

Charity No. 1098801

Fair Share Trust
Report and Financial Statements
31 March 2009

Fair Share Trust

Legal and administrative details

For the period ended 31 March 2009

Status	The organisation is a registered charity, registered on 29 July 2003.
Governing document Ple	The charity is constituted under a trust deed dated 24 June 2003.
Charity number	1098801
Registered office and operational address	Arena House 66-68 Pentonville Road London N1 9HS
Trustee	Community Foundation Network
Bankers	Bank of Scotland Pentland House 8 Lochside Avenue EDINBURGH EH12 9DJ
Auditors	Kingston Smith LLP Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD

Fair Share Trust

Report of the trustee

For the year ended 31 March 2009

1. Introduction

The Directors' Report and financial statements are in the format recommended by the SORP 2005 guidelines, the Charities Act and the Fair Share Trust Deed.

In overseeing the activities of Fair Share Trust and in the preparation of this report, the Trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the Charity Commission's general guidance on public benefit. As this report makes clear, as a result of the work done by the Fair Share Trust there are many people in some of the least advantaged and lowest capacity communities in the UK who have been helped to address issues relating to disadvantage and/or take opportunities to improve the quality of life for themselves and their neighbours.

2. Structure Governance and Management

The Fair Share Trust Deed was executed in June 2003, thus creating the £50m Fair Share Trust, with the funds coming from the New Opportunities Fund (now the Big Lottery Fund).

Community Foundation Network (CFN) is the sole trustee and is responsible for managing the Fair Share Trust programme to fund projects over a ten-year period in some of the UK's most disadvantaged communities. Pursuant to the Fair Share Trust Deed, a protector was appointed and his role is explained more fully in his report, enclosed as an appendix to the financial statements.

The Fair Share Trust programme appears as an item on all CFN board agendas and its successful delivery is a key strategy for the overall CFN plan. In addition the board has delegated to a panel of trustees and other members – the FST Committee - the responsibility for agreeing neighbourhood strategies against which funds will be released to the Agents delivering the programme.

A Finance and Audit Committee oversees the investment of the Fair Share Trust monies and audit arrangements.

The trustees have reviewed the major risks to which the charity is exposed and systems and procedures are in place to manage these risks with reports received at Board meetings.

3. Objectives and activities

Fair Share Trust represents a new concept in grant making for Community Foundations and the Big Lottery Fund (BIG). It creates conditions where the requirements of the Trust Deed and the national guidance can be met, but at the same time local residents are seen to have ownership of the process, agreeing local strategies and engaging in local decision making. The registered objects of the Trust are to support projects which:

- Develop the capacity and skills of the members of socially and economically disadvantaged communities for the benefit of the public in such a way that the communities' needs can be better met, and their members can participate more fully in society.
- Promote for the public benefit regeneration in areas of social and economic deprivation.

Funds were allocated to specific geographic areas at the outset of the programme and grants are awarded in line with these allocations. The Trust Deed allows CFN to delegate the local grant making and facilitation work to local organisations known as "local agents".

The local agents facilitate panels that are reflective of the local areas where the funding is to be spent. The panels are the vehicles through which the agents facilitate the required sense of local ownership.

The projects funded through the programme must contribute towards the achievement of locally set priorities and must also sustainably build social capital, community capacity and enhance liveability.

4. Achievements and performance

2008/09 marks the half way point for the programme as a whole and the start of the final phases for the programme in Scotland and Northern Ireland.

The outcomes set for the programme to build community capacity and social capital and to enhance liveability in a sustainable way in the UK's lowest capacity and least advantaged communities are demanding. The theory of change underpinning the programme is that if we devolve decision making to local residents then their ownership of the programme (their stake in the regeneration of their area) will lead to the required outcomes in the way that makes the best sense given the local context.

