>	<u>364,641</u>

Debtors are measured at the settlement value less any provision for bad debts. No bad debts were written off during the year (2019 £nil).



18 Creditors: amounts falling due within one year

	2020	2019
	£	£
PAYE and National Insurance	8,291	9,401
VAT payable	2,431	0
Trade creditors	8,606	10,661
Accrued charges	57,275	61,738
Other creditors	552	1,760
Deferred income	14,647	21,145
FRS102 compensated absence provision	12,537	6,537
	<u>104,339</u>	<u>111,242</u>

Creditors are measured at invoiced value.

Deferred income comprises rents and car park pass payments received in advance. The movement on the deferred income account was:

Balance at 1 st April 2019	21,145
Released to the SOFA in the year	(21,145)
Received in the year	<u>14,647</u>
Balance at 31 st March 2020	<u>14,647</u>

19 General fund

	2020	2019
	£	£
General Fund - balance 1 st April 2019	311,064	310,045
Incoming resources	865,747	852,538
Resources expended	(873,898)	(835,171)
Transfers	<u>31,755</u>	<u>(16,348)</u>
Balance 31 st March 2020	<u>334,668</u>	<u>311,064</u>

Transfers were made during the year were:

Transfer details	Reason	£
From Parliamentary fund	To transfer investment income	17,228
From Lands Maintenance fund	To transfer investment income	5,863
To Pond Restoration restricted fund	Matched funding for grant	<u>(382)</u>
Net from restricted funds		22,709
From Stewardship designated fund	To cover staff costs	11,569
From Thirds Wood designated fund	To release funds no longer needed	4,529
From Mountain bike campaign designated fund	To release funds no longer needed	948
To Tree Disease fund designated fund	To cover costs arising from tree disease	(3,000)
To Election Expenses designated fund	To cover costs of elections to the Board	<u>(5,000)</u>
		<u>31,755</u>



20 Designated funds

Current year

	Balance 1st April 2019	Movement incoming	Resources outgoing	Transfers (to)/from other funds	Balance 31st March 2020
	£	£	£	£	£
Gift fund	184,810	292,429	(12,996)	0	464,243
Higher Level Stewardship fund	153,866	104,463	(80,603)	(11,569)	166,157
Countryside Stewardship fund	60,401	94,991	(73,689)	0	81,703
Thirds Wood fund	4,346	183	0	(4,529)	0
Tree disease fund	6,000	0	0	3,000	9,000
Mountain biking campaign	948	0	0	(948)	0
Fundraising support fund	10,000	0	0	0	10,000
Charity Commission Scheme - legal	36,346	0	(2,336)	0	34,010
Charity Commission Scheme - public consultation	19,792	0	(18,903)	0	889
Election expenses fund	16,086	0	(18,593)	5,000	2,493
Dog campaign	4,330	302	(1,132)	0	3,500
	496,925	492,368	(208,252)	(9,046)	771,995

Prior year

	Balance 1st April 2018	Movement incoming	Resources outgoing	Transfers (to)/from other funds	Balance 31st March 2019
	£	£	£	£	£
Gift fund	104,080	81,460	(730)	0	184,810
Development fund	1,091	0	0	(1,091)	0
Higher Level Stewardship fund	196,455	107,563	(132,261)	(17,891)	153,866
Countryside Stewardship fund	19,872	82,927	(42,398)	0	60,401
Rebranding fund	355	0	(355)	0	0
Thirds Wood fund	5,739	0	(1,738)	345	4,346
GDPR	5,000	0	0	(5,000)	0
Tree disease fund	3,000	0	0	3,000	6,000
Mountain biking campaign	4,000	0	(3,052)	0	948
Fundraising support fund	10,000	0	0	0	10,000
Charity Commission Scheme - legal consultation	59,233	0	(67,887)	45,000	36,346
Election expenses fund	20,000	0	(208)	0	19,792
Dog campaign	11,086	0	0	5,000	16,086
	439,911	271,950	(248,629)	33,693	496,925

- The Gift fund holds donations, legacies and gifts which were not restricted by the donor and which have been designated for use in projects in accordance with the Trustees' policy.
- The Development fund is no longer needed and the balance was transferred to the General fund in 2019.
- The Stewardship funds are the grazing projects to secure conservation of the Malvern Hills landscape as set out in the land management plan. The project receives funding from the Higher Level Stewardship and the new Countryside Stewardship schemes.
- The Rebranding fund covered the costs of the rebranding exercise.



