

29 September 2017

Message to Big Local partnership chairs

Allocation of investment returns to Big Local areas

In Summer 2015, the Local Trust board published a statement on the allocation of returns created by the investment of the endowment for Big Local Trust and informed areas that Local Trust would continue to invest the returns and make a further statement in 2018.

With several Big Local areas approaching full spend of their £1m, trustees have made the decision to bring forward the distribution of that proportion of the returns that can be guaranteed at this point. Having considered the performance of the investment, trustees have decided each Big Local area will receive an additional £105k from the returns generated from the original investment of £150m, and that this will be added to the balance of your area's £1m.

Your Big Local area can access this additional funding once it has been included within your plan, following the completion of your next plan review. We would expect that this plan review would start to address issues of legacy, and that certainty around this additional funding provided will assist with this. Once your plan review has taken place and the plan submitted through Big Local Community, we will assess it and endorse it in line with our normal processes.

We hope that providing you with this information now gives you increased certainty about future funding and enables you to plan for the future. We would hope that some further additional funds will be distributed in the future. However, this will be dependent on the continued performance of the investment.

As well as this additional money going directly to Big Local areas, the returns from the central element of the Big Local fund will enable Local Trust to develop and fund an enhanced support offer to local areas. A number of announcements will be made over coming weeks about the first phase of our new support programme. We are also hoping to use some of this funding to more effectively tell the Big Local story and share learning from Big Local areas. This reflects the original undertaking that we (Local Trust) made to the Big Lottery Fund, that learning from Big Local should influence future thinking and

practice amongst communities, grant funders and policy makers. It also responds to feedback from many areas that you feel that much wider public awareness of Big Local would be of direct benefit to Big Local areas in delivering their ambitions.

We are very happy to be able to allocate this additional funding to the Big Local programme. The energy and initiative released by Big Local is inspiring and amazing. We hope that through this funding you and your partnership have the resource to do even more.



Matt Leach, chief executive



Kevin Sugrue, chair of the Board of Trustees

Any questions?

We've prepared a set of Frequently Asked Questions, below. Alternatively, please email us on info@localtrust.org.uk or join the conversation on Working on Big Local Facebook group. <https://www.facebook.com/groups/BigLocalWork/>

Frequently Asked Questions

Additional funding for Big Local areas

Local Trust is making over £100k more funding available to each of the 150 Big Local areas. This brings the total funding available to Big Local areas to over £1.1m. Local Trust is sharing this information now to help Big Local areas plan for the future, build on their achievements and continue involvement in the Big Local programme after their initial £1m is spent.

Below is information about what Big Local areas can use these funds for and how to access them.

1. Why has this money become available?

When the Big Lottery Fund set up Big Local, Local Trust was given the responsibility of managing the Big Local endowment that pays for the programme.

Since then, Local Trust Board has invested the funds in a way that ensures that Big Local areas can access the money as they need it, and to maintain or grow the value of the investment over time, whilst not putting at risk the core commitment to provide each area with at least £1m in funding.

In Summer 2015 the Local Trust board communicated with all Big Local areas to share the news that the investment was increasing in value, and that – consistent with the continued effective management of the endowment – it was likely that additional funds would be distributed to all existing 150 Big Local areas in the future.

Some Big Local areas are now reaching spend out and others want to be able to plan ahead and have certainty about funding for their Big Local area. The board has therefore decided to make additional funds available to Big Local areas this year – likely to be approximately £105,000 for each area.

Further amounts may be made available to Big Local areas in future if the investments continue to grow. However, given that this is dependent on the performance of the investment, Big Local areas should not plan on that basis unless and until such additional funding is confirmed. Local Trust's Board is likely consider the scope for further distributions in 2019-20.

2. How much will each Big Local area receive?

An initial sum of approximately £16m is available for Big Local areas, with further amounts expected to be distributed in future if investments grow as expected. This is based on the return generated to date from the £150m initially allocated to Big Local areas.

To ensure each area receives a fair proportion of the investment return, the Board will divide the income for Big Local areas into 150 equal parts. This means that each Big Local

area will be able to access approximately £105,000 on top of the £1m it is already using to meet local needs – equivalent to an additional 10%.

The amount will be fixed, meaning that the value will not change and is not affected by when a Big Local area chooses to access it.

The board's intention is to make other sums available to Big Local areas in future, if the investment continues to grow. However, it should be noted that, given the total value of the investment, this is likely to be the biggest pay-out and the value should not be taken as an indicator of the size of any future sum. Additionally, all investments can go down as well as up, and there is no guarantee of future sums beyond this one.

3. How can Big Local areas access the money?

Big Local areas can access this additional funding once it has been included within their plan, following the completion of their next plan review. We would expect that this plan review would engage in particular with issues of legacy, and that certainty around this additional funding will assist with this. Once your plan review has taken place and the plan submitted through Big Local Community, we will assess it and endorse it in line with our normal processes.

4. What can the additional funding be spent on?

The assessment criteria we use for accessing the funding will include all those that we currently apply to plans. This means each area must have:

- A partnership that meets our criteria
- A plan with a vision and priorities
- A budget which sets out how the funding will be used

In line with our normal processes we will assess the plan using the following criteria:

- resident-led / there is community buy-in
- inclusive of all in the area
- activities / plans will meet the outcomes of Big Local in the area
- budget adds up and matches the proposed activities
- proposal generally meets the ethos of Big Local
- capacity of locally trusted organisation to deliver

Some of you have also started to consider and include plans for legacy, and we will be asking about this in all assessment processes from now on.

The use of the additional funding will be monitored by Local Trust through spend reports and plan reviews as usual.

5. Why isn't this allocated like 'interest' on a bank account?

The investment approach has been to manage the endowment as a single portfolio, split across a range of different financial assets that perform at different rates over the long and

short term. These are designed to perform as well as possible, within appropriate risk, to meet Local Trust's cashflow needs and ensure sufficient funds are available at the right time for each Big Local area to draw down. You can read more about our investment strategy here: <http://localtrust.org.uk/about-us/finance/>

We believe that the fairest way to distribute the returns is by giving each area the same regardless of their speed of spend and our advice to partnerships was – and still is – to spend their £1m to meet the priorities identified in their plans rather than worry about earning investment returns.

Tying the investment return to 150 different spending patterns creates a number of perverse incentives. For example, Big Local areas may assume that spending slowly might lead to a bigger return on investment, as with a bank account, yet it's also possible that as the size of the endowment decreases over time its potential to generate a strong return diminishes, leaving slow-spending Big Local areas with less than others.

Equally, financial markets are unpredictable and Big Local areas would be exposed to greater uncertainty if the value of the investment return was dependent on market fluctuations on a particular day.

6. What do we need to do next?

Nothing, until your Big Local area wants to access the additional money or is approaching full spend of your £1m. However, we would expect that at the point of your next plan review, you would include consideration of how to spend the additional funds as part of that review.

If you expect to be reaching £1m spend in the coming 6 months, please contact Local Trust to discuss how to manage this effectively, to ensure continuity of funding going forward.

Any questions?

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