Matters to consider ahead of the 2015/16 budget round

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Status of Paper	Final
Action Required	Discussion
Draft Resolution	See paper

Summary of Content

Subject and Aims	The opportunity for the Council to provide input on a range of issues already identified regarding the 2015/16 Connexional Central Services Budget (CCSB), particularly the assumed figure that should be used in 'year three' for the MCF assessment
Main Points	• The SLG has identified a number of factors that will affect the compilation of the 2015/16 budget; • Two working parties that will report to the Council in January 2015 have already indicated costs associated with their recommendations; • The SRC is asked to decide the level of forecast increase in the MCF assessment which should be quoted for the 2017/18 budget.

Summary of Impact

Financial	New reserves policies need to be reflected in the budget
Wider Connexional	The SRC has committed to taking issues of affordability into account when making its assumption about the level of the MCF assessment in 2017/18.

Matters to consider ahead of the 2015/16 budget round

1.0 Introduction

1.1 The process of compiling the draft Connexional Central Services Budget (CCSB) for the three years commencing 2015/16 is already underway and has been discussed by the Strategy and Resources Committee (SRC) at its meeting on 27 November 2014. The initial assumptions for income streams will have been agreed by the Senior Leadership Group (SLG) based on advice from the Finance Office.

1.2 In late October the SLG had an initial discussion regarding factors that would affect the CCSB. The first section of this paper notes these for the Council's information only at this stage, whilst the second part contains specific questions for the Council.

2.0 Issues already identified to consider for information/comment

2.1 Pension valuations – Methodist Ministers' Pension Scheme [MMPS] and Pension and Assurance Scheme for Lay Employees of the Methodist Church [PASLEMC]. The final figures will be released to the SRC Finance Sub-committee for a meeting with the trustee boards on 22 January 2015, although a verbal update will be provided to the Council at its meeting. The SRC will need to decide at its meeting in February what responses it wishes to recommend to the Council, including any impact on the 2015/16 budget.

2.2 Reserves policy impact. Having agreed a reserves level of £5m for the Connexional Priority Fund (CPF), proposals are due to be brought to the Council within a separate paper for a planned reduction in the balance of the fund, with timescale. These could include proposals regarding the importance of evangelism as 'the main thing' as considered by the 2014 Conference and continuing to support existing local initiatives as emphasised by the Council last year. The proposed World Mission Fund (WMF) strategy should also have an impact, although the timescale of this means that it may have a bigger impact on the 2016/17 budget.

2.3 Costs of the Conference. Although the SRC in September was satisfied with its scrutiny of the updated Conference cost forecast, it is recognised that the wider Connexion will be paying close attention to this.

2.4 The Fruitful Field report to the 2012 Conference contained a proposal that various Council assets, including the Southlands Methodist Trust and Methodist International and Guy Chester Centres be used primarily to generate income towards the cost of operating the Discipleship and Ministries Learning Network [DMLN]. A target of £927k per annum was set and the Network Committee is now evaluating the progress towards this, which will enable a more accurate budget to be set.

2.5 Finance Office staffing capacity. This is being evaluated after the restructure of the Finance Office and in the light of internal audit findings.

2.6 Safeguarding Past Cases Review (PCR) impact. The current arrangements for staffing in safeguarding and complaints and discipline are in place only until 31 August 2015, pending the recommendations of the PCR. It is unlikely that any reduction in staff capacity will be recommended.

2.7 IT ongoing requirements. The IT infrastructure is being significantly upgraded, not least in order to support the larger and more dispersed Team. Our increasing reliance on a variety of IT systems internally, but also across the wider Connexion means that the current budget is likely to remain at its existing increased level into the long-term. There is a particular challenge regarding high level IT skills and the Council's salary structure.

2.8 Governance Support staffing – including considerations regarding legal guidance and compliance work, plus the implementation of the new Secretary of the Conference role.

