

Trustees' Report and Financial statements

For the year ended 31st March 2019



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For the year ended 31st March 2019**

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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
16 Queen Square
Bristol
BS1 4NT

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 LI.B (Hons)
Conservation Manager	Jonathan Bills MSc
Operations Manager	Paul Saunder
Finance and Administration Manager	Cheryl Gentry BSc ACA



Trustees

Note - *FAR – sits on Finance, Administration and Resources Committee*
LM – sits on Land Management Committee
GC – sits on Governance Committee
SC – sits on Staffing Committee

Elected Trustees

Priory Ward:	Peter Watson <i>FAR</i>
Chase Ward:	Sara Stewart (resigned 13 th July 2019)
Wells Ward:	Simon Freeman <i>LM</i> (Board Chair to 13 th June 2019)
West Ward:	Charles Penn <i>FAR, SC and GC</i>
Dyson Perrins Ward:	David Hawkins <i>LM</i>
Malvern Link Ward:	Richard Bartholomew <i>FAR and GC</i>
Pickersleigh Ward:	Peter Forster <i>LM and SC</i>
Colwall Parish:	Helen Stace <i>LM, SC and GC</i>
	Stephen Braim <i>LM and GC</i>
Guarlford Parish:	David Street <i>FAR</i>
Mathon Parish:	Christopher Rouse <i>LM</i>

Nominated Trustees

Malvern Hills District Council:	Roger Hall-Jones <i>LM</i>
	Chris O'Donnell <i>LM</i>
	Caroline Bovey (resigned 18 th March 2019)
	Pamela Cumming
	Mick Davies <i>FAR and SC</i> (Board Chair from 13 th June 2019)
	John Michael <i>LM</i>
	James O'Donnell
	Sarah Rouse <i>FAR and GC</i> (Board Vice Chair)
Colwall Parish Council:	Gwyneth Rees <i>LM and SC</i>
Mathon Parish Council:	David Baldwin <i>LM and SC</i>
Church Commissioners:	David Bryer <i>FAR and GC</i>
Herefordshire Council:	Emma Holton (resigned 30 th May 2019)
Worcestershire County Council:	John Raine <i>FAR, SC and GC</i>
	Lucy Hodgson <i>FAR</i>

Worcestershire County Council on behalf of the following parishes:-

Castlemorton:	Angus Golightly <i>LM</i>
Newland:	Tom Yapp <i>LM</i>
Powick:	Martin Cordey <i>FAR</i>

Staff

Malvern Hills Trust employed 17.75 staff (15.4 full time equivalent) during the year. Details of staff numbers are given in note 11 to the financial statements.

During the year, Anthony Griffiths left with MHT's best wishes to pursue a new career and we were joined by Nick Cowling in the Field Staff team. Andy Pearce joined as Conservation Officer in June 2018.



Report of the Trustees for the year ended 31st March 2019

The Trustees are pleased to present their annual report together with the financial statements of the charity for the year ending 31st March 2019.

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 (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 2015).

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. 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 can be purchased.

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,
- 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. A programme of free themed events is arranged 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. These are very well attended.

A 5-year Business Plan was prepared and adopted by the Board of Trustees in 2017 and is currently undergoing an interim review and update. The Business Plan sets out the strategic priorities for the charity.

Significant areas of the charity’s land (around 80 %) are under the Department for the Environment and Rural Affairs (Defra) Higher Level Stewardship scheme and the new Countryside Stewardship Scheme. This provides funding for certain land management activities including the grazing of grasslands, which is the most effective way to maintain the hills and commons. The grazing programme is complemented by management work carried out by staff, contractors and volunteers where needed.

Key achievements in the year have included:

- Maintaining over 1,200 hectares open and accessible to the public,
- The purchase of several pieces of land, at Holywell Road, Castlemorton Common and Hollybed Common. These purchases bring a further 10 hectares of the Malvern Hills landscape into the protection of Malvern Hills Trust.



- Completion of a tree replanting programme following major tree safety works in Thirds Wood Colwall,
- In November 2018 the Government body, Natural England, designated lower Malvern Common as a Site of Special Scientific Interest. This conveys the national importance of this common and is a tribute to its management by Malvern Hills Trust,
- A grant of £40,955 was secured to fund access improvements to the Community Woodland in Townsend Way,
- Waymarked mountain biking routes have been established to encourage responsible cycling on the Hills,
- Replacement of signage continues, following the rebranding started in 2017,
- Plans were drawn up for the renovation of the Victorian donkey sheds in Happy Valley,
- Schemes for donors to support tree planting, information boards and picnic benches were set up,
- Completion of final elements of the restoration works at St Ann’s Well,
- IT systems were upgraded, including the installation of a new server.

On the Governance side, work has continued on putting a scheme before Parliament to modernise and streamline the governing Acts with support and guidance from the Charity Commission. This is a long-term project which will continue for several years.

Malvern Hills Trust receives enormous support from the work of volunteers for activities such as wardening, litter picking, recording, habitat management, conservation, archiving and administrative support. The estimated volunteer contribution during the year was 452 days spent on the hills and commons and 128 days on office work. The contribution of all volunteers is gratefully acknowledged.

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 also a registered charity.

The Board of Trustees is the decision making body. It consists of 29 Trustees who are appointed for a four year term. Eleven 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	Seats
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
	7



Worcestershire County Council	2
<i>Worcestershire County Council</i> <i>(to represent the parishes of:</i>	
Castlemorton, Newland and Powick)	3
Malvern Hills District Council	8
Colwall Parish Council	1
Mathon Parish Council	1
The Church Commissioners	1

Elections last took place on 22nd October 2015, with new Trustees taking up their seats on 1st November 2015. The next elections will take place in October 2019 and new trustees will take up their seats on 1st November 2019.

Following elections, Trustees are asked to attend a training session so that they are clear about their duties and responsibilities under the Malvern Hills Acts and the land management policies. 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.

The Board of Trustees meets five times a year in January, March, June, September and November to receive and adopt reports from the committees, to receive reports from representatives serving on outside bodies and the Chief Executive Officer's management report. There is also an opportunity for members of the public to ask questions. Immediately prior to the November Trustees' meeting (this has been changed to September for 2019) is the Annual Meeting of levy payers. At this meeting, at which creditors, levy payers and other interested persons may be present, the financial statements are adopted and Auditor appointed. The Chair and Vice Chair are elected at the Board's Annual Meeting in November at which committee members and representatives are also appointed to serve on outside bodies.

