

Malvern Hills Trust

Finance Administration and Resources Committee

Thursday 29 August at 7.00pm

Present: Lucy Hodgson (Chair), Robert Berry (left 7.50), David Core, Allan Cottam, Richard Fowler, John Raine and Mary Turner.

In attendance: CEO, Secretary to the Board, Finance & Administration Manager (FAM).
Chris Rouse.

Absent: Charles Penn

1. Apologies for absence

David Fellows

2. Chair's communications

Lucy Hodgson confirmed that the Trustee Annual Report and Accounts would be signed off at the November Board meeting..

3. Declarations of interest

There were none

4. Public comments

There were none, no members of the public being present..

5. Matters Arising from the FAR meeting held on 20 June 2024

It was noted that rather than increasing the Legal Expenses budget for 2024-25, the FAM and her staff would monitor it and report it as an overspend. The actual would be used to inform next year's budget.

6. Final Management Accounts for the year ended 31 March 2024

The Committee received for information the final accounts for the General Fund, Designated Fund, and Restricted Funds, together with accompanying notes. It was noted the Committee had reviewed the draft accounts in detail at the June meeting. The final accounts had been shared with committee members by email ahead of this meeting and the FAM thanked those who had sent comments. She reported that following the Audit, 10 adjustments had been made to the accounts, and she went through these. The main audit adjustment had been around the increase in stewardship income, which had increased significantly for the 2024 calendar year so the provision for the 3 months AJN24-MAR24 had been increased notably. This income had now been recognised in 2023-2024.

Questions were invited.

Robert Berry recorded his thanks to the FAM for her clear papers and for the helpful responses she had provided to his questions. Richard Fowler commented that FAR had decided when moving funds to the Flagstone platform that a record should be kept of what the interest would have been had the change not happened. The FAM said she was not aware of this, not having been in post at the time, and that it would be difficult to trace what investment managers might or might not have done had circumstances been different.

7. Review of Trustees' Annual Report and Accounts for the year ended 31 March 2024

The Committee received the Annual Report and Accounts. The FAM reported that these documents had been shared with FAR members on 31 July and other Trustees on 7 August. She was grateful for the useful feedback received. There had been a few late comments that needed to be incorporated into the final version to be presented to the Board in November (narratives only). The Chair and Vice-Chair of the Board, the Chair of FAR, the CEO and the FAM had met with the auditors two weeks previously in preparation for this meeting. The FAM advised that the auditors had to monitor events right up to the date of signing and so there could be further changes; for example, the list of Trustees would need to be checked again.

The FAM went through the Annual Report, highlighting that the Independent Auditor's report was unqualified and the Trust is a going concern. Overall, funds were slightly up on 2022/23 in 2023-24, there was a healthy balance sheet and consistently healthy balances across all account categories. The pension deficit had reduced. The cashflow statement looked concerning at first glance but this was because of a £340k transfer to asset investments; it was only a movement in cash to a different category. The Report included a detailed breakdown of all income and expenditure, comparisons with the previous year and details of the investment portfolio.

Trustees recorded their thanks and congratulations to the FAM and her staff for all their hard work on this excellent, transparent document, acknowledging too that the FAM had joined part way through the year.

8. Auditors' Key Issues discussion document and letter of representation

The Committee received these documents under confidential cover. The FAM explained that it was a standard requirement for auditors to report to those charged with governance. The auditors had been through the documents with staff and Trustees at the meeting two weeks previously and this would need to be done again in November. They had given very positive feedback.

The FAM drew the meeting's attention to the auditors' evaluation of control and process as 'satisfactory' and explained that this was due to the change of FAM and CEO. Incoming staff did not have the same historic knowledge and so the auditors were minded to give a satisfactory rating; this was not a concern.

The auditors had only highlighted four very small things which the FAM said was good evidence that they had not found anything wrong. The Trust would note in the management responses that the observations were very minor. It was noted that the Trust had made a formal complaint to the Countryside Stewardship about the late payment of their grant, which was understood to have been due by the hard deadline of 30 June 2024. It was also noted that the sink hole at Link Top had appeared around the time of the audit and that the Trust had since updated the auditors to advise them that it did not anticipate spending anywhere near the £30k allocated. The CEO reported that the Trust had spent £1500 and that she was following up with Severn Trent about liability and reimbursement; the pipe was fractured in several places and the Trust wanted Severn Trent to repair it. It was noted that the Board would have more material fact available in November to be more assured of its statement at that time.