2.9 Communications review outcomes. The SLG has recently received the initial recommendations of an external review and is working forward on how any planned changes should be contained within the draft budget. This will be done in the context of the Conference's decisions regarding the Church moving forward in One Mission (see below).

2.10 One Mission. Work is underway on a world church strategy review which will contribute to developmental thinking around the One Mission direction. It is hoped some of this initial thinking will come before the Council in the near future. Engagement with One Mission should impact how the Team makes best use of the resources available to it.

2.11 Trading income. As the impact of arrangements with Norwich Books becomes clearer, a much more accurate estimate of this will be possible, which may itself sharpen some of the questions regarding costs and pricing policy.

2.12 The existence of a full year of more detailed information from the finance database will enable in depth analysis of various categories of cost eg detailed work has already been undertaken on actual v budget on costs relating to travel, committees etc.

3.0 Known recommendations from Working Parties

3.1 Two working parties that will be bringing recommendations to the Council ahead of the 2015 Conference have already signalled that there will be cost implications which will need to be built into the CCSB, subject to the Council adopting the recommendations.

3.2 One of the proposals from the group 'Releasing Resources for God's Mission' formed in response to M15/16/17 (2013) will be that the Council employs a consultant to work alongside TMCP staff for two years to facilitate the process of trusts held by local churches (over 4,200 of which have a balance of less than £10k) being unlocked for general mission purposes. The budget cost for this would be £60k over two years. The proposal is that this would be paid from the Epworth Fund. The Chief Executive of TMCP has signalled her willingness to collaborate in such a project and that she would be able to make sufficient capacity available within her staff to work alongside the consultant.

3.3 Memorial M28 (Positive Working Together) from the Basingstoke Circuit presented to the 2013 Conference a proposal to address bullying and harassment within the Church. This consisted of a policy statement and proposals for how this work could be taken forward across the Connexion.

3.4 In order to take this work forward, the Task Group recognises that appropriate training and related activities will be required in Districts including (as an example), audits of current practice and briefing sessions. It also recognises that a 'one size fits all' approach to training is not always appropriate as some Districts already have well established bodies such as mediation or reconciliation groups. The recommendations of the Working Party will therefore include a proposal that this training be carried out via the Discipleship and Ministries Learning Network (DMLN), with £160k being allocated to this from the Fund for Training over and above the existing DMLN budget.

The Council is invited to offer its observations on the various matters outlined above and particularly offer any guidance before the SRC brings a recommended budget in April 2015.

4.0 Lay salary scales annual review

4.1 For the past two years the increase has been the average of the rate of CPI inflation and the Average Weekly Earnings index. This has coincidentally resulted in Council pay increases keeping step with increases to the standard stipend, although this was not the purpose behind adopting the formula. For September 2015 this would mean an increase of 1.00% which is the increase in stipend that the Connexional Allowances Committee (CAC) will be recommending to the Council.

4.2 If this formula is followed it would mean that lay pay had increased overall by a compound rate of just under 13% over 5 years. To keep pace with CPI inflation it would have needed to increase by 15%, and to match RPI inflation the increase would have been 20%. The SRC has resolved that the budget should be set using the same formula as recent years; ie an increase of 1% from 1 September 2015.

5.0 Forecast level of MCF assessment

5.1 The Conference has determined that the MCF assessment will increase by 2% per annum for the three years commencing 1 September 2014. **The 2016 Conference will be required to decide what will happen for the following three years**. However, the 2014 Conference received a number of Memorials asking that the level of assessment would be frozen from 1 September 2017. It declined to make such a decision, but it did instruct the SRC to take these views and others regarding affordability of the assessment into account when deciding what figure should be used as the forecast for the 2017/18 year; ie year three of the new CCSB.

5.2 The attached paper analyses the existing situation regarding income to the MCF and shows projections in income and therefore potential shortfall based on three scenarios – the assessment being frozen from September 2017, reducing at 3% per annum from September 2017 (which is more or less the gross annual reduction in membership now), or continuing to increase at 2% per annum as per the existing three years. Since the meeting of the SRC, there have been several suggestions that a flat increase of 1% should be used as a middle ground between a zero increase (which implies a real terms cut) and the current 2%.

