



Malvern Hills Trust

Trustees' Report and Financial statements for the year ended 31st March 2022

Draft 3



Trustees' Report and Financial statements

For the year ended 31st March 2022

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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
10 Temple Back
Bristol
BS1 6FL

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)

Peter Kelsall BScFor, MICFor (from 31/08/21)

Finance and Administration Manager Cheryl Gentry BSc ACA



Trustees

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:

Chase Ward:

Wells Ward:

West Ward:

Dyson Perrins Ward:

Malvern Link Ward:

Pickersleigh Ward:

Colwall Parish:

Guarlford Parish:

Mathon Parish:

David Watkins *FAR* (appointed 7th May 2021)

Graeme Crisp (resigned 24th January 2022)

Mary Turner *LM* (appointed 6th May 2022)

Richard Fowler *LM*

Charles Penn *FAR & SC*

Trevor Parsons *LM*

Richard Bartholomew *FAR & GC*

David Core *FAR & GC*

Helen Stace *LM & SC **

Stephen Braim *LM & GC*

David Fellows *FAR & GC*

Christopher Rouse *LM **

Nominated trustees

Malvern Hills District Council:

Mick Davies *FAR and SC* (Board Chair)

John Michael *FAR*

Sarah Rouse (resigned 2nd November 2021, Board Vice Chair until then)

Mark Dyde (resigned 19th January 2022)

Cynthia Palmer *LM & SC* (Board Vice Chair from 11th Nov 2021)

Colwall Parish Council:

Gwyneth Rees (resigned 30th November 2021)

Paul Clayburn *LM* (appointed 1st December 2021)

Mathon Parish Council:

David Baldwin *LM & SC **

Church Commissioners:

Vacant

Herefordshire Council:

Helen I'Anson *SC*

Ellie Chowns *LM*

Worcestershire County Council:

John Raine *FAR, SC & GC*

Lucy Hodgson *FAR*

Worcestershire County Council on behalf of the following parishes: -

Castlemorton:

Chris Atkins *LM & GC*

Newland:

Tom Yapp *LM **

Powick:

Michelle Alexander (resigned 31st May 2021)

Staff

Malvern Hills Trust employed 20 staff (17 full time equivalent) during the year. Details of staff numbers are given in note 11 to the financial statements.

Two new Wardens joined us in the year, Ben Taylor in May 2021 and Conor Willmott in October 2021. Peter Kelsall joined as Operations Manager in August 2021 and Cheryl Morris joined as Administrative Support Assistant in October 2021.



Report of the trustees for the year ended 31st March 2022

The trustees are pleased to present their annual report together with the financial statements of the charity for the year ending 31st March 2022.

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 is 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 <https://www.malvern hills.org.uk/looking-after/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.

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 and
- 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 2021/22 but they are planned to re-start in Spring 2022.



A new 5-year Business Plan was prepared and adopted by the Board of Trustees in March 2022 which will be reviewed at least annually in the light of changing circumstances. The Business Plan sets out the strategic priorities and plans for the charity.

<https://www.malvern hills.org.uk/looking-after/business-plan/>

COVID-19 and its impact

The impact of the COVID-19 pandemic has lessened during the 2021/22 year, but has still affected some areas of the Trust's work. Ongoing government advice to 'Work from Home' meant office-based staff have worked from home on a rota basis, to ensure there has been cover in the office but that all could work in a safe environment.

Board and Committee meeting arrangements have been altered following the lapse in May 2021 of a temporary power to hold virtual meetings. Details are given in the 'Structure, Governance and Management' section of this report.

Visitor numbers have continued to be much higher than in the years before March 2020, leading to car park takings during the year continuing to be above pre-pandemic levels. However, managing the consequences of the increased level of visitors, for example additional litter picking and car parking, has been a challenge. There has also been an impact on the physical features of the Hills, notably path erosion and habitat disturbance.

Volunteers

Before March 2020, Malvern Hills Trust received enormous support from the work of volunteers for activities such as wardening, litter picking, recording flora and fauna, habitat management, conservation, archiving and administrative support. Social distancing restrictions or guidance remained in place for much of the year ended 31st March 2022 which has meant that the input of volunteers continued to be much reduced. However, some conservation projects have taken place and one office volunteer has been able to return.

The estimated volunteer contribution during the year was the equivalent of 273 working days (of 7.5 hours per day) spent on the hills and commons and 26 working days on office work. The contribution of all volunteers is gratefully acknowledged.

Stewardship

At 31st March 2022, a significant proportion of the charity's land (totalling around 78 %) was under the Department for the Environment, Food and Rural Affairs (Defra) Countryside Stewardship Scheme or Higher Level Stewardship Scheme. An application for a new scheme to cover Castlemorton Common was agreed during the year and started in January 2022. These schemes provide valuable funding for certain land management and conservation activities including 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.

A dispute with the Rural Payments Agency (RPA) over payments due under the Countryside Stewardship agreement for the North and Central hills was satisfactorily resolved in November 2021 and grants due have now been paid, with just some minor queries outstanding.

Key achievements

Key achievements in the year were as follows:

- Meeting the challenges arising from the continuing global pandemic,
- Maintaining over 1,200 hectares open and accessible to the public,
- Adding 2.61 hectares to the land under the Trust's protection, with the acquisition of land at The Purlieu in May 2021,
- The adoption of a new Business Plan, covering the period 2022-2027,
- Securing Countryside Stewardship funding for Castlemorton Common, for a 10-year period commencing January 2022,
- Resolving a dispute over payments under the Countryside Stewardship agreement for the North & Central Hills,
- Making successful applications for grants from the Forestry Commission's 'Urban Tree Challenge Fund' and Defra's 'Farming in Protected Landscapes' schemes to fund planned projects in our Land Management Plan,
- Completing access improvements to the Community Woodland in Townsend Way funded by a grant from Malvern Hills District Council and
- Continuing the replacement of signage started in 2017 following the rebranding, including a new interpretation board at Gardiner's Quarry.



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 a registered charity.

The Board of Trustees is the decision-making body. The governing legislation currently provides for 29 trustees who are appointed for a four-year term. 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	<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

The current trustees took up their seats on 1st November 2019 (except those filling vacancies which have arisen since then) and will remain in place until 31 October 2023.

