

## Big Local Trust: investment strategy

### **Introduction**

This investment strategy is for the investment assets of the Big Local Trust (the fund) to provide the resources required by Big Local (the programme), and to manage the assets in a manner that reflects the needs of the programme. Decisions about the investment of the fund are made by Local Trust trustees, as Local Trust is the sole corporate trustee of Big Local Trust, and are implemented by CCLA, Big Local Trust's fund manager.

### **The strategy**

The programme provides funding to 150 Big Local areas on a delegated basis. For reasons of cost, efficiency, security, governance and risk management, it was decided at the outset that the fund should be managed as a single pool of assets.. This approach ensured funding would be available when required so that Big Local areas could use the funding allocated to them over at least 10 years, in line with their Big Local plan and the lifetime of the programme.

By making use of the scale and duration of the Big Local programme, the investment strategy was set up to provide the best long-term return, whilst always ensuring that sufficient short-term funds would be available to support spending. This was achieved by investing a high proportion of the fund in cash, fixed income and similar securities, with a smaller portion invested in equities and similar securities in the UK and overseas and property in the UK that are expected to provide a higher return over the long- term.

The investment strategy is implemented in a controlled way to ensure that risks are appropriately managed and consistent with the objectives of the programme. Trustees keep their approach under constant review, particularly given their fiduciary responsibility in terms of safeguarding that charity's assets, including the Big Local Trust investment.

### **The investment policy**

In 2019 trustees decided to adjust the investment strategy in response to the time remaining for the Big Local programme, shifting on the focus from investment returns to controlling risk. Essentially the aim became to protect the nominal value of capital.

A range of factors were taken into account:

- The desire to provide areas with certainty in the short-term, regarding the funds available for allocation.
- Minimising the risk of any losses which might significantly impact the ability of areas and the Trust to manoeuvre in terms of future plans.
- The potential for achieving greater impact and value for money by providing early certainty to both Local Trust and Big Local areas, and the risks associated with putting off distributions of funds until later (by which time some areas may have exited the programme).
- That on a review of the market it may be at or near its peak, and that the downside risks are potentially higher than the prospects for growth at this point.
- Planning to hold risk assets until closer to the end of current Trust Deed period, exposes the final value of the endowment to increased risk by reducing the scope for riding out short-term fluctuations in value towards the end of that period.
- The impact of inflation on the remaining funds, and the extent to which trustees wish the investment strategy to protect the investment against the impact of inflation.

### **Cash and near cash**

Following the decision of trustees to move the investment out of risk assets and into cash or near cash investments, CCLA went on to move the Big Local investment out of equities, the property fund, the CCLA Diversified Income Fund; in 2020 this extended to the sale of bonds, so funds are now held in cash or near cash.

### **Ethical and responsible investment**

Local Trust, acting as the corporate trustee of Big Local Trust, is a responsible investor. This means that we seek to manage the assets that we have been granted in a way that reflects our mission and purpose and integrates concerns about the environment and society.

As all our assets are now invested in cash deposits with banks and building societies, Big Local Trust has agreed to follow the responsible investment policy adopted by CCLA's COIF Charities Deposit Fund. This assesses the banks on a broad range of subjects including climate change, corporate governance and how they treat their workforce. CCLA also leads engagement with the banks to push for more responsible business practices where needed.



Local Trust trustees meet regularly with CCLA to assess their approach to managing the charity's money responsibly and review this policy annually.

### **Performance benchmark**

The current benchmark for performance comparisons is Sterling Overnight Index Average (SONIA). Previous to this it was the seven-day Sterling LIBID.

### **Reporting**

The investment manager of the fund will report to the trustees on a monthly and a quarterly basis, and the trustees will review the investment strategy once a year in line with the trust deed.

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