- The Thirds Wood fund was for essential works to the wood. The works have now been completed and the balance on the fund released back to the General fund.
- The GDPR fund is no longer needed and the balance was transferred to the General fund in 2019.
- The Tree Disease fund is to cover costs arising from tree diseases such as Ash Dieback.
- The Mountain Biking campaign has been completed and the balance on this fund transferred back to the General fund.
- The Fundraising support fund is to cover costs of future fundraising activities.
- The Charity Commission Scheme funds are to cover the costs of the scheme.
- The Election expenses fund is to cover the cost of the 4-yearly elections to the Board and any by-elections. An election was held in October 2019. The next elections will be held in Autumn 2023.
- The Dog campaign fund is to cover the costs of a campaign which was started in 2019/20.

Details of transfers made during the year are given in note 19.

21 Unrestricted pension fund

Current year

	Balance 1st April 2019	Movement incoming	Resources outgoing	Transfers & other losses	Balance 31st March 2020
	£	£	£	£	£
Pension Fund	(1,834,000)	0	(20,000)	12,000	(1,842,000)

Prior year

	Balance 1st April 2018	Movement incoming	Resources outgoing	Transfers & other losses	Balance 31st March 2019
	£	£	£	£	£
Pension Fund	(1,642,000)	0	(25,000)	(167,000)	(1,834,000)

The unrestricted pension fund balance arises from the FRS 102 disclosures. The figure shown in 'Transfers and other losses' is the actuarial gain/(loss) as calculated by the Actuary.

Further information is given in note 27.



22 Restricted funds

Current year

	Balance 1st April 2019 £	Movement incoming £	Resources outgoing £	Transfers (to)/from other funds £	Net gains/(losses) on investments £	Balance 31st March 2020 £
Lands Maintenance fund	172,124	5,975	(993)	(5,863)	(14,731)	156,512
SDF fund	453	0	0	0	0	453
Nature in Malvern book	(1,108)	2,952	0	0	0	1,844
Gifts	9,707	0	0	0	0	9,707
Tree planting	0	50	0	0	0	50
Picnic bench donations	0	1,150	(967)	0	0	183
Community Woodland	40,955	0	0	0	0	40,955
Pond restoration grant	0	4,617	(4,999)	382	0	0
Lands Acquisition fund	867,605	24,642	(5,097)	0	(92,684)	794,466
Parliamentary fund	498,238	17,835	(2,857)	(43,680)	(43,287)	426,249
Capital Outlay Discharged fund	1,503,250	0	(65,091)	26,452	0	1,464,611
	3,091,224	57,221	(80,004)	(22,709)	(150,702)	2,895,030

Prior year

	Balance 1st April 2018 £	Movement incoming £	Resources outgoing £	Transfers relating to routine transaction s £	Net gains/(loss es) on investmen ts £	Transfer from Permanent Endowmen t fund £	Balance 31st March 2019 £
Lands Maintenance fund	163,572	4,983	(1,122)	(3,000)	7,691	0	172,124
SDF fund	453	0	0	0	0	0	453
Nature in Malvern book	2,963	2,354	(6,425)	0	0	0	(1,108)
Gifts	8,318	2,509	(1,120)	0	0	0	9,707
Tree planting	0	345	0	(345)	0	0	0
Community Woodland	0	40,955	0	0	0	0	40,955
Lands Acquisition fund	0	0	0	0	0	867,605	867,605
Parliamentary fund	0	0	0	0	0	498,238	498,238
Capital Outlay Discharged fund	0	0	0	0	0	1,503,250	1,503,250
	175,306	51,146	(8,667)	(3,345)	7,691	2,869,093	3,091,224

The transfer from the Permanent Endowment funds to the Restricted funds in 2019 was as a result of advice received from the Charity Commission on the legal structure of the charity. Further details are given in the trustees' report, page 12 and note 1 (l) on page 28.