There were 7 vacancies at the time this report was approved.

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.

Following the restrictions put in place at the start of the COVID-19 pandemic, Board meetings re-started in June 2020 and Committee meetings re-started in September 2020, via video link with a live stream on YouTube.

These arrangements continued until May 2021 when following the lapse of the powers to hold virtual meetings under the Coronavirus Act, face-to-face Board and Committee meetings resumed. The Trust carries out risk assessments of all its meeting venues to ensure that appropriate precautions such as social distancing can be maintained.

Whilst the number of COVID-19 cases has remained high, to keep the time spent in face-to-face meetings as short as possible, matters of information on Board and Committee agendas have been discussed before the Board or Committee meeting at an on-line workshop, which is live streamed to the public. This is a temporary measure which will be kept under review by the Board.

Board and Committee meetings are open to the public and dates are published on the website. The Board resolved to revise the meeting schedule which had been in place prior to March 2020. Under those current temporary arrangements, six scheduled Board meetings will be held in January, March, May, July, September and November to make decisions and to receive reports from officers, committees and from representatives serving on outside bodies. There is also an opportunity for members of the public to make a statement (with prior notice).

The annual meeting of levy payers (at which the financial statements are adopted and Auditor appointed) was held in public immediately before the Board meeting in September 2021. 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.

Modernisation of the Trust's constitution

During the year, a detailed cost benefit analysis was carried out on plans to modernise the Trust's constitution. Following that, the Trust is carrying out preliminary work prior to making a request for authorisation from the Charity Commission under s74 Charities Act 2011 to proceed a new Malvern Hills Act.

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

There are four committees of the Board. 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 and
- 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 charities and their 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. During 2021/22, the Trust has used the Charity Commission's 'Governance Toolkit' as a means of assessing Trustees' and Senior Staff's views on current governance arrangements with the aim of identifying and agreeing areas for improved governance. This process will continue in 2022/23.

Financial Review

The financial results are set out on pages 25 to 51. There was a total net increase in funds of £280,963 (2020/21 decrease £263,584).

Net income before transfers on the unrestricted funds was £232,928 (2020/21 net expenditure of £111,414). The net movement on the unrestricted funds after transfers and the FRS 102 pension adjustment was an inflow of £294,011 (2020/21 outflow £501,191).

In addition, there was a net outflow of funds on the restricted funds of £13,048 (note 22) (2020/21 net inflow £237,607).

Total reserves at the financial year end were £2,177,072 (2021 £1,896,109), of which £3,119,589 is restricted (of which £1,276,376 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 2021/22 was £40.35 (2020/21 £38.13). The total levy received by the charity was £566,950 (2020/21 £534,850).

Revenue from car parks is the second principal funding source. The total received in 2021/22 was £418,059 (2020/21 £412,659). Car park takings are used to fund the charity's work including maintaining the car parks for public use.

Stewardship grants are the third principal funding source. £287,053 was received in 2022/23 (2020/21 £82,258), including settlement of disputed amounts from 2020/21 (see note 7).

Donations and legacies received totalled £11,939 (2020/21 £5,244).



Significant financial impacts

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

- Land was purchased at The Purlieu at a cost of £113,382,
- The dispute with the RPA was settled, resulting in the payment of grants due from financial years 2019/20 and 2020/21 (details in note 7),
- Very high visitor numbers led to continued high takings from the car parks, which were £87,000 over budget,
- The year 1 costs (of an anticipated 5-year programme) of managing Ash Dieback totalled £40,000 and a designated fund of £136,000 was created to cover the costs in years 1 and 2,
- The Board maintained its policy of updating vehicles, plant and machinery, spending £43,500,
- The failing drainage field serving the public lavatories at British Camp was replaced at a cost of £40,200.

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), Severn Trent's Boost4Biodiversity scheme, the Forestry Commission's Urban Tree Challenge Fund 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 the 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 the asset classes which 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 (year ended 31st March 2022) on the Land Purchase (1992) portfolio was 1.7 % and on the Parliamentary and Land Maintenance portfolio 2.6 %. The portfolio return gross of fees on the Land Purchase (1992) portfolio was 2.64 % (net of fees 1.96 %) against the benchmark of 9.55 % and on the Parliamentary and Land Maintenance portfolio it was 8.25 % (net of fees 7.53 %) against a benchmark of 9.55 %. The Land Purchase (1992) portfolio was performing broadly in line with its benchmark until January 2022, when it was adversely affected by fluctuations in investment markets caused by the invasion of Ukraine and the accelerating pace of inflation and interest rates. This fund is invested for capital growth and many investments which seek to deliver this, such as those in the technology sector, have suffered more than their peers during this period. While this is disappointing, the Trustees take comfort from the fact that performance of this fund was strong in the preceding year and so over a two-year time frame, the fund performance is satisfactory. Both funds are being repositioned to reduce risk in the current uncertain market.

The trustees receive a full report from Brewin Dolphin in June and December and an interim report in March and September.

During the year, the global impacts of COVID-19 on investments have continued to be a major risk. Added to this, Russia's war against Ukraine has further added to uncertainty in the investment markets. 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. Since 31st March 2021 the trustees have excluded all fossil fuel, mining and quarrying companies from the investment portfolios. The trustees 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 with 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 not crystallise, as the deficit to be repaid is part of a different calculation under the triennial valuation of the scheme. 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)

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

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

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 £350,000. 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,
- To fund unplanned costs arising from tree diseases,
- 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 July 2022.

At 31st March 2022 total funds of the charity were £2,177,072. This included restricted funds of £3,119,589 and committed designated funds of £519,655. Details of all the designated funds are given in note 20 to the financial statements and restricted funds details are in note 22.

The level of free reserves as defined above was £778,829, made up of the following:

General fund excluding net book value of fixed assets		309,679
'Free' designated funds:		
Gifts	452,450	
Fundraising	10,000	
Car park repair	3,200	
Dog campaign	3,500	
		469,150
		<u>778,829</u>

The reserves balance is higher than the target level due to the receipt of a generous unrestricted legacy in 2019/20 and very high car park takings in 2020/21 and 2021/22. A large part of the reserve will to be needed for the costs arising from Ash Dieback over the next 2 to 5 years and to meet rising costs due to high inflation.