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. Their functions are set out below. The Board of Trustees ratifies committee reports and adopts (or not) 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 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 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,
- Property,
- Representation at outside events 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 will be 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,
- 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.

Review of funds 2019

Malvern Hills Trust is governed by the Malvern Hills Acts 1884, 1909, 1924, 1930 and 1995 and by charity law. These define the Trust's obligations in relation to its funds. The classification of the funds in the annual accounts follows these obligations and also any advice given by the Trust's auditors for meeting the requirements of the Charities SORP.

In the context of work on drafting the Charity Commission Scheme, further consideration has been given to the legal structure of the Trust. Advice received was that, as a body corporate, Malvern Hills Conservators (the legal name of Malvern Hills Trust), holds the land which it owns beneficially for its statutory purposes and subject to statutory obligations and it is not properly classified as permanent endowment. This advice has no impact on the operation of the Trust, or the use of the funds, but does change the way the funds are shown in the annual accounts.

The Trust's Land Acquisition fund, Parliamentary fund and Capital Outlay Discharged fund were historically included in the restricted funds. Following a review by Crowe Clark Whitehill in 2013 (who were auditors at that time) these funds were reclassified as permanent endowment in the annual accounts for the year ended 31st March 2013.

Following the advice from the Trust's solicitors and the Charity Commission, these funds have been reclassified as restricted funds in these accounts, by way of an in-year transfer.

Financial Review

The financial results are set out on pages 18 to 45. There was a total net decrease in funds of £67,103 (2017/18 increase £97,222).

Net income before transfers on the unrestricted funds was £15,688 (2017/18 net expenditure of £36,112). The net movement on the unrestricted funds after transfers and the FRS 102 pension adjustment was an outflow of £133,967 (2017/18 inflow £133,888).

In addition, there was a net inflow of funds on the former Permanent Endowment which is now part of the restricted funds (note 23) of £34,039 (2017/18 net outflow £35,473) and on the other restricted funds (note 22) a net inflow of £50,170 (2017/18 net outflow £1,193).

Total reserves at the financial year end were £2,065,213 (2018 £2,132,316), of which £3,091,224 is restricted (of which £1,162,994 is inalienable, see notes 14, 15 and 23 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 Malvern Town and the parishes of West Malvern, Malvern Wells, Guarlford, Colwall and Mathon. The average band D levy payable in 2018/19 was £36.05 (2017/18 £34.38). The total levy received by the charity was £499,250 (2017/18 £482,325).

Revenue from car parks is the second principal funding source. The total received in 2018/19 was £269,281 (2017/18 £252,975). Car park takings are used to fund the charity's work including maintaining the car parks for public use.



The third major funding source is grants received under the Higher Level Stewardship scheme and the new Countryside Stewardship scheme. These provide the funding for conservation works on the hills and commons, in support of the charity's Land Management Plan 2016-2021 and conservation objectives. The total received during the year was £181,337 (2017/18 £171,624).

Donations and legacies received totalled £94,513 (2017/18 £12,896).

Significant financial impacts

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

- Land purchases totalling £421,321 were made,
- The Board maintained its policy of updating vehicles, plant and machinery with modern equipment, spending £24,481,
- The IT systems were upgraded at a cost of £12,039,
- Work on the Charity Commission Scheme continued, with legal costs of £67,887 being charged to the designated fund set aside for this project. The Board approved the transfer of an additional £45,000 to the fund during the year,
- Future replacement costs for a failing drainage field serving the public lavatories at British Camp were estimated at £40,000 to £50,000,
- Legal fees of £19,153 were incurred in relation to consideration of an easement application at Chance Lane.

Acknowledgements

Malvern Hills Trust acknowledges the financial support of Defra Rural Development Programme for England, Worcestershire County Council, Herefordshire Council, Malvern Hills District Council and Malvern Hills Area of Outstanding Natural Beauty (AONB) partnership.

Investment powers and policy

The Charity has placed the Lands Acquisition Fund, Lands Maintenance Fund and Parliamentary Fund under investment with Brewin Dolphin. The charity's principal objective from the investment of the Lands Acquisition Fund is to generate a return (net of costs, including reinvestment of earnings) sufficient to maintain the purchasing value of the Land Acquisition Fund. The charity aims to produce the best financial return with a moderate level of risk.

The charity's investment objective for the Lands 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 understand 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, and by sector and security. Asset classes that 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 is charged with recommending to the Board a suitable asset allocation strategy with its Investment Manager, which is set 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 on the Lands Acquisition portfolio was 2.9% and on the Parliamentary and Lands Maintenance portfolio 3.4%. The portfolio return gross of fees on the Lands Acquisition portfolio was 6.94% (net of fees 6.09%) against the benchmark of 6.92% and on the Parliamentary and Lands Maintenance portfolio it was 9.3% (net of fees 8.47%) against a benchmark of 6.92%. The Trustees receive a full report from Brewin Dolphin in June and December and an interim report in March and September.

The charity's assets are invested in line with the long term interests of the charity. The Trustees do not adopt an exclusionary policy, but individual investments may be excluded if perceived to conflict with the charity's purpose.

Reserves policy and going concern

The Board of Trustees is required to maintain sufficient unrestricted funds to enable it to finance its principal activities. Malvern Hills Trust's reserves are defined as the total unrestricted funds, excluding funds designated for a specific purpose, fixed assets funded from the general fund and the defined benefit pension scheme deficit.

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

The level of 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.

The trustees' policy is to aim to maintain the total unrestricted reserves level above £250,000. 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,
- The need to provide working capital for MHT, both for day to day work and for future (possibly grant-funded) development and
- The need to provide a degree of protection against fluctuations in investment income.

The policy was adopted in June 2018 and updated in January 2019. At 31st March 2019 the unrestricted reserves shown in the accounts (excluding the FRS102 pension fund balance) amounted to £807,989 of which £311,064 is the General Fund. Deducting the net book value of fixed assets, the level of reserves as defined above was £220,077 at 31st March 2019. Details of the designated funds are given in note 20 to the financial statements.



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 are accounted for under FRS 102, with details being given in note 28 to the financial statements. The pension figures reflected in these financial statements have been provided by Mercer, the Actuary to the Fund.

The accounting deficit at the year end has been calculated as £1.834 million (2018 £1.642 million). The charity 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 employer's contribution rate during the year was 18.2% (2017/18 18.2%).

In July 2016 the Board closed the 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. The employer's contribution rate to this scheme is 10%.