- The Lands Maintenance fund formed part of the consideration for the disposal of the land at Townsend Way for the purpose of providing income for the maintenance of the land forming the roadside verges.
- The SDF fund is for information boards at North and Tank Quarries.
- The Nature in Malvern book is a joint venture project to produce a high quality book showing the nature of the area. The book was published in May 2018.
- The Gifts fund comprises legacies and donations made for specified projects to improve the amenities of the Malvern Hills.
- The tree planting fund received donations for planting trees at Thirds Wood.
- Picnic bench donations are for benches at the Community Woodland.



- The Community Woodland fund is for work at the woodland at Townsend Way, funded by an S106 grant from Malvern Hills District Council.
- The pond restoration project was funded by Worcestershire County Council's Natural Networks programme.
- The Capital Outlay Discharged fund is represented by the cost of land and the net book value of improvements to land and buildings, the original cost of which was funded from the Lands Acquisition or Parliamentary Funds. These assets can only be sold in very limited circumstances (that is, they are inalienable) and any proceeds must be used for the purchase of land, so this fund should be considered as inalienable.
- The Parliamentary fund was established with a contribution by W. Berington under Section 56(5) of Malvern Hills Act 1924 to receive Capital Receipts and use of the capital of the fund is restricted to the purchase of land and improvements to capital assets. Investment income earned on this fund may be used for the Trust's general purposes. During the year, £17,228 investment income was transferred to the General Fund (2019 £14,000).
- The Lands Acquisition fund was set up in 1993 from the proceeds of the disposal of land for road works at Townsend Way. The use of the fund is restricted to the purchase of land.

23 Permanent Endowment

Prior year

	Balance 1st April 2018	Movement incoming	Resources outgoing	Net gains/(losses) on invt's	Transfers relating to routine transactio ns	Transfer to Permanent Endowment	Balance 31st March 2019
	£	£	£	£	£	£	£
Capital Outlay Discharged	1,131,584	0	(65,652)	0	437,318	(1,503,250)	0
Parliamentary fund	588,369	17,943	(2,945)	27,601	(132,730)	(498,238)	0
Lands Acquisition fund	1,129,101	32,819	(6,291)	30,564	(318,588)	(867,605)	0
	<u>2,849,054</u>	<u>50,762</u>	<u>(74,888)</u>	<u>58,165</u>	<u>(14,000)</u>	<u>(2,869,093)</u>	<u>0</u>

An in-year transfer of these funds was made to the Restricted funds in 2019, see note 22 for details.



24 Analysis of net assets between funds

Current year

	Heritage assets £	Investments £	Tangible fixed assets £	Pension liability £	Other net assets £	Total £
Restricted funds						
Capital Outlay Discharged	1,060,261	0	403,840	0	510	1,464,611
Parliamentary fund	0	404,838	0	0	21,411	426,249
Lands Acquisition fund	0	792,334	0	0	2,132	794,466
Lands Maintenance fund	0	156,512	0	0	0	156,512
Nature in Malvern book	0	0	0	0	1,844	1,844
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	9,707	9,707
Tree planting	0	0	0	0	50	50
Picnic benches	0	0	0	0	183	183
Community Woodland	0	0	0	0	40,955	40,955
	<u>1,060,261</u>	<u>1,353,684</u>	<u>403,840</u>	<u>0</u>	<u>77,245</u>	<u>2,895,030</u>
Unrestricted funds						
General fund	0	0	115,072	0	219,596	334,668
Designated funds	0	0	0	0	771,995	771,995
Pension fund	0	0	0	(1,842,000)	0	(1,842,000)
	<u>0</u>	<u>0</u>	<u>115,072</u>	<u>(1,842,000)</u>	<u>991,591</u>	<u>(735,337)</u>
	<u>1,060,261</u>	<u>1,353,684</u>	<u>518,912</u>	<u>(1,842,000)</u>	<u>1,068,836</u>	<u>2,159,693</u>