Perhaps the key developments in this context in the year have been the increasing willingness of the Big Lottery Fund to talk about the programme as an example of community empowerment, for example in recent speeches by BIG's Chief Executive, and in March 2009 almost an entire page of a BIG sponsored supplement published by The Guardian newspaper focused on FST. The overall theme of the supplement was 'People Power.' The interim report from the BIG funded independent evaluation of the programme found "The Fair Share Trust in particular was always intended to do more than simply distribute money. Although it still has five years to run (Scotland apart) it has made promising progress in building capacity, sustaining groups and projects, and in encouraging better local networking and more sensitive identification of and response to need". And although the evaluation flags the question about what will happen once the Fair Share Trust has spent down, emphasising the importance of exit planning, it concludes "Despite these cautions (re exit strategies) the evaluators are confident that Fair Share will lead to lasting and positive increases in capacity, confidence and responsive services."

In terms of key quantitative developments during the year:

- We have approved new strategy documents for all the Fair Share Trust (FST) neighbourhoods – these run for three years and are the key documents that require local resident panel sign off and agreement.
- In the year we disbursed £8.9m of grants, making a total of £29.9m. This is in line with our planned disbursement profile.
- We have recorded just over £17m of funds brought into FST neighbourhoods using FST funding as leverage or the catalyst for additional, match or in-kind funding from a variety of sources. This figure equates to roughly 60% of the original FST funds disbursed, making the impact of bringing FST funding to the neighbourhoods significantly greater.
- We have seen significant FST workshops and conferences in Northern Ireland and Scotland where we saw evidence of local people recognising the FST funding as different from other grant programmes and relishing the freedom to plan their use of the funding with a considerable degree of discretion with the support and guidance of local agents.
- The investment management processes we have in place have proved to be robust and the fund is still showing a notional surplus over committed liabilities, albeit at much lower levels than previously.

The key challenge of running a devolved programme of this nature with the delegation of grant making to the local level is the management of risk in such a way that the controls and actions taken do not erode the sense that decisions are made locally. The Directors have increased the visibility of the risk register for the programme at Committee and main Board meetings and the key activity for the staff team is the scrutiny of the performance of agents to which the grant making responsibility has been delegated. During the year two new agents (Cambridgeshire Community Foundation and North West London Community Foundation) have been appointed with formal approval from the Protector.

During the year we have paid attention to the issues raised in the Protector's report. The Directors have been mindful of the need to resource the programme appropriately within the constraints of the budgets agreed with the Big Lottery Fund as required by the Trust Deed. The Fair Share Trust Programme Manager has supported the two programme officers so that changes the Protector noted in personnel have not affected the programme adversely and the CFN Programmes Director and CEO are also accountable for delivery.

Information technology remains an area where we have made progress but we could do more. The new website is effective and the capacity of the online monitoring system has been extended. We would like to improve our

Fair Share Trust

Report of the trustee

For the year ended 31 March 2009

capacity to search the database of lessons learned and case studies more effectively. Our assessment hitherto has been that the investment in IT required would be disproportionate to the benefits.

Closer liaison with the Big Lottery Fund has been achieved. The CFN Chair elect and key members of the CFN Fair Share Trust Committee met with the new CEO of the Big Lottery Fund and the FST programme is now high on the Big Lottery's public profile. Continued vigilance is necessary in this area, however, as at BIG operational level there have been further changes in personnel.

In terms of the management of the FST agents:

- All FST neighbourhoods have now had their second priority documents agreed (Scotland apart where only one was required)
- CFN continues to monitor and address Local Agents' performance, training and development needs through day to day contact, visits and monitoring information.
- As at 31/03/09 only three local agents were on the "high risk" register. The register continues to be refined in line with CFN learning and is a key area of scrutiny for CFN management and trustees. The register reflects the difficulty of operating in particular local situations as well as the capacity and performance of the local agent.
- All local agents have been audited, with the exception of the two new Local Agents who will be audited during 09/10. No material issues have been identified hitherto other than those already known about and being addressed through the special measures and attention afforded to "high risk" agents.

