



**Malvern Hills Trust**

**Trustees' Report and Financial statements  
For the year ended 31<sup>st</sup> March 2021**

DRAFT 4 for levy payers prior to meeting



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For the year ended 31<sup>st</sup> March 2021**

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DRAFT 4 for levy payers prior to meeting



## 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  
10 Temple Back  
Bristol  
BS1 6FL

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 (to 30 <sup>th</sup> June 2021)
Finance and Administration Manager	Cheryl Gentry BSc ACA



## Trustees

Note – As at 31/3/21

*FAR – sits on Finance, Administration and Resources Committee*

*LM – sits on Land Management Committee*

*GC – sits on Governance Committee*

*SC – sits on Staffing Committee*

*\* has served for more than 9 years*

## Elected trustees

Priory Ward:	David Watkins (appointed 7 <sup>th</sup> May 2021) John Watts <i>FAR</i> (resigned 13 <sup>th</sup> October 2021)
Chase Ward:	Graeme Crisp <i>LM</i>
Wells Ward:	Richard Fowler <i>LM</i>
West Ward:	Charles Penn <i>FAR and GC</i>
Dyson Perrins Ward:	Trevor Parsons <i>LM</i>
Malvern Link Ward:	Richard Bartholomew <i>FAR, SC and GC</i>
Pickersleigh Ward:	David Core <i>FAR and GC</i>
Colwall Parish:	Helen Stace <i>LM</i> * Stephen Braim <i>LM and GC</i> David Fellows <i>FAR and GC</i>
Guarlford Parish:	David Fellows <i>FAR and GC</i>
Mathon Parish:	Christopher Rouse <i>LM</i> *

## Nominated trustees

Malvern Hills District Council:	Mick Davies <i>FAR and SC</i> (Board Chair) John Michael <i>FAR</i> Sarah Rouse <i>FAR</i> (Board Vice Chair) Mark Dyde <i>FAR</i> Cynthia Palmer <i>LM, GC and SC</i> Gwyneth Rees <i>LM and SC</i> *
Colwall Parish Council:	David Baldwin <i>LM and SC</i> *
Mathon Parish Council:	David Bryer <i>LM and GC</i> (resigned 31 <sup>st</sup> July 2020)
Church Commissioners:	Helen I'Anson <i>LM and SC</i>
Herefordshire Council:	Ellie Chowns (from 19 <sup>th</sup> November 2020) Tony Johnson (resigned 24 <sup>th</sup> September 2020)
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:	Chris Atkins <i>LM and GC</i>
Newland:	Tom Yapp <i>LM</i> *
Powick:	Martin Cordey <i>FAR and CCC</i> * (resigned 19 <sup>th</sup> August 2020) Michelle Alexander <i>LM</i> (from 2 <sup>nd</sup> October 2020, resigned 31 <sup>st</sup> May 2021)

## Staff

Malvern Hills Trust employed 19 staff (16 full time equivalent) during the year. Details of staff numbers are given in note 11 to the financial statements.

During the year, Robin Hill retired as a Warden with the Board's best wishes and Tracy Sutton was welcomed onto the Wardening team in August 2020 and left in August 2021. Ben Taylor joined as Warden in May 2021. Paul Saunder, Operations Manager retired at the end of June 2021. The Board is very grateful for Paul's service to the Trust spanning a quarter of a century, during which time he has been central to the running of the organisation. George Banner (Field Staff) took up a secondment to a 12-month post as Estate manager in March 2021 and James Trigger joined the Field Staff for 10 months in June 2021. Peter Kelsall was welcomed as Operations Manager in August 2021.



## Report of the trustees for the year ended 31<sup>st</sup> March 2021

The trustees are pleased to present their annual report together with the financial statements of the charity for the year ending 31<sup>st</sup> March 2021.

The Board of Trustees resolved to adopt the working name of 'Malvern Hills Trust' on 19<sup>th</sup> January 2017. This came into effect on 6<sup>th</sup> 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 in 1884 and governed by 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 2019).

### 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. The Trust also aims to run a series of free themed events 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. Unfortunately, due to the COVID-19 pandemic, these did not take place in 2020/21.

A 5-year Business Plan was prepared and adopted by the Board of Trustees in 2017 and is reviewed at least annually. The Business Plan sets out the strategic priorities and plans for the charity, a number of which have been disrupted in the past year by COVID-19.

## **COVID-19 and its impact**

In the early months of the 2020/21 financial year, the impact of the COVID-19 full lockdown restrictions hit all areas of the Trust's operations. Income was lost through the closure of the car parks but has been recovered during a very busy period post-lockdown. Reduced staff capacity through furloughing, the loss of volunteer support and restrictions on contractors all reduced the capacity to carry out planned work.

In the first 2 months of 2020/21, conservation work was affected by the furloughing of staff and diversion of staff away from conservation work to carry out essential COVID-19 related tasks and to support the Wardening service. Woodland assessments which should have been carried out in April 2021 did not happen. Communications work to help prevent unlawful and damaging mountain biking activity was delayed. Events were cancelled and the Trust's ability to engage with the public continues to be partly reduced.

The requirement for staff to work at home where possible has impacted on efficiency and communication, with significant amounts of time being spent on video conferences with colleagues and trustees. However, IT systems have worked well.

The impact of the COVID-19 crisis on the Trust's future activities is considered in the 'plans for future periods' section of this report.

## **Volunteers**

Malvern Hills Trust normally receives enormous support from the work of volunteers for activities such as wardening, litter picking, recording, habitat management, conservation, archiving and administrative support. Social distancing restrictions have meant that in 2020/21 the input of volunteers had to be largely curtailed. The impact of the loss of volunteers is very significant. The volunteer warden service was lost for several months. Conservation projects such as thistle pulling, rubbish picking and some biological recording were halted, as were some mapping and research projects. In the office, the volunteer team that assists with the Trust's archive and vital administration support with telephone answering and recording car park pass sales was unable to work.

Consequently, the estimated volunteer contribution during the year was much reduced from previous years. The equivalent of 43 working days (7.5 hours) was spent on the hills and commons and 15 working days on office work. The contribution of all volunteers is gratefully acknowledged and it is hoped they will all be back in the not too distant future.



## Stewardship

At 31<sup>st</sup> March 2021, a significant proportion of the charity's land (around 57 %) is under the Department for the Environment and Rural Affairs (Defra) Countryside Stewardship Scheme and Higher Level Stewardship Scheme. A further application for land at Castlemorton (approximately 21 % of the landholding) is currently underway. The schemes provide funding for certain land management activities including grazing, which is the most effective way to maintain significant parts of the hills and commons. The grazing programme is complemented by management work carried out by staff, contractors and a dedicated team of volunteers.

The Countryside Stewardship grant agreement for the North & Central hills was set up in 2018 with Natural England. The grant was due to be paid in arrears and has been accounted for on an accruals basis. The 2018 annual payment of £79,489 was received in full.

Without consulting the Charity, the Rural Payments Agency (RPA), who have taken over the administration of the grant unilaterally changed the agreement in 2018. This only came to light when the Charity chased payment of the 2019 grant, when the RPA withheld £68,007 of the annual grant due. No payment has been received for 2020.

