

Local Trust policy on the allocation of investment returns to Big Local areas

Under Big Local, £1m is allocated to 150 Big Local areas to spend over a 10-year period, based on each area's Big Local plan. The fund that provides these allocations and supports the delivery of the programme is managed centrally. The investment policy for the fund aims to strike a balance between achieving a fair return over this period, whilst limiting the risk of loss and ensuring that cash is readily available to meet areas' spending needs.

When we talk about 'investment returns' we mean the total net return on the investments, including interest, dividends and any increase or decrease in the value of the investments themselves once the fees for managing the investment have been paid.

The 15 year nature of Big Local Trust allows for investments that should deliver fair returns over 15 years, but in the short-term investments may decline in value as the market fluctuates. As a result, the investment returns made in one year might be reduced by a fall in the next, which means annual declarations of the investment returns could be misleading; and if we want a reasonable degree of certainty about investment returns we need to wait until nearer the end of the 15 years.

Each Big Local area will spend its £1m allocation at different rates, and Local Trust will maintain records to ensure that each area receives a fair proportion of the net investment returns earned by the fund. We re-emphasise our advice that partnerships spend their £1m to meet the priorities identified in their plans rather than worry about earning investment returns.

Local Trust trustees considered the allocation of investment returns to Big Local areas in summer 2015, along with the rate at which areas are spending. Trustees concluded that it is in the best interests of Big Local areas to continue reinvesting returns and to issue another statement on this matter in the summer of 2018. Trustees will however review the situation each year, and will keep an eye on spend levels in Big Local areas so if there is a need to respond earlier for certain areas they will do so.

Details about the investment income each year and the total amount still invested can be seen in our annual report and accounts which are saved here: <http://localtrust.org.uk/about-us/finance/>

We reiterate that before the end of the programme, Local Trust will have allocated all investment returns earned on the £150m allocation to Big Local areas. Returns earned on funding not allocated to Big Local areas, e.g. on funding for Big Local's central costs, will of course be deployed to the benefit of Big Local.

Local Trust, acting as the corporate trustee of the Big Local Trust

Summer 2015

Local Trust charity number: 1147511, company number: 7833396

Big Local Trust charity number: 1145916

The Big Lottery Fund established Big Local Trust with a National Lottery grant of £196,873,499.