The trustees have carried out a rigorous going concern review and concluded that the Trust is a going concern and that they expect the organisation to continue operating and paying liabilities as they fall due for at least twelve months from when the accounts are signed.

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 £2.241 million (2020/21 £2.256 million). The employer's contribution rate during the year was 21.8 % (2020/21 21.8 %).

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 next Actuarial valuation will be carried out as at 31st March 2022, with revised contribution rates coming into effect from 1st April 2023.

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 2021/22 totalled £66,100 (2020/21 £63,600). The amount due for 2022/23 is £68,700.

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 in early 2021, sets out the Trust's plans for land management work in delivering 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. This is a major financial challenge to the organisation. A designated fund has been set up to cover the costs of dealing with Ash Dieback in 2022/23. Work has been started, with a focus on trees likely to pose a risk to the public, for example those close to properties, public highways and footpaths. Additional funds will be needed in future years, which will most likely be funded by donations and the unrestricted gift fund.

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

- The removal of diseased ash trees will continue across the Trust's estate,
- 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,
- Much needed refurbishment works will be carried out at the charity's premises at the Lower Shed and Manor House, to include kitchen and washing facilities and archive storage 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 Spring 2022. 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 2019 (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 and
- 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 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.

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 – with the lifting of restrictions, and higher levels of infection in the population the risk of staff shortages due to illness is considered to have increased. Specific Health and Safety risks continue to arise both from changes to working practices and protection of public-facing staff,
- Financial uncertainty arising from the economic impacts of the pandemic and war in Ukraine, resulting in a reduction in investment returns,
- Delays in income payments and the impairment of financial assets,
- Increased UK and international inflation rates, leading to significant cost increases in many areas, including fuel, contractors' costs and machinery and equipment and a drop in visitors to the hills,
- A significant increase in tree work costs as a result of Ash Dieback and other environmental factors,
- Local campaigns by individuals and groups diverting organisational resources and focus and
- Pension commitments – the pension liability (accounting deficit) under the LGPS is disclosed in detail in note 26 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)
8th September 2022

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 2022 which comprise the Statement of Financial Activities, the Balance sheet, the Statement of cash flows and the related notes, 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 2022 and of its incoming resources and application of resources, including its income and expenditure 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and 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 where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; or



- sufficient and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; 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, the Trustees responsible for the preparation of the financial statements and for being satisfied that they 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.

Auditors' 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 the Act and relevant regulations made or having effect thereunder.

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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The procedures undertaken in order to identify and assess risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, are as follows:

- we have considered the nature of the industry and sector, control environment and business performance;
- we have considered the results of our enquiries of management and the board about their own identification and assessment of the risks of irregularities;
- for any matters identified we have obtained and reviewed the charity's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- we have considered the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud, which included incorrect recognition of income and accounting estimates, and these were identified as the greatest potential area for fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the charitable company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Charities SORP (FRS 102) - Accounting and Reporting by Charities and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Charities Act 2011.



In addition, we have considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the charity's ability to operate or to avoid a material penalty. These included occupational health and safety regulations, employment legislation and Data Protection Regulations.

Our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- documenting and validating the control environment for income and debtors and carrying out walkthrough testing;
- undertaking substantive sample-based testing or proof in total calculations on all material revenue streams to ensure revenue has been recognised appropriately and accurately;
- enquiring of management and those charged with governance concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading and reviewing minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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 Auditors' 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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.

Not yet signed
10 Temple Back
Bristol
BS1 6FL
Date: 8th September 2022

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 2022

	Note	Unrestricted funds	Restricted funds	Total funds 2022	Total funds 2021 (note 28)
		£	£	£	£
Income and endowments from:					
Donations and legacies	3	3,932	8,007	11,939	5,244
Charitable activities:					
Management of the hills and commons	7	865,102	12,475	877,577	493,079
Car parks		418,059	0	418,059	412,659
Other trading activities	4	38,647	168	38,815	35,928
Investments:					
Bank deposits		1,338	0	1,338	1,302
Investment portfolio		0	34,008	34,008	33,865
Other	5	13,581	0	13,581	9,110
Total income		1,340,659	54,658	1,395,317	991,187
Expenditure on:					
Charitable activities		1,097,934	87,855	1,185,789	1,167,879
Other expenditure		9,797	9,493	19,290	15,161
Total expenditure	7	1,107,731	97,348	1,205,079	1,183,040
Net gains on investments	16	0	51,725	51,725	333,269
Net income		232,928	9,035	241,963	141,416
Transfers between funds		22,083	(22,083)	0	0
Other recognised gains/(losses)					
Actuarial gains/(losses) on defined benefit pension scheme	26	39,000	0	39,000	(405,000)
Net movement in funds		294,011	(13,048)	280,963	(263,584)
Reconciliation of funds:					
Total funds brought forward		(1,236,528)	3,132,637	1,896,109	2,159,693
Total funds carried forward	23	(942,517)	3,119,589	2,177,072	1,896,109

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 28 to 51 form part of these financial statements.



Balance Sheet as at 31st March 2022

	Note	2022	2021
		£	£
Fixed Assets			
Tangible fixed assets	14	433,430	437,893
Heritage assets	15	1,173,644	1,060,261
Investments	16	1,638,899	1,694,759
Total fixed assets		3,245,973	3,192,913
Current Assets			
Livestock		25,320	25,320
Debtors	17	133,474	58,299
Short term deposits		1,167,462	992,628
Cash at bank and in hand		222	200
Total current assets		1,326,478	1,076,447
Creditors: Amounts falling due within one year	18	(154,379)	(117,251)
Net Current Assets excluding pension liability		1,172,099	959,196
Net assets		4,418,072	4,152,109
Pension Fund liability	27	(2,241,000)	(2,256,000)
Net Assets including pension liability		2,177,072	1,896,109
The funds of the charity			
Unrestricted - General Fund	19	425,825	439,722
Unrestricted - Designated Funds	20	872,658	579,750
Unrestricted - Pension Fund	21	(2,241,000)	(2,256,000)
Restricted Funds	22	3,119,589	3,132,637
Total charity funds		2,177,072	1,896,109

The notes on pages 28 to 51 form part of these financial statements.