Questions were invited on the Key Issues document but there were none.

It was noted that the letter of representation was a standard document and that it would need to be signed by whoever was voted in as Board Chair for 2024-25 at the AGM in November. *Questions and comments were invited.* Robert Berry asked whether the Trust had disclosed any claims, and it was confirmed that it had not. David Core said that the Trustees' private meeting with the auditors, without staff present, had been a key part of the audit process; Trustees had been assured that staff were doing a good job. Lucy Hodgson added that the auditors had been very pleased that the FAM and her staff had submitted documents on time and been accommodating towards any queries. The CEO was pleased to note that aside from the question of resident passes, no issues had been picked up in last year's audit or in this one.

On the proposal of David Core, seconded by Robert Berry, it was **RESOLVED** unanimously to recommend that the Board approve the Annual Report and Accounts for the year ended 31 March 2024, together with the Auditors' Key Issues Document and the letter of representation with appendices, subject to any material alterations received prior to the Board AGM in November.

9. Management Accounts for Q1 (April-June) of 2024-2025

The Committee received the accounts, together with explanatory notes, and the FAM went through them, making the following points:

9.1 General Fund

- Income was on budget. The Levy was always paid on time in June and December, although the FAM said she would prefer to account for it across the year. Car parking was on budget and the employment allowance was in other income. Investment income was higher than anticipated; this figure did not appear on previous reports since no one had been dealing with investments as they happened.

- Costs were currently under-budget. The FAM pointed out that land management expenditure was down to due bad weather preventing work, but she expected this to level out in the next quarter. For example, only one of the five planned grass cuts at Guarlford Road had been possible.
- There had not been much expenditure on communications; the FAM reminded the meeting that Bill communications appeared separately under Designated funds.
- Legal fees, as noted under Matters Arising, would definitely be over-budget. The FAM noted that an invoice for £6k had been received too late to charge to the previous year, where it belonged. She said she would update Trustees on this budget line each meeting. She advised a correction to the breakdown of legal fees in the notes to the Accounts: land-based legal advice stood at around £4k and governance-based at £12k; the overall legal expenditure figure was correct.
- It was noted that the Trust had readvertised for a Land and Property Manager, incurring additional costs.

9.2 Designated Funds

- The FAM reminded the meeting that a breakdown of Bill costs was available on the Trustees' area of the website. She drew Trustees' attention to the breakdown of other Bill-related costs incurred but not covered by the £306k allowed by the Charity Commission. A quarter of the budgeted £104k (£26k) had been transferred in from General Fund to cover these costs
- £10k of the Land Management Designated funds held over from last year is still unspent and held over to the next quarter.

Questions were invited on the accounts.

Robert Berry left the meeting at 7.50, having previously offered apologies to the Chair.

9.3 Trustee Questions

- Alan Cottam observed that the Unrestricted Gifts balance of £390k was the same as last year and asked why this was. The FAM said that the Trust was at liberty to spend this money as it chose, but it preferred if possible to spend it on something particular that could be reported back to the donor.
- Mary Turner expressed concern at the amount of money the Trust found itself forced to spend on governance-related legal costs and considered it important that the Board should be aware of this. It was noted that the Trust had no option when the reputation of the Charity was at stake, and the CEO pointed out that the Trust had actually kept these costs down by not taking legal action against certain individuals

for defamation. The FAM acknowledged that it was difficult to set an accurate budget for this line.

10 Review of Contracts

The Committee received, under confidential cover, a report of contracts and other agreements in place with an annual value of over £1,000, as at August 2024; the FAM advised two updates to the figures for legal services. The FAM reported that this review had last taken place in October 2022 and explained that bigger contracts went out to tender when they expired. The CEO thought that the Trust could do with establishing some framework agreements; although there would be some administrative time required to set them up, in the long run it would be more helpful and would avoid staff having to ring round suppliers in an emergency situation. Richard Fowler asked why 56Degrees had not been included in the list and it was explained that the contract with them was a one-off, whereas this spreadsheet listed rolling contracts.

