Malvern Hills Trust

Finance Administration and Resources Committee

Thursday 06 May 2021 7.00 pm

By Video/telephone conference

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

Meeting of the Finance, Administration and Resources Committee

By Video/telephone conference
Live stream on YouTube: https://bit.ly/3dbH2AW
Thursday 6th May 2021 at 7:00 pm

Members: Mr R Bartholomew, Mr D Core (Chair), Mr M Davies, Mr M Dyde, Mr D Fellows, Mrs L Hodgson, Mr J Michael, Mr C Penn, Prof J Raine, Ms S Rouse,

Agenda

1. Apologies for Absence
2. Chair's Communications
   - 2.1 Pensions workshop
   - 2.2 Tree work working group meeting 13th May 2021
3. Declarations of Interest
4. Public comments
5. Matters arising from previous meetings not otherwise on agenda
6. Restricted and Designated Fund Budgets 2021/22 — Verbal update
7. Wording of Trustees' report for the year ended 31st March 2021 — Paper A
8. Letter from Charity Commission February 2021 — Paper B
9. Audit Plan 2021 — CONFIDENTIAL Paper C
10. GDPR
    - 10.1 Review of data breach log
11. Reports - for information
    - 11.1 Management accounts for the 12 months ended 31.03.21 — Paper D to follow
    - 11.2 Review of major projects (including Land Management) — Paper E
    - 11.3 Governance Review costs – report from monitoring team — Verbal Update
    - 11.4 Report of CEO's exercise of delegated expenditure powers — Verbal Update
    - 11.5 Fundraising and Legacy –working group — Verbal Update
    - 11.6 Red flag items off the risk schedule
12. Urgent Business
13. Date and time of next meeting 12th August 2021 7pm
14. Confidential items: Resolution to exclude the public for discussion of items 15 & 16 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 (commercially sensitive/ legal advice).

Confidential

15. VAT reclaim — Paper F
16. Outcomes of Independent Investigation which relate to FAR — Paper G

Paper A
For review

Finance, Administration & Resources Committee

Draft Trustees' annual report for the year ended 31st March 2021

6th May 2021

The annual audit begins on 24th May 2021 and the Trustees' Report and Annual Accounts are currently being prepared.

The Trustees are responsible for preparing the Annual Report in accordance with the Charities SORP. The draft wording for the Trustees' Annual Report is attached for review and approval at this meeting.

Please note that due to the timing of this meeting, the final figures are not ready so the financial review section has not yet been completed.

Risk management

In his report, David Russell made the following comment:

> *The risk management section of the Trustees' Annual Report appears adequate for compliance purposes, but could be further expanded to reflect the work done.*

The regulatory requirement is that charities that are required by law to have their accounts audited must make a risk management statement in their trustees' annual report confirming that '...the charity trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks.' (Charities (Accounts and Reports) Regulations 2008 S40(2)(b)(ii)(ee))

Major risks are those risks that have a major impact and a probable or highly probable likelihood of occurring. If they occurred they would have a major impact on some or all of the following areas:

- governance
- operations
- finances
- environmental or external factors such as public opinion or relationship with funders
- a charity's compliance with law or regulation

Any of these major risks and their potential impacts could change the way trustees, supporters or beneficiaries might deal with the charity.

The draft Trustees' Annual report gives an explanation of the risk management process and lists the 'red' risks from the Trust's risk schedule. The note has been expanded this year, please could trustees review this and make any further suggestions for improvement on this and any other part of the draft report at the meeting.

Cheryl Gentry
Finance & Administration Manager
26th April 2021

Draft Trustees' annual report for the year ended 31st March 2021 – for review at FAR Committee 6/5/21

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 Ll.B (Hons)
Conservation Manager	Jonathan Bills MSc
Operations Manager	Paul Saunder (to 30th June 2021)
Finance and Administration Manager	Cheryl Gentry BSc ACA

Trustees

Note – As at 31/3/21

FAR – sits on Finance, Administration and Resources Committee
LM – sits on Land Management Committee
GC – sits on Governance Committee
SC – sits on Staffing Committee
** has served for more than 9 years*