From a programme level perspective:

- Sustainability planning has been introduced as a key element of the programme. It was the key feature of a conference for agents held in June 2008 and a toolkit for agents is in course and will be made available in 2009.
- We fell slightly short of the spend target of £21.9m by June 2008 of grants paid out by local agents within FST Neighbourhoods agreed with Big Lottery Fund. The Big Lottery were happy that this was not a material shortfall and spend has subsequently been broadly in line with the expected profile.
- As at 31st March 2009, FST Local Agents across the UK have spent £28,371,200 bringing spend to 90% of the spend target of £31.1m for the end of FST Year 6 (June 2009).
- The new FST website was launched <http://www.fairsharetrust.org/> offering a public platform for the programme as well as resources for Local Agents.
- CFN resourcing of FST has been maintained through recruitment with no negative impact on the quality of programme delivery.
- Refinements to the online monitoring system for FST have been carried out throughout the year with further phased developments planned for 09/10.

From a national policy perspective

- During the year, CFN has been pleased to welcome several senior staff at Big Lottery Fund on visits to Fair Share Trust areas, including the new Chief Executive and to meetings to discuss progress.
- The Protector was appointed for a second 5 Year term.

5. Financial review and investment

The source of new income for Fair Share Trust during the year was £1.8m of investment income earned as a result of the original £50m grant. There was an unrealised loss on the equities half during the year of £1.2m.

Effective investment management processes have been key to the success of FST, because of the size of the fund and because of the turbulence experienced in the financial markets. The audit and investment sub-committee, chaired by the CFN Treasurer, is responsible for the monitoring of the FST investment. This committee decided an overall asset allocation policy at the outset of the Fair Share programme, with preservation of capital the top priority. This is a low risk policy. The main decision taken during the year was to continue to reduce our equity holdings and a planned disposal over 8 half yearly interval was agreed. Our total investment at the end of the year was £20.9m of which £18m was invested in CAF Fixed Rate deposit accounts.

In the year, we paid out £8.9m of grants to local partners and incurred total costs of £1.1m (local partner fees and CFN management costs).

Fair Share Trust

Report of the trustee

For the year ended 31 March 2009

After realised and unrealised investment gains, the net decrease in funds was £9.7m, bringing the value of the fund to £25.5m at the end of the year.

As at 31 March 2009 the notional estimate of surplus funds at the end of the programme held over and above the monies allocated to FST areas and required to cover programme costs was about £0.5m. This is known as the "investment surplus" and will be used to support Local Agents' work on exit strategies. This is significantly lower than in previous reports, the key driver being lower than expected interest rates on cash balances.

There is no formal reserves policy because the whole charity is similar to a restricted fund and thus all the funds have to be spent by the end of the 10 year period.

6. Plans for the future period

As in previous years a key focus continues to be excellence in operational delivery, and the effective management of risks.

Planning for the final stages of the programme and a sustainable exit, (initially in Scotland and Northern Ireland) is a key priority with the lessons learned being made available to the rest of the agent network from May 2009 onwards. A sustainability planning toolkit and guide is in the final stages of preparation.

Local Agents' training and development needs will be addressed at CFN's September 2009 conference, through regional meetings and visits by programme staff, and are based on consultation with agents and CFN identified needs.

The publication of the Big Lottery's final report on this stage of their independent evaluation will be a key event and CFN will be pressing for the continuation of a national evaluation process to ensure that the lessons learned from the programme continue to be captured.

As in our previous report, CFN will be increasingly focusing on benefits realisation and reflecting this in all aspects of the programme including the risk register. We plan to share the learning from Fair Share Trust with a wider audience interested in locally led regeneration and we are pleased to have agreed a communications protocol with the Big Lottery Fund that should ensure that we work together on this point.

7. Statement of responsibilities of the board

The board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity for that period. In preparing those financial statements the board is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

Fair Share Trust

Report of the trustee

For the year ended 31 March 2009

The board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. The board is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustee

Community Foundation Network (company no 2651777, charity no. 1004630) is the sole trustee of Fair Share Trust.

