

**MALVERN HILLS CONSERVATORS
FINANCE, ADMINISTRATION AND RESOURCES COMMITTEE**

**Manor House, Grange Road, Malvern
Thursday 11th February 2016, 6:00 pm**

Present: Mr R Bartholomew, Mr D Bryer, Mr M Cordey (Chairman), Mr M Davies, Mr S Freeman (ex officio), Mr R Hall-Jones (ex officio), Mr J O'Donnell, Mr C Penn, Professor J Raine, Ms S Rouse, Mr D Street, Mr P J Watson.

In attendance: Director, Finance and Administration Manager, Conservation Officer, Secretary to the Board, Financial Assistant, Dr S Braim, Mr A Golightly, Ms H Stace, Mr I Burrows (Brewin Dolphin), Ms H Robinson (Taking minutes).

1. APOLOGIES FOR ABSENCE

Ms S Stewart, Mr R Madden.

2. CHAIRMAN'S COMMUNICATIONS

Mr Cordey welcomed the new director. There was one item of urgent business which would be taken in confidential session at the end of the meeting.

3. DECLARATIONS OF INTEREST

Ms S Rouse declared an interest in the Higher Level Stewardship Scheme (HLS).

4. ANY MATTERS ARISING FROM PREVIOUS MEETING

None.

5. LAND MANAGEMENT PLAN

The public consultation had now closed and no major issues had been raised. The Conservation Officer thanked everyone for their comments. He went through Paper A. For the financial year 2016/7, there were 4 items in the plan for which funding had not yet been identified, although the Conservation Officer had a good idea of how funding might be obtained. Referring to the five year forecast, he highlighted the 'Run Conservation Grazing Scheme' section and explained that the 10 year HLS schemes would end during the period. The Countryside Stewardship Scheme would replace HLS and the Conservation Officer had been led to believe that areas like the Malvern Hills would be a priority for funding. Although no funding was shown for work on the important archaeological sites, MHC had in the past received generous grant funding from Historic England and had been told that this grant stream was likely to continue. In both 2017/8 and 2018/9 £200,000 had been included for securing grazing on Castlemorton Common – otherwise the projects had been spread across the life of the plan. The Finance and Administration Manager reiterated that the costs for 2016/7 were included in the approved budget and detailed budgets for future years would be brought forward in the usual way.

Prof Raine queried the 'unknown machine' referred to on page 7. MHC were looking for a machine that was capable of working on very steep ground but it had not yet been found.

The Conservation Officer confirmed that provision for work at Thirds Wood was required in addition to "routine" tree safety work. An expert's report on how to tackle the essential work was in the course of preparation.

On the proposal of Mr Bartholomew, seconded by Mr Penn, it was **RESOLVED** unanimously to approve the financial arrangements proposed and to refer the Land Management Plan back to Land Management Committee.

6. INVESTMENT POLICY

Mr Cordey introduced Mr Ian Burrows from Brewin Dolphin. He had been asked to attend as some of the new members of the committee had asked questions about the Investment Policy. Mr Burrows had already dealt with some of them in a series of E-mails.

The Finance and Administration Manager explained the background to Paper B. Brewin Dolphin had replaced their former risk categories and MHC needed to amend the Investment Policies to adopt the appropriate category from the new scale. Prior to the meeting, there had been questions about the level of risk and the permitted leeway on either side of the benchmarks for each investment type.

Mr Penn thanked Mr Burrows for his very detailed E-mail response to questions but queried whether risk category 6 was too high. The asset mix for category 5 was 55% equities (as opposed to 67.5% for category 6) and 32.5% fixed income (as opposed to 20%). Mr Burrows said that at present MHC had agreed a 5% range either side of the strategic asset allocation. He suggested 10% would give more scope in volatile market conditions, but other options (including an asymmetric range) were possible. The risk in a volatile market was being forced to sell shares purely because the percentages of the asset classes within the portfolio had changed as a result of external factors. Mr Street said that the risk category was originally chosen to try to preserve the fund's land purchasing power.

Mr Burrows responded that there was a small overlap at the top end of category 5 and lower end of category 6. Use of a 10% range would not allow the risk category to become on a par with categories 8 or 9. Mr Burrows said changing from category 6 to 5 would not significantly affect yield, but it did increase the exposure to market volatility.

Mr O' Donnell felt uncomfortable with the offshore investment element but felt that Brewin Dolphin should have the leeway they requested to invest in the best way they could.

Upon the proposal of Mr Street, seconded by Mr O'Donnell it was **RESOLVED** (with one against and one abstention), to recommend to the Board that:

1. The Investment Policies for the Land Acquisition, Parliamentary and Lands Maintenance Funds be updated to the Brewin Dolphin risk category 6
2. The range within which Brewin Dolphin could invest the Parliamentary and Lands Maintenance Funds be increased to 10% either side of the risk category benchmarks.

Mr Cordey thanked Mr Burrows for attending.

7. CHANGES TO THE FINANCE MANUAL

Mr Cordey suggested an amendment to the text of point 3 set out in the paper so that it read: "...The Director may waive the requirement to tender if there would be no change in the figures quoted arising from a tender exercise. This must subsequently be *approved by the FAR Committee.*"

The Finance and Administration Manager said the background to the proposed change was the situation which arose when engaging a consultant actuary to assist the Pensions Working Group. A specification was agreed by the Committee and sent out to 3 firms of actuaries. The quotes all came back at more than £10,000, which meant, according to the Finance Manual, that MHC needed to go out to tender for the work. In that instance, the Board agreed to suspend the provision relating to tendering in order that the work could be carried out straight away. It was suggested at that meeting that the guidelines might be changed. It was felt that if the process was subject to Committee approval in any event, there was no need to impose a ceiling above which this exception would not apply.