11 Reserves Policy Review

The FAM reported that review of the Reserves Policy was part of the Audit process and was stated within the Accounts. The Policy would need to be approved by the Board at its September meeting. The FAM proposed that the sum of £350k be kept as the level of free reserves – it had previously been £300k, but the FAM recommended that £350k was more sensible. The FAM drew the Committee's attention to the five bullet points in the Policy, which outlined the risks mitigated by reserves. She said that some of these related to the timing of the Trust's income and the small number of income streams. She reassured the meeting that the Trust's reserves as at 31 March 2024 had been about double the proposed minimum.

On the proposal of David Core, seconded by John Raine, it was **RESOLVED** unanimously to recommend that the Board approve the Reserves Policy at its September meeting.

12 Going Concern to September 2025

The Committee received a paper prepared by the FAM, who went through it. She detailed the procedure she had conducted to prove that the Trust was a going concern, which included the assessment of financial uncertainties over the next twelve months, the 2023-24 actuals, the approved budget for 2024-25, the Q1 management accounts and the 2 years forecasts 25/26 and 25/27. The financial uncertainties included the proposals to modernise the Constitution and unilateral changes to existing grant schemes. The Trust was expecting to receive a grant of £258k from the Southern and Northern/Central Scheme by 30 June 2025 and it was a concern that the payment due by 30 June 2024 was still outstanding.

There was a discussion about the risks around the constitutional changes. Richard Fowler pointed out that Trustees were receiving updates on spend, but they were

not aware of the percentage of required work that had been completed for that spend. The FAM said she would speak to the Governance Change Officer about this on the latter's return from leave. Mary Turner noted with concern the negative media comments and criticism of the Accounts, stressing that the Trust needed to support the FAM by emphasising the transparency of those accounts. David Core said that it had been stated at the 8 August Board meeting, in response to Public Comments, that the accounts were filed and up to date, adding that if members of public were to submit their comments in writing ahead of a meeting, the Trust could respond promptly. Trustees were invited to suggest other methods of engaging. The CEO said that there was a distinct difference between genuine local concern and persistent complainants for whom no derogatory terms appeared to be off the table. She had felt abused at Board meetings and there was no excuse for that. MHT had a duty of care to both staff and Trustees. It was noted that this meeting had been open to the public, but no members of the public had attended.

On the recommendation of Mary Turner, seconded by John Raine, it was **RESOLVED** unanimously to recommend that the Board confirm to the auditors that following this review, in their opinion Malvern Hills Trust is a going concern.

13 Reports for Information (verbal)

13.3 Risk Management red flag items

The CEO reported that issues arising since her written report to FAR in June were mainly around reputational risk. She noted that a Corporate Risk Workshop for trustees was pending and stressed the need for the Risk Register to be made more user friendly, while also pointing out that Trustees were responsible for all risks and should not focus only on those allocated to their own committee.

13.4 GDPR – Data Breach Log

- The CEO confirmed that there had been no new data breaches.
- The CEO reported that a subject access request had been received. The Trust was seeking a two month extension, due to staff annual leave and the amount of work required.
- The CEO reported that a gap analysis had been carried out in consultation with Ametros and Wavenet during July and August. There had been no issues with compliance and just some minor recommendations. Ametros would be delivering free GDPR and Cyber training for staff during October.
- Following the Board's resolution in October 2023 to change its Data Protection Officer, the CEO, FAM and Secretary to the Board had researched alternative providers, but the three looked at had been either similar or not quite as good, and far more expensive. The Trust had recently had extensive interaction with Ametros and been happy with the service; the CEO also noted that the work just done on gap analysis would have to be done all over again with a new provider.

On the proposal of Lucy Hodgson, seconded by David Core, it was **RESOLVED** unanimously to recommend that the Board reverse its

decision of October 2023 and maintain Ametros as its Data Protection Officer.

14 Urgent Business

- There was a brief discussion on compliments received by the Trust. It was noted that much time was spent managing complaints and that it would be helpful to report on compliments received as well, say once every six months. John Michael suggested that he could incorporate these in his Chair's Announcements.
- The CEO said that she had been preparing a response to the Charity Commission on a recent Serious Incident Report and that the Commission had requested confirmation that Trustees were satisfied with the mechanism for handling complaints. She noted that under the current policy, Trustees only saw complaints if they proceeded to the second stage and suggested that they should see them sooner.

15 Date of Next Meeting

Thursday 12 December 2024

The meeting closed at 8.45 pm.