Malvern Hills Trust

Finance Administration and Resources Committee
Manor Park Sports Club, Albert Road North, Malvern WR14 2TL
Thursday 8 December 2022 7.00pm

Present: Mr D Core (Chair), Mr M Davies, Mr D Fellows, Mrs L Hodgson, Mr C Penn (arrived during item 8), Prof J Raine, Mr D Watkins (arrived during item 4).

In attendance: Chief Executive Officer (CEO), Secretary to the Board, Finance and Administration Manager (FAM), Financial Assistant, Dr S Braim, Mr R Fowler, Dr T Parsons (arrived during item 9), Mr C Rouse.

Mr Core welcomed everyone to the meeting. Mrs Hodgson took the chair.

1. **Appointment of Chair**
   There was one nomination and Mr Core was appointed unopposed.
   He took the chair.

2. **Appointment of Chair**
   There was one nomination and Mrs Hodgson was appointed unopposed.

3. **Apologies for absence**
   There were none.

4. **Chair's communications**
   - Carol Concert, Little Malvern Priory, Friday 16 December 7.30pm
   - Auditors were appointed at the Levy payers' meeting on 1 December 2022. The FAM reported that Bishop Fleming were in the process of handing over to Azets.
   - The CEO confirmed that the FAM's successor had been appointed and should be taking up her post at the beginning of February.

5. **Declarations of interest**
   There were none.

6. **Public comments**
   There were none.

7. **Matters arising from the meeting of 9 December 2021 not otherwise on the agenda**
   The FAM said that an application had been made to open an investment account with Flagstone. There had been a number of requirements for trustee ID, which had now been satisfied but there was no indication of when the account would be opened.

8. **Investment Report**

   Mr Burrows, from Brewin Dolphin, went through the written report which had been circulated. It had been a challenging period. A recession was anticipated in the next year but it was expected that it would be mild due to the strength of the economy and the financial system. High inflation rates should start to moderate as commodity prices were starting to come down. However it was not clear how much company profitability would be affected.

9. **Investment risk categories**

   Mr Burrows introduced the report from Brewin Dolphin which had been circulated. It was good practice to review investment risk categories on a regular basis.

   However, he understood that the Trust may be intending to draw down funds from the Land Purchase Fund (as an internal loan) in order to fund the preparation of a Private Bill. It was appropriate to consider in those circumstances whether the risk category should be reviewed. Three options were outlined in the paper. If the Trust wanted to protect against further market falls, it might wish to reduce the level of risk in the portfolio. If the money was withdrawn from the portfolio now, reasonable interest rates were available on deposits. (Somewhere between 2 & 4 %). The Flagstone platform would give the Trust the opportunity to find the best return. An alternative was a mix of the possible approaches outlined in the paper.

   Comments included:

   - There was no clear timescale. If a bill was to be lodged in November 2023 there would be a considerable amount of work required upfront. A significant amount of drafting had been carried out in connection with the proposed s 73 Scheme but this would need to be adapted before a draft Bill was ready to lodge in Parliament.
   - There was uncertainty about how quickly the bill would progress once lodged. It would be difficult to make judgements about the timing of the funding requirements.
   - The estimate of £400,000 was over 12 months old and might need to be reviewed as a result of inflation.
   - The cost of resolving the issues caused by the Boundary Commission review was not clear but it was not envisaged that this would be paid for by means of a loan from the Land Purchase Fund.
   - A target time frame could be provided to Brewin Dolphin by the Trust so that they could make the decision on when to draw the money down.
   - Should the decision on risk be predicated on whether the Trust intended to withdraw funds? The presumption in the paper was that the investment risk might prudently be reduced in order to have the maximum funds available. If the state of the market put the Trust's capital at higher risk, then perhaps exposure should be reduced in any event. If the Trust wanted to substantially reduce the risk to funds, then drawing down money earlier would appear to be a way to do that.

- The main objective for the Land Purchase Fund was to keep pace with land values and the Trust had been prepared to take a slightly higher level of risk to achieve that.
- The fund could be split and the risk level reduced on part.

On the proposal of Mr Core, seconded by Prof Raine it was **RESOLVED** unanimously to recommend to the Board that the Land Purchase Fund be split into 3 parts.

i. The amount of money which it was anticipated might be required to fund the preparation of a private bill up to November 2023 should be drawn down and invested through the Flagstone platform to obtain the best short term return.
ii. The balance of the money which might be required to fund the passage of the private bill over the next 2 years should continue to be invested through Brewin Dolphin but at a lower level of risk
iii. The balance to remain invested at the current level of risk

Mr Burrows left the meeting.