The trustee has no beneficial interest in the charity.

Auditors

Kingston Smith LLP have indicated their willingness to continue as auditors.

Approved by the trustee on September 2009 and signed on its behalf by

Matthew Bowcock - Chair of Community Foundation Network

Independent Auditors' Report to the Trustee of Fair Share Trust

We have audited the financial statements of Fair Share Trust for the year ended 31st March 2009 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with regulations made under section 43 of the Charities Act 1993. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's trustees those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Respective Responsibilities of Trustees and Auditors

The trustees' responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit, or if information specified by law in respect of trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31st March 2009 and of its incoming resources and application of resources, including the income and expenditure of the charity for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

Devonshire House
60 Goswell Road
London EC1M 7AD

Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Date:

Fair Share Trust

Statement of financial activities

For the year ended 31 March 2009

	Note	2009 Total £'000	2008 Total £'000
Incoming resources			
Investment income	2	<u>1,839</u>	<u>1,257</u>
Total incoming resources		<u>1,839</u>	<u>1,257</u>
Resources expended			
Charitable Activities	3	10,114	8,008
Governance	3	<u>31</u>	<u>27</u>
Total resources expended		<u>10,145</u>	<u>8,035</u>
Net incoming resources before revaluations and gains		(8,306)	(6,778)
Realised gains/(losses) on investments		<u>(130)</u>	<u>97</u>
Net Income/(Expenditure) for the year		(8,436)	(6,681)
Unrealised gains/(losses) on investments		<u>(1,246)</u>	<u>(542)</u>
Net movement in funds		(9,682)	(7,223)
Funds at the start of the year		<u>35,180</u>	<u>42,403</u>
Funds at the end of the year		<u>25,498</u>	<u>35,180</u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses or movements in funds other than those stated above.

Fair Share Trust

Balance sheet

31 March 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	5	<u>20,919</u>	<u>30,716</u>
Current assets			
Debtors	6	70	-
Cash at bank and in hand		<u>4,509</u>	<u>4,555</u>
		4,579	4,555
Creditors: amounts due within 1 year	7	<u>-</u>	<u>91</u>
Net current assets		<u>4,579</u>	<u>4,464</u>
Net assets		<u><u>25,498</u></u>	<u><u>35,180</u></u>
Funds			
Unrestricted funds		<u><u>25,498</u></u>	<u><u>35,180</u></u>

Approved by the trustees on September 2009 and signed on their behalf by

Matthew Bowcock - Chair of Community Foundation Network

Fair Share Trust

Notes to the financial statements

For the period ended 31 March 2009

1. Accounting policies

- a) The financial statements have been prepared under the historical cost convention, as modified by the inclusion of fixed asset investments at market value, and in accordance with applicable accounting standards and the Charities Act 1993. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in 2005).
- b) Grants are recognised in full in the statement of financial activities in the year in which they are receivable. Investment income is accounted for in the period in which it is receivable. Grants payable are recognised at the time of payment, once all conditions have been satisfied.
- c) Resources expended are recognised in the period in which they are incurred.
- d) Support costs of charitable activities comprise costs incurred directly in support of expenditure on the objects of the charity.
- e) Grants payable are recognised as expenditure when the grants have been approved and when the subsequent procedural formalities are completed (eg acceptance of conditions). In practice this recognition usually coincides with payment dates.
- f) Governance costs of the charity relate to the costs of running the charity such as the costs of meetings, audit and statutory compliance.
- g) Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

2. Investment income

	2009	2008
	£'000	£'000
UK Common investment funds and bank accounts	295	780
Fixed Income investments	<u>1,544</u>	<u>477</u>
	<u><u>1,839</u></u>	<u><u>1,257</u></u>

