# Malvern Hills Trust

Finance Administration and Resources Committee
Thursday 14 December 2023 7.00pm

**Present:** Mrs L Hodgson (Chair), Mr R Berry, Mr D Core, Mr D Fellows, Mr R Fowler, Mrs C Palmer (non-voting), Mr C Penn and Prof J Raine.

**In attendance:** CEO, Interim CEO, Secretary to the Board, Incoming Secretary to the Board, Financial Assistant, Mrs M Turner, 2 members of the public, Mr E Caswell, and Mr W Papirnik (RBC Brewin Dolphin – items 7 and 8)

**Absent:** Mr J Owenson

Mrs Hodgson welcomed everyone to the meeting.

1. **Election of Chair**
   Mrs Hodgson was elected unopposed, proposed by Mr Core, and seconded by Mr Fellows.

2. **Election of Vice-Chair**
   Mr Berry was elected unopposed, proposed by Mr Fellows, and seconded by Mr Fowler.

3. **Apologies for absence**
   Mr A Cottam.

4. **Chair's communications**
   - There were two items of urgent business:
     - A confidential item relating to pensions.
     - Past audit costs to be discussed under agenda item 14.

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

6. **Public comments**
   None had been received by the deadline, but due to late publication of some of the papers for this meeting, the Chair agreed to take comments from the floor. These are recorded in Schedule 1.

7. **Investment Report**
   The RBC Brewin Dolphin representatives were welcomed to the meeting. They went through the slides, which had been circulated to the Committee under confidential cover. Mrs Hodgson advised that if any discussions regarding individual investments were required, members of the public would be asked to leave.

There were questions from trustees as to whether the forecasts might be affected by a change of US President, the situation in the Middle East, the war in Ukraine, or a 2024 General Election. Trustees were reassured that there were sufficient checks and balances for none of these to have much impact in the long term. The market had continued to move higher despite the war in Ukraine. It was pricing in a business-friendly Labour Government. However, globally, the UK economy was largely irrelevant.

There was a discussion on the performance of the portfolios. Trustees were advised that the value of the total portfolio as at the date of this meeting was £1,224,000.

Mrs Hodgson thanked RBC Brewin Dolphin for a thorough presentation.

8. **Investment Risk Categories**
The Committee received a paper prepared by the Secretary to the Board, summarising the investment risk categories currently used by the Trust, together with copies of the Investment Policies for the Parliamentary & Land Maintenance Fund, and for the Land Purchase (1992) Fund (both approved in March 2023), and RBC Brewin Dolphin's Risk Guide.

On the proposal of Mr Core, seconded by Mrs Hodgson, it was **RESOLVED** unanimously to recommend that the Board approve the policies as currently drawn up.

*Mr Caswell and Mr Papirnik left the meeting at 7.55 pm.*

9. **Management Accounts for the 6 months ended 30 September 2023 and the 7 months ended 31 October 2023**

The Management Accounts were received, together with a summary paper prepared by the CEO. He explained that this paper related to the September accounts but given that the October accounts had been circulated too, he would refer to those. He highlighted the following points:

*9.1 General Fund*

- Within the Land Management budget, contract labour was currently shown as underspent, but this was down to timing. Much of the planned maintenance expenditure, for example drainage and tree works, took place during the autumn and winter months. The position was similar with the purchase of materials and tools, and with maintenance of tracks and paths. Trustees were advised to expect more significant spends to be reported in January.
- The Visitor Services budget was underspent, due to car park meters not having been installed as planned and lower expenditure than expected on car park maintenance.

- The Trust would need to spend more on Communications and Public Engagement during the next quarter.
- Under Administration and Governance, depreciation was lower than budgeted due to the timing of purchases. The Trust had done well with its insurance premiums this year, but they would increase. It was noted however that the Trust's insurance portfolio did well.
- The current underspend on staff costs would disappear before the next report. The NJC pay award had been agreed and implemented in November, backdated to April. The increase had been higher than budgeted and an overspend of £30k was now expected.

