Malvern Hills Trust

Finance Administration and Resources Committee
Thursday 20 June at 7.00pm

Present: Lucy Hodgson (Chair), Robert Berry, David Core, Allan Cottam, David Fellows, Cynthia Palmer (non-voting), Charles Penn, John Raine and Mary Turner.

In attendance: CEO, Finance & Administration Manager (FAM). Finance Officer, Chris Rouse, Malcolm Victory.

1. **Apologies for absence**
   Secretary to the Board, Richard Fowler.

2. **Chair's communications**
   2.1 Lucy Hodgson recorded the Trust's apologies for the change of meeting date, which had been due to exceptional circumstances.
   2.2 Lucy Hodgson was pleased to report that the Trust was progressing risk management and particularly health & safety. A fire risk assessment had taken place a few weeks previously and there were some action points arising from this. Trustees had received an excellent online health & safety training session delivered by Keith Tomkins, who had worked with the Trust for several years and had now been taken on as its external advisor on health & safety. He would be visiting the Trust on 1 July 2024.
   2.3 Lucy Hodgson indicated that there might need to be a change to the budget to take account of increased spending on health & safety. The FAM advised that there was an allowance within the professional fees budget of £1200 for health & safety. She recommended that the Board not alter the budget, but rather accept that the actual would be higher and that this be taken into account for the 2025-26 budget.

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

4. **Public comments**
   There were none.

5. **Matters Arising from the FAR meeting held on 14 December 2023**
   The Chair referred to the typing error by Malvern Hills District Council in January 2024, which had resulted in the levy percentage increase appearing higher than it was. It was noted that this had been explained to the Board in the Chair of the Board's report, and it was confirmed that the error had been entirely the fault of the Council and not the Trust.

6. **Management Accounts for the year ended 31 March 2024**
   The Committee received the accounts for the General Fund, Designated Fund, and

Restricted Funds, together with accompanying notes. The FAM went through the papers. She explained that the accounts had been prepared for the Audit, which was now in progress, and that there might be changes to be made arising from that. She highlighted the following points:

6.1 Car parking income was showing as significantly under budget. The auditors had found in the previous year that the Trust was treating income on a receipts basis rather than on a month-by-month basis. The FAM had therefore deferred income received prior to 31 March which belonged to the next financial year. Car parking income was therefore showing at £16k under budget but this was a timing issue and in practice the income received had *increased* by £6k.

6.2 Land management expenditure had been impacted by the very wet conditions which had led to planned grounds works being impossible until early 2024-25 and expenditure designated accordingly.

6.3 There were some zero lines on communication and public engagements, due to significant staff absence due to illness.

6.4 Within admin & governance, the governance cost was over budget, mainly due to its being an election year and the consequent need for room hire, new trustee training etc, plus the later election being required in Priory Ward.

6.5 Within staff costs, there was an accrual for unused holiday which is an annual audit requirement.

6.6 The FAM drew the meeting's attention to the Bill costs under designated funds. There were two designated funds for the Bill as of 1 April 2024, one for legal costs and the other for any other costs. Note D1 detailed the expenditure for the whole year 1 April 2023-31 March 2024; this was expected to come down to £17,700 following the audit. As requested by Trustees, there would be monthly expenditure statements for the Bill going forward.

6.7 For restricted funds, three FIPL projects had completed in 2023-24, as had the donkey shed project.

6.8 For the balance sheet, the FAM highlighted that the annual investment portfolio revaluation had been carried out, subject to audit.

6.9 The LGPS Pension liability had reduced from £737k liability to £612k liability.

6.10 The only issue that had come about after the accounts were submitted was the Stewardship Scheme, which operated in calendar years. The Trust had been informed in early June that the amount payable had increased significantly, by £38k. This amount would be attributed to designated funds but would also help the bottom line.

6.11 The auditors' report would be submitted to the August FAR meeting, pending sign off at the September Board meeting.

Questions were invited on the accounts.

6.12 Lucy Hodgson asked whether Trustee training that was related to the Bill could at allocated to the Bill costs. The FAM explained that the £306k permitted by the Chairty Commission was restricted for legal costs. There was a second budget of £104k, to which was charged a proportion of salary costs for those members of staff working on the Bill, plus other sundries including room hire and publicity. It might be possible for the Bill-related training costs to go there.

6.13 In answer to questions from Trustees, the FAM explained the valuation of livestock and the allocation of the associated costs against them, including graziers' fees. The CEO explained that sheep and cattle on the hills was the most sustainable way to keep vegetation down and maintain the treeline, but unfortunately there were insufficient numbers of people wishing to exercise common grazing rights, and that therefore stewardship schemes had to be used. David Core explained that under the Acts the Trust could not at present operate commercially and could make no income from selling stock which is why stock value changed little in the statutory accounts.