Fair Share Trust

Notes to the financial statements

For the period ended 31 March 2009

3. Resources Expended

	2009	2008
	£'000	£'000
Charitable activities		
Grants to local partners (see below)	8,936	6,829
Other direct costs -		
Payments to local partners for management costs	886	901
Support costs (see below)	292	278
	10,114	8,008
Governance		
Protector's fee and legal costs	25	9
Auditors' remuneration for audit	6	6
Management charges (see below)	-	12
	31	27
 Support Costs comprise:		
Staff costs and consultancy	197	198
Office and running costs	95	79
Profile and publicity	-	1
	292	278
 Governance Costs comprise:		
Management charges	-	12

Community Foundation Network, as the sole trustee of Fair Share Trust, was re-imbursed the cost of management and administration of Fair Share Trust's activities.

Fair Share Trust

Notes to the financial statements

For the period ended 31 March 2009

3 (continued) Grants to local partners	2009	2008
	£ '000	£ '000
Bedfordshire & Luton Community Foundation	232	212
The Birmingham Community Foundation	423	316
Blackpool, Wyre & Fylde CVS	211	115
Burnley, Pendle and Rossendale CVS	59	-
Cambridgeshire Community Foundation	148	-
Cheshire Community Action	160	119
Community Connections	59	26
Community Foundation for Bournemouth, Dorset and Poole	133	53
County Durham Foundation	102	105
Derbyshire Community Foundation	291	119
East London Community Foundation	83	72
Essex Community Foundation	243	125
Community Foundation for Greater Manchester	1,144	570
Hull City Ventures	137	129
Lincolnshire Community Foundation	246	127
Merseyside Community Foundation	583	766
Northern Ireland Community Foundation	740	404
Nottinghamshire Community Foundation	223	55
Peterborough CVS	-	34
Quartet Community Foundation	27	90
Scarman Trust	113	356
Scottish Community Foundation	1,495	1,633
Shropshire & Telford Community Foundation	84	89
Solihull Community Foundation	-	43
South Yorkshire Community Foundation	404	312
Suffolk Acre	255	103
Tees Valley Community Foundation	247	178
Community Foundation for Tyne & Wear	273	151
The Community Foundation in Wales	603	415
West Lancashire CVS	116	13
Community Foundation for Wiltshire & Swindon	102	99
	8,936	6,829

Fair Share Trust

Notes to the financial statements

For the period ended 31 March 2009

4. Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

5. Investments

	2009	2008
	£'000	£'000
Market value at the start of the year	30,716	16,832
Additions in period at historic cost	-	17,000
Sales at book value	(8,558)	(2,578)
Net unrealised gain / (loss)	(1,246)	(542)
Investment market value at year end	<u>20,912</u>	<u>30,712</u>
Accrued interest on investments	7	1
Cash held in investment portfolio	-	3
Total value at the period end	<u>20,919</u>	<u>30,716</u>
Historic cost of investments at year end	<u>21,153</u>	<u>29,559</u>
Investments comprise:		
	2009	2008
	£'000	£'000
UK Common investment funds	2,919	4,716
Fixed Income Investments	18,000	26,000
	<u>20,919</u>	<u>30,716</u>
Investments representing over 5% by value of the portfolio comprise:		
	2009	2008
	£'000	£'000
CAF Fixed Term Deposits	18,000	26,000
BGI ChariTrak UK Equity Index Fund	2,662	4,466

Fair Share Trust

Notes to the financial statements

For the period ended 31 March 2009

6. Debtors: amounts due within 1 year

	2009	2008
	£'000	£'000
Grant Debtors	61	-
Community Foundation Network	9	-
	70	-

7. Creditors : amounts due within 1 year

	2009	2008
	£'000	£'000
Community Foundation Network	-	91

8. Ultimate parent undertaking

Community Foundation Network, a company limited by guarantee and registered charity, is the sole trustee of Fair Share Trust.