Elected trustees

Priory Ward:	TBA
	John Watts *FAR* (resigned 13th October 2022)
Chase Ward:	Graeme Crisp *LM*
Wells Ward:	Richard Fowler *LM*
West Ward:	Charles Penn *FAR and GC*
Dyson Perrins Ward:	Trevor Parsons *LM*
Malvern Link Ward:	Richard Bartholomew *FAR, SC and GC*
Pickersleigh Ward:	David Core *FAR and GC*
Colwall Parish:	Helen Stace *LM **
	Stephen Braim *LM and GC*
Guarlford Parish:	David Fellows *FAR and GC*
Mathon Parish:	Christopher Rouse *LM **

Nominated trustees

Malvern Hills District Council:	Mick Davies *FAR and SC* (Board Chair)
	John Michael *FAR*
	Sarah Rouse *FAR* (Board Vice Chair)
	Mark Dyde *FAR*
	Cynthia Palmer *LM, GC and SC*
Colwall Parish Council:	Gwyneth Rees *LM and SC **
Mathon Parish Council:	David Baldwin *LM and SC **
Church Commissioners:	David Bryer *LM and GC* (resigned 31st July 2020)
Herefordshire Council:	Helen I'Anson *LM and SC*
	Ellie Chowns (from 19th November 2020)
	Tony Johnson (resigned 24th September 2020)
Worcestershire County Council:	John Raine *FAR, SC and GC*
	Lucy Hodgson *FAR*

Worcestershire County Council on behalf of the following parishes:-

Castlemorton:	Chris Atkins *LM and GC*
Newland:	Tom Yapp *LM **
Powick:	Martin Cordey *FAR and CCC ** (resigned 19th August 2020)
	Michelle Alexander *LM* (from 2nd October 2020, resigned 31st May 2021)

Staff

Malvern Hills Trust employed 19 staff (16 full time equivalent) during the year. Details of staff numbers are given in note 11 to the financial statements.

During the year, Robin Hill retired as a Warden with the Board's best wishes and Tracy Sutton was welcomed onto the Wardening team in August 2020. Paul Saunder, Operations Manager retired at the end of June 2021. The Board is very grateful for Paul's service to the Trust spanning a quarter of a century, during which time he has been central to the running of the organisation. George Banner (Field Staff) took up a secondment to a 12-month post as Estate manager in March 2021 [update – Field Staff, new warden]

Report of the trustees for the year ended 31st March 2021

The trustees are pleased to present their annual report together with the financial statements of the charity for the year ending 31st March 2021.

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 in 1884 and governed by 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. The Trust also aims to run a series of free themed events 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. Unfortunately, due to the COVID-19 pandemic, these did not take place in 2020/21.

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.

COVID-19 and its impact

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

In the first 2 months of 2020/21, conservation work was 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 2021 did not happen. Communications work to help prevent unlawful and damaging mountain biking activity was delayed. Events have been cancelled and the Trust's ability to engage with the public continues to be partly reduced.

The requirement for staff to work at home where possible has impacted on efficiency and communication, with significant amounts of time being spent on video conferences with colleagues and trustees. However, IT systems have worked well.

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.

Volunteers

Malvern Hills Trust normally receives enormous support from the work of volunteers for activities such as wardening, litter picking, recording, habitat management, conservation, archiving and administrative support. Social distancing restrictions have meant that in 2020/21 the input of volunteers had to be largely curtailed. The impact of the loss of volunteers is very significant. The volunteer warden service was lost for several months. Conservation projects such as thistle pulling, rubbish picking and some biological recording were halted, as were some mapping and research projects. In the office, the volunteer team that assists with the Trust's archive and vital administration support with telephone answering and recording car park pass sale was unable to work.

Consequently, the estimated volunteer contribution during the year was much reduced from previous years. The equivalent of 43 workings days (7.5 hours) was spent on the hills and commons and 15 working days on office work. The contribution of all volunteers is gratefully acknowledged and it is hoped they will all be back in the not too distant future.