The Charity is now in dispute with the RPA over the non-payment of the grant and alteration of the agreed grant terms. To date the RPA has not responded to any of the Charity's repeated requests for information. It is felt that a resolution is unlikely to be reached before the accounts are signed. As a prudent measure, the Charity has excluded the accrued grant income from these accounts and will not account for any further payments under this agreement until the dispute has been settled. The total amount excluded is £151,470. This calculation of this amount had been based on the signed grant agreement.

## Key achievements

Key achievements in the year are as follows:

- Meeting the many challenges arising from the global pandemic,
- Maintaining over 1,200 hectares open and accessible to the public,
- The adoption of the new Land Management Plan, covering the period 2021- 2026,
- Countryside Stewardship funding was secured for the Southern Hills, for a 10-year period commencing January 2021,
- A further application for Countryside Stewardship funding for Castlemorton Common has been made for the 10-year period commencing 1<sup>st</sup> January 2022,
- New hedges were laid at the land at Castlemorton purchased in 2019,
- MHT successfully managed unprecedented visitor numbers in summer 2020,
- Sale of car park passes was brought in-house, following the cessation of sales by of the third-party outlets due to the pandemic,



- Improvements to the Community Woodland in Townsend Way funded by a grant from MHDC are now largely completed,
- MHT’s conservation work was recognised by Natural England as several areas were upgraded from ‘unfavourable recovering’ condition to ‘favourable’,
- Restoration work was carried out to ponds on Castlemorton Common, funded by a grant from Worcestershire County Council’s Natural Networks programme,
- Further waymarked mountain biking routes have been established to encourage responsible cycling on the Hills,
- Replacement of signage continued, following the rebranding started in 2017.

**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. There were 5 vacancies at the time this report was approved. Eleven trustees 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.

<b>Electoral area</b>	<b>Seats</b>
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
Worcestershire County Council	2
Worcestershire County Council to represent the parishes of 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 31st October 2019, with new trustees taking up their seats on 1<sup>st</sup> November 2019. The next elections will take place in October 2023 and new trustees will take up their seats on 1<sup>st</sup> November 2023.

Following appointment, trustees are asked to attend training sessions to ensure that they understand their duties and responsibilities under the Malvern Hills Acts and their responsibilities as charity trustees and under other legislation which affects the land which they manage. 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 normally meets at least five times a year in January, March, June, September and November to make decisions and 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 raise issues. The annual meeting of levy payers was held immediately before the Board meeting in September 2020. 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 to serve on outside bodies are also appointed.

### **The impact of COVID-19 on governance**

The COVID-19 virus control measures brought in from March 2020 meant that Board meetings could no longer be held in person. Following a decision taken at a meeting of the Board on 12<sup>th</sup> March 2020, the trustees unanimously agreed to putting the following arrangements in place during the COVID-19 'emergency period':

- All meetings of the Board and Committees were suspended until further notice,
- The public desk at the Trust's office was closed,
- A temporary increase was made to the CEO's delegated authority to authorise unbudgeted expenditure during the 'emergency period' to £20,000 in total (£10,000 for a single item), to be reviewed September 2021,
- A temporary delegation of the exercise of Board powers was given to a sub group comprising the Chairs and Vice Chairs of Board, Land Management Committee, Finance Administration and Resources Committee, Staffing Committee and Governance Committees for the 'emergency period', the exercise of such powers to be limited to making any urgent decisions including authorising unbudgeted expenditure (in addition to the CEO's authority) of up to £40,000 in total and



- The subgroup was given permission to adopt its own administrative arrangements (for example to hold meetings by conference call, Skype or other online facility), or agreement by written communication.

For the purpose of these arrangements, an urgent decision was defined as an item of business which if not discussed or decided upon might reasonably be expected to result in prejudice of an operational, financial, reputational or legal nature to the interests of the Trust.

The sub group, which was named the COVID-19 Contingency Committee (CCC) met regularly via video link during April, May and June 2020.

Board meetings re-started in June 2020 and Committee meetings re-started in September 2020, via video link with a live stream on YouTube.

Work on the modernisation of the Trust's governing Acts was suspended during the COVID-19 crisis. The Trust is currently taking steps to investigate and cost the options available before deciding how to proceed. This has already been a lengthy project and it is likely now to take significant additional time before completion because of the recent necessity for a Parliamentary process.

## **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**

Ordinarily there are four committees. Their functions are set out below. The Board of Trustees considers committee reports and adopts, declines or amends 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 some applications for 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 the adequacy of financial controls, 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,
- 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 are 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 for staff,
- 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.

## Charity Governance Code

The Charity Governance Code was published in July 2017 and revised in 2020 as a reference document to help charities work towards effective governance and the right leadership structure. The Code sets out principles and recommended practice. All trustees are encouraged to meet the principles and outcomes of the Code by either applying the recommended practice or explaining what they have done instead or why they have not applied it.

As a charity governed by statute it is impossible at present for the Trust to adopt all recommended practice as set out in the Code but it has been used as the foundation for formulating the Trust's proposed governance changes. When the COVID-19 pandemic took hold, the Trust was in the process of undertaking a detailed audit of how far the Trust was complying with the Code and where improvements could be achieved within the existing statutory framework. Hopefully this work will be completed during 2021/22 and the outcomes acted upon by the Board.

## Financial Review

The financial results are set out on pages 24 to 51. There was a total net decrease in funds of £263,584 (2019/20 increase £94,480). Details of a dispute with the RPA over Countryside Stewardship funding due are given on page 8 of the Trustees' report and in note 7 to the accounts.

Net expenditure before transfers on the unrestricted funds was £111,414 (2019/20 net income of £255,965). The net movement on the unrestricted funds after transfers and the FRS 102 pension adjustment was an outflow of £501,191 (2019/20 inflow £290,674).



In addition, there was a net inflow of funds on the restricted funds of £237,607 (note 22) (2019/20 net outflow £196,194).

Total reserves at the financial year end were £1,896,109 (2020 £2,159,693), of which £3,132,637 is restricted (of which £1,060,261 is inalienable, see notes 14 and 15 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 the Malvern Hills District Council wards of Chase, Dyson Perrins, Malvern Link, Pickersleigh, Priory, Wells and West Malvern and the parishes of Guarlford, Colwall and Mathon. The average band D levy payable in 2020/21 was £38.13 (2019/20 £37.02). The total levy received by the charity was £534,850 (2019/20 £519,250).

Revenue from car parks is the second principal funding source. The total received in 2020/21 was £412,659 (2019/20 £289,167). Car park takings are used to fund the charity's work including maintaining the car parks for public use.

Donations and legacies received totalled £5,244 (2019/20 £299,020).

## Significant financial impacts

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

- The dispute with the RPA, resulting in the exclusion from the accounts of accrued income totalling £151,470, which MHT believe is due to the Charity, until the dispute is resolved,
- The very high visitor numbers led to much increased takings from the car parks,
- The annual tree safety survey identified essential work to a large number of trees, resulting in the Board needing to approve an additional £24,000 over and above the original budget of £16,120 for treework,
- The Board maintained its policy of updating vehicles, plant and machinery, spending £21,713,
- Future replacement costs for a failing drainage field serving the public lavatories at British Camp were estimated at £40,000 to £50,000. Work continues to be delayed by the COVID-19 pandemic,
- Sales of the 'Nature in Malvern' book covered the Trust's share of its cost and raised a further £889 this year towards conservation work, making a total of £2,733 available,

## Acknowledgements

Malvern Hills Trust gratefully acknowledges the financial support of Defra Rural Development Programme for England, Worcestershire County Council, Herefordshire Council, Malvern Hills District Council, Natural Networks (through Worcestershire County



Council and European Growth Funding), Severn Trent's Boost4Biodiversity scheme and Malvern Hills Area of Outstanding Natural Beauty (AONB) partnership.