10. **PRG Pension Fund actuarial review**

The FAM said that she and Mr Core had recently had a meeting with the Worcestershire Pension Fund actuary to go through the valuation results (as at March 2022). She would arrange for a copy of the valuation results to be posted on the website. The entire scheme was 100% funded. The Trust's part was 74.8% funded (up from 69.2% as at the last triennial valuation in 2019).
The Trust's scheme was closed to new members, and consequently costs were increasing. For the next 3 years, the future service amount for existing pension fund members would increase to 22.4% of pensionable salaries from 21.8%.
The current plan was to recover the deficit over 10 years, which was the average service life of active members. The deficit was coming down, showing that the action taken in 2017 was the right course.
The deficit recovery contribution would for the next 3 years was:

£75,800-for 2023/24,
£79,300 for 2024/25
£82,900 for 2025/26.

On current figures, the final payment would be £113,600 in 2032/33.
The present position was that the Trust paid 1/12 of the annual deficit recovery amount every month. There was the option to prepay on an annual basis. If the Trust paid the entire sum at the start of each year, there would be a saving of £5,020 over 3 years. A prepayment could be made for the whole 3 year period but would have an adverse impact on cash flow.
The FAM would prepare a paper for the Board meeting in January.

Mr Fellows commented that a simplified report should be made available to the public so that it was understood that the pension deficit was being dealt with. Mr Core pointed out that the figures reported above were not the same as the balance sheet figure.

11. **Management accounts for the 6 months ending 30 September 2022**
Since the paper was written, the October management accounts had been prepared and the position had improved. Car park takings for October had been over budget. Income was holding up, expenditure was being carefully monitored and it appeared that the adjustments which had been made to budgets earlier in the year for fuel and other rising costs were adequate.

12. **To approve General Fund budget and propose the Levy for the year ending 31st March 2024**
The FAM introduced the paper.
There were updates to the draft budget which had been circulated:
    i. The actuarial calculation of the pension contributions had been adjusted and the figure for staff costs needed to be increased by £8,900.
    ii. Land Management Committee had increased their budget by £500 for contingencies.
    iii. There were 2 changes to fixed asset purchases. There was a substitution which did not affect the figures. The purchase of 2 items budgeted for 2022/23 had been delayed and this would reduce the estimated depreciation charge in 2023/24 by £4,000.
    iv. The Audit fee would need to be increased by £3,373 following the appointment of Azets in place of Bishop Fleming.
    v. There had been a renegotiation of the fees paid to Worldpay (card processor) resulting in a reduction of £475.

After making these changes, the draft budget would show a deficit of about £46,000. The FAM and the CEO were uncomfortable with this, and the CEO proposed deferring a planned upgrade to the Trust website in order to bring the projected deficit back below £40,000. This would not affect content but might delay improvements to user access.
Comments made included:

- The Trust had a poor record on forecasting and had historically underspent against the budget so the projected £40,000 deficit might be an overstatement. The CEO commented that it was advisable to set the budget on the basis of what funds might reasonably be needed to carry out the Trust's functions but the Trust controlled expenditure where it could. The FAM said she disagreed that the Trust did not forecast well and offered to send the figures comparing budget to actual expenditure to Mr Fowler. Over the last 2 years the Trust had had the bonus of an unexpected increase in car park takings which had enabled the Trust to cover the cost of ash dieback.

- A £40,000 deficit represented less than 4% of overall spend.
- There was money allocated in the current year's budget to engage someone to assist with accessing grant funding. This was still being actively pursued.
- On the basis that the Trust needed to continue to do what it was currently doing to look after the Hills and Commons, the Trust needed to look for other sources of income. However a £40,000 deficit was manageable for the time being.

On the proposal of Mrs Hodgson, seconded by Prof Raine, it was **RESOLVED** unanimously to recommend to the Board approval of the draft budget with amendments:

Addition of £8,900 to staff costs
Addition of £500 to LMC budget
Reduce depreciation charge by £4,000
Addition of £3,373 to audit fee
Reduce bank charges by £475
Delete item for improvements to website £7,825

Discussion then followed on setting the levy.
Comments included:

- Concern was expressed about increasing the levy by 10%, because of the increase in the cost of living which levy payers were having to bear. The cost of this increase to a band D household would be £4.17 per year.
- Although 10% increase in the levy equated to a small sum of money, the psychological effect was a concern.
- Not all forecasters predicted a 10% increase in inflation
- Setting the levy at the proposed level was well below the maximum which the Trust could levy.
- Not increasing the levy by inflation this year would have a knock on effect in future years as the reduction in income would not be regained.
- The CEO said that the proposed increases in expenditure were based on the best information available for year on year inflation. If trustees believed inflation would be less than 10% the budget should be adjusted accordingly but if the 10% forecast was right the Trust would then not be able to deliver its current functions in the coming year.
- 10% increase in the levy generated about £60,000 per year.
- The Trust asked for a sum of money, not a percentage increase on the previous year.
- The figure for the taxbase was not yet available but was likely to increase, so the figure shown on the council tax bills was likely to be less than 10%.