Stewardship

At 31st March 2021, a significant proportion of the charity's land (around 57 %) is under the Department for the Environment and Rural Affairs (Defra) Countryside Stewardship Scheme and Higher Level Stewardship Scheme. A further application for land at Castlemorton (approximately 21 % of the landholding) is currently under consideration by commoners and other land owners. The schemes provide funding for certain land management activities including the grazing, 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

Key achievements in the year are as follows:

- Meeting the many challenges arising from the global pandemic,
- Maintaining over 1,200 hectares open and accessible to the public,
- The adoption of the new Land Management Plan, covering the period 2021- 2026,
- Countryside Stewardship funding was secured for the Southern Hills, for a 10-year period commencing January 2021,
- A further offer for Countryside Stewardship funding for Castlemorton Common has been received and is being considered by local stakeholders,
- New hedges were laid at the land at Castlemorton purchased in 2019,
- MHT successfully managed unprecedented visitor numbers in summer 2020,
- Sale of car park passes was brought in-house, following the closure of the third-party outlets,
- Improvements to the Community Woodland in Townsend Way funded by a grant from MHDC are now largely completed,
- MHT's conservation work was recognised by Natural England as several areas were upgraded from 'unfavourable recovering' condition to 'favourable',
- Restoration work was carried out to 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.

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 trustees 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	Seats
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 as charity trustees and 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 make decisions and 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 2020. 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.

The impact of COVID-19 on governance

The COVID-19 virus control measures brought in from March 2020 meant that Board meetings could no longer be held in person. 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), to be reviewed September 2021,

- 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 was named the COVID-19 Contingency Committee (CCC) met regularly via video link during April, May and June 2020.

Board meetings re-started in June 2021 and Committee meetings re-started in September 2020, via video link with a live stream on YouTube.

Work on the modernisation of the Trust's governing Acts was suspended during the COVID-19 crisis. The Trust is currently 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.

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 are 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 and revised in 2020 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 2021/22 and the outcomes acted upon by the Board.

Financial Review

The financial results are set out on pages 23 to 49. There was a total net increase in funds of £xxxxx (2019/20 increase £94,480).

Net income before transfers on the unrestricted funds was £xxxxxx (2019/20 net income of £255,965). The net movement on the unrestricted funds after transfers and the FRS 102 pension adjustment was an inflow of £290,674 (2019/20 inflow £290,674).

In addition, there was a net outflow of funds on the restricted funds of £xxxxxx (note 22) (2019/20 net outflow £196,194).

Total reserves at the financial year end were £xxxxxx (2020 £2,159,693), of which £xxxxxx is restricted (of which £xxxxxxx 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 2020/21 was £38.13 (2019/20 £37.02). The total levy received by the charity was £534,850 (2019/20 £519,250).

Revenue from car parks is the second principal funding source. The total received in 2020/21 was £xxxxxxx (2019/20 £289,167). 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 new Countryside Stewardship scheme and the older Higher Level 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 £xxxxxx (2019/20 £186,924).

Donations and legacies received totalled £xxxxxxx (2019/20 £299,020).

Significant financial impacts

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

- The very high visitor numbers lead to much increased takings from the car parks,
- The annual tree safety survey identified essential work to a large number of trees, resulting in the Board needing to approve an additional £24,000 over and above the original budget of £16,120 for treework,
- The Board maintained its policy of updating vehicles, plant and machinery, spending £xxxxxx,
- 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 £xxxxx towards conservation work,

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 Land Purchase (1992) Fund (formerly called the Land Acquisition Fund), Land 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 Land Purchase (1992) Fund is to generate a return (net of costs, including reinvestment of earnings) sufficient to maintain the purchasing value of the Land Purchase (1992) Fund. The Trust aims to produce the best financial return with a moderate level of risk.

The Trust's investment objective for the Land 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 acknowledge 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 Land Purchase (1992) portfolio was xxx % and on the Parliamentary and Land Maintenance portfolio xxx %. The portfolio return gross of fees on the Land Purchase (1992) portfolio was xxxx % (net of fees xxx %) against the benchmark of xxxx % and on the Parliamentary and Land Maintenance portfolio it was -xxx % (net of fees xxx %) against a benchmark of xxx %. The trustees receive a full report from Brewin Dolphin in June and December and an interim report in March and September.

Since March 2021, 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.

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 for which the Trust cares. The trustees therefore agreed to exclude any fossil fuel, mining and quarrying companies from the investment portfolios by 31st March 2021 and this target has been achieved. The trustees will also exclude individual investments which are perceived to conflict with the charity's purpose.

Reserves policy and going concern

Malvern Hills Trust's (MHT's) free reserves are defined as those funds which the charity has available freely to spend on its charitable objectives.