Protector
The Fair Share Trust

July 30th 2009

Report of the Protector for the year ended March 31st 2009

I was appointed Protector of the Fair Share Trust on 24th June 2003. Pursuant to the Trust Deed constituting the Fair Share Trust I am required to prepare a statement for publication by the Trustee (The Community Foundation Network "CFN") in its annual report explaining the Protector's function, how it has been exercised and, if appropriate, identifying any areas of administration which require improvement and the steps to be taken by the Trustee to effect such improvement.

The function of the Protector is to ensure that the Trustee administers the Trust properly and to protect the Trust property. The Trust property consists of a portfolio of investments which were derived from the gift to the Trust by the Big Lottery Fund (herein also referred to as "BIG") of £50 million. If necessary the Protector must report matters of serious concern to the Big Lottery Fund or the Charity Commission. The Protector therefore has a "watch-dog" role and must monitor the Trustee and prevent it from abusing its powers and breaching its duties. More positively, the Protector must seek to ensure, as far as possible, that the Trust is administered in accordance with the terms of the Trust Deed and can give or withhold consent or approval to the exercise of certain powers by the Trustee.

The Objects of the Trust are to promote community capacity building and urban and rural regeneration. The permitted methods of achieving the Objects are widely drawn. The Trust Deed also contains an "expression of wishes" of the Big Lottery Fund (that the Trustee may have regard to) that sets out the guiding principles that the Big Lottery Fund wish to be observed.

The Fair Share Trust programme is ambitious. The Trustee is required to distribute money by way of grant out of its trust property for the Objects in 70 localities (called "Fair Share Areas") in the United Kingdom. The Fair Share Areas have been identified as areas suffering considerable deprivation which have previously received less National Lottery funding than other areas within the United Kingdom. Each area is allocated a fixed percentage of the trust fund and all money is required to be distributed within a 10 year period.

All of this requires the Trustee to establish and maintain an elaborate and effective infrastructure within a demanding timetable to enable distribution of all Trust monies during the life time of the Trust which in turn requires continuity and consistency of management both within CFN and in the Fair Share areas where Local Agents distribute Trust money on behalf of the Trustee.

In the last year I have had a number of meetings with representatives of the Big Lottery Fund and with executives and trustees of CFN. I have attended two Fair Share Trust Committee meetings and a Fair Share Trust Conference in Scotland. I have visited Fair Share areas in Rotherham, Wansbeck, Peterborough and Brent.

In my 2008 Report I referred to three areas which required continuing attention by CFN being 1) strengthening management resources and, in particular, the need to appoint two new programme officers, 2) the need to improve the IT based management information system and 3) the need for closer liaison with the Big Lottery Fund.

With regard to 1) I am pleased that two programme officers for Fair Share were appointed by CFN in the year to support the programme manager.

With regard to 2) progress has been slow but steady. I hope to see continuing improvements, particularly as the amount of data will increase greatly.

With regard to 3) there have been efforts by both parties to improve liaison but CFN must remain pro-active. I refer to this in more detail below.

Delivery is proceeding satisfactorily. Funds distributed to Local Agents were £29.3 million at 24th June 2009 (the sixth anniversary of the start of the programme) as against £20.6 million distributed by 24th June 2008. I am pleased that the Fair Share Trust grants have been matched to date by more than £18m of funding from other sources.

In my 2008 report I stated that, based on my visits to Fair Share areas, it was becoming increasingly clear that the quality of the local infrastructure (by which I mean the Local Agent and the Local Panel or Panels they supervise) would be the key determinant of the quality of the programme. I suggested that CFN should therefore develop more granularity in its risk analysis to highlight the strengths and weaknesses of both Local Agents and Local Panels. I think considerable progress has been made on granularity by CFN through the introduction of templates to record detailed and targeted key performance indicators. Provided this information is regularly updated and monitored it should act as a valuable early warning system.