6.14 Lucy Hodgson asked a question about the Flagstone fund and the amount of interest. The FAM said this was why the investment income on the General Fund was quite high. Lucy Hodgson asked if there was more money that could be put in it; the FAM said she would investigate this once the year end accounts were finalised. Charles Penn supported the idea of putting more into Flagstone now that interest rates were higher than they had been when the fund was established, although he acknowledged that rates were coming down. The FAM assured the meeting that risks were well-spread, and funds invested in different pots. Brewin Dolphin would be in attendance at the July Board meeting and so there would be an opportunity then to discuss the investments in more detail.

6.15 Robert Berry thanked the FAM for her concise and most helpful notes to the accounts. He had a few questions:

- Why was the grant income £1500 below budget? It was thought that the budget had not been based on known grants, rather on a likely estimate. There had been no instances of grants applied for being refused.
- Robert Berry referred to the small pot of money carried forward for land works that had been delayed due to weather, and asked how much it was and why it was not the full amount originally allocated. The FAM said that £5k had been carried forward and that this had been spent on the work to tracks and paths that had been possible in April; it was not the full works originally planned.
- Robert Berry asked about the parking meters in Old Hills that had not materialised. It was noted that work to improve the Old Hills car parks had not yet been done, and that the Trust only charged for use of maintained car parks. The CEO pointed out that the Trust had to consider what the public would tolerate. David Core added that the refurbishment of car park surface had been planned but not actioned, and as a result the decision to charge at this time had been postponed.
- Robert Berry asked for the work in progress spend on the Bill. The FAM said it was about £37k as at the end of May, with expenditure being primarily on legal costs and salaries. David Core reminded the meeting that expenditure statements were published on the Board Members' area of the web site.

- There was a discussion about election expenses, and it was agreed that it would be sensible to review the annual budget of £5k in the light of expenditure during November 2023.
- In answer to a query on the LGPS pension fund, David Core confirmed that there was a deficit recovery plan in place, which had another 12 years to run.

7. **Review of the Risk Management Schedule**

The Committee received a copy of the current Risk Register together with a covering paper prepared by the CEO recommending a change of approach, with the present large document being broken down into sections to be led in turn by the relevant committee. The CEO asked FAR to provide input into the document ahead of a Board workshop and then a Board meeting. She emphasised that it needed to be a useful, working document.

7.1 The CEO had reviewed the risks identified as ‘red’ in June 2023. These were:

- **2.4 Changes to local government ward boundaries**, ahead of the next Trust elections in 2027. If unresolved, this issue would cause significant problems for the Trust. The Trust was seeking a long-term solution via the Private Bill.
- **3.1 Loss of reputation** and **3.2 adverse publicity**. There had been movement in both in recent weeks, including a YouTube video just published which purported to give ‘facts’ about the proposed governance changes. There was a small number of very active opponents to the changes. The CEO suggested that both risks should remain as ‘high’ while concerns did not seem to be abating from certain individuals and one or two groups; she reminded the Committee that there was a separate risk register for the Bill process itself.
- **3.5 Impact of local campaigns by groups or individuals diverting organisational focus.** This definitely remained high, with Trust staff having to deal with repeated enquiries from the same people and vexatious complaints. The Trust had been obliged to consult solicitors over possible libel.
- **4.5 Loss of key staff**. This risk had been mitigated with the arrival and settling in of new staff. The new Property Manager post was out to advert; the CEO stressed that this two-year post was designed to deal with *existing* pressures with easements, wayleaves and encroachments. This risk could potentially be downgraded to amber.
- **5.4.1 Grant funding reduced by unilateral changes to existing agreements made by Rural Payments Agency**. This was always the case and so the risk remained high.

7.2 The CEO had considered other risks in the June 2023 document, which she thought might have changed category, but she invited Trustees to suggest others:

- **4.2 Capacity and use of physical resources**. The CEO thought this risk would remain amber until the replacement of lower shed and improvements to Manor House had been realised, but Trustees might want to look at this.
- **2.6 Breaches of Health & Safety legislation and 4.3 Security of Assets.** The Trust's Health & Safety advisor was confident that the Trust's record in Health & Safety was good; however, there had hitherto been no dedicated budget. A fire risk assessment had recently been carried out, the first since 2019, and it was highly likely that a range of remedial action would be required to the St Ann's Well building and possibly other buildings as well.
- **4.6 Volunteers**. Given the fall in in the number of volunteers since the pandemic and the consequent reduction in tasks carried out with hand tools, it might be appropriate to upgrade this risk to amber.
- **4.11 Disaster, recovery and planning**. The contacts listed in the current Business Continuity Plan, written in 2021, were out of date, and the Plan needed to be updated and developed further. Trustees might want to review the risk level, although the CEO thought it would remain as high amber.
- **1.8 Potential for ultra vires decision making** and **1.10 Impact of airborne infections on governance**. These had hopefully reduced and might be downgraded to blue risk.
- **5.1 Expenditure levels increasing beyond expectations**. The CEO thought this would probably remain as amber, although she and the FAM were working to improve financial planning and reporting.
- The CEO said that she had prepared a separate paper for the Board regarding the risk of collapse of the retaining wall to St Ann's Road. Although it was a remote risk, the impact of a collapse would be very serious. It was possible, with climate change, that the risk of water management and landslip issues would increase over time.