Plans for future periods

Much of the work of the charity is carried out on an on-going basis. The Land Management Plan will be followed to meet 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.

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

- Continued implementation and update of the 5-year Business Plan,
- Fund-raising opportunities will be pursued as outlined in the Business Plan,
- Habitat and access improvements will be undertaken in accordance with the Land Management Plan,
- Restoration of the donkey sheds will be completed,
- New pay and display parking meters, with cash and card payment facilities will be installed,
- Essential refurbishment works will be carried out at the charity's premises at Manor House and
- Work on the Charity Commission Scheme 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. The salary of the Chief Executive Officer is set by the Board.

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 2015 (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,
- 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 trust deed. 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 maintenance and integrity of 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. This has involved 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.

The key risks identified this year were:

- Grant funding reducing – this risk relates to the Defra Higher Level Stewardship agreements which are 10-year agreements covering around 40% of the charity's land, which will end between 2020 and 2023. Natural England have confirmed a grant for the North and Central Hills under the new 'Countryside Stewardship' scheme for 10 years commencing January 2018.
- Defra's schemes are part-funded by the EU and the result of the EU referendum could have an impact on all future schemes, here and nationwide. Other grant funding sources may also be adversely affected by Brexit.
- Pension commitments – the pension liability (accounting deficit) under the LGPS is disclosed in detail in note 28 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:

- There is no relevant information, being information needed by the auditor in connection with preparing their report, of which the charity's auditor is unaware, and
- The Trustees, having made enquiries of fellow Trustees and the charity's auditor that they ought to have individually taken, have each taken all steps that she/he is obliged to take as a Trustee in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board of Trustees

Mick Davies (Chair)
12th September 2019



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 2019 which comprise Statement of financial activities, Balance sheet, Statement of cashflow and notes to the financial statements, 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 2019, and of its incoming resources and application of resources, 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 Auditor's 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 UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; 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 set out on page 15, the trustees are responsible for the preparation of financial statements which 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.

Auditor's 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 regulations made under section 154 of that Act.

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 auditor's 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.

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 auditor's 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 auditor's 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

David Butler
For and on behalf of Bishop Fleming LLP
16 Queen Square
Bristol
BS1 4NT

Date: 12th September 2019

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 2019

	Note	Unrestricted funds	Restricted funds	Permanent endowment	Total funds 2019	Total funds 2018 (note 30)
		£	£	£	£	£
Income and endowments from:						
Donations and legacies	3	91,659	2,854	0	94,513	12,896
Charitable activities:						
Management of the hills and commons	7	690,688	40,955	0	731,643	669,881
Car parks		269,281	0	0	269,281	252,975
Other trading activities	4	32,619	2,354	0	34,973	29,394
Investments:						
Bank deposits		2,665	0	26	2,691	1,573
Investment portfolio		0	4,983	50,736	55,719	60,863
Other	5	37,576	0	0	37,576	15,227
Total income		1,124,488	51,146	50,762	1,226,396	1,042,809
Expenditure on:						
Charitable activities	6	1,108,800	2,242	74,888	1,185,930	1,067,722
Other expenditure	6	0	6,425	0	6,425	0
Total expenditure		1,108,800	8,667	74,888	1,192,355	1,067,722
Net gains/(losses) on investments	16	0	7,691	58,165	65,856	(47,865)
Net income/(expenditure)		15,688	50,170	34,039	99,897	(72,778)
Transfers between funds		17,345	2,865,748	(2,883,093)	0	0
Other recognised gains/(losses)						
Actuarial gains/(losses) on defined benefit pension scheme	28	(167,000)	0	0	(167,000)	170,000
Net movement in funds		(133,967)	2,915,918	(2,849,054)	(67,103)	97,222
Reconciliation of funds:						
Total funds brought forward		(892,044)	175,306	2,849,054	2,132,316	2,035,094
Total funds carried forward	24	(1,026,011)	3,091,224	0	2,065,213	2,132,316

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 21 to 45 form part of these financial statements.



Balance Sheet as at 31st March 2019

	Note	2019	2018
		£	£
Fixed Assets			
Tangible fixed assets	14	533,464	487,633
Heritage assets	15	1,060,261	741,673
Investments	16	1,541,713	1,763,743
Total fixed assets		<u>3,135,438</u>	<u>2,993,049</u>
Current Assets			
Livestock		25,320	36,120
Debtors	17	364,641	247,237
Short term deposits		484,856	641,287
Cash at bank and in hand		200	543
Total current assets		<u>875,017</u>	<u>925,187</u>
Creditors: Amounts falling due within one year	18	<u>111,242</u>	<u>143,920</u>
Net Current Assets excluding pension liability		763,775	781,267
Net assets		3,899,213	3,774,316
Pension Fund liability	28	<u>1,834,000</u>	<u>1,642,000</u>
Net Assets including pension liability		<u>2,065,213</u>	<u>2,132,316</u>
The funds of the charity			
Unrestricted - General Fund	19	311,064	310,045
Unrestricted - Designated Funds	20	496,925	439,911
Unrestricted - Pension Fund	21	(1,834,000)	(1,642,000)
Restricted Funds	22	3,091,224	175,306
Permanent Endowment	23	0	2,849,054
Total charity funds		<u>2,065,213</u>	<u>2,132,316</u>

The notes on pages 21 to 45 form part of these financial statements.

Signed

Mick Davies
Chair of Trustees on behalf of the Trustees
12th September 2019



Statement of cash flows for the year ended 31st March 2019

	2019 £	2018 £
Cash flows from operating activities		
Net movement in funds	(67,103)	(72,778)
Add back depreciation charge	109,419	85,114
Investment (gains)/ losses	(65,856)	47,865
Profit on disposal of fixed assets	(18,400)	(4,150)
Income on investing activities retained in portfolio	(32,819)	(36,282)
Actuarial (gain)/loss on pension scheme	192,000	22,000
Decrease/(increase) in stock	10,800	0
Decrease/(increase) in debtors	(117,404)	(95,692)
Decrease in creditors	(32,678)	(19,844)
Net cash provided by/(used in) operating activities	(22,041)	(73,767)
Cashflows from investing activities:		
Proceeds from the sale of fixed assets	18,400	4,150
Purchase of property, plant and equipment	(473,838)	(258,803)
Investment manager's fees deducted from portfolio	10,358	11,243
Funds transferred from investment portfolio	310,347	0
Net cash provided by investing activities	(134,733)	(243,410)
Change in cash and cash equivalents in the reporting period	(156,774)	(317,177)
Cash and cash equivalents at the beginning of the reporting period	641,830	959,007
Cash and cash equivalents at the end of the reporting period	485,056	641,830
Analysis of cash and cash equivalents		
Cash in hand	200	200
Current account	51,472	343
Notice deposits (less than 3 months)	433,384	641,287
Total cash and cash equivalents	485,056	641,830

The notes on pages 21 to 45 form part of these financial statements.