## **Investment powers and policy**

The Trust has placed the Land Purchase (1992) Fund (formerly called the Land Acquisition Fund), Land Maintenance Fund and Parliamentary Fund under investment with Brewin Dolphin. The trustees have provided Brewin Dolphin with written investment policies for both funds, which are reviewed annually. The Trust's principal objective from the investment of the Land Purchase (1992) Fund is to generate a return (net of costs, including reinvestment of earnings) sufficient to maintain the purchasing value of the Land Purchase (1992) Fund. The Trust aims to produce the best financial return with a moderate level of risk.

The Trust's investment objective for the Land 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 acknowledge 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, sector and security. The Trust's investment policies provide that 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, with the advice of the Trust's Investment Manager, is charged with recommending to the trustees a suitable asset allocation strategy, 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 (year ended 31<sup>st</sup> March 2021) on the Land Purchase (1992) portfolio was 1.6% and on the Parliamentary and Land Maintenance portfolio 2.6%. The portfolio return gross of fees on the Land Purchase (1992) portfolio was 29.5% (net of fees 28.57%) against the benchmark of 23.58% and on the Parliamentary and Land



Maintenance portfolio it was 24.46 % (net of fees 23.55 %) against a benchmark of 23.54 %. The trustees receive a full report from Brewin Dolphin in June and December and an interim report in March and September.

Since March 2021, the global impacts of COVID-19 on investments has been a major risk. The Trust is receiving regular information and briefings from its Investment Manager through this turbulent period.

The Trust's assets are invested in line with the long term interests of the charity. Malvern Hills Trust exists to protect the Malvern Hills and commons. Climate change poses a threat to the unique environment for which the Trust cares. The trustees therefore agreed to exclude any fossil fuel, mining and quarrying companies from the investment portfolios by 31<sup>st</sup> March 2021 and this target has been achieved. The trustees also exclude individual investments which are perceived to conflict with the charity's purpose.

### **Reserves policy and going concern**

The Trust's free reserves are defined as those funds which the charity has available freely to spend on its charitable objectives.

The free reserves are calculated by starting from the total unrestricted funds value from the accounts. To comply with accounting rules the amount of the pension deficit is included as part of the unrestricted funds shown in the accounts, although it is a liability that will never crystallise. This deficit value is therefore added back when calculating the free reserves. The net book value of fixed assets (not available as cash) and the value of committed (designated) funds are then deducted, to come to the free reserve total. In summary, the calculation is as follows:

Total unrestricted funds\*

Less:

Committed designated funds

Net book value of fixed assets funded from the general fund

The defined benefit pension scheme surplus/(deficit)

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

\*Unrestricted funds comprise the general fund, designated funds and surplus/(deficit) on the defined benefit pension scheme

The level of free reserves required will vary from time to time depending on the Trust'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.

In setting the policy, the trustees have ensured that the contributions required under the defined benefit pension scheme, including those to cover the actuarial deficit, can be met from projected cash flows.

The Trust's policy is to aim to maintain the free reserves level above £300,000. This threshold has been set by the trustees taking into account the following factors:

- The need to hold funds to maintain the viability of the Trust 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,
- To fund everyday essential expenditure in the event that income streams are unexpectedly interrupted,
- The need to provide working capital for the Trust, both for day to day work and for future (possibly grant-funded) development,
- The need to provide a degree of protection against fluctuations in investment income.

The policy was adopted in June 2018 and updated in January 2021. At 31<sup>st</sup> March 2021 the level of reserves as defined above was £817,105. The balance is higher than the target level due to the receipt of a generous unrestricted legacy in 2019/20 and very high car park takings in 2020/21. Plans are being drawn up on how best to use the legacy. A large part of the reserve is likely to be needed for the costs arising from Ash Dieback. Details of all the designated funds are given in note 20 to the financial statements.

The financial impact of the COVID-19 crisis will not fully be known until such time as all restrictions are lifted. High visitor numbers in summer 2020 have helped offset losses incurred during the first full lockdown period.

### **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 shown in these financial statements are accounted for under FRS 102, with details being given in note 26. The pension figures reflected in these financial statements have been provided by Mercer, the Actuary to the Fund.

The FRS 102 accounting deficit at the year end has been calculated as £2.256 million (2019/20 £1.842 million). The increase is due to low discount rates and increasing CPI rates leading to a significant increase in the valuation of scheme liabilities. The employer's contribution rate during the year was 21.8% (2019/20 18.2%).



The most recent Actuarial valuation was carried out at 31<sup>st</sup> March 2019. This valuation provides the basis for the calculation of future contributions to WCCPF. The Trust's deficit (that is the excess of pension liabilities over assets) in WCCPF at 31<sup>st</sup> March 2019 was £926,000 (69 % funding level). This was an improvement over the position at the 2016 valuation (deficit of £1,092,000, 57 % funding level).

The Trust 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 Business Plan and budgets include provision for these payments. The deficit recovery period following the 2019 Actuarial Valuation is 15 years. The deficit payments in 2020/21 totalled £63,600 (2019/20 £72,000). The amount due for 2021/22 is £66,100.

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

### **Plans for future periods**

Much of the routine work of the charity is carried out on an on-going basis. The Land Management Plan, which was updated this year, 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.

The cost of tree work is likely to increase significantly in future years, particularly as a result of Ash Dieback. Work is on-going as how best to fund this work, the total cost of which is highly likely to be in six figures. This is a major financial challenge to the organisation.

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

- Continued review and implementation of the 5-year Business Plan,
- Agreement on the new Countryside Stewardship scheme for Castlemorton Common,
- Fund-raising opportunities will be pursued as outlined in the Business Plan, but are vulnerable to a shift in charitable giving towards health-related charities as a result of the COVID-19 crisis,
- Resolve the dispute with the RPA,
- Habitat and access improvements will be undertaken in accordance with the Land Management Plan,
- Restoration works at the Donkey Sheds in Happy Valley will be carried out,
- Essential refurbishment works will be carried out at the charity's premises at the Lower Shed and Manor House and
- Work on consideration of the consolidation and updating of the Trust's governing Acts 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. Salaries were last independently benchmarked in 2018. The salary of the Chief Executive Officer is set by the Board, following an annual appraisal.

## 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 governing Acts. 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.

The risk management process involves 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. At each meeting of the board Trustees are updated on any significant changes to the level of risk, particularly any categories that are gauged to be entering the highest risk category, and any appropriate actions considered.

The key risks identified this year were:

- COVID-19 crisis – as referred to above, the impact of this is far-reaching. Specific Health and Safety risks arise both from changes to working practices and protection of public-facing staff. Financial risks arising from the crisis include a reduction in investment returns, delays in income payments and the impairment of financial assets,
- A significant increase in treework costs as a result of Ash Dieback and other environmental factors,
- Changes in Government policy leading to reductions in available grant funding,
- Local campaigns by individuals and groups diverting organisational resources and focus,
- Pension commitments – the pension liability (accounting deficit) under the LGPS is disclosed in detail in note 26 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, the trustees have each taken appropriate steps to make themselves aware of any information relevant to the audit and to establish that the auditor is aware of that information.