Signed

Mick Davies
Chair of Trustees on behalf of the Trustees
8th September 2022



Statement of cash flows for the year ended 31st March 2022

	2022 £	2021 £
Cash flows from operating activities		
Net movement in funds	280,963	(263,584)
Add back depreciation charge	91,251	102,732
Investment (gains)/ losses	(51,725)	(333,269)
Profit on disposal of fixed assets	(960)	0
Income on investing activities retained in portfolio	(15,591)	(16,722)
(Gain)/loss on pension scheme	(15,000)	414,000
(Increase)/decrease in debtors	(75,175)	123,849
Increase in creditors	37,128	12,912
Net cash provided by/(used in) operating activities	250,891	39,918
Cashflows from investing activities:		
Proceeds from the sale of fixed assets	960	0
Purchase of property, plant and equipment	(200,171)	(21,713)
Investment manager's fees deducted from portfolio	11,443	10,821
Funds transferred (to)/from investment portfolio	111,733	(1,905)
Net cash provided by investing activities	(76,035)	(12,797)
Change in cash and cash equivalents in the reporting period	174,856	27,121
Cash and cash equivalents at the beginning of the reporting period	992,828	965,707
Cash and cash equivalents at the end of the reporting period	1,167,684	992,828
Analysis of cash and cash equivalents		
Cash in hand	222	200
Current account	245,321	229,811
Notice deposits (less than 3 months)	922,141	762,817
Total cash and cash equivalents	1,167,684	992,828

The notes on pages 28 to 51 form part of these financial statements.



Notes to the financial statements for the year ended 31st March 2022

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 2019) – (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 £174,856 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.

It is Malvern Hills Trust's objective to preserve and manage the land held by the charity. 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	16.67 % of cost
Parking meters	10 % 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.



The land held by Malvern Hills Trust is reported in the Balance Sheet at cost. The land is inalienable, so the Trustees do not believe the expense of having the land valued for the purposes of these accounts would be good use of the charity's funds, as the cost would exceed the benefit. Malvern Hills Trust also has some small areas of land which were donated to the charity which are not shown in the accounts. The Trustees believe that the expense of having this land valued to include it in the accounts would exceed the benefits provided by the valuation, as this land is also inalienable.

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 26 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

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 or
- 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.

Further explanation of the nature and purpose of each fund is included in notes 19-22 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 27 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

	2022	2021
	£	£
Gifts	11,326	2,244
Legacies	613	3,000
	<u>11,939</u>	<u>5,244</u>

The income from donations and legacies was £11,939 (2021 £5,244) of which £3,932 was unrestricted (2021 £4,594) and £8,007 restricted (2021 £650).

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

	2022	2021
	£	£
Rental income	32,144	27,350
Easements and wayleaves	6,474	7,689
Sales of books and leaflets	197	889
	<u>38,815</u>	<u>35,928</u>

Rental income and easements and wayleaves in both years is unrestricted. £168 of the sales of books and leaflets (2021 £889) were restricted.

5 Analysis of other income

	2022	2021
	£	£
Employment allowance	4,000	4,000
Compensation for works	911	1,741
Profit on disposal of fixed assets	960	0
Other	7,710	3,369
	<u>13,581</u>	<u>9,110</u>

All of the above income is unrestricted.



6 Analysis of expenditure

	Estate manage't	Wardening	Car parks	PR	Governance	Office costs	Total 2022	2021
	£	£	£	£	£	£	£	£
Salaries (note 10)	320,301	98,794	3,809	0	60,584	166,188	649,676	618,459
Direct expenses	269,851	10,726	29,808	4,579	6,091	0	321,055	319,536
Rates and water	2,889	0	1,254	0	0	2,235	6,378	5,653
Electricity & gas	2,582	0	1,549	0	0	2,737	6,868	4,475
Insurance	25,971	0	0	0	1,633	890	28,494	30,328
Maintenance of buildings	1,078	0	0	0	0	4,382	5,460	2,549
Depreciation	87,006	0	0	0	0	4,245	91,251	102,732
Investment management	9,493	0	0	0	0	0	9,493	9,017
Support costs (note 8)	23,777	0	11,621	0	16,078	34,928	86,404	90,291
	<u>742,948</u>	<u>109,520</u>	<u>48,041</u>	<u>4,579</u>	<u>84,386</u>	<u>215,605</u>	<u>1,205,079</u>	<u>1,183,040</u>

Expenditure was £1,205,079 (2021 £1,183,040) of which £1,107,731 was unrestricted (2021 £1,063,468) and £97,348 was restricted (2021 £119,572).

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 2022	Total 2021
	£	£	£	£
Income				
Levy on Council Tax payers in precepted parishes	566,950	0	566,950	534,850
Stewardship grants	287,053	0	287,053	82,258
Less provision for non-payment of grants by the RPA	0	0	0	(151,470)
Other grants (see note below)	23,574	0	23,574	27,441
Car park takings	0	418,059	418,059	412,659
Total income from charitable activities	<u>877,577</u>	<u>418,059</u>	<u>1,295,636</u>	<u>905,738</u>
Expenditure	<u>(1,172,467)</u>	<u>(32,612)</u>	<u>(1,205,079)</u>	<u>(1,183,040)</u>
Net contribution/(cost funded by other income)	<u>(294,890)</u>	<u>385,447</u>	<u>90,557</u>	<u>(277,302)</u>

The Charity entered into a Countryside Stewardship grant agreement in 2018 with Natural England, for the North & Central hills. The grant was due to be paid in arrears and had been accounted for on an accruals basis. The first payment was received in full for 2018. Without consulting the Charity, the Rural Payments Agency (RPA), who have taken over the administration of the grant unilaterally changed the agreement in 2018 without consulting the charity. This only



came to light when the Charity chased payment of the 2019 grant. At 31st March 2021 the Charity was in dispute with the RPA over their non-payment of the grant. A resolution was not reached before the accounts for the year ended 31st March 2021 were signed. As a prudent measure, the Charity therefore excluded the accrued grant income (£151,470) from those accounts, which is reflected in the comparative figures in these accounts.