Notes to the financial statements for the year ended 31st March 2019

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 2015) – (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 outflow of £156,774 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 £250 has been set by the Trustees.

The land held by Malvern Hills Trust is reported in the Balance Sheet at cost. It is Malvern Hills Trust's objective to preserve and manage the land. 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 over their expected useful lives on the following bases:

Vehicles and equipment	25 % 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.

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 28 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

In April 2019 advice on the legal structure of the charity was received in the context of work on the Charity Commission Scheme. A consequence of part of this advice is that those funds previously categorised as permanent endowment in the accounts have been reclassified as restricted funds by way of an in-year transfer in the accounts for the year ended 31st March 2019. Further details are given in the Trustees' report, page 10 'Review of funds'.

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.
- 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.
- Permanent Endowment Funds (prior year figures only) – these funds include all of the lands acquired under the Malvern Hills Acts and the disposal proceeds of any interests in that land.

Further explanation of the nature and purpose of each fund is included in notes 19-23 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 29 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

	2019	2018
	£	£
Gifts	13,128	11,896
Legacies	81,385	1,000
	<u>94,513</u>	<u>12,896</u>



The income from donations and legacies was £94,513 (2018 £12,896) of which £91,659 was unrestricted (2018 £10,496) and £2,854 restricted (2018 £2,400).

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

	2019	2018
	£	£
Rental income	27,496	24,284
Easements and wayleaves	5,057	4,941
Sales of books and leaflets	2,420	169
	<u>34,973</u>	<u>29,394</u>

5 Analysis of other income

	2019	2018
	£	£
Employment allowance	3,000	3,000
Filming	600	1,550
Compensation for works	5,233	2,277
Profit on disposal of fixed assets	18,400	4,150
Other	10,343	4,250
	<u>37,576</u>	<u>15,227</u>

6 Analysis of expenditure

Expenditure on charitable activities:

	M'gt of Hills & commons	Car parks	Total 2019	Total 2018
	£	£	£	£
Land management expenses	257,263	0	257,263	259,779
Warden service including salaries	62,723	22,038	84,761	82,701
PR expenses	10,939	0	10,939	14,747
Car park direct expenses	0	11,906	11,906	10,241
Rates and water	6,486	1,521	8,007	8,184
Power	4,956	1,409	6,365	7,051
Insurance	28,046	0	28,046	22,861
Maintenance of buildings	1,382	0	1,382	2,428
Depreciation	109,419	0	109,419	85,114
Salaries	172,394	2,434	174,828	159,523
Governance costs (note 8)	158,885	0	158,885	104,470
Support costs (note 8)	334,129	0	334,129	310,623
	<u>1,146,622</u>	<u>39,308</u>	<u>1,185,930</u>	<u>1,067,722</u>

Other expenditure

Nature in Malvern book	<u>6,425</u>	<u>0</u>
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Expenditure on charitable activities was £1,170,930 (2018 £1,067,722) of which £1,093,800 was unrestricted (2018 £1,013,920), £74,888 from the permanent endowment (2018 £50,307) and £2,242 was restricted (2018 £3,495).

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 2019 £	Total 2018 £
Income				
Levy on Council Tax payers in precepted parishes	499,250	0	499,250	482,325
Stewardship grants	181,337	0	181,337	171,624
Other grants	51,056	0	51,056	15,932
Car park takings	0	269,281	269,281	252,975
Total income from charitable activities	731,643	269,281	1,000,924	922,856
Charitable expenditure	(1,146,622)	(39,308)	(1,185,930)	(1,067,722)
Net contribution/(cost funded by other income)	(414,979)	229,973	(185,006)	(144,866)

8 Analysis of governance and support costs

	General support £	Governance £	Total 2019 £	Total 2018 £	Basis of allocation
Recruitment	548	0	548	732	Invoice
Travelling	1,188	866	2,054	887	Invoice
Office expenses	25,150	0	25,150	20,435	Invoice
Legal fees	10,532	88,739	99,271	46,709	Invoice
Other professional fees	8,259	6,324	14,583	11,813	Invoice
Training	3,038	599	3,637	5,961	Invoice
Bank charges	3,230	0	3,230	2,904	Invoice
Other expenses	598	1,546	2,144	2,237	Invoice
Office based staff salaries	245,088	60,811	305,899	291,537	Time
FRS 102 pension adjustment	25,000	0	25,000	22,000	Time
FRS 102 compensated absences adj	1,140	0	1,140	(939)	Time
Investment manager's charges	10,358	0	10,358	10,817	Invoice
	<u>334,129</u>	<u>158,885</u>	<u>493,014</u>	<u>415,093</u>	



9 Net income/(expenditure) for the year

This is stated after charging:

	2019	2018
	£	£
Depreciation	109,419	85,114
Auditor's remuneration:		
Audit fees	5,925	5,750
Operating lease charges	0	0

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

	2019	2018
	£	£
Salaries and wages	392,709	369,169
Social security costs	33,240	30,321
Pension costs	128,669	123,846
Group life assurance	1,381	1,216
Casual staff	1,830	1,228
FRS 102 - pension adjustment	25,000	22,000
FRS 102 - short term compensated absence charge to SOFA	1,140	(939)
	<u>583,969</u>	<u>546,841</u>

No employees had benefits in excess of £60,000 (2018 £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 (2018 £nil). No travelling expenses were reimbursed to trustees during the year (2018 £48 to one trustee). Travelling expenses paid on behalf of trustees were £368 for three trustees (2018 £113 for one trustee). No charity Trustee received payment for professional or other services supplied to the charity (2018 £nil).

The key management personnel comprise the Chief Executive Officer, the Conservation 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 £167,000 (2018 £159,141).