7.3 **Questions**

- In answer to questions, it was confirmed that a fire risk assessment had taken place, but the report had not yet been received. The FAM would discuss any pertinent issues with the Trust's insurers.
- Mary Turner drew the meeting's attention to the obligation under 3.2 Adverse Publicity for Trustees and staff to monitor any misinformation being spread by groups or individuals and to issue clarification. She was concerned that Trustees might not be aware of how high this risk was. The CEO said that she was about to write to Trustees about this problem and to share some correspondence with a local group. There was also reference to a video circulating on YouTube, which was spreading misinformation and damaging the Trust's reputation. Unfortunately, it was difficult to prove defamation, and in any case this could only apply in respect of an individual; so, the Trust could not take legal action in respect of the video.

The CEO summarised all the work the Trust was doing to present and publicise the facts of the proposed governance changes, and to refute misinformation. There had been an FAQ page on the website since March, which was regularly updated in the light of questions asked at drop-in sessions and other feedback received. The Trust would look at specifically addressing misinformation but must avoid citing individuals so as not to risk defamation. There was a discussion about how Trustees could help, and were helping, to get the Trust's message out.

- Robert Berry pointed out that the PR budget had been well underspent in 2023-24. The CEO agreed that a business would normally invest 5% of its income in marketing activity in its broadest sense but stated that the Trust lacked the staff resource to do this work.
- Robert Berry asked what contingency arrangements would apply for operational areas that might be impacted by future Agri-Environmental schemes (risk 3.4). The CEO said that the contingency was to keep permanent staffing low in case the money did not come in and instead to make use of zero hours contracts, agency workers and call off contracts as necessary.
- Lucy Hodgson asked how a change of government and legislation might impact the Trust. The CEO said the Trust would keep a watching brief. It was in regular receipt of updates from organisations such as the Civil Society.

7.4 **Resolutions**

On the proposal of Mary Turner, seconded by David Fellows, it was **RESOLVED** unanimously that the members of FAR Committee would review the current Risk Register and make any suggestions to the CEO by the end of July. A workshop would then be held in September.

On the proposal of David Core, seconded by Lucy Hodgson, it was **RESOLVED** unanimously to recommend that the Board approve the commissioning of a shorter risk management document with more succinct content, with relevant committees taking ownership of respective areas.

On the proposal of David Fellows, seconded by Allan Cottam, it was **RESOLVED**, with eight in favour and one abstention, to recommend that a risk management workshop be arranged for all Trustees to consider any movement in final risk scoring and overall shifts to red/amber/green.

8. **Reports for Information**

8.1 **GDPR – Review of data breach log**

The Committee received a paper prepared by the CEO updating Trustees on MHT's provision for the General Data Protection Regulation (GDPR). She noted that the Board had resolved on 5 October 2023 to seek alternative GDPR consultants, following a data breach by the current provider, and she apologised to the Trust that this had not been actioned; some quotations had been obtained for a new supplier, but the six months review due at the end of 2023 had not taken place. The CEO was now reviewing MHT's data arrangements, and the FAM was sourcing quotations for alternative providers. The CEO reported that there had been one known data breach by MHT in the last six months, following a permission change by a Trustee; this had been pure human error and had been corrected as soon as reported. It had not been reported to the ICO but would be uploaded to the provider portal as a record.

8.2 **Questions**

- In answer to a question, the CEO confirmed that, within the Privacy Policy, the Trust had a data retention policy, as well as a document summarising data audit for GDPR purposes. She intended to carry out a full review of the Privacy Policy to ensure it was fit for purpose.
- In answer to a question about whether there was a set of data protection agreements (DPAs), the CEO said she hadn't found any individual agreements and needed to check what, if any, DPAs would be appropriate for the size of the organisation.
- Lucy Hodgson reported that the current provider had been asked for a report on their data breach, but she thought this had not been received. The CEO said she had raised it with the provider in their introductory meeting and they had confirmed that none of the Trust's data had been compromised in any way. In answer to a question about the nature of the breach, the CEO said she believed it to be human error and not the result of hacking.
- Robert Berry asked how things stood for MHT in terms of data, should the Manor House burn down. The CEO said that there had recently been a review of infrastructure; there were several back-up systems, to the cloud and an off-site disk back-up. There had been a recent fire risk assessment, and the CEO anticipated that it would report that there was too much paper stored in the building. Some information, including minute books dating back to 1886, was stored in fire-proof cabinets. David Fellows asked whether there were alternative sites where information might be stored in order to reduce the fire risk at Manor House. The CEO said that this was very desirable and noted that there was work to do to find suitable locations.

8.3 **Resolutions**

On the proposal of David Core, seconded by Mary Turner, it was **RESOLVED** unanimously that:

- The CEO should set up a review with the account manage of the current data protection provider;
- New MHT staff should become familiar with the provider portal;
- The FAM should identify courses and regular refreshers for MHT staff and Trustees; and
- The FAM should seek an alternative DPO provider.

9. **Urgent Business**
None

10. **Date of Next Meeting**
Thursday 29 August 2024

The meeting closed at 8.54 pm.