Questions were invited on the General Fund. Mr Fowler asked how the Trust planned to spend the communications support and engagement budget. The CEO said that this would not be specifically on the Private Bill. There were costs to come for publications for the public and for web site development.

*9.2 Designated Funds*

- The costs for Election expenses had not yet been received. The CEO explained that £5k was transferred into this account every year so that a total of £20k was available for elections every four years. However, there had been two by-elections in the last four years, plus the Priory Ward election, plus additional polling station costs. The final cost was expected to be between £20-25k. In answer to a question, the CEO confirmed that the current balance on the account was £21,587, as shown in the October Management Accounts. There was normally a small balance remaining once the election expenses were paid. The annual provision for the election costs may need to be increased to cover rising costs.
- The CEO explained that in May 2023, a separate fund had been established for the recruitment of a new Finance & Administration Manager (FAM). This had now been merged with the budget to recruit the new CEO. In answer to a query as to whether the full fund would be required, the CEO confirmed that much of it would be, once the costs of agency fees, advertising, accommodation, and cover/induction costs were taken into account. It was pointed out however that the current situation was highly unusual.
- Under stewardship, the grazing contractor costs had come in as expected overall. The fund balances were intended to cover 2 years expenditure to cover any gaps between expiry of existing agreements and establishment of new agreements.
- In answer to a question on the plans for the Ash Dieback fund, the CEO confirmed that this had just gone out to tender, with completion due by 1 March. It was expected that expenditure would be on or slightly over budget. It was noted that there was a separate pot for other tree diseases, and that there was some oak disease at Old Hills that might have to be addressed.

*9.3 Restricted Funds*

- The CEO explained that in the case of some grants the Trust had to spend the money first and claim it back afterwards. This was why the Donkey Shed fund was currently showing negative since it was waiting for a grant from Civic Society and the Gift Fund. Access for All and Farming Landscape were also waiting for grants to come in.

10. **General Fund, Restricted & Designated Fund budgets, and the Precept for year ending 31 March 2025**

Trustees received the draft budgets for the General, Restricted & Designated Fund budgets, together with a summary paper prepared by the CEO with recommendations for consideration, and an appendix of detailed notes. The CEO explained that the appendix listed the assumptions that had been made. An inflationary figure of 5% had been applied, since this was the best assumption available at the time of preparation.

**10.1 General Fund**

*Car park income*

Trustees received, for information, a breakdown of car park meter takings in 2023-24. The CEO advised that income from resident pass sales had reduced slightly; this was thought to be down to the Trust tightening up on evidence of entitlement required, and indeed the sale of annual passes had risen slightly. The CEO said that there was an error in the budget paper and confirmed that the proposed car parking budgets for 2024-25 should be £34,500 for residents' permits (reduced from £37k in 2023-24) and £42,500 for annual passes (increased from £40k). There was no net difference.

*Vehicle expenditure*

The CEO reported that vehicle expenses had been increased by more than 5%, because the Trust knew its costs would be higher. Parts costs for machinery, which were mainly imported from abroad, were expected to increase significantly.

*Staff salaries*

The CEO reported that increases to salaries had been allowed for. However, an additional £7-8k for the new CEO's salary needed to be added in, following the recent appointment. Additional staff capacity had also not been factored in, and it was likely that the review to be conducted by Staffing Committee in the New Year would recommend that staffing levels were increased. In answer to a question, the CEO confirmed that the percentages payable for pension contributions between staff categories varied due to staff being on different schemes.

*Costs of work on a new Malvern Hills Act*

The CEO reported that the Charity Commission had approved expenditure on promoting and preparing the Bill of £306k. It was assumed within the draft budget that the loan from the Land Purchase fund would be agreed and that 75 % of the total (£229,500) would be spent in 2024-25. Interest would be paid at the rate of 6 % and the sum of £13,770 therefore charged to the General Fund in 2024-25.