11 Staff numbers

The average monthly head count was 17.75 staff (2018: 17.75 staff) and the average monthly number of full-time equivalent employees (including part-time staff) during the year were as follows:

	2019	2018
Wardens	3	3
Field Staff	6.5	6.6
Office based staff/ administration	5.9	6.1
	<u>15.4</u>	<u>15.7</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, who is the son of Trustee Christopher Rouse and brother of Trustee Sarah Rouse, received payments under the Stewardship scheme totalling £22,133 plus VAT during the year for grazing services (2018 £33,200). He made payments totalling £2,000 (2018 £3,000) to the charity for rent, also under the Stewardship scheme. The businesses of Messrs and Miss Rouse are independent of each other. The agreement ended on 30th November 2018.
- Worcestershire County Council has the power to appoint Trustees to the charity. It made a grant to the charity of £10,100 (2018 £9,750) during the year. There were also some small commercial transactions with the Council which the Trustees do not consider material to these financial statements.
- Malvern Hills District Council also has the power to appoint Trustees. During the year, the charity paid business rates to the Council. There were also some other small commercial transactions with the Council which the Trustees do not consider material to these financial statements.

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 2018	741,673	0	138,770	845,019	160,460	362,316	53,635	2,301,873
Additions	318,588	102,733	0	15,997	0	24,481	12,039	473,838
Disposals	0	0	0	0	0	(33,730)	0	(33,730)
At 31st March 2019	<u>1,060,261</u>	<u>102,733</u>	<u>138,770</u>	<u>861,016</u>	<u>160,460</u>	<u>353,067</u>	<u>65,674</u>	<u>2,741,981</u>
Depreciation								
At 1st April 2018	0	0	13,871	580,518	160,460	270,092	47,626	1,072,567
Charge in the year	0	0	2,778	62,875	0	38,478	5,288	109,419
On disposals	0	0	0	0	0	(33,730)	0	(33,730)
At 31st March 2019	<u>0</u>	<u>0</u>	<u>16,649</u>	<u>643,393</u>	<u>160,460</u>	<u>274,840</u>	<u>52,914</u>	<u>1,148,256</u>
Net book value								
31st March 2019	<u>1,060,261</u>	<u>102,733</u>	<u>122,121</u>	<u>217,623</u>	<u>0</u>	<u>78,227</u>	<u>12,760</u>	<u>1,593,725</u>
31st March 2018	<u>741,673</u>	<u>0</u>	<u>124,899</u>	<u>264,501</u>	<u>0</u>	<u>92,224</u>	<u>6,009</u>	<u>1,229,306</u>

‘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 (see also note 15).



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. This land is shown at cost and therefore does not include the value of donated land.

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 to be known as Brrok Meadow, Snookes Croft and Plants Piece)		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		297,399
	Total to 31st March 2019		<u><u>1,060,261</u></u>



16 Investments

Investments are held to provide capital growth and a return for the charity. There are two investment portfolios. One holds the Lands Acquisition Fund and the other the Lands Maintenance Fund and part of the Parliamentary Fund. Income earned on the Lands Acquisition 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:

	LA	Parl & LM	Combined	
	£	£	2019	2018
			£	£
Opening Market Value	1,127,637	636,106	1,763,743	1,786,569
Additions	94,891	48,936	143,827	348,189
Disposal proceeds	(395,008)	(64,409)	(459,417)	(316,072)
Equalisations	0	0	0	(409)
Gains/(losses)	30,564	35,292	65,856	(47,865)
Change in cash	10,623	17,081	27,704	(6,669)
Closing market value	<u>868,707</u>	<u>673,006</u>	<u>1,541,713</u>	<u>1,763,743</u>

The historical cost of investments at the balance sheet date was £1,414,241 (2018 £1,667,738). At the Balance Sheet date, the Lands Acquisition portfolio was invested in the following classes of investment:

	2019		2018	
	%	£	%	£
UK Bonds	10.8	93,615	14.7	165,837
Overseas bonds	4.9	42,928	1.7	19,610
UK equities	36.5	316,858	34.7	390,727
North American equities	17.9	155,379	15.7	177,405
European equities	4.2	36,562	4.6	52,311
Japanese equities	3.2	27,964	2.5	28,533
Asia pacific equities	4.1	35,704	3.7	41,164
Emerging markets	1.2	10,310	2.0	22,191
Absolute return	2.9	24,771	5.7	64,536
Global investments	5.3	45,689	5.3	60,174
Property	2.1	18,447	3.2	35,931
Other investments	3.7	32,154	4.6	51,514
Cash	3.3	<u>28,326</u>	1.6	<u>17,704</u>
		<u>868,707</u>		<u>1,127,637</u>

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

	2019		2018	
	%	£	%	£
UK Bonds	10.8	72,354	14.6	92,947
Overseas bonds	4.3	29,123	1.5	9,567
UK equities	31.9	214,761	33.5	212,964
North American equities	18.8	126,531	17.4	110,609
European equities	5.4	36,414	4.8	30,370
Japanese equities	2.3	15,329	2.5	16,003
Asia pacific equities	3.3	22,099	3.3	21,002
Emerging markets	1.3	8,888	1.4	8,909
Absolute return	2.0	13,215	2.1	13,282
Global investments	8.4	56,635	7.9	50,470
Property	2.4	16,185	4.6	29,216
Other investments	5.9	39,796	5.7	36,172
Cash	3.2	21,676	0.7	4,595
		<u>673,006</u>		<u>636,106</u>

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

17 Debtors

	2019	2018
	£	£
Trade debtors	16,430	11,730
VAT recoverable	2,845	4,119
Accrued income	334,540	210,350
Prepayments	10,826	21,038
	<u>364,641</u>	<u>247,237</u>

Debtors are measured at the settlement value less any provision for bad debts.

£nil bad debts were written off during the year (2018 £3,815).



18 Creditors: amounts falling due within one year

	2019	2018
	£	£
PAYE and National Insurance	9,401	7,073
Trade creditors	10,661	46,890
Accrued charges	61,738	66,488
Other creditors	1,760	1,357
Deferred income	21,145	16,715
FRS102 compensated absence provision	6,537	5,397
	<u>111,242</u>	<u>143,920</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 1st April 2018	16,715
Released to the SOFA in the year	(16,715)
Received in the year	<u>21,145</u>
Balance at 31st March 2019	<u>21,145</u>

19 General fund

	2019	2018
	£	£
General Fund - balance 1st April 2018	310,045	282,100
Incoming resources	852,538	799,712
Resources expended	(835,171)	(759,880)
Transfers	<u>(16,348)</u>	<u>(11,887)</u>
Balance 31st March 2019	<u>311,064</u>	<u>310,045</u>

Transfers were made during the year were:

Transfer details	Reason	£
From Stewardship designated fund	To cover staff costs	17,891
From Parliamentary fund	To transfer investment income	14,000
From Lands Maintenance fund	To transfer investment income	3,000
From GDPR designated fund	To release funds no longer needed	5,000
From Development designated fund	To release funds no longer needed	1,091
To Tree Disease fund	To cover costs arising from tree disease	(3,000)
To Dog campaign designated fund	To cover costs on campaign	(4,330)
	To cover legal costs on the Charity	
To CC Scheme designated fund	Commission scheme	(45,000)
To Election Expenses designated fund	To cover costs of elections to the Board	<u>(5,000)</u>
		<u>(16,348)</u>



20 Designated funds

Current year

	Balance 1st April 2018 £	Movement incoming £	Resources outgoing £	Transfers (to)/from other funds £	Balance 31st March 2019 £
Gift fund	104,080	81,460	(730)	0	184,810
Development fund	1,091	0	0	(1,091)	0
Higher Level Stewardship fund	196,455	107,563	(132,261)	(17,891)	153,866
Countryside Stewardship fund	19,872	82,927	(42,398)	0	60,401
Rebranding fund	355	0	(355)	0	0
Thirds Wood fund	5,739	0	(1,738)	345	4,346
GDPR	5,000	0	0	(5,000)	0
Tree disease fund	3,000	0	0	3,000	6,000
Mountain biking campaign	4,000	0	(3,052)	0	948
Fundraising support fund	10,000	0	0	0	10,000
Charity Commission Scheme - legal	59,233	0	(67,887)	45,000	36,346
Charity Commission Scheme - public consultation	20,000	0	(208)	0	19,792
Election expenses fund	11,086	0	0	5,000	16,086
Dog campaign	0	0	0	4,330	4,330
	439,911	271,950	(248,629)	33,693	496,925

Prior year

	Balance 1st April 2017 £	Movement incoming £	Resources outgoing £	Transfers (to)/from other funds £	Balance 31st March 2018 £
Gift fund	109,628	162	(5,710)	0	104,080
Development fund	1,091	0	0	0	1,091
Higher Level Stewardship fund	218,915	158,062	(160,522)	(20,000)	196,455
Countryside Stewardship fund	0	19,872	0	0	19,872
Rebranding fund	355	0	0	0	355
Thirds Wood fund	30,000	0	(24,261)	0	5,739
Pension Review expenses fund	15,893	0	(780)	(15,113)	0
GDPR	0	0	0	5,000	5,000
Tree disease fund	0	0	0	3,000	3,000
Mountain biking campaign	0	0	0	4,000	4,000
Fundraising support fund	0	0	0	10,000	10,000
Charity Commission Scheme - legal consultation	100,000	0	(40,767)	0	59,233
Election expenses fund	6,086	0	0	20,000	20,000
	481,968	178,096	(232,040)	11,887	439,911

- 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.
- The Development fund is no longer needed and the balance has been transferred to the General fund.
- 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 Rebranding fund covered the costs of the rebranding exercise.
- The Thirds Wood fund is for essential works to the wood.



- The Pensions Review expenses fund is no longer needed and the balance has been transferred to the General fund.
- The GDPR fund is no longer needed and the balance has been transferred to the General fund.
- The Tree Disease fund is to cover costs arising from tree diseases such as Ash Dieback.
- The Mountain Biking campaign will be completed in 2019 and this fund is to cover the costs of the campaign.
- The Fundraising support fund is to cover costs of fundraising activities.
- The Charity Commission Scheme funds are to cover the cost of the scheme.
- The Election expenses fund is to cover the cost of the 4-yearly elections to the Board and any by-elections. The next elections will be held in Autumn 2019.
- The Dog campaign fund is to cover the costs of a campaign to be carried out in 2019/20.

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

21 Unrestricted pension fund

Current year

	Balance 1st April 2018 £	Movement incoming £	Resources outgoing £	Transfers & other losses £	Balance 31st March 2019 £
Pension Fund	(1,642,000)	0	(25,000)	(167,000)	(1,834,000)

Prior year

	Balance 1st April 2017 £	Movement incoming £	Resources outgoing £	Transfers & other losses £	Balance 31st March 2018 £
Pension Fund	(1,790,000)	0	(22,000)	170,000	(1,642,000)

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 28.



22 Restricted funds

Current year

	Balance 1st April 2018 £	Movement incoming £	Resources outgoing £	Transfers relating to routine transactions £	Net gains/(loss es) on investment s £	Transfer from Permanent Endowmen t fund £	Balance 31st March 2019 £
Lands Maintenance fund	163,572	4,983	(1,122)	(3,000)	7,691	0	172,124
SDF fund	453	0	0	0	0	0	453
Nature in Malvern book	2,963	2,354	(6,425)	0	0	0	(1,108)
Gifts	8,318	2,509	(1,120)	0	0	0	9,707
Tree planting	0	345	0	(345)	0	0	0
Community Woodland	0	40,955	0	0	0	0	40,955
Lands Acquisition fund	0	0	0	0	0	867,605	867,605
Parliamentary fund	0	0	0	0	0	498,238	498,238
Capital Outlay Discharged fund	0	0	0	0	0	1,503,250	1,503,250
	175,306	51,146	(8,667)	(3,345)	7,691	2,869,093	3,091,224

The transfer from the Permanent Endowment funds to the Restricted funds is as a result of advice received from the Charity Commission on the legal structure of the charity. Further details are given in the Trustees' report, page 10 and the note 1 (l) on page 23.

Prior year

	Balance 1st April 2017 £	Movement incoming £	Resources outgoing £	Transfers £	Net gains/(loss es) on investmen ts £	Balance 31st March 2018 £
Lands Maintenance fund	166,194	5,154	(971)	0	(6,805)	163,572
SDF fund	400	1,553	(1,500)	0	0	453
Nature in Malvern book	3,713	0	(750)	0	0	2,963
Gifts	6,192	2,400	(274)	0	0	8,318
	176,499	9,107	(3,495)	0	(6,805)	175,306

The transfer was to transfer investment income to the General Fund

- The Lands Maintenance fund formed part of the consideration for the disposal of the land at Townsend Way for the purpose of providing finance for the maintenance of the land forming the roadside verges.
- The SDF fund is for information boards at North and Tank Quarries.
- The Nature in Malvern book is 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 Gifts fund comprises legacies and donations specifically made for projects to improve the amenities of the Malvern Hills.
- The tree planting fund received donations for planting trees at Thirds Wood.
- The Community Woodland fund is for work at the woodland at Townsend Way, funded by an S106 grant from Malvern Hills District Council.
- 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 Lands Acquisition 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 charity's general purposes. During the year, £14,000 investment income was transferred to the General Fund (2018 £nil).
- The Lands Acquisition fund was set up in 1993 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 Permanent Endowment