Prior year

	Heritage assets £	Investments £	Tangible fixed assets £	Pension liability £	Other net assets £	Total £
Restricted funds						
Capital Outlay Discharged	1,060,261	0	442,477	0	512	1,503,250
Parliamentary fund	0	500,882	0	0	(2,644)	498,238
Lands Acquisition fund	0	868,707	0	0	(1,102)	867,605
Lands Maintenance fund	0	172,124	0	0	0	172,124
Nature in Malvern book	0	0	0	0	(1,108)	(1,108)
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	9,707	9,707
Community Woodland	0	0	0	0	40,955	40,955
	<u>1,060,261</u>	<u>1,541,713</u>	<u>442,477</u>	<u>0</u>	<u>46,773</u>	<u>3,091,224</u>
Unrestricted funds						
General fund	0	0	90,987	0	220,077	311,064
Designated funds	0	0	0	0	496,925	496,925
Pension fund	0	0	0	(1,834,000)	0	(1,834,000)
	<u>0</u>	<u>0</u>	<u>90,987</u>	<u>(1,834,000)</u>	<u>717,002</u>	<u>(1,026,011)</u>
	<u>1,060,261</u>	<u>1,541,713</u>	<u>533,464</u>	<u>(1,834,000)</u>	<u>763,775</u>	<u>2,065,213</u>

25 Post balance sheet events and capital commitments

At 31st March 2020, no capital expenditure had been contracted for (2019 £40,855). Capital expenditure which had been approved but not contracted at the year end was £nil (2019 £42,000).

Under the Higher Level and Countryside Stewardship schemes, the charity is contracted to make 6-monthly payments to graziers from the grants received. The grazing agreements for Castlemorton and the Southern Hills end on 31st May 2020. New 10 month grazing agreements will run from 1st June 2020 to 31st March 2021. Malvern Hills Trust's contracts with graziers on the North and Central hills and the Old Hills have an annual break clause. The annual payments currently committed total £123,401 (2019 £130,281).



Two Higher Level Stewardship schemes ended in March 2020 (Castlemorton and Southern Hills). The remaining agreements end in 2023 and there is a 5-year break clause in those schemes. The Countryside Stewardship Scheme ends in 2028.

26 Operating leases

The Charity has granted licenses and rental agreements over some of its land. Rentals receivable are recognised on a straight-line basis over the life of the agreement. The future minimum lease receipts under non-cancellable operating leases for each of the following periods is:

	2020	2019
	£	£
Within the next 12 months	20,611	21,886
Within 1-5 years	53,472	63,860
5 years plus	27,825	37,397
	<u>101,908</u>	<u>123,143</u>

27 Defined benefit pension scheme

Malvern Hills Trust participates in the Worcestershire County Council Pension Fund, which is part of the Local Government Pension Scheme (LGPS), a multi-employer scheme. Contributions are charged to the statement of financial activities so as to spread the cost of pensions over employees' working lives with the charity. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The scheme was formally valued as at 31st March 2019 and was updated by the actuary on an FRS102 basis as at 31st March 2020.

The employer's contribution (including the FRS102 adjustment) for the period was £139,000 (2019: £139,000).

The amounts recognised in the Balance Sheet are as follows:

	2020	2019
	£	£
Present value of funded obligations	(3,876,000)	(3,984,000)
Fair value of plan assets	2,034,000	2,150,000
	<u>(1,842,000)</u>	<u>(1,834,000)</u>
Amounts recognised as:		
Liabilities	(1,842,000)	(1,834,000)
Assets	0	0
Net amount recognised	<u>(1,842,000)</u>	<u>(1,834,000)</u>



The amounts included within the Statement of Financial Activities are as follows:

	2020	2019
	£	£
Current service cost	94,000	82,000
Interest on pension liabilities	95,000	94,000
Past service cost	1,000	15,000
Administration costs	1,000	1,000
Expected return on plan assets	(52,000)	(53,000)
Contributions by employer	<u>(119,000)</u>	<u>(114,000)</u>
Total pension cost charged within net incoming resources	20,000	25,000
Remeasurements (Actuarial loss/(gain))	<u>(12,000)</u>	<u>167,000</u>
Total amount (credited)/charged to SOFA	<u>8,000</u>	<u>192,000</u>

The cumulative amount of actuarial loss recognised is £411,000 (2019 £423,000).