5.3 Although the Conference will not be taking any decision in 2015, the assumed number will be seen as an indication for the future, so the Council is invited to decide on what course of action it wishes to take.

5.4 The impact of the three scenarios will be the shortfalls against current levels of expected spending as follows. In each case the figures show the size of the resultant MCF deficit:

	17/18	18/19	19/20
3% reduction in 2017/18 then constant	£0.8m	£1.4m	£1.9m
Level frozen at 2016/17 level	£0.5m	£1.0m	£1.5m
Continue to increase at 2%	£0.2m	£0.4m	£0.7m

5.5 The inclusion of scenario 3 shows that even with the existing annual increases of 2% per annum, the trend is already for deficit budgets. This is largely because in preparing these figures we have had to assume a constant level of activity, but also that the trend for income to the main restricted funds and from levies on property sales will not increase. If these do not increase, then neither will the income to the MCF via the management charges, unless those rates are also increased again in time.

*****RESOLUTIONS**

13/1. The Council recommends that the 2017/18 Methodist Church Fund assessment figure stated in the Connexional Central Services Budget should be 2% higher than the previous year (following on from the existing pattern).

OR

13/2. The Council recommends that the 2017/18 Methodist Church Fund assessment figure stated in the Connexional Central Services Budget should be the same as the previous year (ie frozen from 2016/2017 onwards).

OR

13/3. The Council recommends that the 2017/18 Methodist Church Fund assessment figure stated in the Connexional Central Services Budget should be 3% lower than the previous year (ie reduced from 2016/17 onwards).

OR

13/4. The Council recommends that the 2017/18 Methodist Church Fund assessment figure stated in the Connexional Central Services Budget should be 1% higher than the previous year.

Appendix A

The Connexional Central Services Budget: Impact of changes in the District Assessment

1. Have we identified the key financial risks?
2. The calculation and underlying assumptions of the current level of reserves

1.0 Introduction

The purpose of this paper is to initiate a discussion about what could happen to the Methodist Church Fund if the level of the assessment changed.

It is in keeping with financial best practice to undertake reviews of the fund's reserve levels every few years. Trustees are advised to consider the impact of the financial risks associated with the income and expenditure streams and balance sheet items and to assess the appropriateness of the reserves range. This is to allow for sufficient time for fundamental restructuring in the event of a major downturn and to protect the current programme of work from unexpected demands. The goal is to not hold more reserves than are needed to achieve the purposes of the fund.

The paper covers two scenarios – one where the assessment is cut by 3% pa (the most current figure for membership reduction from Statistics for Mission) from 2017-18 and another where the assessment is frozen at 2016-17 levels. The impact of both scenarios is evaluated followed by a discussion around the emerging action points. Finally, there is a brief analysis of the MCF's balance sheet.

2.0 Financial Projections

SCENARIO 1: DECREASE IN ASSESSMENT OF 3% IN 2017-18 AND HELD AT THOSE LEVELS THROUGH TO 2019-20

Assumptions:

- 2017-18 – the Conference decision to reduce the assessment by 3% in 2017-18 and then frozen for the following three years;
- Other income streams also reducing (donations and fund management charges);
- Operationally, the same levels of activities to be undertaken. Blanket increase in expenditure of 2% per annum, compounded for the duration of the calculation;
- Staff costs account for nearly 45% of the expenditure budget. The full impact of the staff salary review has not been factored in but it is likely to add to the cost base;
- No increase in pension costs for now, but this could change pending the Sept 2014 valuation.

The results:

- 2017-18 – immediate reduction in income of £0.6m pa;
- An increase in expenditure of approximately £0.3m pa;
- A deficit of £0.8m in 2017-18, rising to £2.0m in 2019-20.