Resolution was reached with the RPA in November 2021. Grants payable under the agreements for 2019 and 2020 were paid, apart from £1,700 which is still being queried (and continues to be excluded from the accounts).

8 Analysis of support costs

	Estate m'tce £	Governa nce £	Car parks £	Office costs £	Total 2022 £	Total 2021 £
Telephones	1,326	0	0	1,783	3,109	3,192
Cleaning	1,455	0	0	1,456	2,911	2,866
Postage	0	0	0	3,458	3,458	2,772
Office equipment	0	0	0	2,290	2,290	2,099
Printing and stationery	0	0	0	5,747	5,747	5,455
Travelling	0	0	0	461	461	449
IT	0	0	0	12,284	12,284	9,974
Legal fees	8,565	4,378	8,980	0	21,923	30,499
Audit fee	0	7,200	0	0	7,200	6,675
Other professional fees	5,769	3,482	0	4,523	13,774	17,565
Subscriptions	0	0	0	2,016	2,016	2,198
Training	4,535	0	0	219	4,754	1,605
Miscellaneous	0	1,018	0	691	1,709	1,784
Recruitment	2,127	0	0	0	2,127	0
Bank charges	0	0	2,641	0	2,641	3,158
	<u>23,777</u>	<u>16,078</u>	<u>11,621</u>	<u>34,928</u>	<u>86,404</u>	<u>90,291</u>

9 Net income/(expenditure) for the year

This is stated after charging:

	2022 £	2021 £
Depreciation	91,251	102,732
Auditor's remuneration: Audit fees	7,200	6,675



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

	2022	2021
	£	£
Salaries and wages	456,918	424,769
Social security costs	41,569	35,833
Pension costs	131,753	133,274
Group life assurance	1,946	1,659
FRS 102 - pension adjustment	24,000	9,000
FRS 102 - short term compensated absence charge to SOFA	(6,510)	13,924
	<u>649,676</u>	<u>618,459</u>

No employees had benefits (excluding employer's NI and pension costs) in excess of £60,000 (2021 £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 (2021 £nil). No travelling expenses were reimbursed to trustees during the year (2021 £nil). No charity trustee received payment for professional or other services supplied to the charity (2021 £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 £212,911 (2021 £217,354).

11 Staff numbers

The average monthly head count was 20 staff (2021: 19 staff) and the average monthly number of full-time equivalent employees (including part-time staff) during the year were as follows:

	2022	2021
Wardens	3.7	3.1
Field Staff	6.6	6.6
Office based staff	6.7	5.8
	<u>17</u>	<u>15.5</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:

Matthew Rouse, son of Trustee Christopher Rouse, was paid £490 for post-knocking services.



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 £	Improv- ements to land and buildings £	Car parks £	Vehicles and equipment £	Office equipment £	Total £
Cost								
1st April 2021	1,060,261	102,733	138,770	889,232	160,460	430,337	57,885	2,839,678
Additions	113,382	0	0	40,200	0	43,496	3,093	200,171
Disposals	0	0	0	0	0	(1,800)	0	(1,800)
At 31st March 2022	1,173,643	102,733	138,770	929,432	160,460	472,033	60,978	3,038,049
Depreciation								
At 1st April 2021	0	0	22,199	769,864	160,460	337,350	51,651	1,341,524
Charge in the year	0	0	2,775	58,813	0	25,418	4,245	91,251
On disposals	0	0	0	0	0	(1,800)	0	(1,800)
At 31st March 2022	0	0	24,974	828,677	160,460	360,968	55,896	1,430,975
Net book value								
31st March 2022	1,173,643	102,733	113,796	100,755	0	111,065	5,082	1,607,074
31st March 2021	1,060,261	102,733	116,571	119,368	0	92,987	6,234	1,498,154

'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.

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		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 (named Brook Meadow, Snookes Croft & Plant's Piece)		297,399
2021/22	Land at The Purlieu, West Malvern Road		113,382
	Total to 31 st March 2022		<u>1,173,643</u>

This land is shown at cost and is not revalued. As the land is inalienable, the Trustees do not consider the expense of having the land valued would generate any benefit for the Charity.



16 Investments

Investments are held to provide capital growth and a return for the charity. There are two investment portfolios. One holds the Land Purchase (1992) Fund (formerly named the Lands Acquisition fund) and the other the Lands Maintenance Fund and the Parliamentary Fund. Income earned on the Land Purchase (1992) 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:

	LP	Parl & LM	Combined 2022	2021
	£	£	£	£
Opening Market Value	1,019,972	674,787	1,694,759	1,353,684
Additions	35,900	16,500	52,400	331,003
Disposal proceeds	(150,044)	(16,798)	(166,842)	(330,127)
Equalisations	(20)	(70)	(90)	(323)
Gains	14,953	36,773	51,726	333,269
Change in cash	10,572	(3,626)	6,946	7,253
Closing market value	931,333	707,566	1,638,899	1,694,759

The historical cost of investments at the balance sheet date was £1,322,552 (2021 £1,403,493). At the Balance Sheet date, the Land Purchase (1992) portfolio was invested in the following classes of investment:

	2022		2021	
	%	£	%	£
UK Bonds	3.3	30,316	4.3	44,280
Overseas bonds	9.3	86,637	9.9	100,713
UK equities	23.9	222,700	25.0	255,352
North American equities	26.8	249,161	25.6	261,232
European equities	6.9	64,298	7.4	75,389
Japanese equities	3.5	32,569	3.5	35,939
Asia pacific equities	6.3	58,535	7.0	71,171
Emerging markets	1.4	13,263	1.3	13,423
Absolute return	4.7	43,623	4.1	41,580
Global investments	3.6	33,740	3.9	39,778
Property	2.4	22,606	2.0	20,047
Other investments	4.3	39,886	3.7	37,641
Cash	3.7	33,999	2.3	23,427
		<u>931,333</u>		<u>1,019,972</u>