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
	£	£
Opening defined benefit obligation	3,984,000	3,678,000
Current service cost	94,000	82,000
Interest on pension liabilities	95,000	94,000
Member contributions	20,000	19,000
Actuarial (gains)/losses on liabilities	(232,000)	197,000
Past service cost	1,000	15,000
Benefits/transfers paid	<u>(86,000)</u>	<u>(101,000)</u>
Benefit obligation at end of period	<u>3,876,000</u>	<u>3,984,000</u>

Changes in the plan assets during the period to 31st March 2020 were as follows:

	2020	2019
	£	£
Fair value of plan assets at beginning of period	2,150,000	2,036,000
Expected return on scheme assets	52,000	53,000
Administration expenses	(1,000)	(1,000)
Remeasurements (assets) (Actuarial gains/(losses) on plan assets)	(220,000)	30,000
Employer contributions	119,000	114,000
Member contributions	20,000	19,000
Benefits/transfers paid	<u>(86,000)</u>	<u>(101,000)</u>
Fair value of plan assets at end of period	<u>2,034,000</u>	<u>2,150,000</u>



The weighted - average asset allocation at the period-end was as follows:

Asset category	Fair value at	Fair value at
	31st March 2020	31st March 2019
	£	£
Equities	1,436,000	1,547,000
Government bonds	148,000	174,000
Other bonds	102,000	105,000
Property	118,000	135,000
Other	218,000	140,000
Cash	12,000	49,000
	<u>2,034,000</u>	<u>2,150,000</u>

	2020	2019
	£	£
Experience gains/(losses) on assets	(220,000)	30,000
Experience gains/(losses) on liabilities	232,000	(197,000)

Weighted average assumptions used to determine benefit obligations at:

	2020	2019
Discount rate	2.4 %	2.4 %
Rate of increase in salaries	3.6 %	3.7 %
Rate of increase in pension	2.2 %	2.3 %
Rate of CPI inflation	2.1 %	2.2 %

Weighted average assumptions used to determine net pension cost for period ended 31st March 2020:

	2020	2019
Discount rate	2.40 %	2.40 %
Rate of pension increase	2.20 %	2.30 %
Assumed life expectations on retirement age 65:		
Retiring today - males	22.6	22.8
Retiring today - females	25	25.8
Retiring in 20 years - males	24.2	25.1
Retiring in 20 years - females	27.0	28.2

Contributions

The employer expects to contribute £132,000 in the period to 31st March 2021.

The contributions payable by the employers are reassessed at each triennial valuation. The next actuarial valuation of the Worcestershire County Council Pension Fund will be carried out with an effective date of 31st March 2022.



28 Financial instruments

	2020	2019
	£	£
Financial assets measured at fair value	1,353,684	1,541,713
Financial assets measured at settlement value	1,103,977	836,026
Financial liabilities measured at settlement value	<u>(65,881)</u>	<u>(72,399)</u>

See note 1(p) for details of what is included in the above figures.

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29 Statement of Financial Activities for the year ended 31st March 2019

	Note	Unrestricted funds	Restricted funds	Permanent endowment	Total funds 2019
		£	£	£	£
Income and endowments from:					
Donations and legacies	3	91,659	2,854	0	94,513
Charitable activities:					
Management of the hills and commons	7	690,688	40,955	0	731,643
Car parks		269,281	0	0	269,281
Other trading activities	4	32,619	2,354	0	34,973
Investments:					
Bank deposits		2,665	0	26	2,691
Investment portfolio		0	4,983	50,736	55,719
Other	5	37,576	0	0	37,576
Total income		1,124,488	51,146	50,762	1,226,396
Expenditure on:					
Charitable activities	6	1,108,800	2,242	74,888	1,185,930
Other expenditure	6	0	6,425	0	6,425
Total expenditure		1,108,800	8,667	74,888	1,192,355
Net gains on investments	16	0	7,691	58,165	65,856
Net income/(expenditure)		15,688	50,170	34,039	99,897
Transfers between funds		17,345	2,865,748	(2,883,093)	0
Other recognised gains/(losses)					
Actuarial (losses) on defined benefit pension scheme	27	(167,000)	0	0	(167,000)
Net movement in funds		(133,967)	2,915,918	(2,849,054)	(67,103)
Reconciliation of funds:					
Total funds brought forward		(892,044)	175,306	2,849,054	2,132,316
Total funds carried forward	24	(1,026,011)	3,091,224	0	2,065,213