By order of the Board of Trustees

Mick Davies (Chair)  
9<sup>th</sup> September 2021

## 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 2021 which comprise the Statement of Financial Activities, the Balance sheet, the Statement of cash flows and the related notes, 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 2021 and of its incoming resources and application of resources, including its income and expenditure 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

### Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and 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 where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements;
- or



- sufficient and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; 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, the Trustees responsible for the preparation of the financial statements and for being satisfied that they 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.

## Auditors' 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 the Act and relevant regulations made or having effect thereunder.

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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The procedures undertaken in order to identify and assess risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, are as follows:

- We have considered the nature of the industry and sector, control environment and business performance;
- We have considered the results of our enquiries of management and the board about their own identification and assessment of the risks of irregularities;
- For any matters identified we have obtained and reviewed the charity's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- We have considered the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud, which included incorrect recognition of income and accounting estimates, and these were identified as the greatest potential area for fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the charitable company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Charities SORP (FRS 102) - Accounting and Reporting by Charities and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Charities Act 2011.



In addition, we have considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the charity's ability to operate or to avoid a material penalty. These included occupational health and safety regulations, employment legislation and Data Protection Regulations.

Our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Documenting and validating the control environment for income and debtors and carrying out walkthrough testing;
- Undertaking substantive sample-based testing or proof in total calculations on all material revenue streams to ensure revenue has been recognised appropriately and accurately;
- enquiring of management and those charged with governance concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading and reviewing minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' 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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.

*This report has not yet been signed*  
10 Temple Back  
Bristol  
BS1 6FL

*Date: 9th September 2021*

*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 31<sup>st</sup> March 2021

	Note	Unrestricted funds	Restricted funds	Total funds 2021	Total funds 2020 (note 28)
		£	£	£	£
<b>Income and endowments from:</b>					
Donations and legacies	3	4,594	650	5,244	299,020
Charitable activities:					
Management of the hills and commons	7	489,350	3,729	493,079	727,429
Car parks		412,659	0	412,659	289,167
Other trading activities	4	35,039	889	35,928	42,400
Investments:					
Bank deposits		1,302	0	1,302	3,145
Investment portfolio		0	33,865	33,865	48,172
Other	5	9,110	0	9,110	6,002
<b>Total income</b>		<b>952,054</b>	<b>39,133</b>	<b>991,187</b>	<b>1,415,335</b>
<b>Expenditure on:</b>					
Charitable activities	6	1,057,324	110,555	1,167,879	1,182,153
Other expenditure	6	6,144	9,017	15,161	0
<b>Total expenditure</b>		<b>1,063,468</b>	<b>119,572</b>	<b>1,183,040</b>	<b>1,182,153</b>
Net gains/(losses) on investments	16	0	333,269	333,269	(150,702)
<b>Net income/(expenditure)</b>		<b>(111,414)</b>	<b>252,830</b>	<b>141,416</b>	<b>82,480</b>
<b>Transfers between funds</b>		15,223	(15,223)	0	0
<b>Other recognised gains/(losses)</b>					
Actuarial gains/(losses) on defined benefit pension scheme	26	(405,000)	0	(405,000)	12,000
<b>Net movement in funds</b>		<b>(501,191)</b>	<b>237,607</b>	<b>(263,584)</b>	<b>94,480</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward		(735,337)	2,895,030	2,159,693	2,065,213
<b>Total funds carried forward</b>	23	<b>(1,236,528)</b>	<b>3,132,637</b>	<b>1,896,109</b>	<b>2,159,693</b>

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 27 to 51 form part of these financial statements.



## Balance Sheet as at 31<sup>st</sup> March 2021

	Note	2021	2020
		£	£
<b>Fixed Assets</b>			
Tangible fixed assets	14	437,893	518,912
Heritage assets	15	1,060,261	1,060,261
Investments	16	1,694,759	1,353,684
<b>Total fixed assets</b>		<b>3,192,913</b>	<b>2,932,857</b>
<b>Current Assets</b>			
Livestock		25,320	25,320
Debtors	17	58,299	182,148
Short term deposits		992,628	965,535
Cash at bank and in hand		200	172
<b>Total current assets</b>		<b>1,076,447</b>	<b>1,173,175</b>
<b>Creditors: Amounts falling due within one year</b>	18	<b>(117,251)</b>	<b>(104,339)</b>
<b>Net Current Assets excluding pension liability</b>		<b>959,196</b>	<b>1,068,836</b>
<b>Net assets</b>		<b>4,152,109</b>	<b>4,001,693</b>
Pension Fund liability	27	(2,256,000)	(1,842,000)
<b>Net Assets including pension liability</b>		<b>1,896,109</b>	<b>2,159,693</b>
<b>The funds of the charity</b>			
Unrestricted - General Fund	19	439,722	334,668
Unrestricted - Designated Funds	20	579,750	771,995
Unrestricted - Pension Fund	21	(2,256,000)	(1,842,000)
Restricted Funds	22	3,132,637	2,895,030
<b>Total charity funds</b>		<b>1,896,109</b>	<b>2,159,693</b>

The notes on pages 27 to 51 form part of these financial statements.

Signed

Mick Davies  
Chair of Trustees on behalf of the Trustees  
9th September 2021



## Statement of cash flows for the year ended 31<sup>st</sup> March 2021

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
Net movement in funds	(263,584)	94,480
Add back depreciation charge	102,732	116,277
Investment (gains)/ losses	(333,269)	150,702
Profit on disposal of fixed assets	0	(1,950)
Income on investing activities retained in portfolio	(16,722)	(25,361)
Loss on pension scheme	414,000	8,000
Decrease in stock	0	0
decrease in debtors	123,849	182,493
Increase/(decrease) in creditors	12,912	(6,903)
<b>Net cash provided by/(used in) operating activities</b>	<b>39,918</b>	<b>517,738</b>
<b>Cashflows from investing activities:</b>		
Proceeds from the sale of fixed assets	0	1,950
Purchase of property, plant and equipment	(21,713)	(101,725)
Investment manager's fees deducted from portfolio	10,821	8,947
Funds transferred (to)/from investment portfolio	(1,905)	53,741
<b>Net cash provided by investing activities</b>	<b>(12,797)</b>	<b>(37,087)</b>
<b>Change in cash and cash equivalents in the reporting period</b>	<b>27,121</b>	<b>480,651</b>
Cash and cash equivalents at the beginning of the reporting period	965,707	485,056
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>992,828</b>	<b>965,707</b>
<b>Analysis of cash and cash equivalents</b>		
Cash in hand	200	172
Current account	229,811	200
Notice deposits (less than 3 months)	762,817	965,335
<b>Total cash and cash equivalents</b>	<b>992,828</b>	<b>965,707</b>

The notes on pages 27 to 51 form part of these financial statements.

## Notes to the financial statements for the year ended 31<sup>st</sup> March 2021

### 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 2019) – (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 inflow of £27,121 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 £500 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 on a straight-line basis over their expected useful lives on the following bases:

Vehicles and equipment	16.67 % of cost
Parking meters	10 % 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 26 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**

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.