16 Investments - continued

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

	2022		2021	
	%	£	%	£
UK Bonds	4.2	29,725	4.8	32,214
Overseas bonds	8.6	60,692	9.2	62,070
UK equities	23.9	169,321	25.2	170,049
North American equities	26.8	189,760	23.8	160,762
European equities	6.1	43,268	6.7	45,545
Japanese equities	3.1	22,245	3.5	23,465
Asia pacific equities	5.8	41,174	6.0	40,764
Emerging markets	1.5	10,470	1.6	10,597
Absolute return	4.1	29,201	2.0	13,649
Global investments	7.2	51,082	7.8	52,530
Property	1.0	7,150	1.0	7,053
Other investments	5.3	37,349	5.4	36,334
Cash	2.3	16,129	2.9	19,755
		<u>707,566</u>		<u>674,787</u>

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

17 Debtors

	2022	2021
	£	£
Trade debtors	16,379	1,510
VAT receivable	4,350	0
Other debtors	895	1,897
Accrued income	63,240	163,345
Less: RPA amounts due removed (see note 7)	0	(151,470)
Prepayments	<u>48,610</u>	<u>43,017</u>
	<u>133,474</u>	<u>58,299</u>

Debtors are measured at the settlement value less any provision for bad debts. No bad debts were written off during the year (2021 £nil).

Details of the amount due from the RPA which was excluded from the prior year accounts are given in note 7.



18 Creditors: amounts falling due within one year

	2022	2021
	£	£
PAYE and National Insurance	11,766	7,978
VAT payable	0	4,247
Trade creditors	40,532	17,099
Accrued charges	64,163	45,018
Other creditors	4,418	2,648
Deferred income	13,549	13,800
FRS102 compensated absence provision	19,951	26,461
	<u>154,379</u>	<u>117,251</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 2021	13,800
Released to the SOFA in the year	(13,800)
Received in the year	<u>13,549</u>
Balance at 31 st March 2022	<u>13,549</u>

19 General fund

	2022	2021
	£	£
General fund - balance 1 st April 2021	439,722	334,668
Incoming resources	1,046,622	1,013,661
Resources expended	(929,298)	(913,850)
Transfers	(131,221)	5,243
Balance 31 st March 2022	<u>425,825</u>	<u>439,722</u>

Transfers made during the year were:

Transfer details	Reason	£
From Parliamentary fund	To transfer investment income	13,393
From Lands Maintenance fund	To transfer investment income	5,025
From Boost 4 Biodiversity fund	To cover project costs (contractor)	2,013
From Farming in Protected Landscapes fund	To cover project costs	3,062
From Picnic bench donations	To cover material and staff costs	<u>3,113</u>
Net from restricted funds		<u>26,606</u>
From Stewardship designated fund	To cover staff costs	1,063
To Tree Disease fund designated fund	To cover costs arising from tree disease	(12,890)
To Election Expenses designated fund	To cover costs of elections to the Board	(10,000)
To Ash Dieback fund	To cover car park repair costs	<u>(136,000)</u>
Net to designated funds		<u>(157,827)</u>



20 Designated funds

Current year

	Balance 1st April 2021 £	Movement incoming £	Resources outgoing £	Transfers (to)/from other funds £	Balance 31st March 2022 £
Gift fund	458,104	653	(1,785)	(4,522)	452,450
HLS, BPS & grazing reserve fund	110,745	16,409	(15,764)	(1,063)	110,327
Countryside Stewardship fund	(60,076)	276,939	(89,794)	0	127,069
Tree disease fund	10,085	0	0	12,890	22,975
Ash Dieback fund	0	36	(40,005)	136,000	96,031
Fundraising support fund	10,000	0	0	0	10,000
Governance Review - legal	34,010	0	0	0	34,010
Governance Review - public consultation	889	0	0	0	889
Election expenses fund	7,493	0	(5,286)	10,000	12,207
Dog campaign	3,500	0	0	0	3,500
Car Park repair fund	5,000	0	(1,800)	0	3,200
	<u>579,750</u>	<u>294,037</u>	<u>(154,434)</u>	<u>153,305</u>	<u>872,658</u>

Prior year

	Balance 1st April 2020 £	Movement incoming £	Resources outgoing £	Transfers (to)/from other £	Balance 31st March 2021 £
Gift fund	464,243	75	(4,294)	(1,920)	458,104
Higher Level Stewardship fund	166,157	14,719	(69,031)	(1,100)	110,745
Countryside Stewardship fund	81,703	(76,402)	(65,377)	0	(60,076)
Tree disease fund	9,000	0	(1,915)	3,000	10,085
Fundraising support fund	10,000	0	0	0	10,000
Governance Review - legal	34,010	0	0	0	34,010
Governance Review - public	889	0	0	0	889
Election expenses fund	2,493	0	0	5,000	7,493
Dog campaign	3,500	0	0	0	3,500
Car Park repair fund	0	0	0	5,000	5,000
	<u>771,995</u>	<u>(61,608)</u>	<u>(140,617)</u>	<u>9,980</u>	<u>579,750</u>

- 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. During the year, £4,522 was transferred to the restricted 'Community Woodland' fund to cover the Trust's contribution to the project costs. It is anticipated that a significant part of this fund will be needed in the next 2-10 years to cover the cost of managing Ash Dieback.
- 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 Tree Disease fund is to cover costs arising from tree diseases.
- The Ash Dieback fund was set up during the year to cover the cost of managing Ash Dieback. The current best estimate of the cost over the next 5-10 years is £320,000.



- The Fundraising support fund is to cover costs of future fundraising activities.
- The Governance review funds are to cover the costs of any future work approved by the Board.
- The Election expenses fund is to cover the cost of the 4-yearly elections to the Board and any by-elections. A by-election was held in May 2021 and a second one became necessary in May 2022. Additional funds have been transferred from the General fund to cover the costs of both by-elections. The next planned 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. Work on the campaign has been delayed by COVID-19.
- The car park repair fund is to cover the cost of car park repairs to be completed in 2022/23.

