

## **EPC/EVRT Liaison Group meeting – via Zoom at 8 pm on 1<sup>st</sup> Feb 2022**

### **NOTE**

This first meeting was held in compliance with the Terms of Reference for the Group adopted by EPC on 25<sup>th</sup> January 2022. This Note offers a brief description of the issues discussed. For brevity, ‘councillor’ in the Note refers to a parish councillor who is not also a trustee.

#### **In attendance**

Liaison Group members:

Trustees: Cllr Paula Moss (Co-Chair and EVRT Lead on Governance), Dr Christopher John Hogger (EVRT Chairman), Cllr Charles Thorne (EVRT Treasurer)

Parish Councillors: Cllr Liz Hogger (Co-Chair), Cllr Jerome Muscat, Cllr Bronwen Roscoe

Other parish councillors:

Cllr Ian Symes (EPC Chairman), Cllr Arnold Pindar (EPC Vice-Chairman), Cllr Keith Cornwell, Cllr Cliff Hackett, Cllr Jeremy Palmer

#### **Governance Options for EVRT**

This was the sole topic on the agenda for this meeting, with the discussion led by trustee co-chair PM.

##### Trustees’ presentation

PM explained that the trustees had undertaken a governance review with the objectives of ensuring:

- the long-term sustainability of the charity,
- the security of the assets (mainly the KGV Hall and Fields) into the future,
- the accountability of EVRT to the residents of Effingham, as the beneficiaries of the charity, to provide the recreational facilities they want

As part of this review, the trustees had considered the legal advice provided to the previous trustees, PM and CJH had separate independent discussions with senior advisors at the Charity Commission, PM had discussed with the trustees of East Horsley Village Hall their recent experience in converting to a CIO (Charity Incorporated Organisation), and PM had investigated the governance models of other KGV charities via the Charity Commission and Fields in Trust websites.

PM presented slides summarising:

- the historical context,
- the current position as an unincorporated organisation run by volunteer trustees,
- future challenges including concerns about personal liability of the trustees and the prospect of managing a £2.65 million rebuild of the KGV using S106 money from the Berkeley Homes / Howard of Effingham development
- the need to change EVRT to an incorporated model to achieve the objectives, with the main options being either
  - conversion to a CIO as suggested by the previous trustees, or
  - amending the current charity scheme to make EPC the sole trustee
- the benefits and disadvantages of the CIO model and of the sole trustee model (this slide is appended to these notes)

- the advantages of making EPC the sole trustee, as set out in Charity Commission operational guidance
- the potential issues arising from the sole trustee model as set out in charity commission guidance; principally this requires sufficient governance arrangements to be in place to ensure that corporate EPC property and funds are kept entirely separate from charity property and funds, and that potential conflicts of interest are appropriately handled.
- In summary, the EVRT Board has agreed that:

**The most sustainable and lowest risk strategy for EVRT moving forward appears to be the sole trustee route. EVRT have therefore adopted this model as the preferred model for the trust.**

**We propose to consult with EPC and seek legal opinion accordingly.**

CJH offered huge thanks to PM for the amount of work and investigation she had carried out for this review. Based on his previous five-year involvement as both a trustee and a volunteer financial administrator for EVRT, CJH expressed the view that it was not sustainable for the charity to continue to depend on finding volunteer trustees, and he strongly supported the sole trustee model.

CT also thanked PM for her work on this matter. He said that an important benefit of the option of local authority as sole trustee was that it would be 'accountable through EPC to local people' (the fourth benefit listed on the 'short list' slide attached to this Note). He commented that the previous attempt to convert to a CIO had run aground because the proposed constitution had inadequate accountability to residents. He noted that (as well as this governance issue) there were also administrative and financial issues and the need for a business plan.

### General discussion

The trustees presentation was followed by a detailed discussion amongst all those in attendance. The main points raised by councillors and discussed were:

1. Councillors expressed their appreciation of the huge amount of work undertaken by PM and the trustees in investigating the governance options so speedily, just three months into their term of appointment.
2. Several councillors declared their support in principle for the sole trustee model, subject to EPC being able to put in place acceptable administrative and financial arrangements. Councillors were pleased that the trustees had investigated other options to ensure accountability to residents, rather than assuming a CIO was the only way forward. It was early days for the CIO model, and it would still be possible to change the charity to a CIO in the future when there was more experience available of that governance model.
3. Some councillors expressed surprise at the outcome of this governance review, and wanted to understand the detailed research, so they could consider it thoroughly before a decision is made on the way forward. **PM agreed to circulate the full Review document to all councillors.**
4. Councillors raised concerns about future increased costs falling onto the precept. Trustees commented that they felt there had been a degree of 'over-management' of the trust in recent years, due to worries about potential personal liabilities if things went wrong. The trustees were currently looking to simplify the risk assessment processes, and anticipated that workload and expenditure could potentially be reduced. A councillor commented that it should be possible to 'streamline' the activities of the charity, to ensure EVRT concentrates on delivering the facilities wanted by and benefiting local residents, and does not expend

excessive effort on seeking relatively small amounts of income from other sources, eg private hall hires.