Further explanation of the nature and purpose of each fund is included in notes 19-22 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 27 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

	2021	2020
	£	£
Gifts	2,244	7,020
Legacies	3,000	292,000
	<u>5,244</u>	<u>299,020</u>

The income from donations and legacies was £5,244 (2020 £299,020) of which £4,594 was unrestricted (2020 £297,820) and £650 restricted (2020 £1,200).

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

	2021	2020
	£	£
Rental income	27,350	32,389
Easements and wayleaves	7,689	6,889
Sales of books and leaflets	889	3,122
	<u>35,928</u>	<u>42,400</u>

Rental income in both years is unrestricted. £nil of the easements and wayleaves (2020 £280) and £889 of the sales of books and leaflets (2020 £2,952) were restricted.

### 5 Analysis of other income

	2021	2020
	£	£
Employment allowance	4,000	3,000
Compensation for works	1,741	0
Profit on disposal of fixed assets	0	1,950
Other	3,369	1,052
	<u>9,110</u>	<u>6,002</u>

All of the above income is unrestricted.



## 6 Analysis of expenditure

Expenditure on charitable activities:

	Estate manage't	Wardening	Car parks	PR	Governance	Administ'n	Total 2021	2020
	£	£	£	£	£	£	£	£
Salaries (note 10)	315,291	90,833	3,741	0	61,438	147,156	618,459	622,645
Direct expenses	276,142	12,647	24,888	3,104	2,755	0	319,536	277,747
Rates and water	3,496	0	0	0	0	2,157	5,653	8,545
Heat and light	1,896	0	0	0	0	2,579	4,475	6,367
Insurance	28,058	0	0	0	0	2,270	30,328	29,876
Maintenance of buildings	1,679	0	0	0	0	870	2,549	2,649
Depreciation	95,041	0	0	0	0	7,691	102,732	116,277
Investment management	9,017	0	0	0	0	0	9,017	8,947
Support costs (note 8)	7,190	0	3,635	0	46,781	32,685	90,291	109,100
	<u>737,810</u>	<u>103,480</u>	<u>32,264</u>	<u>3,104</u>	<u>110,974</u>	<u>195,408</u>	<u>1,183,040</u>	<u>1,182,153</u>

Expenditure on charitable activities was £1,183,040 (2020 £1,182,153) of which £1,063,468 was unrestricted (2020 £1,102,149) and £119,572 was restricted (2020 £80,004).

## 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 2021	Total 2020
	£	£	£	£
<b>Income</b>				
Levy on Council Tax payers in precepted parishes	534,850	0	534,850	519,250
Stewardship grants	82,258	0	82,258	192,394
Less provision for non-payment of grants by the RPA	(151,470)	0	(151,470)	0
Other grants (see note below)	27,441	0	27,441	15,785
Car park takings	0	412,659	412,659	289,167
Total income from charitable activities	<u>493,079</u>	<u>412,659</u>	<u>905,738</u>	<u>1,016,596</u>
Charitable expenditure	<u>(1,150,776)</u>	<u>(32,264)</u>	<u>(1,183,040)</u>	<u>(1,182,153)</u>
Net contribution/(cost funded by other income)	<u>(657,697)</u>	<u>380,395</u>	<u>(277,302)</u>	<u>(165,557)</u>

The Charity entered into a Countryside Stewardship grant agreement in 2018 with Natural England, for the North & Central hills. The grant was due to be paid in arrears and had been accounted for on an accruals basis. The first payment was received in full for 2018. Without consulting the Charity, the Rural Payments Agency (RPA), who have taken over the administration of the grant unilaterally changed the agreement in 2018 without consulting the charity. This only came to light when the Charity chased payment of the 2019 grant. The Charity is currently in



dispute with the RPA over their non-payment of the grant. Effective communication with the RPA is difficult to achieve. It is therefore felt that a resolution is unlikely to be reached before the accounts are signed. As a prudent measure, the Charity has excluded the accrued grant income from these accounts and will not account for any further payments under this agreement until the dispute has been settled. The total amount under dispute is £151,470.

The Charity received grant income under the Coronavirus Job Retention Scheme (CJRS) totaling £13,479, being government assistance of 80 % of the cost of furloughed staff. This income has been accounted for under the accruals model and included in 'other grants'.

## 8 Analysis of support costs

	Estate m'tce	Governance	Car parks	Office costs	Total 2021	Total 2020
	£	£	£	£	£	£
Telephones	1387	0	0	1,805	3,192	2,988
Cleaning	900	0	0	1,966	2,866	3,586
Postage	0	0	0	2,772	2,772	881
Office equipment	0	0	0	2,099	2,099	2,908
Printing and stationery	0	0	0	5,455	5,455	6,547
Travelling	0	0	0	449	449	1,310
IT	0	0	0	9,974	9,974	10,072
Legal fees	1,548	26,530	2,421	0	30,499	26,789
Audit fee	0	6,675	0	0	6,675	7,000
Other professional fees	1,113	13,237	0	3,215	17,565	30,284
Subscriptions	0	0	0	2,198	2,198	1,018
Training	1605	0	0	0	1,605	10,701
Miscellaneous	637	339	0	808	1,784	1,345
Bank charges	0	0	1,214	1,944	3,158	3,671
	<u>7,190</u>	<u>46,781</u>	<u>3,635</u>	<u>32,685</u>	<u>90,291</u>	<u>109,100</u>



## 9 Net income/(expenditure) for the year

This is stated after charging:

	2021	2020
	£	£
Depreciation	102,732	116,277
Auditor's remuneration:		
Audit fees	6,675	7,000

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

	2021	2020
	£	£
Salaries and wages	424,769	415,435
Social security costs	35,833	42,331
Pension costs	133,274	135,873
Group life assurance	1,659	1,641
Casual staff	0	1,365
FRS 102 - pension adjustment	9,000	20,000
FRS 102 - short term compensated absence charge to SOFA	13,924	6,000
	<u>618,459</u>	<u>622,645</u>

No employees had benefits in excess of £60,000 (2019 £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 (2020 £nil). No travelling expenses were reimbursed to trustees during the year (2020 £nil). Travelling expenses paid on behalf of trustees were £nil (2020 £190 for three journeys). No charity trustee received payment for professional or other services supplied to the charity (2020 £nil).

The key management personnel comprise the Chief Executive Officer, the Conservation Manager, the Operations 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 £217,354 (2020 £217,301).



## 11 Staff numbers

The average monthly head count was 19 staff (2020: 18 staff) and the average monthly number of full-time equivalent employees (including part-time staff) during the year were as follows:

	2021	2020
Wardens	3.1	3
Field Staff	6.6	6.6
Office based staff	5.8	6.5
	<u>15.5</u>	<u>16.1</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: -

- Worcestershire County Council has the power to appoint trustees to the charity. It made one grant to the charity during the year of £10,700 (2020 two grants totalling £15,017). 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 £
<b>Cost</b>								
1st April 2020	1,060,261	102,733	138,770	887,471	160,460	416,833	56,937	2,823,465
Additions	0	0	0	1,761	0	19,004	948	21,713
Disposals	0	0	0	0	0	(5,500)	0	(5,500)
At 31st March 2021	1,060,261	102,733	138,770	889,232	160,460	430,337	57,885	2,839,678
<b>Depreciation</b>								
At 1st April 2020	0	0	19,424	705,709	160,460	311,964	46,735	1,244,292
Charge in the year	0	0	2,775	64,155	0	30,886	4,916	102,732
On disposals	0	0	0	0	0	(5,500)	0	(5,500)
At 31st March 2021	0	0	22,199	769,864	160,460	337,350	51,651	1,341,524
<b>Net book value</b>								
31st March 2021	1,060,261	102,733	116,571	119,368	0	92,987	6,234	1,498,154
31st March 2020	1,060,261	102,733	119,346	181,762	0	104,869	10,202	1,579,173

‘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.