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

21 Unrestricted pension fund

Current year

	Balance 1st April 2021 £	Movement incoming £	Resources outgoing £	Transfers & other losses £	Balance 31st March 2022 £
Pension Fund	(2,256,000)	0	(24,000)	39,000	(2,241,000)

Prior year

	Balance 1st April 2020 £	Movement incoming £	Resources outgoing £	Transfers & other losses £	Balance 31st March 2021 £
Pension Fund	(1,842,000)	0	(9,000)	(405,000)	(2,256,000)

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 26.



22 Restricted funds

Current year

	Balance 1st April 2021	Movement incoming	Resources outgoing	Transfers (to)/from other funds	Net gains/(losses) on investments	Balance 31st March 2022
	£	£	£	£	£	£
Lands Maintenance fund	185,339	5,025	(1,088)	(5,025)	9,337	193,588
SDF fund	453	0	0	0	0	453
Nature of the Malverns book	2,733	168	0	0	0	2,901
Gifts	9,707	0	(2,110)	(766)	0	6,831
Tree planting	700	565	(444)	0	0	821
Picnic bench donations	183	7,442	(1,712)	(3,113)	0	2,800
Community Woodland	0	0	(4,522)	4,522	0	0
Boost4Biodiversity	2,979	1,243	(821)	(2,012)	0	1,389
FIPL Foothill Connections fund	0	11,232	(8,436)	(2,296)	0	500
Urban tree challenge fund	0	(8,223)	0	0	0	(8,223)
Land Purchase (1992) fund	1,021,614	15,591	(5,527)	(113,382)	14,953	933,249
Parliamentary fund	509,485	13,393	(2,878)	(53,593)	27,435	493,842
Capital Outlay Discharged fund	1,399,444	0	(61,588)	153,582	0	1,491,438
	<u>3,132,637</u>	<u>46,436</u>	<u>(89,126)</u>	<u>(22,083)</u>	<u>51,725</u>	<u>3,119,589</u>

Prior year

	Balance 1st April 2020	Movement incoming	Resources outgoing	Transfers (to)/from other funds	Net gains/(losses) on investments	Balance 31st March 2021
	£	£	£	£	£	£
Lands Maintenance fund	156,512	4,353	(989)	(4,353)	29,816	185,339
SDF fund	453	0	0	0	0	453
Nature of the Malverns book	1,844	889	0	0	0	2,733
Gifts	9,707	0	0	0	0	9,707
Tree planting	50	650	0	0	0	700
Picnic bench donations	183	0	0	0	0	183
Community Woodland	40,955	0	(42,875)	1,920	0	0
Boost4Biodiversity	0	3,729	(750)	0	0	2,979
Land Purchase (1992) fund	794,466	16,722	(5,413)	0	215,839	1,021,614
Parliamentary fund	426,249	12,790	(2,616)	(14,552)	87,614	509,485
Capital Outlay Discharged fund	1,464,611	0	(66,929)	1,762	0	1,399,444
	<u>2,895,030</u>	<u>39,133</u>	<u>(119,572)</u>	<u>(15,223)</u>	<u>333,269</u>	<u>3,132,637</u>

- 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 (Sustainable Development Fund) fund is for information boards at North and Tank Quarries.
- The Nature of the Malverns book was a joint venture project to produce a high quality book show casing the nature of the area. The book was published in May 2018. The funds generated from the project are to be used to support conservation projects.
- 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. Work on the project was completed during the year.
- The Boost4Biodiversity fund is from Severn Trent, to fund pond works.
- The FIPL fund (Farming in Protected Landscapes) is a grant to support conservation projects within the AONB.
- The UTCF fund (Urban Tree Challenge Fund) is a grant from the Forestry Commission to support tree planting in urban areas.
- 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 Land Purchase (1992) 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, £13,393 investment income was transferred to the General Fund (2021 £12,790).
- The Land Purchase (1992) fund (formerly called the Lands Acquisition fund) was set up in 1992 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 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	1,173,644	0	317,284	0	510	1,491,438
Parliamentary fund	0	513,978	0	0	(20,136)	493,842
Land Purchase (1992) fund	0	931,333	0	0	1,916	933,249
Lands Maintenance fund	0	193,588	0	0	0	193,588
Nature of the Malverns	0	0	0	0	2,901	2,901
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	6,831	6,831
Tree planting	0	0	0	0	821	821
Picnic benches	0	0	0	0	2,800	2,800
FIPL Foothill Connections fd	0	0	0	0	500	500
Urban Tree Challenge fund	0	0	0	0	(8,223)	(8,223)
Boost4Biodiversity	0	0	0	0	1,389	1,389
	1,173,644	1,638,899	317,284	0	(10,238)	3,119,589
Unrestricted funds						
General fund	0	0	116,146		309,679	425,825
Designated funds	0	0	0	0	872,658	872,658
Pension fund	0	0	0	(2,241,000)	0	(2,241,000)
	0	0	116,146	(2,241,000)	1,182,337	(942,517)
	1,173,644	1,638,899	433,430	(2,241,000)	1,172,099	2,177,072



23 Analysis of net assets between funds - continued

Prior year

	Heritage assets	Investments	Tangible fixed assets	Pension liability	Other net assets	Total
	£	£	£	£	£	£
Restricted funds						
Capital Outlay Discharged	1,060,261	0	339,183	0	0	1,399,444
Parliamentary fund	0	492,595	0	0	16,890	509,485
Land Purchase (1992) fund	0	1,019,971	0	0	1,643	1,021,614
Lands Maintenance fund	0	182,193	0	0	3,146	185,339
Nature in Malvern book	0	0	0	0	2,733	2,733
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	9,707	9,707
Tree planting	0	0	0	0	700	700
Picnic benches	0	0	0	0	183	183
Boost4Biodiversity	0	0	0	0	2,979	2,979
	1,060,261	1,694,759	339,183	0	38,434	3,132,637
Unrestricted funds						
General fund	0	0	98,710	0	341,012	439,722
Designated funds	0	0	0	0	579,750	579,750
Pension fund	0	0	0	(2,256,000)	0	(2,256,000)
	0	0	98,710	(2,256,000)	920,762	(1,236,528)
	1,060,261	1,694,759	437,893	(2,256,000)	959,196	1,896,109

24 Post balance sheet events and capital commitments

At 31st March 2022, no capital expenditure had been contracted for (2021 £nil). Capital expenditure which had been approved but not contracted at the year-end was £nil (2021 £nil).