Table 1 – Scenario 1: 3% reduction in 2017/18, frozen at that level through to 2019/20

Description	2012/13 (ACT)	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (FOR)	2018/19 (FOR)	2019/20 (FOR)
Income	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
District Assessment	12.1	12.3	12.6	12.8	13.1	12.7	12.7	12.7
Management Charges	1.5	1.1	1.4	1.4	1.5	1.3	1.2	1.1
Trading Income	0.9	0.6	0.4	0.4	0.4	0.4	0.4	0.4
Donations	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Miscellaneous Income	1.5	0.8	0.5	0.5	0.5	0.5	0.5	0.5
Rental income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Legacies	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Income Total	**17.5**	**15.8**	**15.9**	**16.2**	**16.5**	**15.9**	**15.7**	**15.5**
Expenditure								
Salaries	7.1	7.0	7.5	7.6	7.7	7.9	8.0	8.2
Other Costs	2.7	2.9	3.8	3.9	4.0	4.1	4.1	4.2
Stipends	1.7	1.9	1.8	1.8	1.9	1.9	1.9	2.0
Committee Costs	1.4	1.1	1.1	1.2	1.1	1.2	1.2	1.2
Grants Payable	3.4	1.5	0.7	0.7	0.7	0.7	0.8	0.8
Cost of Sales	0.5	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Facilities	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditure Total	**17.4**	**15.2**	**15.9**	**16.1**	**16.4**	**16.7**	**17.0**	**17.4**
Net Surplus / (Deficit)	**0.1**	**0.6**	**(0.0)**	**0.0**	**0.1**	**(0.8)**	**(1.4)**	**(1.9)**

SCENARIO 2: DISTRICT ASSESSMENT HELD CONSTANT AT 2016-17 LEVELS 2017-18 TO 2019-20

Assumptions:

- The Conference decision to freeze the assessment at the 2016-17 levels for 3 years;
- Other income streams also reducing (donations and fund management levies);
- Operationally, the same levels of activities to be undertaken. Blanket increase in expenditure of 2% per annum, compounded for the duration of the calculation;
- The full impact of the staff salary review has not been factored in;
- No increase in pension costs for now, but this could change pending the Sept 2014 valuation.

The results:

- Gradual decline in income, against an increasing cost base;
- An increase in expenditure of approximately £0.3m pa;
- A deficit of £0.5m in 2017-18, rising to 1.5m in 2019-20.

Table 2: Scenario 2: The Assessment is frozen at 2016-17 levels £millions

Description	2012/13 (ACT)	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (FOR)	2018/19 (FOR)	2019/20 (FOR)
Income	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
District Assessment	12.1	12.3	12.6	12.8	13.1	13.1	13.1	13.1
Management Charges	1.5	1.1	1.4	1.4	1.5	1.3	1.2	1.1
Trading Income	0.9	0.6	0.4	0.4	0.4	0.4	0.4	0.4
Donations	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Miscellaneous Income	1.5	0.8	0.5	0.5	0.5	0.5	0.5	0.5
Rental income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Legacies	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Income Total	**17.5**	**15.8**	**15.9**	**16.2**	**16.5**	**16.3**	**16.1**	**15.9**
Expenditure								
Salaries	7.1	7.0	7.5	7.6	7.7	7.9	8.0	8.2
Other Costs	2.7	2.9	3.8	3.9	4.0	4.1	4.1	4.2
Stipends	1.7	1.9	1.8	1.8	1.9	1.9	1.9	2.0
Committee Costs	1.4	1.1	1.1	1.2	1.1	1.2	1.2	1.2
Grants Payable	3.4	1.5	0.7	0.7	0.7	0.7	0.8	0.8
Cost of Sales	0.5	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Facilities	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditure Total	**17.4**	**15.2**	**15.9**	**16.1**	**16.4**	**16.7**	**17.0**	**17.4**
Net Surplus / (Deficit)	**0.1**	**0.6**	**(0.0)**	**0.0**	**0.1**	**(0.5)**	**(1.0)**	**(1.5)**