5. In the short term, the trustees were in the process of finalising the budget for the next financial year, and anticipate that EPC as sole trustee would be able to use that budget initially without any increase in funding from the precept. EPC as sole trustee could then look to 'streamline' the trust's operations as already mentioned, and prepare a business plan for the future.
6. It was agreed that a longer term 'business plan' would be needed for EVRT, and several trustees and councillors had the skills needed to produce such a business plan.
7. There was considerable concern about the potential for excessive extra workload for both councillors and the EPC clerk. It was pointed out that both Charity Commission guidance and guidance from ACRE (Information Sheet 36: 'Village halls run by parish councils as sole trustee') indicate that EPC as sole trustee could employ a part-time 'Clerk to the Trust' to carry out the high-level administrative work and financial over-sight needed. The Trust could then delegate management powers to a committee of a small number of councillors and other volunteers, to oversee the day-to-day running of the KGV and carry out other activities such as seeking grants and initiating projects in line with the strategic objectives of the trust. This structure is allowed for within the current charity scheme, which could be easily amended to the sole trustee model. It is anticipated that the full EPC would only need to meet as the trustee two or three times per year.
8. There was a discussion about whether an 'extra' clerk for EPC was needed. Most councillors were of the opinion that there was too much extra administration involved to expect our current clerk to take this on as well as his current responsibilities. Having a dedicated 'Clerk to the Trust' would also facilitate the clear separation in role between EPC as the local authority and EPC as the trustee of EVRT.
9. Councillors were concerned that volunteers would not be keen to effectively work under the control of the parish council. It would have to be made clear that in practise nothing had changed, and volunteers would be encouraged to get involved with the EVRT charity, perhaps as a committee member, without having the burden of being a trustee. For example, non-councillors with an interest in specific projects such as playground refurbishment would be welcome onto the appropriate committee.
10. It was generally agreed that further work would be needed to clarify:
  - a) the administrative arrangements that would be needed, both to ensure minimal extra workload on councillors and to ensure the 'brick wall' between EPC as Local Authority and EPC as charity trustee to meet the Charity Commission requirement to avoid conflict of interest.
  - b) the financial implications for EPC in both the short and medium term.
11. Legal and other advice would need to be obtained on both appropriate changes to the EVRT charity scheme and on any additions needed to EPC Standing Orders to set out the appropriate procedures for EPC to follow when acting as trustee to the charity. Potential sources of advice include the Charity Commission, Fields in Trust, NALC, SALC and independent solicitors.
12. LH commented that as a trustee she had been responsible for amending the charity scheme in 2018 with the agreement of the Charity Commission. She therefore offered to work with

PM to draft possible changes to the charity scheme and to the EPC standing orders, and then draft a document setting out the legal advice needed.

13. There was a discussion about the timescale for progressing a governance change. Councillors wanted sufficient time to consider all the implications, but this must be balanced against the continuing burden on trustees. The current trustees have accepted their appointments as a matter of public service to prevent the charity becoming inquorate, but made it clear they were not prepared to continue as trustees under the current model any longer than is truly necessary. Both councillors and trustees accepted that the process of transforming the governance model of EVRT should be progressed as soon as possible.

## **Recommendations and suggestions**

The Liaison Group made the following recommendations for consideration at the next meeting of the EVRT Board and at the meeting of EPC on 22 February:

- 1. Serious consideration should be given to the administrative and financial arrangements involved if the EVRT governance model is changed to make EPC the sole trustee.**
- 2. Appropriate legal and other advice should be taken on the proposed arrangements, and if necessary funding should be made available by EPC and/or EVRT for taking advice from independent solicitors. (it is noted that EPC agreed funding of up to £2000 to pay for independent legal advice on CIO conversion, and this funding could now be repurposed.)**
- 3. Both EVRT and EPC should endeavour to make a final decision on the EVRT governance model by the end of March, noting that a change to the sole trustee model would require the formal agreement of both the EVRT Board and EPC.**

In preparation, it is suggested that:

- **EVRT should make their budget for 2022 – 2023 available to EPC as soon as possible, to assist consideration of any financial implications for the precept.**
- **The co-chairs PM as EVRT trustee and LH as EPC councillor will work together to draft possible changes to the charity scheme and to the EPC standing orders, and draft a document setting out the legal advice needed.**

The meeting closed shortly after 10 pm.

# APPENDIX – Benefits and Disadvantages of Sole Trustee and CIO models

## The short List

### Local Authority as Sole-Trustee

#### Benefits

- Incorporation – limited liability
- A proven model
- No additional cost or administration
- Accountable through EPC to local people
- The most popular model amongst Fields in Trust members
- Potential to switch to alternative model post the KGV re-build
- Low risk in terms of costs / protection of assets

#### Disadvantages

- EPC role would need delicate handling
- Concerns about workload

### CHARITABLE INCORPORATED ORGANISATION

#### Benefits

- Incorporation – limited liability
- No additional Administration

#### Disadvantages

- New and unproven (Only 2 'KGV' Fields in Trust organisations have switched)
- Costly to set up
- Needs new registration and land to be held under a separate covenant
- Lacks accountability to local people
- If defaults upon scheme rules the CC can distribute assets to other charitable trusts
- Irreversible decision