Under the Higher Level and Countryside Stewardship schemes, the charity is contracted to make 6-monthly payments to graziers from the grants received. Malvern Hills Trust's contracts with graziers have an annual break clause. The annual payments committed at 31st March 2022 total £92,657 (2021 £63,910).

The two Higher Level Stewardship schemes end in 2023. The Countryside Stewardship schemes are for a 10-year period and have a 5-year break clause. The Countryside Stewardship Scheme for the North & Central Hills ends in 2028, the scheme for the Southern Hills ends in 2030 and the scheme for Castlemorton Common ends in 2031.



25 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:

	2022	2021
	£	£
Within the next 12 months	21,836	21,086
Within 1-5 years	40,526	44,550
5 years plus	11,146	18,252
	<u>73,508</u>	<u>83,888</u>

26 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 2022.

The employer's contribution (including the FRS102 adjustment) for the period was £113,000 (2021: £125,000).

The amounts recognised in the Balance Sheet are as follows:

	2022	2021
	£	£
Present value of funded obligations	(4,473,000)	(4,452,000)
Fair value of plan assets	<u>2,232,000</u>	<u>2,196,000</u>
	<u>(2,241,000)</u>	<u>(2,256,000)</u>
Amounts recognised as:		
Liabilities	(2,241,000)	(2,256,000)
Assets	0	0
Net amount recognised	<u>(2,241,000)</u>	<u>(2,256,000)</u>



26 Defined benefit pension scheme - continued

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

	2022	2021
	£	£
Current service cost	90,000	82,000
Interest on pension liabilities	92,000	91,000
Past service cost	0	0
Administration costs	1,000	1,000
Expected return on plan assets	(46,000)	(49,000)
Contributions by employer	(113,000)	(116,000)
Total pension cost charged within net incoming resources	24,000	9,000
Remeasurements (Actuarial (gain)/loss)	(39,000)	405,000
Total amount (credited)/charged to SOFA	(15,000)	414,000

The cumulative amount of actuarial loss recognised is £777,000 (2021 £816,000).

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

	2022	2021
	£	£
Opening defined benefit obligation	4,452,000	3,876,000
Current service cost	90,000	82,000
Interest on pension liabilities	92,000	91,000
Member contributions	15,000	17,000
Actuarial (gains)/losses on liabilities	(22,000)	536,000
Past service cost	0	0
Benefits/transfers paid	(154,000)	(150,000)
Benefit obligation at end of period	4,473,000	4,452,000

Changes in the plan assets during the period to 31st March 2022 were as follows:

	2022	2021
	£	£
Fair value of plan assets at beginning of period	2,196,000	2,034,000
Expected return on scheme assets	46,000	49,000
Administration expenses	(1,000)	(1,000)
Remeasurements (assets) (Actuarial gains/(losses) on plan assets)	17,000	131,000
Employer contributions	113,000	116,000
Member contributions	15,000	17,000
Benefits/transfers paid	(154,000)	(150,000)
Fair value of plan assets at end of period	2,232,000	2,196,000



26 Defined benefit pension scheme - continued

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

	Fair value at 31st March 2022 £	Fair value at 31st March 2021 £
Asset category		
Equities	1,007,000	935,000
Other bonds	788,000	870,000
Property	136,000	123,000
Other	301,000	268,000
	<u>2,232,000</u>	<u>2,196,000</u>

	2022 £	2021 £
Experience gains on assets	17,000	0
Experience gains on liabilities	22,000	81,000

Weighted average assumptions used to determine benefit obligations at:

	2022	2021
Discount rate	2.8 %	2.1 %
Rate of increase in salaries	4.9 %	4.2 %
Rate of increase in pension	3.5 %	2.8 %
Rate of CPI inflation	3.4 %	2.7 %

Weighted average assumptions used to determine net pension cost for period ended 31st March 2022:

	2022	2021
Discount rate	2.80 %	2.10 %
Rate of pension increase	3.50 %	2.80 %

Assumed life expectations on retirement age 65:

Retiring today - males	22.6	22.7
Retiring today - females	25	25.1
Retiring in 20 years - males	24.1	24.4
Retiring in 20 years - females	27.0	27.1



26 Defined benefit pension scheme - continued

Contributions

The employer expects to contribute £116,000 in the period to 31st March 2023.

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.

27 Financial instruments

	2022	2021
	£	£
Financial assets measured at fair value	1,638,899	1,157,684
Financial assets measured at settlement value	1,247,303	1,051,127
Financial liabilities measured at settlement value	<u>(104,695)</u>	<u>(62,117)</u>

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



28 Statement of Financial Activities for the year ended 31st March 2021

	Note	Unrestricted funds	Restricted funds	Total funds 2021	Total funds 2020
		£	£	£	£
Income and endowments from:					
Donations and legacies	3	4,594	650	5,244	299,020
Charitable activities:					
Management of the hills and commons	7	489,350	3,729	493,079	727,429
Car parks		412,659	0	412,659	289,167
Other trading activities	4	35,039	889	35,928	42,400
Investments:					
Bank deposits		1,302	0	1,302	3,145
Investment portfolio		0	33,865	33,865	48,172
Other	5	9,110	0	9,110	6,002
Total income		952,054	39,133	991,187	1,415,335
Expenditure on:					
Charitable activities	6	1,057,324	110,555	1,167,879	1,182,153
Other expenditure	6	6,144	9,017	15,161	0
Total expenditure		1,063,468	119,572	1,183,040	1,182,153
Net gains/(losses) on investments	16	0	333,269	333,269	(150,702)
Net income/(expenditure)		(111,414)	252,830	141,416	82,480
Transfers between funds		15,223	(15,223)	0	0
Other recognised gains/(losses)					
Actuarial gains/(losses) on defined benefit pension scheme	26	(405,000)	0	(405,000)	12,000
Net movement in funds		(501,191)	237,607	(263,584)	94,480
Reconciliation of funds:					
Total funds brought forward		(735,337)	2,895,030	2,159,693	2,065,213
Total funds carried forward	23	(1,236,528)	3,132,637	1,896,109	2,159,693