SCENARIO 3: AN INCREASE IN THE ASSESSMENT OF 2% FROM 2017/18 THROUGH TO 2019/20

Description	2012/13 (ACT)	2013/14 (ACT)	2014/15 (BUD)	2015/16 (BUD)	2016/17 (BUD)	2017/18 (FOR)	2018/19 (FOR)	2019/20 (FOR)
Income	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
District Assessment	12.1	12.3	12.6	12.8	13.1	13.4	13.6	13.9
Management Charges	1.5	1.1	1.4	1.4	1.5	1.3	1.2	1.1
Trading Income	0.9	0.6	0.4	0.4	0.4	0.4	0.4	0.4
Donations	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Miscellaneous Income	1.5	0.8	0.5	0.5	0.5	0.5	0.5	0.5
Rental income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Legacies	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Income Total	**17.5**	**15.8**	**15.9**	**16.2**	**16.5**	**16.5**	**16.6**	**16.7**
Expenditure								
Salaries	7.1	7.0	7.5	7.6	7.7	7.9	8.0	8.2
Other Costs	2.7	2.9	3.8	3.9	4.0	4.1	4.1	4.2
Stipends	1.7	1.9	1.8	1.8	1.9	1.9	1.9	2.0
Committee Costs	1.4	1.1	1.1	1.2	1.1	1.2	1.2	1.2
Grants Payable	3.4	1.5	0.7	0.7	0.7	0.7	0.8	0.8
Cost of Sales	0.5	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Facilities	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenditure Total	**17.4**	**15.2**	**15.9**	**16.1**	**16.4**	**16.7**	**17.0**	**17.4**
Net Surplus / (Deficit)	**0.1**	**0.6**	**(0.0)**	**0.0**	**0.1**	**(0.2)**	**(0.4)**	**(0.7)**

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The results:

- As would be expected, 2% increase in income, against an increasing cost base;
- An increase in expenditure of approximately £0.3m pa;
- A deficit of £0.2m in 2017-18, rising to 0.7m in 2019-20.

3.0 General Observations

3.1 In a period of economic uncertainty, the Council/Connexional Team would be faced with a number of financial risks such as:

- dependency on limited income sources: (the assessment, investment income and donations);
- fluctuations in investment income;
- fluctuations in fund management charges;
- ability to attract donations from across the Connexion.

3.2 The MCF Assessment is the main source of income for the Connexional Central Services Budget. It funds a number of key activities including the administration of the Connexional Funds, the Learning Network and major aspects of the Church's governance such as the Methodist Council and the Conference.

3.3 The impact of declining membership and a turbulent economic environment has left a number of circuits expressing doubts about their ability to meet their assessment. If these trends continue there is a risk that the annual increases in the assessment will not be sustainable and in a few years we could see a decline. If this decline were to happen it would be gradual, and with the 3 year planning processes now fully embedded, the Connexional Team would have time to adjust.

3.4 The alternative sources of income are in the form of voluntary income (donations and legacies) and investment income. There are a number of issues associated with these:

- Legacy income, when received, is lumpy, and prone to fluctuation;

- Donations are from a key Corporate donor (Methodist Insurance) which cannot always be guaranteed;

- In recent years we have seen an increase in investment income however the investment assets, if needed, could be released to boost the cash flow.

3.5 There are two other areas of income that need to be explored here. One is 'trading income'. Although we have shut the Methodist Publishing office in Peterborough and outsourced work to Norwich Books, we are nowhere near operating publications as a proper cost/profit centre.

3.6 The second is the DMLN income generating assets. If these can generate more than the planned £927k per annum then that would gradually reduce the proportion of the network budget that is met from the assessment.

4.0 Emerging actions

4.1 In both scenarios, there is a noticeable decrease in income. When this happens, the impact will be felt in a number of ways in particular the curtailment of certain operations; however this may not be sufficient to plug the financing gap. In this situation, a draw-down of reserves might ensue.

