

Funding agreements and processes for Big Local plans

Introduction

A funding agreement is a document that sets out the terms on which we fund an organisation with Big Local money, on your behalf. We send funding agreements to your locally trusted organisation(s) once we have endorsed your proposal or plan.

A funding agreement includes the offer letter, the terms and conditions of funding and a payment schedule. It should be read together with your endorsed Big Local plan. The agreement is sent to your locally trusted organisation, with a copy to your Big Local rep and to the chair of your Big Local partnership.

This document explains in more detail what the process involves, with additional information for various types of funding.

Offer letters

Every funding agreement includes an offer letter. This sets out the period of the funding agreement (start and end dates), and the amount of Big Local funding that is committed to the organisation on behalf of the area.

Locally trusted organisations should keep a copy of the offer letter, as it forms part of the funding agreement and includes information about next steps. These may include us asking you for more information to release further funding.

Terms and conditions of funding

The terms and conditions of funding set out the obligations of the locally trusted organisation. This document outlines:

- The relationship between the locally trusted organisation and Local Trust as to Big Local funding
- The relationship between the partnership and the locally trusted organisation
- The responsibilities of the locally trusted organisation in holding and managing Big Local funding, which include:
 - using the funding only for the purposes of Big Local, as laid out in the Big Local plan
 - ensuring the funding is spent appropriately and keeping accurate financial records
 - reporting to the partnership and Local Trust on expenditure
 - seeking the agreement of the partnership and Local Trust for variations to the use of the grant
 - making sure insurance, safeguarding checks, conflicts of interest and other procedures are in place

- What Big Local funding cannot be used for, including:
 - the costs of putting together your proposal
 - activities that happen or start before the grant is confirmed
 - expenses you commit to before Local Trust confirms the grant
 - salaries of existing staff for activities they undertake as part of their normal employment that are not related to the programme
 - political activities, as defined by the Charity Commission
 - religious activities, which includes the practice of religion or activities that actively promote religion or particular belief systems (or indeed the lack of belief)
 - projects or activities which the state has a legal obligation to provide
 - VAT you can recover
 - general running costs not associated with the delivery of Big Local.

The terms and conditions of funding should be signed by a person responsible for making agreements on behalf of the the organisation, such as a senior officer, director or trustee, and then returned to us. This confirms that the organisation has agreed to them, and we will only transfer funding once they have been received. The terms and conditions of funding are fixed and can only be altered by Local Trust.

Payment schedules

The payment schedule is attached to the offer letter. It sets out the amount of funding and when payments will be made, according to the budget and schedule agreed by your partnership in your plan. We will send a spend report to your locally trusted organisation every six months which will reflect these payment schedules.

The locally trusted organisation and Big Local partnership can manage the budget locally, but where you want to make significant changes to your payment schedule, you need to let us know so we can consider a variation (see below).

Contribution to support grant administration and partnership running costs

We (Local Trust) provide a contribution towards grant administration and partnership running costs. This is in addition to the area's £1m. This contribution recognises that a locally trusted organisation has additional financial management responsibilities.

The contribution is calculated as 5% of the total drawn down for plan funding. It is transferred when the locally trusted organisation draws down plan funding, as per the payment schedule, on behalf of the Big Local area. If a locally trusted organisation needs to return an amount of funding to us - for example, when there is an underspend - then the 5% for this amount must also be returned.

You can have more than one locally trusted organisation and each can receive the contribution if they are providing partnership support and/or grant administration.

Variations to your funding agreement

Once we have agreed to fund your plan and its budget, you can usually fund any of the activities at any time during the plan. You don't need to let us know for example, if you decide to use funding from payment one for an activity or expense in year two.

The only exception is if there is a **condition** on a payment that relates to a project. For example, we may ask to see a business plan before we release payment 3 funding to buy a community hub. In this case you shouldn't use earlier funds if the condition hasn't been met.

But we need to agree a variation where you would like to make a big change to the way you use your budget, for example: if a project won't continue, a large chunk of funds will be moved between budgets or payments, or a full budget re-jig is needed.

As per the terms and conditions of grant, you must confirm this variation with us *before* you use the funds differently. In this case we ask you to:

1. Send us an email letting us know the brief details about the change, the reason/s behind it and how it fits in with the existing plan (this can also be included in your spend report).
2. Provide evidence that the partnership has agreed to the change. This can be a copy of the Partnership meeting minutes or an email from the Chair.
3. Let us know where to move the money from and to across *future* payments and budget headings. This is often easier if you send us a table that matches your payment schedule, and highlight the changes for us.