- Trustees should look at the budget in its totality – some items would have increased by more than 10%. To fund the planned expenditure the levy would need to be increased by 10%. Dr Braim asked to see some of the detail of the increased expenditure figures.
- Could the levy be kept down but car park charges increased by a greater amount to take the pressure off the levy payers?
- Car park takings could be very variable.
- Could some of the expenditure not be put off to 2024/25?
- If income was reduced, the Trust would have to do less.
- Should the productivity of the field staff and wardens not be examined?

The CEO made clear that he went through the budgets very carefully with the officers to consider what funding was realistically needed for the work to be done. Where possible savings were made.
On the proposal of Prof Raine, seconded by Mrs Hodgson, it was **RESOLVED** (with 1 vote against and 1 abstention) to recommend that the Board set the levy for 2023/24 at £655,300.

There was a brief discussion on car park charges.
On the proposal of Mrs Hodgson, seconded by Prof Raine, it was **RESOLVED** unanimously to recommend to the Board that car park meter prices in the main car parks be increased to £5.25 per day.

The CEO said that it was planned to install 2 new car park meters at Old Hills at a quoted cost of £5,700 each. Parking at Old Hills would be charged at a different rate as it was a smaller site well away from the main Hills. There was a discussion on whether it would be better for these machines to be card only. This would save operational costs and improved security. On the proposal of Mrs Hodgson, seconded by Mr Watkins, it was **RESOLVED** unanimously to recommend to the Board that meters be installed at Old Hills with a £2.50 daily charge for 2023/24.

On the proposal of Mrs Hodgson, seconded by Prof Raine, it was **RESOLVED** unanimously to recommend to the Board that:

a) Residents passes be increased to a cost of £7 per annum from 1 June 2023
b) Annual pass prices be increased to £50 per annum plus £25 per annum for a second car at the same address, from 1 April 2023.

The Secretary to the Board said that the extensions to the HLS Chase End and Old Hills agreements had been confirmed.

On the proposal of Mrs Hodgson, seconded by Prof Raine, it was **RESOLVED** unanimously to recommend to the Board that the designated funds budget be approved.

On the proposal of Mrs Hodgson, seconded by Prof Raine, it was **RESOLVED** unanimously to recommend to the Board that the restricted funds budget be approved.

13. **Reports for information**

13.1 Car Park takings

The Financial Assistant went through the report. There had been higher car park ticket sales in 2021/22 in most of the car parks.

13.2 Review of major projects (including Land Management)

There was a written report. The CEO updated the committee – the side arm flail was now with the suppliers. The railings for the donkey shed should be installed in the early part of the New Year. The work to the road surface at Westminster Bank had been completed. The cost to the Trust was £3,900.

13.3 GDPR

There had been no data breaches to report.

13.4 Red flag items off risk schedule

Some risk levels had been reduced – items 2.1 and 3.5 - as a result of the appointment of the auditor.

The CEO would arrange for the risk schedule to go onto the trustees' part of the website

13.5 Exercise of delegated expenditure powers

There was a written report.

13.6 Property – Manor House refurbishment.

No update.

14. **Urgent business**

The CEO requested the Committee approve expenditure under its delegated authority to install a replacement clutch on one of the tractors. On the proposal of Prof Raine, seconded by Mr Fellows, it was **RESOLVED** unanimously to approve under its delegated authority the installation of a tractor clutch at a cost of up to £2,200.

15. **Date and time of next meeting**

The next scheduled meeting was 8 June 2023 7pm.

This would be the last scheduled committee meeting for the FAM. The Committee thanked her for all her efforts.

16. **Confidential business**

On the proposal of Mr Core, seconded by Mr Davies it was **RESOLVED** unanimously to exclude the public for discussion of item 17 on the agenda on the grounds that publicity would be prejudicial to the public interest by reason of the exempt or confidential nature of the business to be transacted (commercially sensitive matter)

Minutes released

17. **Review of major contracts**
A written report had been provided. Since the list was prepared different auditors had been appointed and the audit costs would be increased. Some of the contracts were under review – eg photocopier and phones.

The meeting closed at 9.40pm