Current year

	Balance 1st April 2018 £	Movement incoming £	Resources outgoing £	Net gains/(losses) on invt's £	Transfers relating to routine transactions £	Transfer to Permanent Endowment £	Balance 31st March 2019 £
Capital Outlay Discharged	1,131,584	0	(65,652)	0	437,318	(1,503,250)	0
Parliamentary fund	588,369	17,943	(2,945)	27,601	(132,730)	(498,238)	0
Lands Acquisition fund	1,129,101	32,819	(6,291)	30,564	(318,588)	(867,605)	0
	2,849,054	50,762	(74,888)	58,165	(14,000)	(2,869,093)	0

Prior year

	Balance 1st April 2017 £	Movement incoming £	Resources outgoing £	Net gains/(losses) on invt's £	Transfer between funds £	Balance 31st March 2018 £
Capital Outlay Discharged	940,154	0	(40,461)	0	231,891	1,131,584
Parliamentary fund	824,049	19,612	(2,986)	(20,415)	(231,891)	588,369
Lands Acquisition fund	1,120,324	36,282	(6,860)	(20,645)	0	1,129,101
	2,884,527	55,894	(50,307)	(41,060)	0	2,849,054

An in-year transfer of these funds was made to the Restricted funds, see note 22 for details. Transfers between the funds during the year in relation to routine transactions were:

	Capital Outlay £	Parliamentary £	Lands Acquisition £	Total £
Cost of refurbishment of St Ann's Well	13,208	(13,208)	0	0
Initial costs Manor House	2,497	(2,497)	0	0
Initial costs Donkey Shed	292	(292)	0	0
Purchase of land at Hollybed	102,733	(102,733)	0	0
Purchase of land at Castlemorton	7,505	0	(7,505)	0
Purchase of land at Holywell	13,684	0	(13,684)	0
Purchase of land at Castlemorton	297,399	0	(297,399)	0
Transfer investment income to General fund	0	(14,000)	0	(14,000)
Total transfers between funds	437,318	(132,730)	(318,588)	(14,000)



24 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	1,060,261	0	442,477	0	512	1,503,250
Parliamentary fund	0	500,882	0	0	(2,644)	498,238
Lands Acquisition fund	0	868,707	0	0	(1,102)	867,605
Lands Maintenance fund	0	172,124	0	0	0	172,124
Nature in Malvern book	0	0	0	0	(1,108)	(1,108)
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	9,707	9,707
Community Woodland fund	0	0	0	0	40,955	40,955
	<u>1,060,261</u>	<u>1,541,713</u>	<u>442,477</u>	<u>0</u>	<u>46,773</u>	<u>3,091,224</u>
Unrestricted funds						
General fund	0	0	90,987	0	220,077	311,064
Designated funds	0	0	0	0	496,925	496,925
Pension fund	0	0	0	(1,834,000)	0	(1,834,000)
	<u>0</u>	<u>0</u>	<u>90,987</u>	<u>(1,834,000)</u>	<u>717,002</u>	<u>(1,026,011)</u>
	<u>1,060,261</u>	<u>1,541,713</u>	<u>533,464</u>	<u>(1,834,000)</u>	<u>763,775</u>	<u>2,065,213</u>

Prior year

	Heritage assets	Investments	Tangible fixed assets	Pension liability	Other net assets	Total
	£	£	£	£	£	£
Permanent Endowment						
Capital Outlay Discharged	741,673	0	389,911	0	0	1,131,584
Parliamentary fund	0	477,080	0	0	111,289	588,369
Lands Acquisition fund	0	1,127,637	0	0	1,464	1,129,101
	<u>741,673</u>	<u>1,604,717</u>	<u>389,911</u>	<u>0</u>	<u>112,753</u>	<u>2,849,054</u>
Restricted funds						
Lands Maintenance fund	0	159,027	0	0	4,545	163,572
Nature in Malvern book	0	0	0	0	2,963	2,963
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	8,318	8,318
	<u>0</u>	<u>159,027</u>	<u>0</u>	<u>0</u>	<u>16,279</u>	<u>175,306</u>
Unrestricted funds						
General fund	0	0	97,722	0	212,323	310,045
Designated funds	0	0	0	0	439,911	439,911
Pension fund	0	0	0	(1,642,000)	0	(1,642,000)
	<u>0</u>	<u>0</u>	<u>97,722</u>	<u>(1,642,000)</u>	<u>652,234</u>	<u>(892,044)</u>
	<u>741,673</u>	<u>1,763,744</u>	<u>487,633</u>	<u>(1,642,000)</u>	<u>781,266</u>	<u>2,132,316</u>



25 Post balance sheet events and capital commitments

At 31st March 2019, capital expenditure of £40,855 had been contracted for the supply of new pay and display ticket machines (2017/18 £nil). Capital expenditure which had been approved but not contracted at the year end was for a tractor up to £42,000 (2017 £nil).

Under the Higher Level and Countryside Stewardship schemes, the charity is contracted to make 6-monthly payments to graziers from the grants received. The annual payments currently committed total £130,281 (2018 £105,346). Two Higher Level Stewardship schemes end in 2020 and one in 2023 and there is a 5-year break clause in each scheme. The Countryside Stewardship Scheme ends in 2028. Malvern Hills Trust contracts with graziers have an annual break clause.

26 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:

	2019	2018
	£	£
Within the next 12 months	21,886	18,542
Within 1-5 years	63,860	38,973
5 years plus	37,397	7,303
	<u>123,143</u>	<u>64,818</u>

27 Pension scheme – McCloud judgement

Malvern Hills Trust participates in the Worcestershire County Council Pension Fund, which is part of the Local Government Pension Scheme (LGPS). In April 2014 the LGPS introduced a new career average ('CARE') scheme, with an underpin provided for members who were 10 years or less from their Normal Retirement Age on 1st April 2012.

In December 2018, the Court of Appeal found that similar transitional provisions in the pension schemes for firefighters and the judiciary resulted in unlawful age discrimination. The Government has been refused permission to appeal this judgement, known as the 'McCloud judgement'.