In answer to a question on whether there was written guidance on how the £306k might be spent, it was confirmed that this sum was for legal costs of preparing and promoting the Bill. The Trust did not require consent to expend funds on staff costs, consultancy, or public information. It was suggested that details of all costs associated with the Bill (and the sources of funding) should be recorded in a single document for reference and a risk assessment prepared.

Mrs Palmer proposed that the work on the Bill be postponed for a year to allow the new members of staff to settle into their roles. The CEO advised that there would be problems conducting elections in 2027 as a result of the local government boundary changes and costs would also increase if the work were postponed, leading to the Trust needing to ask levy payers to pay more. Mr Core reminded the meeting that there had been broad support for the changes in the 2019 public consultation, suggesting that many respondents must be wondering why there had been no action. Mrs Turner said she had spoken on the doorstep with many levy payers who wanted information about what was happening with the Bill.

**2024/25 Budget Recommendations to Board**

On the proposal of Mr Core, seconded by Mr Penn, it was RESOLVED, with 4 in favour, 2 against and 1 abstention, to approve the General Fund budget and recommend it to the Board.

On the proposal of Mr Core, seconded by Mr Penn, it was RESOLVED unanimously to approve the Designated Funds budget and recommend it to the Board.

On the proposal of Mr Fowler, seconded by Mr Core, it was RESOLVED, with 6 in favour and 1 abstention, to approve the Restricted Funds budget and recommend it to the Board.

On the proposal of Mr Fellows, seconded by Mr Core, it was RESOLVED unanimously to recommend to the Board that daytime car park meter prices at main car parks be increased to £5.50 per day from 1 April 2024, and that evening rate parking charges be increased to £3.20 from 1 April 2024.

On the proposal of Mr Core, seconded by Mr Penn, it was RESOLVED, with 5 in favour, 1 against and 1 abstention, to recommend to the Board that residents' car park passes be increased to a cost of £7.50 per annum from 1 June 2024.

On the proposal of Prof Raine, seconded by Mr Penn, it was RESOLVED unanimously to recommend to the Board that annual car park pass prices be increased to £52.50 per annum, plus £26.75 per annum for a second car at the same address, from 1 April 2024.

**10.2 Proposal of the Levy**

It was noted that the Trust was proposing to increase the total levy by 5% to £697,070, equating to an average Band D increase of £2.28 (based on 2023-24 figures).

Mr Berry implied that the Trust had generated a surplus since 2016 and suggested that the 9% increase in the levy imposed in 2023 had not been justified. He pointed out that it was stated in the Business Management Plan that the levy would increase by inflation only. The CEO said that he had already informed Trustees that the Plan required updating, since at the time of writing it was assumed that the new Act would be in place by this time. Provision had been made within the budget to designate funds for certain key projects, some to be carried out under next year's budget, whilst others had been postponed due to staff turnover, but were still required. This did not equate to generation of a surplus. The CEO insisted that the costs were realistic, based on a thorough assessment of work requirements and costings. As a charity, the Trust was not expected to make either a profit or a loss. Claiming a reduced levy had cumulative impacts over the years and could never be recouped. The CEO reminded trustees of their obligation to ensure they had adequate funds to deliver the charity's objects and warned that if they failed reasonably to reflect the increase in costs, the Trust's finances would fall further behind where they needed to be. The Trust would have had £90-100k extra available in the budget had the levy been increased by the rate of inflation every year over the last 30 years. If the proposed levy were reduced now, it would result in the Trust going into deficit.

It was noted that Malvern Hills District Council (MHDC) was proposing to increase their share of Council Tax by 3.9%. It was suggested that the Trust could carry out research into the increase in housing stock, to ascertain whether the levy would be shared by more households. However, it was noted that it was very unlikely that this information could be sourced in time for the Board meeting on 18 January, and that the levy papers had to be completed and sent off to MHDC and Herefordshire Council immediately following this meeting.

