



Malvern Hills Trust

**Meeting of the
GOVERNANCE COMMITTEE**

Thursday 29 April 2021 7.00 pm

By Video/telephone conference

Live stream on YouTube: <https://bit.ly/3dbH2AW>

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Thursday 29 April 2021 7.00pm

Members: Mr C Atkins, Mr R Bartholomew, Dr S Braim, Mr D Core, Mr M Davies (non-voting), Mr D Fellows, Mrs C Palmer, Prof J Raine, Ms S Rouse (non-voting)

AGENDA

1. Apologies for absence
2. Chair's announcements
Training 5 May 2021 6.30pm on Equality and Diversity
3. Declaration of Interests
4. Public comments
5. Matters arising from previous meetings (not otherwise on the agenda)
Report back to charity commission on SIR Verbal update
6. Appointment of Working Group 2 (To undertake any further work necessary on the details of the proposed Governance Changes) For decision
7. Update from Working Group 1 (benefits to be secured from amending Trust's Governing Acts) Verbal update
8. Progress report on governance changes Verbal update
9. Actions taken or required in response to Charity Commission letter of February 2021 Paper A
10. Work programme
Using a Governance Toolkit linked to the Charity Governance Code to assess how the Trust is performing
11. Trustee training proposed
Workshop on Pensions
Being a good trustee
12. Urgent Business
13. Date of Next Meeting 29 July 2021
14. Confidential
Resolution to exclude the public for discussion of item 15 on the agenda on the grounds that publicity would be prejudicial to the public interest by reason of the

exempt or confidential nature of the business to be transacted (personal information).

CONFIDENTIAL

15. Actions taken or required in response to the governance elements of investigator's report

Paper B

Governance Committee
Charity Commission letter of 18 February 2021(received 30 March)
29 April 2021

Background

The Trust received an E-mail from the Charity Commission on 30 March 2021 containing the text of a letter which they had attempted to send in February 2021.

It says “concerns have been raised with us in relation to the management accounts of the charity as well as the charity’s pension deficit.”

The regulatory advice was to:

“1. Review the charity’s reserves policy and pension deficit information in light of CC19 guidance on this matter. You may wish to discuss this with your accountants/ auditors and take their advice on what is required; you may also wish to discuss with them the calculation of the reserves figure. Please ensure that any changes to the charity’s stated reserves policy are agreed by trustees.

2. Review their management accounts and ensure they are fit for purpose given the size and operations of the charity. Again, you may also wish to discuss this with your accountants/ auditors and take their advice on what is required.”

Actions taken

These are matters which were addressed by David Russell in his report and so have already been considered by someone independent of the Trust.

First item of regulatory advice - reserves

David Russell’s comment on the treatment of the Pension Deficit and the reserves was:

“The Charity Commission’s definition of free reserves is, ‘...that part of a charity’s unrestricted funds that is freely available to spend on any of the charity’s purposes.’ In practical terms, it is money available to deal with the unexpected, not money set aside for a specific purpose. So, given that the deficit is a large sum (£1.842m) do the trustees need to set that amount aside to cope with the liability and thus reduce the amount available as reserves accordingly? This question was researched and addressed in detail by the FAR Committee before January 2020. The conclusion reached was that the charity did not need to do that, primarily because the liability would only crystallise if the charity withdrew from the scheme, which was something the trustees could control. This analysis has been endorsed by the charity’s auditors who also explained that this was a common practice”

“I consider that the trustees are entitled to rely on their agreement with the pension fund trustees that there is a payment plan in place. Finally, they can also rely, in my opinion, on their own analysis and on the opinion of the auditors that

the deficit is being treated correctly and that, therefore, the charity's calculation of the reserves is valid."

His recommendations was:

The Chair of the FAR, CEO and Finance and Administration Manager together explain to all trustees in more detail how the Committee has arrived at the current view of the deficit and reserves and answer any questions arising. If following ...there is residual doubt amongst trustees on this matter, the Board should consider whether or not to commission an independent, external review of the calculation of the deficit the treatment of the reserves.

The reserves policy is reviewed regularly and was last reviewed at FAR Committee in February this year, and their recommendation was confirmed by the Board at the March meeting. Please see the Finance and Administration Manager's paper (paper B for the meeting of 11 February 2021) which outlined that the policy had been prepared using the CC19 guidelines, the relevant accounting standards and the Charity Commission's own guidance for dealing with defined benefit pension deficits. All of this work was carried out under the guidance of the Trust's Auditors.

This first element of the Charity Commission's regulatory advice had therefore been complied with prior to receipt.

Please note that it is intended to run a workshop later in the year to give a detailed explanation of the review of the Charity's pension arrangements carried out in 2016.

Second item of regulatory advice – management accounts

David Russell reported:

"The management accounts are accepted as suitable, but as a matter of good practice, [should be] kept under review. If trustees believe that greater detail is necessary,they could explore ways in which it could be obtained."

FAR Committee (February 2020) followed by the Board (March 2020) confirmed that the content of the Management Accounts was adequate for the needs of those carrying out the day to day management of the Trust and for the trustees.

The matter can be reviewed again at the May FAR Committee meeting. The second element of the regulatory advice will also have been complied with

Recommendation

That the Committee consider the summary above and whether there are any unidentified actions which should be taken in accordance with the Charity Commission's communication. If there are no outstanding actions this should be minuted, with a view to the Committee's minutes being adopted by the Board at its next meeting.

Susan Satchell
Secretary to the Board
16 April 2021