Or, if the change will only impact your underspend (payments *already* been made to you) we can't change your payment schedule or budget, but we'll make a note of it against your grant. You can reflect this in your next spend report.

If you have are unsure about what a 'major' change is, or whether a variation is needed, please give the funding team a call.

Additional funding and interim grants

If a Big Local partnership needs funding above the total amount of the current grant agreement, or as an interim or 'bridging' grant between plans, please send us a proposal via [Big Local Community](#) (our funding management system) at least four weeks before the funding is needed. You don't need a new plan (or costed vision and legacy statement). Please ask your LTO to upload your current plan, the budget you have agreed for the additional funding, and a short document explaining what the funding is for and how it meets the Big Local outcomes.

We will also require a recent copy of your LTO's most recent signed annual accounts. If you have documents that relate to your additional funding and will support your proposal, such as a business plan, please upload these too.

Updated as part of our *Covid 19 response (and may be further reviewed)*:

A bridging grant takes over from your current grant, and allows for the continuation of activities and pre-existing contractual commitments that have been agreed under your current plan, if you

don't have enough funds remaining before your new plan is ready. (If you do have funds left, you can ask for an *extension*, see below).

However you can mention in your proposal document if you are also asking for a variation to your activities, in which case you should provide detail about how the activities will be different from your original plan (see *variations*, above). Please note that any significant new projects or large amounts must be proposed via a new plan and assessed. We would not expect the amount proposed for a bridging grant to be more than the average six-month payment in your current plan.

If you are currently receiving quarterly payments and would like a bridging grant of 4 months or more, please separate out your budgets across two payments in the finance table when you fill it in.

We will review these, and either Local Trust staff or an assessor will follow up if we have any questions, in order to then issue your offer letter and payment schedule. We'll ask you to fill out regular spend reports for it.

Extensions to your funding agreement

If a Big Local partnership wants more time to spend the current grant funding they can request an extension of up to six months. We will ask you to:

1. Send us an email explaining why the extra time is needed and confirming that there are enough funds remaining to cover this period.
2. Provide evidence that the partnership has agreed to the change. This can be a copy of the Partnership meeting minutes or an email from the Chair.

In exceptional cases where the Partnership needs to extend a grant by longer than six months, please contact the funding team.

Does the partnership put funding or other agreements in place?

As Big Local partnerships are not legal entities, partnerships are not in a position to put legally binding agreements into place. The legal agreements should exist between Local Trust and the locally trusted organisation, and between the locally trusted organisation and third-party organisations or individuals.

Many Big Local areas agree terms of references, or something similar, with their locally trusted organisation. These outline the relationship between the two. But, although we recommend something like this so as to have an open and mutual agreement about what is expected from both sides, such terms of reference are not legally binding.

Funding agreements related to social investments

When your Big Local partnership wants to make a social investment to a credit union or Community Development Finance Institute (CDFI), we will create an appropriate funding agreement that sets out:

- the objectives of the social investment (loan or corporate deposit) and grant (if applicable)
- the term, which is the time period the social investment is made for
- the relationship between the credit union/CDFI and Local Trust in relation to Big Local funding and reporting requirements
- the relationship between the partnership and the locally trusted organisation.

We have different funding agreements for grants and social investments.

Retrospective funding

Retrospective funding relates to expenses that are committed, or activities that happen or start, before Local Trust confirms the funding. Our rules against retrospective funding are set out in our funding guidance and in the terms and conditions with locally trusted organisations.

This prohibits Local Trust from giving retrospective funding to locally trusted organisations. It means that locally trusted organisations should pay only for things that are covered by the endorsed proposal or plan, within the total funding amount agreed, and within the overall timeline as stated in the offer letter from Local Trust. Variations to activities, funding and timelines can be agreed by contacting us.

This is good grant-making practice, helping us ensure that the planned activities and expenditure contribute to the Big Local outcomes.

This document will be developed over time with input from the people using this material.

If you have thoughts on how this document can be made more useful for you, particularly if you live in one of the Big Local areas, please let us know.

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The endowment for the Big Local programme is held by the Big Local Trust and overseen by Local Trust. The Big Local Trust was established by the National Lottery Community Fund with a National Lottery grant of £196,873,499.

If you need this document in other formats or a community language please get in touch with Local Trust and we will help you.

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