The free reserves are calculated by starting from the total unrestricted funds value from the accounts. To comply with accounting rules the amount of the pension deficit is included as part of the unrestricted funds shown in the accounts, although it is a liability that will never crystallise. This deficit value is therefore added back when calculating the free reserves. The net book value of fixed assets (not available as cash) and the value of committed (designated) funds are then deducted, to come to the free reserve total. In summary, the calculation is as follows:

Total unrestricted funds*

Less:

Committed designated funds

Net book value of fixed assets funded from the general fund

The defined benefit pension scheme surplus/(deficit)

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

*Unrestricted funds comprise the general fund, designated funds and surplus/(deficit) on the defined benefit pension scheme

The level of free reserves required will vary from time to time depending on MHT'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.

In setting the policy, the trustees have ensured that the contributions required under the defined benefit pension scheme, including those to cover the actuarial deficit, can be met from projected cash flows.

MHT's trustees' policy is to aim to maintain the free reserves level above £300,000. 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,
- To fund everyday essential expenditure in the event that income streams are unexpectedly interrupted,
- The need to provide working capital for MHT, both for day to day work and for future (possibly grant-funded) development,
- The need to provide a degree of protection against fluctuations in investment income.

The policy was adopted in June 2018 and updated in January 2021. At 31st March 2021 the unrestricted reserves shown in the accounts (excluding the FRS102 pension fund balance) amounted to £xxxxx of which £xxxxx is the General Fund. Deducting the net book value of fixed assets and committed designated funds, the level of reserves as defined above was £xxxxx at 31st March 2021. The balance is higher than the target level due to the receipt of a generous unrestricted legacy in 2019/20. 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.

The financial impact of the COVID-19 crisis will not fully be known until such time as all restrictions are lifted. High visitor numbers in summer 2020 have helped offset losses incurred during the first full lockdown period.

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 26. 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 £xxxxx million (2020 £1.842 million). The employer's contribution rate during the year was 21.8 % (2019/20 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 2020/21 totalled £63,600 (2019/20 £72,000). The amount due for 2021/22 is £66,100.

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

Much of the routine work of the charity is carried out on an on-going basis. The Land Management Plan, which was updated this 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.

The cost of tree work is likely to increase significantly in future years, particularly as a result of Ash Dieback. Work is on-going as how best to fund this work, the total cost of which is highly likely to be in six figures. This is a major financial challenge to the organisation.

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

- Continued review and implementation of the 5-year Business Plan,
- Agreement on the new Countryside Stewardship scheme for Castlemorton Common,
- 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,
- Restoration works at the Donkey Sheds in Happy Valley will be carried out,
- Essential refurbishment works will 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, in line with Charity Commission best practice.

The risk management process involves 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. At each meeting of the Board Trustees are updated on any significant changes to the level of risk, particularly any categories that are gauged to be entering the highest risk category, and any appropriate actions considered.

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 arise both from changes to working practices and protection of public-facing staff. Financial risks arising from the crisis include a reduction in investment returns, delays in income payments and the impairment of financial assets,

- A significant increase in treework costs as a result of Ash Dieback and other environmental factors,
- Changes in Government policy leading to reductions in available grant funding,
- Local campaigns by individuals and groups diverting organisational resources and focus,
- 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.

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)
9th September 2021

Paper B
For discussion

Finance, Administration & Resources Committee
Consideration of Charity Commission communication February 2021
6th May 2021

Background
Papers A for Governance Committee Meeting 29.04.2021

Consideration of Charity Commission communication February 2021

Full details of the issues raised, David Russell's comments and the steps which have been taken are set out paper A prepared for the Governance Committee meeting on 29 April 2021.

Recommendation
The Committee is asked to consider whether there are any actions not identified in that paper which should be taken.