## 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	<u>(85)</u>	
			<u>16,007</u>
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 Brok 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		<u>94,907</u>



## 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 Jubilee		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 31 <sup>st</sup> March 2021		<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 Land Purchase (1992) Fund (formerly named the Lands Acquisition fund) and the other the Lands Maintenance Fund and part of the Parliamentary Fund. Income earned on the Land Purchase (1992) 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:

	LP	Parl & LM	Combined	
	£	£	2021	2020
			£	£
Opening Market Value	792,334	561,350	1,353,684	1,541,714
Additions	192,856	138,147	331,003	297,840
Disposal proceeds	(180,867)	(149,260)	(330,127)	(322,313)
Equalisations	(23)	(300)	(323)	1,217
Gains/(losses)	215,839	117,430	333,269	(150,702)
Change in cash	(168)	7,421	7,253	(14,072)
Closing market value	1,019,971	674,788	1,694,759	1,353,684

The historical cost of investments at the balance sheet date was £1,403,493 (2020 £1,386,893). At the Balance Sheet date, the Land Purchase (1992) portfolio was invested in the following classes of investment:

	2021		2020	
	%	£	%	£
UK Bonds	4.3	44,280	9.5	75,115
Overseas bonds	9.9	100,713	5.8	46,336
UK equities	25.0	255,352	26.9	213,515
North American equities	25.6	261,232	22.9	181,331
European equities	7.4	75,389	7.4	58,606
Japanese equities	3.5	35,939	3.2	25,436
Asia pacific equities	7.0	71,171	4.7	37,326
Emerging markets	1.3	13,423	1.2	9,551
Absolute return	4.1	41,580	4.7	36,974
Global investments	3.9	39,778	3.9	30,512
Property	2.0	20,047	2.2	17,084
Other investments	3.7	37,641	4.7	36,953
Cash	2.3	23,427	3.0	23,595
		<u>1,019,972</u>		<u>792,334</u>



## 16 Investments - continued

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

	2021		2020	
	%	£	%	£
UK Bonds	4.8	32,214	11.5	64,521
Overseas bonds	9.2	62,070	4.1	23,101
UK equities	25.2	170,049	28.6	160,668
North American equities	23.8	160,762	20.6	115,737
European equities	6.7	45,545	6.3	35,405
Japanese equities	3.5	23,465	2.4	13,384
Asia pacific equities	6.0	40,764	4.6	25,884
Emerging markets	1.6	10,597	1.3	7,540
Absolute return	2.0	13,649	2.2	12,466
Global investments	7.8	52,530	7.4	41,551
Property	1.0	7,053	2.6	14,553
Other investments	5.4	36,335	6.1	34,206
Cash	2.9	19,755	2.2	12,334
		<u>674,788</u>		<u>561,350</u>

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

## 17 Debtors

	2021	2020
	£	£
Trade debtors	1,510	8,672
Other debtors	1,897	2,457
Accrued income	163,345	124,596
Less: RPA amounts due removed (see note 7)	(151,470)	0
Prepayments	43,017	46,423
	<u>58,299</u>	<u>182,148</u>

Debtors are measured at the settlement value less any provision for bad debts. No bad debts were written off during the year (2020 £nil).

Details of the amount due from the RPA which has been excluded from these figures are given in note 7.



## 18 Creditors: amounts falling due within one year

	2021	2020
	£	£
PAYE and National Insurance	7,978	8,291
VAT payable	4,247	2,431
Trade creditors	17,099	8,606
Accrued charges	45,018	57,275
Other creditors	2,648	552
Deferred income	13,800	14,647
FRS102 compensated absence provision	26,461	12,537
	<u>117,251</u>	<u>104,339</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 1 <sup>st</sup> April 2020	14,647
Released to the SOFA in the year	(14,647)
Received in the year	<u>13,800</u>
Balance at 31 <sup>st</sup> March 2021	<u>13,800</u>

## 19 General fund

	2021	2020
	£	£
General Fund - balance 1 <sup>st</sup> April 2020	334,668	311,064
Incoming resources	1,013,661	865,747
Resources expended	(913,850)	(873,898)
Transfers	5,243	31,755
Balance 31 <sup>st</sup> March 2021	<u>439,722</u>	<u>334,668</u>

Transfers were made during the year were:

Transfer details	Reason	£
From Parliamentary fund	To transfer investment income	12,790
From Lands Maintenance fund	To transfer investment income	<u>4,353</u>
Net from restricted funds		<u>17,143</u>
From Stewardship designated fund	To cover staff costs	1,100
To Tree Disease fund designated fund	To cover costs arising from tree disease	(3,000)
To Election Expenses designated fund	To cover costs of elections to the Board	(5,000)
To Car park repair fund	To cover car park repair costs	<u>(5,000)</u>
		<u>(11,900)</u>



## 20 Designated funds

### Current year

	Balance		Resources outgoing	Transfers (to)/from other funds		Balance 31st March 2021
	1st April 2020	Movement incoming		£	£	
Gift fund	464,243	75	(4,294)	(1,920)		458,104
Higher Level Stewardship fund	166,157	14,719	(69,031)	(1,100)		110,745
Countryside Stewardship fund	81,703	(76,402)	(65,377)	0		(60,076)
Tree disease fund	9,000	0	(1,915)	3,000		10,085
Fundraising support fund	10,000	0	0	0		10,000
Governance Review - legal	34,010	0	0	0		34,010
Governance Review - public consultation	889	0	0	0		889
Election expenses fund	2,493	0	0	5,000		7,493
Dog campaign	3,500	0	0	0		3,500
Car Park repair fund	0	0	0	5,000		5,000
	<b>771,995</b>	<b>(61,608)</b>	<b>(140,617)</b>	<b>9,980</b>		<b>579,750</b>

### Prior year

	Balance 1st		Resources outgoing	Transfers (to)/from other funds		Balance 31st March 2020
	April 2019	Movement incoming		£	£	
Gift fund	184,810	292,429	(12,996)	0		464,243
Higher Level Stewardship fund	153,866	104,463	(80,603)	(11,569)		166,157
Countryside Stewardship fund	60,401	94,991	(73,689)	0		81,703
Thirds Wood fund	4,346	183	0	(4,529)		0
Tree disease fund	6,000	0	0	3,000		9,000
Mountain biking campaign	948	0	0	(948)		0
Fundraising support fund	10,000	0	0	0		10,000
Charity Commission Scheme - legal consultation	36,346	0	(2,336)	0		34,010
Election expenses fund	19,792	0	(18,903)	0		889
Dog campaign	16,086	0	(18,593)	5,000		2,493
	4,330	302	(1,132)	0		3,500
	<b>496,925</b>	<b>492,368</b>	<b>(208,252)</b>	<b>(9,046)</b>		<b>771,995</b>

- 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. £1,920 was transferred to the restricted 'Community Woodland' fund to cover the Trust's contribution to the project costs.
- 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. See also note 7.
- The Tree Disease fund is to cover costs arising from tree diseases such as Ash Dieback.