Upon the proposal of Mr Bartholomew, seconded by Ms Rouse it was unanimously **RESOLVED** to recommend to the Board that the proposed changes to the tendering guidelines be adopted.

8. IMPLEMENTATION OF VEHICLE REPLACEMENT POLICY

The Finance and Administration Manager explained that the vehicle replacement policy had been approved part way through the financial year. As a result, two vehicles fell to be replaced in 2015/6, the cost of which exceeded the budget figure for new vehicles by about £3,600 (not taking into account any trade in value).

Upon the proposal of Professor Raine, seconded by Mr Penn it was unanimously **RESOLVED** to recommend that the Board approve the purchase of the first two vehicles under the vehicle replacement policy, and authorise additional expenditure of up to £4,000 in financial year 2015/6.

9. FOR INFORMATION ONLY

9.1 Management Accounts for the 9 months ending 31st December 2015

The Finance and Administration Manager went through her report. It appeared that MHC might finish the financial year with a smaller deficit than had been budgeted. The budget for Land Management expenditure had been distorted because the work at Thirds Wood had not been carried out. The issue of water consumption at the British

Camp toilets had been referred back to Herefordshire Council as the bills were far higher than expected.

In the financial year there had been several exceptional items:

- £9,000 recruitment costs
- Pension advice costing £9,000
- Third's Wood.

Without these, MHC would have broken even or had a small surplus.

9.2 Review of Management Information

Mr Cordey said that the new Director might wish to suggest changes to the structure or content of the management accounts. Mr Street reminded the meeting that it been suggested that the reserves policy be reviewed. The Finance and Administration Manager said that it would be reviewed once the business plan was completed.

9.3 VAT reclaim update

The outcome of a legal challenge by Isle of White Council on VAT treatment of parking charges was still awaited.

9.4 Classification of Stewardship Funds in Annual Accounts

The Finance and Administration Manager reported that this had been reviewed several times and she would look at the question again with the auditors at the year end.

9.5 St Ann's Well

The Director had met the architect and arranged a meeting with the tenant. He was in the process of reviewing the list of works for which planning permission had been granted against MHC's obligations, before putting the work out to tender. He hoped to start the tender process in February.

9.6 Loos/Facilities at top shed

The Secretary of the Board said that building regulations consent was due any day and the work would also be put out to tender. She needed to ask Severn Trent if they would again extend the period for acceptance of their quote.

9.7 34 Wyche Road

This property was back on the market.

The Conservation Officer confirmed that the work at the Hacketts had been completed. The final contract price was about £1,000 more than the original quote as a result to the addition of some extra work.

10. URGENT BUSINESS

The only item of urgent business was confidential so it was agreed to close the meeting.

11. RESOLUTION TO EXCLUDE THE PUBLIC

Upon the proposal of Mr Watson, seconded by Ms Rouse it was **RESOLVED** unanimously to exclude the public for discussion of item 12 on the agenda on the grounds that publicity would be prejudicial to the public interest by reason of the except or confidential nature of the business to be transacted (legal/staffing matter).

12. UPDATE FROM THE PENSIONS WORKING GROUP

Mr Cordey said that the Working Group had met the Consulting Actuary on the 15th January and formulated a plan of action which was set out in the paper. It was most important that Board members understood the issues before being asked to make a decision on the +pension scheme, and it was therefore proposed to have a full day (10am – 3pm approx.) workshop with the actuary, which all Board members would be asked to attend. (Date to be announced but possibly 21 or 22 June).

The Secretary to the Board left the meeting.

13. SECRETARY TO THE BOARD HOURS OF WORK

The Director said that the Secretary to the Board had been Acting Director during the period between Mr Bound's departure and his arrival. It would be helpful if she continued to deal with some of the ongoing work whilst he got up to speed with the operational aspects of the organisation. There were currently 12 legal matters with which she was dealing with as well as the Charity Commission consultation process which in itself would about 30 hours of work. He suggested that she should continue to work four days per week for an additional two months.

Mr Freeman explained that the Secretary of the Board's core hours were 2 days per week. On the 27th July 2015 the Board agreed to increase her hours from 2 days to four until one month after the new director took up post. This Committee could only make a recommendation to the Board. Mr Freeman felt it was important to keep a close eye on the cost of administration support.

Ms Stace said that she was not sure that the original recommendation of 2 days per week for the post was correct. The Secretary of the Board has useful legal skills and could undertake work previously done by the Director. She felt a review of the post was needed. The Director said that the Charity Commission's recommendation was to keep administrative spend below 15%. He added that the Secretary of the Board was aware this matter was being discussed and was content with the proposal. Mr Hall-Jones felt a review of her post was important so the Secretary to the Board had certainty as to what was required of her in the long term.

On the proposal of Mr Freeman, seconded by Mr Hall-Jones it was unanimously **RESOLVED** to recommend to the Board that the extension of the Secretary to the Board's working days to 4 per week until one month after the new Director takes up post, (approved by the Board on 27 July 2015) be further extended until the 31 March 2016 and for a further month thereafter at the discretion of the Director.

The meeting closed at 7.35pm