Susan Satchell
Secretary to the Board
24 April 2021

Paper D to follow

Paper E
For information

Finance Administration and Resources Committee

Project Progress update

6th May 2021

Project	Approved Budget *Actual Cost*	2020/21				2021/22				Update	Status
		1st Q	2nd Q	3rd Q	4th Q	1st Q	2nd Q	3rd Q	4th Q		
Restoration of access paths	£20,000 Gift Aid Grant									2019 – Path resurfacing undertaken from Gardner's to Thirds Wood plus contour path south.	COMPLETE
Bridleway Link Common	£2,500		~~Expected~~	Expected		Expected	Expected			Central section resurfaced. Southern section still to do. Delayed during wet weather then Covid restrictions, now anticipated spring / summer	Part Complete
Improve Access Community Woodland	(Grant)	Expected	Expected	Expected		Expected				Main path works were completed in August 2021. Additional surface blinding to be carried out. Interpretation on order. Seating elements to be completed	Part Complete
Marking Boundaries	£1,250 (General)			Expected	Expected			Expected	Expected	Volunteer surveys are carried out winter months. Suspended during Covid restrictions. Restart Autumn 2021	Delayed
British Camp Repairs	£4,000 (General)									Structural works complete.	COMPLETE
Restore Shire Ditch	£3,000 (General)		Expected		Expected		Expected	Expected		Suspended pending evaluation of BC repair technique as above.	Carry over to 2021
NVC Survey	£7,000	~~Expected~~	~~Expected~~							Project rescheduled for Spring 2022	Carry over to 2022
Invert. Survey	£3,000	~~Expected~~	~~Expected~~			Expected	Expected			Quotes and work specification in progress	Carry over to 2021

Pond Restore Castlemorton	Gift/grant		Expected	Expected	Expected					Fencing & plastic sheeting installed. Effectiveness being monitored	Phase 1 COMPLETE
Hedge laying	£5,000 (Parl Fund)			~~Expected~~	Expected					Completed end of March 2021	COMPLETE
Hedge laying part 2	Cont of above							Expected	Expected	New section to be undertaken	new
Manor House	£5,000 (Parl Fund)	~~Expected~~		~~Expected~~	Expected	Expected	Expected			To be recommenced following Covid delays Revision of costings and plans in progress	Ongoing
Manor House Works	£50,000 (Parl Fund)			~~Expected~~	~~Expected~~			Expected	Expected	Dependant on above -now to be split into two phases. Expected now spring summer 2021	Carried over to 2021
Lower Shed Review		~~Expected~~	~~Expected~~		Expected		Expected			To be recommenced following Covid delays. Revised specifications under development with architect.	Ongoing
Donkey Shed Restoration	TBC		~~Expected~~	~~Expected~~			Expected	Expected		Updated cost estimates and funding being sought. Expected now spring summer 2021.	Carried over to 2021
BC sewage system	TBC Est £40-50K	~~Expected~~	~~Expected~~				Expected		Expected	Options being revisited. Access track costs updated and works to track expected May	Carried over to 2021
Implement Building Maint. Sched	£3,000		Expected	Expected				Expected	Expected	Electrical, Fire and Gas certificates all updated.	Completed for 2020
Repairs to Old Hills South Car Park	£4,500 (Parl Fund)									Works completed	COMPLETE
Repairs to British Camp. path	£2,600									Patch filling to tarmac path to complete	COMPLETE
Repainting lines	£1,000 (Parl)			Expected	Expected	Expected				Old Hills ongoing at time of report	Ongoing
Update Interpretation Boards	£15,000 p/a (Gift Fund)	~~Expected~~	~~Expected~~	Expected	Expected	Expected	Expected	Expected	Expected	Blackhill and Gardner's complete and installed. Earnslaw in progress. Beacon road to do.	Part Complete
Update location signage	£7,000	~~Expected~~	~~Expected~~	Expected	Expected	Expected	Expected			West of England (underway) and Swinyard. Recommenced	Ongoing
Update Car Park signage	£3,000	~~Expected~~	~~Expected~~	Expected	Expected	Expected	Expected			West of England done. Swinyard and Jubilee drive in progress.	Ongoing

Replace Access Signs	£2,500		~~Expected~~				Expected	Expected		Recommenced	Ongoing
Install new location identification signage.	Est £25,000 over two years.					Expected	Expected	Expected	Expected	New LMP project	new
Research visitor usage and ways to tackle erosion.	TBC 2 Year					Expected	Expected	Expected	Expected	New LMP project	new
Field Staff Pickup	18, 500 (General)			~~Expected~~						Replacement received W/B 17th Sept.2020	COMPLETE
New cut and collect machine	£13,000		~~Expected~~				Expected			Now to be spring/summer 2021.	Carried over to 2021/22 FY
Power tools	£4,000			Expected	Expected			Expected	Expected	Replacement chainsaws/ brush cutters.	Complete

Report date: 26 April 2021