- The Mountain Biking campaign has been completed and the balance on this fund transferred back to the General fund.
- The Fundraising support fund is to cover costs of future fundraising activities.
- The Governance review funds are to cover the costs of any future work approved by the Board.
- The Election expenses fund is to cover the cost of the 4-yearly elections to the Board and any by-elections. An election was held in October 2019. The next elections will be held in Autumn 2023.
- The Dog campaign fund is to cover the costs of a campaign which was started in 2019/20. Work on the campaign has been delayed by COVID-19.
- The car park repair fund is to cover the cost of car park repairs to be completed in 2021/22.

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

## 21 Unrestricted pension fund

### Current year

	Balance 1st April 2020 £	Movement incoming £	Resources outgoing £	Transfers & other losses £	Balance 31st March 2021 £
Pension Fund	(1,842,000)	0	(9,000)	(405,000)	(2,256,000)

### Prior year

	Balance 1st April 2019 £	Movement incoming £	Resources outgoing £	Transfers & other losses £	Balance 31st March 2020 £
Pension Fund	(1,834,000)	0	(20,000)	12,000	(1,842,000)

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 26.



## 22 Restricted funds

### Current year

	Balance 1st April 2020	Movement incoming	Resources outgoing	Transfers (to)/from other funds	Net gains/(losses) on investments	Balance 31st March 2021
	£	£	£	£	£	£
Lands Maintenance fund	156,512	4,353	(989)	(4,353)	29,816	185,339
SDF fund	453	0	0	0	0	453
Nature in Malvern book	1,844	889	0	0	0	2,733
Gifts	9,707	0	0	0	0	9,707
Tree planting	50	650	0	0	0	700
Picnic bench donations	183	0	0	0	0	183
Community Woodland	40,955	0	(42,875)	1,920	0	0
Boost4Biodiversity	0	3,729	(750)	0	0	2,979
Land Purchase (1992) fund	794,466	16,722	(5,413)	0	215,839	1,021,614
Parliamentary fund	426,249	12,790	(2,616)	(14,552)	87,614	509,485
Capital Outlay Discharged fund	1,464,611	0	(66,929)	1,762	0	1,399,444
	<b>2,895,030</b>	<b>39,133</b>	<b>(119,572)</b>	<b>(15,223)</b>	<b>333,269</b>	<b>3,132,637</b>

### Prior year

	Balance 1st April 2019	Movement incoming	Resources outgoing	Transfers (to)/from other funds	Net gains/(losses) on investments	Balance 31st March 2020
	£	£	£	£	£	£
Lands Maintenance fund	172,124	5,975	(993)	(5,863)	(14,731)	156,512
SDF fund	453	0	0	0	0	453
Nature in Malvern book	(1,108)	2,952	0	0	0	1,844
Gifts	9,707	0	0	0	0	9,707
Tree planting	0	50	0	0	0	50
Picnic bench donations	0	1,150	(967)	0	0	183
Community Woodland	40,955	0	0	0	0	40,955
Pond restoration grant	0	4,617	(4,999)	382	0	0
Lands Acquisition fund	867,605	24,642	(5,097)	0	(92,684)	794,466
Parliamentary fund	498,238	17,835	(2,857)	(43,680)	(43,287)	426,249
Capital Outlay Discharged fund	1,503,250	0	(65,091)	26,452	0	1,464,611
	<b>3,091,224</b>	<b>57,221</b>	<b>(80,004)</b>	<b>(22,709)</b>	<b>(150,702)</b>	<b>2,895,030</b>

- The Lands Maintenance fund formed part of the consideration for the disposal of the land at Townsend Way for the purpose of providing income 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 made for specified projects to improve the amenities of the Malvern Hills.
- The tree planting fund received donations for planting trees at Thirds Wood.



- Picnic bench donations are for benches at the Community Woodland.
- The Community Woodland fund is for work at the woodland at Townsend Way, funded by an S106 grant from Malvern Hills District Council and a £1,920 transfer from the designated gift fund.
- The Boost4Biodiversity fund is from Severn Trent, to fund pond works.
- 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 Trust's general purposes. During the year, £12,790 investment income was transferred to the General Fund (2020 £17,228).
- The Land Purchase (1992) fund (formerly called the Lands Acquisition fund) was set up in 1992 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 Analysis of net assets between funds

### Current year

	Heritage assets	Investments	Tangible fixed assets	Pension liability	Other net assets	Total
	£	£	£	£	£	£
<b>Restricted funds</b>						
Capital Outlay Discharged	1,060,261	0	339,183	0	0	1,399,444
Parliamentary fund	0	492,595	0	0	16,890	509,485
Land Purchase (1992) fund	0	1,019,971	0	0	1,643	1,021,614
Lands Maintenance fund	0	182,193	0	0	3,146	185,339
Nature in Malvern book	0	0	0	0	2,733	2,733
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	9,707	9,707
Tree planting	0	0	0	0	700	700
Picnic benches	0	0	0	0	183	183
Boost4Biodiversity	0	0	0	0	2,979	2,979
	<b>1,060,261</b>	<b>1,694,759</b>	<b>339,183</b>	<b>0</b>	<b>38,434</b>	<b>3,132,637</b>
<b>Unrestricted funds</b>						
General fund	0	0	98,710	0	341,012	439,722
Designated funds	0	0	0	0	579,750	579,750
Pension fund	0	0	0	(2,256,000)	0	(2,256,000)
	<b>0</b>	<b>0</b>	<b>98,710</b>	<b>(2,256,000)</b>	<b>920,762</b>	<b>(1,236,528)</b>
	<b>1,060,261</b>	<b>1,694,759</b>	<b>437,893</b>	<b>(2,256,000)</b>	<b>959,196</b>	<b>1,896,109</b>



## 23 Analysis of net assets between funds - continued

### Prior year

	Heritage assets	Investments	Tangible fixed assets	Pension liability	Other net assets	Total
	£	£	£	£	£	£
<b>Restricted funds</b>						
Capital Outlay Discharged	1,060,261	0	403,840	0	510	1,464,611
Parliamentary fund	0	404,838	0	0	21,411	426,249
Lands Acquisition fund	0	792,334	0	0	2,132	794,466
Lands Maintenance fund	0	156,512	0	0		156,512
Nature in Malvern book	0	0	0	0	1,844	1,844
SDF fund	0	0	0	0	453	453
Gift fund	0	0	0	0	9,707	9,707
Tree planting	0	0	0	0	50	50
Picnic benches	0	0	0	0	183	183
Community Woodland	0	0	0	0	40,955	40,955
	1,060,261	1,353,684	403,840	0	77,245	2,895,030
<b>Unrestricted funds</b>						
General fund	0	0	115,072	0	219,596	334,668
Designated funds	0	0	0	0	771,995	771,995
Pension fund	0	0	0	(1,842,000)	0	(1,842,000)
	0	0	115,072	(1,842,000)	991,591	(735,337)
	1,060,261	1,353,684	518,912	(1,842,000)	1,068,836	2,159,693

## 24 Post balance sheet events and capital commitments

At 31<sup>st</sup> March 2021, no capital expenditure had been contracted for (2020 £nil). Capital expenditure which had been approved but not contracted at the year-end was £nil (2020 £nil).