During the year the Local Agent for Brent was replaced by the North West London Community Foundation. This was a delegation to which I consented under Clause 9 of the Trust Deed. It is also worth noting that I included Brent in my visits for the year as this is the second change to the Local Agent for the area. The Local Agents for North Solihull and Enfield were also replaced respectively by Birmingham Community Foundation and East London Community Foundation. On each occasion the actions taken by CFN seemed timely and appropriate, involving in each case a proactive response to the growing level of risk demonstrated by their key performance indicators and a discussion with the agents about the demands of the programme, their capacities and their organisations' commitment to the programme. I am concerned, however, that my consent was not obtained before the latter two agents were appointed as required by the trust deed. I accept that this was an oversight. Board members should review their governance procedures to ensure that this does not happen again. In the meantime, I have reviewed the due diligence undertaken with respect to these agents before they were appointed and I am happy to confirm my approval to these arrangements continuing.

In earlier reports I have made clear that CFN must remain committed to the continuing improvement of monitoring and controls to manage the risks inherent in the delegated structure of Fair Share Trust. The Board of CFN are personally responsible for ensuring this. They have delegated certain responsibilities to the Fair Share Trust Committee which is chaired by a Board member. It is important that this committee is attended by all nominees and, in relation to risk, reviews regularly the detailed information underlying the risk register so that all members of the committee participate fully in the risk assessment. The Board of CFN in turn need to understand the risk management process and accept responsibility for it.

In my earlier reports I have suggested that it was important that, throughout the remaining life of the programme, the formal reporting procedures be supplemented by visits to Fair Share areas

by Board members, senior CFN officers and the audit team. I understand these supplemental visits continue and I look forward to seeing continuing evidence of this engagement in the year ahead.

In my 2008 report I stressed the importance of CFN and BIG working well together on arrangements for the later stages of the programme. I particularly referred to three areas being 1) the finalisation of end of programme processes; 2) the development of sustainability strategies for each Fair Share area; and 3) the extraction of learning from an appropriate evaluation process.

Although considerable progress has been made by each party separately (and to a large extent this separateness is appropriate to maintain accountability) it seems to me that the process would benefit from more co-ordination at senior level. This will prevent duplication of effort and reduce the scope for misunderstandings.

To take one example BIG has commissioned and now received a major evaluation report by an independent consultancy on the first five years of Fair Share Trust. To maximise the benefit of this it would seem appropriate that there is an early discussion between BIG and CFN on the important issues raised by the report to enable the remaining period of the programme to benefit from any change or addition agreed by the parties to be appropriate. This could also form the basis of a discussion between the parties about future national and local evaluation processes and responsibility thereof.

CFN will shortly be agreeing Priority Documents with Local Agents relating to the final period of Fair Share Trust. It is essential that CFN agree with each Local Agent the end of programme procedures, including the responsibility, inter alia, for evaluation and for termination costs.

In my 2008 report I said that I intended to review this year the process by which CFN takes decisions on its investment policy for Fair Share Trust funds. When the Fair Share Trust was established CFN appointed an Investment Committee, largely comprising independent experts, to advise on the investment of the funds pending distribution. I attended meetings of the Investment Committee from time to time and formed the view that it was performing satisfactorily. Recently, however, it has become clear that there was a need for greater co-ordination with CFN officers on the distribution profile of the fund and action was taken to remedy this. I will review this again in due course.

The investment of the funds has produced a small "surplus" over the £50 million to be distributed. In my view there was a lack of clarity on when any "surplus" could be calculated and distributed. I advised CFN to obtain separate legal advice. Advice has now been obtained from CFN's solicitors to the effect that CFN has wide discretion in relation to the distribution of surplus but they caution that some of the funds should be with-held by CFN for contingencies. This seems prudent. The solicitors also refer to the fact that CFN currently has no authority to place the remaining funds on deposit for the remainder of the term of the Fair Share Trust and have suggested that the Trust Deed be amended to allow this. I am happy to agree to this, subject to the agreement of BIG.

Mark Nicholls

Protector, Fair Share Trust