4.2 At an operational level, there is a clear imperative to manage costs. The assumption that the same levels of activities will continue to be undertaken, even after the assessment is reduced, cannot be held true. The clear action here is therefore to prioritise activities in terms of their strategic impact so that the Church's resources continue to be put to their best use. Part of this needs to be evaluating expenditure against what Standing Orders determine the fund is for; rather than all the things that people may wish it was for.

5.0 Other practical considerations

5.1 Exiting from contractual obligations (with a view to cutting costs) can be complicated if the records are poor and overall accountability is unclear. We therefore need to take time to ensure that we have systems in place for capturing such data as an aid to decision making.

5.1 The budgeting process should now begin to identify recurrent / non recurrent streams of funding / activities in order to evaluate the impact of any new activities.

6.0 Opportunities

The miscellaneous and trading income streams are at a glance, ad hoc. There is an opportunity to organise these activities in a manner that maximizes income generation, whilst keeping costs low. Significant work has been undertaken to ensure that costs incurred within MCH not associated with the Team's activities are being properly recovered from the other tenants, but much more could be done regarding policies for the proportion of costs recovered when events are organised etc.

7.0 Analysis of the MCF's balance sheet

7.1 At the end of August 2014, the fund has net assets of £17m, analysed as follows: fixed assets (mostly manses) £9m; investments £5m net current assets, £0.5m.

7.2 In the table below, the fund's reserves are calculated based on the reserves policy that the Council adopted at its meeting in October 2014. This gives a reserves figure of £8m.

7.3 The £8m can be further analysed to see how it is made up. Investments (£4m); net current assets £0.4m and cash £3.6m.

<u>The Methodist Church Fund: calculation of reserves as at 31/8/2014</u>

	£000
Balance of MCF funds held 31.08.14	**16,698**
Less: tangible fixed assets such as manses, equipment and furniture used in the day to day running of the charity (in line with its objectives)	
Manses	(8,492)
Computer equipment	(322)
Fixtures and fittings	(87)
Calculated reserves	**7,797**

<u>Analysed as follows:</u>

Investments (including investment properties)	3,796
Net Current Assets	362
Cash	3,638
Total	**7,797**

7.4 Of the investments assets held – one is a fixed asset – 4 John Wesley Road, Peterborough. The plan is to continue leasing it to the current tenants. This asset provides an income of approximately £115k pa. The remainder of the investments do not provide a strong enough "cushion" to provide a constant stream of income for future years once the assessment goes down.

7.5 A significant proportion of the funds cash is held in the Tax Recovery Bureau £1.8m. This is more historical rather than intentional, as these reserves form part of the Bureau's working capital. A working capital balance of between £750k to £1m might be more appropriate.

8.0 Financial Strength of the Methodist Church Fund

8.1 At the present moment, the fund appears to be sufficiently funded and is not encumbered with major liabilities and commitments. However, it is noticeable that a significant proportion of the fund's assets are held in buildings (manses). This is a major investment. It also means that with so much capital locked up in properties, the fund has limited strategic flexibility.

8.2 The projected funding gap highlighted in scenarios 1 and 2 above is likely to change the make-up of this balance sheet. Investments will be realised to fund activities. In that situation:

- There might be a strong temptation to reduce investments in order to fund activities. This should be avoided since investment income can be a viable alternative source of income;

- The "cushion" is noticeably very fluid (mostly cash), if one assumes that the proceeds from manse sales are ploughed back into the "CMT pot".

8.3 On the investment side, a significant proportion is held in the CFB Corporate Bond Fund. A review the fund's investment policy is therefore advisable in order to ensure that (1) the investment profile matches the fund's long term requirements, and (2), the portfolio is sufficiently diversified in order to minimise the impact of financial losses if there was a major catastrophe in the capital markets. The trustees, with the help of the investment committee may wish to consider if further holdings should be made in property given that so much of the fund is already held in physical bricks and mortar.