Under the Higher Level and Countryside Stewardship schemes, the charity is contracted to make 6-monthly payments to graziers from the grants received. Malvern Hills Trust's contracts with graziers on the North and Central hills and the Old Hills have an annual break clause. The annual payments committed at 31<sup>st</sup> March 2021 total £63,910 (2020 £123,401).

Two Higher Level Stewardship schemes ended in March 2020 (Castlemorton and Southern Hills). The remaining agreements end in 2023 and there is a 5-year break clause in those schemes. The Countryside Stewardship Scheme ends in 2028.



## 25 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:

	2021	2020
	£	£
Within the next 12 months	21,086	20,611
Within 1-5 years	44,550	53,472
5 years plus	18,252	27,825
	<u>83,888</u>	<u>101,908</u>

## 26 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 2019 and was updated by the actuary on an FRS102 basis as at 31st March 2021.

The employer's contribution (including the FRS102 adjustment) for the period was £125,000 (2020: £139,000).

The amounts recognised in the Balance Sheet are as follows:

	2021	2020
	£	£
Present value of funded obligations	(4,452,000)	(3,876,000)
Fair value of plan assets	2,196,000	2,034,000
	<u>(2,256,000)</u>	<u>(1,842,000)</u>
Amounts recognised as:		
Liabilities	(2,256,000)	(1,842,000)
Assets	0	0
Net amount recognised	<u>(2,256,000)</u>	<u>(1,842,000)</u>



## 26 Defined benefit pension scheme - continued

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

	2021	2020
	£	£
Current service cost	82,000	94,000
Interest on pension liabilities	91,000	95,000
Past service cost	0	1,000
Administration costs	1,000	1,000
Expected return on plan assets	(49,000)	(52,000)
Contributions by employer	<u>(116,000)</u>	<u>(119,000)</u>
Total pension cost charged within net incoming resources	9,000	20,000
Remeasurements (Actuarial loss/(gain))	<u>405,000</u>	<u>(12,000)</u>
Total amount (credited)/charged to SOFA	<u>414,000</u>	<u>8,000</u>

The cumulative amount of actuarial loss recognised is £816,000 (2020 £411,000).

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

	2021	2020
	£	£
Opening defined benefit obligation	3,876,000	3,984,000
Current service cost	82,000	94,000
Interest on pension liabilities	91,000	95,000
Member contributions	17,000	20,000
Actuarial (gains)/losses on liabilities	536,000	(232,000)
Past service cost	0	1,000
Benefits/transfers paid	<u>(150,000)</u>	<u>(86,000)</u>
Benefit obligation at end of period	<u>4,452,000</u>	<u>3,876,000</u>



## 26 Defined benefit pension scheme - continued

Changes in the plan assets during the period to 31<sup>st</sup> March 2021 were as follows:

	<b>2021</b>	<b>2020</b>
	£	£
Fair value of plan assets at beginning of period	2,034,000	2,150,000
Expected return on scheme assets	49,000	52,000
Administration expenses	(1,000)	(1,000)
Remeasurements (assets) (Actuarial gains/(losses) on plan assets)	131,000	(220,000)
Employer contributions	116,000	119,000
Member contributions	17,000	20,000
Benefits/transfers paid	(150,000)	(86,000)
Fair value of plan assets at end of period	<u>2,196,000</u>	<u>2,034,000</u>

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

	<b>Fair value at 31st March 2021</b>	<b>Fair value at 31st March 2020</b>
	£	£
<b>Asset category</b>		
Equities	935,000	1,436,000
Government bonds	-	148,000
Other bonds	870,000	102,000
Property	123,000	118,000
Other	268,000	218,000
Cash	-	12,000
	<u>2,196,000</u>	<u>2,034,000</u>

	<b>2021</b>	<b>2020</b>
	£	£
Experience gains/(losses) on assets	0	(220,000)
Experience gains/(losses) on liabilities	81,000	232,000

Weighted average assumptions used to determine benefit obligations at:

	<b>2021</b>	<b>2020</b>
Discount rate	2.1%	2.4%
Rate of increase in salaries	4.2%	3.6%
Rate of increase in pension	2.8%	2.2%
Rate of CPI inflation	2.7%	2.1%



## 26 Defined benefit pension scheme - continued

Weighted average assumptions used to determine net pension cost for period ended 31<sup>st</sup> March 2021:

	<b>2021</b>	<b>2020</b>
Discount rate	2.10 %	2.40 %
Rate of pension increase	2.80 %	2.20 %
Assumed life expectations on retirement age 65:		
Retiring today - males	22.7	22.6
Retiring today - females	25.1	25
Retiring in 20 years - males	24.4	24.2
Retiring in 20 years - females	27.1	27.0

### Contributions

The employer expects to contribute £119,000 in the period to 31<sup>st</sup> March 2022.

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 31<sup>st</sup> March 2022.

## 27 Financial instruments

	2021	2020
	£	£
Financial assets measured at fair value	1,157,684	1,353,684
Financial assets measured at settlement value	1,051,127	1,103,977
Financial liabilities measured at settlement value	<u>(62,117)</u>	<u>(65,881)</u>

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



**28 Statement of Financial Activities for the year ended 31st March 2020**

	Note	Unrestricted funds	Restricted funds	Total funds 2020	Total funds 2019
		£	£	£	£
<b>Income and endowments from:</b>					
Donations and legacies	3	297,820	1,200	299,020	94,513
Charitable activities:					
Management of the hills and commons	7	722,812	4,617	727,429	731,643
Car parks		289,167	0	289,167	269,281
Other trading activities	4	39,168	3,232	42,400	34,973
Investments:					
Bank deposits		3,145	0	3,145	2,691
Investment portfolio		0	48,172	48,172	55,719
Other	5	6,002	0	6,002	37,576
<b>Total income</b>		<b>1,358,114</b>	<b>57,221</b>	<b>1,415,335</b>	<b>1,226,396</b>
<b>Expenditure on:</b>					
Charitable activities	6	1,102,149	80,004	1,182,153	1,185,930
Other expenditure	6	0	0	0	6,425
<b>Total expenditure</b>		<b>1,102,149</b>	<b>80,004</b>	<b>1,182,153</b>	<b>1,192,355</b>
Net gains/(losses) on investments	16	0	(150,702)	(150,702)	65,856
<b>Net income/(expenditure)</b>		<b>255,965</b>	<b>(173,485)</b>	<b>82,480</b>	<b>99,897</b>
<b>Transfers between funds</b>		<b>22,709</b>	<b>(22,709)</b>	<b>0</b>	<b>0</b>
<b>Other recognised gains/(losses)</b>					
Actuarial gains/(losses) on defined benefit pension scheme	27	12,000	0	12,000	(167,000)
<b>Net movement in funds</b>		<b>290,674</b>	<b>(196,194)</b>	<b>94,480</b>	<b>(67,103)</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward		(1,026,011)	3,091,224	2,065,213	2,132,316
<b>Total funds carried forward</b>	24	<b>(735,337)</b>	<b>2,895,030</b>	<b>2,159,693</b>	<b>2,065,213</b>