**2024/25 Levy Recommendation to Board**

It was proposed by Mr Berry and seconded by Mr Fowler that the Committee recommend to the Board that the Levy for 2024/25 should be set at £691,000. There were 3 votes in favour of the proposal and 4 against.

On the proposal of Mr Penn, seconded by Mr Core, it was RESOLVED, with 4 votes in favour and 3 against, to recommend to the Board that the Levy for 2024/25 should be set at £697,070.

11. **Appointment of the Finance & Administration Manager**
Nicky Gutteridge had been appointed as the new FAM and would take up her appointment on 12 February.

12. **Terms of Loan from the Land Purchase Fund to cover the costs of the Private Bill**
Trustees received a paper prepared by the Secretary to the Board, detailing the terms of the proposed loan from the Land Purchase Fund (LPF) to fund work on the Private Bill, together with a copy of the draft loan agreement. She confirmed that it was planned to repay the loan over 25 years, in equal instalments of capital and interest to make budgeting more straightforward, and at a rate of 6%. In answer to a question, it was confirmed that the figure of 6% had been arrived at from best available information on the long-term growth in land prices.

The sum of £350,000 had originally been earmarked by the Board for the loan in November 2021 and invested in lower risk investments. In August 2023, the Charity Commission had authorised expenditure on legal costs and disbursements of £306,000. The Board now needed to decide on whether to keep the remaining £44,000 in lower risk investments, or to move it back to level 6. The Secretary to the Board had spoken to RBC Brewin Dolphin who had advised that, given the likely timescale, it would be prudent to leave the sum in lower risk investments if it might be needed in due course.

On the proposal of Mr Core, seconded by Mr Penn, it was RESOLVED with 7 in favour and one abstention, to recommend to the Board that the full amount of £350,000 should remain invested in the Risk Level 4 portfolio and through the Flagstone Platform until further decision of the Board.

13. **Reports for Information**
    - **13.1. Car park takings**
    Previously discussed under item 10.1.
    - **13.2. GDPR – Review of data breach log**
    There had been no data breaches.
    - **13.3. Red flag items off risk schedule**

The version in the restricted area of the web site had been updated. Of the six red flag items, one – elections – had been reduced, since the elections period had passed without any issues. Following the advice from Brewin Dolphin in this meeting, it was not proposed to increase the risk of international issues impacting the Trust.

**13.4. Exercise delegated expenditure powers.**

A paper was received detailing expenditure in 2023/24 that had been authorised in addition to the budget.

14. **Urgent business**

It was reported that the invoice from X for the preparation of the 2022/23 accounts had not yet been received but was expected to be higher than the budgeted figure of £11,250. Due to the loss of the FAM, the new auditors had incurred more time costs than expected. Previously there had been a contingency for this, but it had been absorbed into the £30k fund for replacing the FAM and the CEO. It was expected that the additional cost was likely to be between £2k and £2.5k. This would be a one-off cost, because the new FAM would be in post in good time for the 2023/24 audit, and the auditors would be more familiar with the Trust next time round.

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

16 May 2023.

16. **Confidential**

On the proposal of Mr Core, seconded by Mr Penn it was **RESOLVED** with 6 in favour and one abstention to exclude the public for discussion of item 12 on the agenda and the urgent business 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 (personnel matters).

**The meeting closed at 10.20 pm.**

Schedule 1

Comments from the Public

1. The proposed scheme for funding a private bill will result in a loss to the Trust of income which the loan capital would otherwise have earned over the period of the internal loan. Has the Trust clarified with the Charity Commission whether or not this substantial cost should be taken into account when determining whether or not the spending cap of £305,000 has been reached? In the absence of such clarity, will the Trust please ensure that this factor is reflected in the risk register?
   *It was subsequently confirmed that the approval of expenditure for £306k had been to 'defray expenditure in preparing and promoting a Parliamentary Bill'. Relevant risks are already in the Risk Register.*
2. Of the £306,000 designated funds, how much has been spent and on what?
   *Nothing has been spent.*