Notwithstanding the uncertainty of the remedy to be agreed and the extent to which the judgement impacts on the LGPS, the possible liability to Malvern Hills Trust has been estimated by the Actuary of the Worcestershire County Council Pension Fund. This has been based upon the results of costings made by the Government Actuary's Department (GAD) and reported in their paper dated 10th June 2019.

For the LGPS as a whole, GAD's calculations indicate a potential balance sheet effect of additional liabilities of about 3.2 % of active members' liabilities and a potential increase in service cost of about 3 % of pensionable pay, when measured on IAS19/FRS102 actuarial assumptions as at 31st March 2019 assuming real pay growth of 1.5 % p.a. above CPI.



The Actuary has estimated the potential financial impact of the McCloud judgement and included it in the FRS102 figures in these accounts and shown in note 28. The overall effect has been to increase the pension deficit under FRS 102 by £19,000 from the original figure for 31st March 2019.

28 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 2016 and was updated by the actuary on an FRS102 basis as at 31st March 2019.

The employer's contribution (including the FRS102 adjustment) for the period was £124,000 (2018: £135,000).

The amounts recognised in the Balance Sheet are as follows:

	2019	2018
	£	£
Present value of funded obligations	(3,984,000)	(3,678,000)
Fair value of plan assets	<u>2,150,000</u>	<u>2,036,000</u>
	<u>(1,834,000)</u>	<u>(1,642,000)</u>
 Amounts recognised as:		
Liabilities	(1,834,000)	(1,642,000)
Assets	<u>0</u>	<u>0</u>
Net amount recognised	<u>(1,834,000)</u>	<u>(1,642,000)</u>



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

	2019	2018
	£	£
Current service cost	82,000	90,000
Interest on pension liabilities	94,000	92,000
Past service cost	15,000	0
Administration costs	1,000	1,000
Expected return on plan assets	(53,000)	(48,000)
Contributions by employer	<u>(114,000)</u>	<u>(113,000)</u>
Total pension cost charged within net incoming resources	25,000	22,000
Remeasurements (Actuarial loss/(gain))	<u>167,000</u>	<u>(170,000)</u>
Total amount (credited)/charged to SOFA	<u><u>192,000</u></u>	<u><u>(148,000)</u></u>

The cumulative amount of actuarial loss recognised is £423,000 (2018 £256,000).

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

	2019	2018
	£	£
Opening defined benefit obligation	3,678,000	3,690,000
Current service cost	82,000	90,000
Interest on pension liabilities	94,000	92,000
Member contributions	19,000	34,000
Actuarial losses/(gains) on liabilities	197,000	(145,000)
Past service cost	15,000	0
Benefits/transfers paid	<u>(101,000)</u>	<u>(83,000)</u>
Benefit obligation at end of period	<u><u>3,984,000</u></u>	<u><u>3,678,000</u></u>

Changes in the plan assets during the period to 31st March 2019 were as follows:

	2019	2018
	£	£
Fair value of plan assets at beginning of period	2,036,000	1,900,000
Expected return on scheme assets	53,000	48,000
Administration expenses	(1,000)	(1,000)
Remeasurements (assets) (Actuarial gains/(losses) on plan assets)	30,000	25,000
Employer contributions	114,000	113,000
Member contributions	19,000	34,000
Benefits/transfers paid	<u>(101,000)</u>	<u>(83,000)</u>
Fair value of plan assets at end of period	<u><u>2,150,000</u></u>	<u><u>2,036,000</u></u>



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

Asset category	Fair value at 31st March 2019	Fair value at 31st March 2018
	£	£
Equities	1,547,000	1,759,000
Government bonds	174,000	-
Other bonds	105,000	98,000
Property	135,000	86,000
Other	140,000	69,000
Cash	49,000	24,000
	<u>2,150,000</u>	<u>2,036,000</u>

	2019	2018
	£	£
Experience gains/(losses) on assets	30,000	25,000
Experience gains/(losses) on liabilities	(197,000)	145,000

Weighted average assumptions used to determine benefit obligations at:

	2019	2018
Discount rate	2.4 %	2.6 %
Rate of increase in salaries	3.7 %	3.6 %
Rate of increase in pension	2.3 %	2.2 %
Rate of CPI inflation	2.2 %	2.1 %

Weighted average assumptions used to determine net pension cost for period ended 31st March 2019:

	2019	2018
Discount rate	2.40 %	2.60 %
Rate of pension increase	2.30 %	2.20 %

Assumed life expectations on retirement age 65:

Retiring today - males	22.8	22.7
Retiring today - females	25.8	25.7
Retiring in 20 years - males	25.1	24.9
Retiring in 20 years - females	28.2	28.0

Contributions

The employer expects to contribute £136,000 in the period to 31st March 2020. This includes an allowance of £4,000 for the effects of the McCloud judgement (see note 27).

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 2019.



29 Financial instruments

	2019	2018
	£	£
Financial assets measured at fair value	1,541,713	1,763,743
Financial assets measured at settlement value	836,026	863,910
Financial liabilities measured at settlement value	<u>(72,399)</u>	<u>(113,378)</u>

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



30 Statement of Financial Activities for the year ended 31st March 2018

	Note	Unrestricted funds	Restricted funds	Permanent endowment	Total funds 2018
		£	£	£	£
<i>Income and endowments from:</i>					
Donations and legacies	3	10,496	2,400	0	12,896
Charitable activities:					
Management of the hills and commons		668,328	1,553	0	669,881
Car parks		252,975	0	0	252,975
Other trading activities	4	29,394	0	0	29,394
Investments:					
Bank deposits		1,388	0	185	1,573
Investment portfolio		0	5,154	55,709	60,863
Other	5	15,227	0	0	15,227
Total income		977,808	9,107	55,894	1,042,809
<i>Expenditure on:</i>					
Charitable activities	6	1,013,920	3,495	50,307	1,067,722
Total expenditure		1,013,920	3,495	50,307	1,067,722
Net gains/(losses) on investments		0	(6,805)	(41,060)	(47,865)
Net income/(expenditure)		(36,112)	(1,193)	(35,473)	(72,778)
<i>Transfers between funds</i>					
		0	0	0	0
<i>Other recognised gains/(losses)</i>					
Actuarial gains/(losses) on defined benefit pension scheme		170,000	0	0	170,000
Net movement in funds		133,888	(1,193)	(35,473)	97,222
<i>Reconciliation of funds:</i>					
Total funds brought forward		(1,025,932)	176,499	2,884,527	2,035,094
Total funds carried forward		(892,044)	175,306	2,849,054	2,132,316