Broughton Community Shop

Application for Community Funding

Policy & Guidance

"any profit made by a community benefit society must be used for the benefit of the community".

These guidelines are to satisfy

A. Section 14(12) of the Co-operative and Community Benefit Societies Act 2014 which requires all societies to have rules stating "the way in which the society's profits are to be applied"

B. Sections: 8.4.3 / 8.4.5 / 9.2 / 9.10 / 9.10.1 /9.10.2 / 9.10.3 - BCS Constitution (Appendix 1).

Background:

Applications for community funding will be actively encouraged from any club/society/cause that has a strong presence in Broughton and will benefit the community at large. Broughton Community Shop (BCS) will advertise the scheme and its beneficiaries as widely as possible.

At the close of each tax year, BCS will determine the amount available for distribution for the following year and will set aside a **Community Fund** (see funding formula) split into sums for minor and major grants to allow for both levels of funding to take place.

The objective of this document is to fully explain the process, the method of calculating the Community Fund and any constraints that the Constitution or above Act places on the Management Committee (MC).

How to Apply for Funding:

1. Complete an application form available at the Shop or (download here insert link); 2 applications forms are available, one for minor grants of £500 or less, the other for major grants value greater than £500
2. Email the application to secretary@broughton.shop
3. The MC will acknowledge receipt and may request further information
4. If the grant is less than £500 (Minor grant) the application will be discussed and decided at the next scheduled monthly MC Meeting
5. If the grant is more than £500 (Major grant) the application will be reviewed at meetings in May and November. A presentation may be requested in person from the club/organisation at the MC (any MC members affiliated to the application will not participate in the decision making)
6. Once decided, an email from secretary@broughton.shop will follow with the decision alongside any further conditions that may be required to be fulfilled.

If successful:

1. A joint approach is to be taken, working with the recipient to agree what is written/said about the gift/grant that is made and where it is published
2. In the case of logos, plaques and reference to BCS, expectations will be communicated to the successful applicant at the time of their application and agreement obtained
3. All applications will be recorded in the minutes and included in the accounts commentary at the Annual Members Meeting (AMM)

BCS have a duty to ensure all funds handed out through this scheme can be held up to scrutiny by the community as money "well spent". Therefore:

Acceptance is <u>more likely</u> when:

- The benefit is for everyone e.g., new bench (permanent) in garden at the back of shop which ALL villagers can use
- New play equipment (permanent) with plaque donated by BCS
- Broughton Football / Cricket club strip (seen by visiting clubs / strengthens ties to shop) (semi-permanent)
- Green token scheme – to encourage existing /new customers into shop and increase sales (school decides on usage) awareness / loyalty raised

Acceptance is <u>less likely</u> when:

- One off use, particularly if self-funded
- Narrow benefit (only a few people enjoy it)
- Links to Broughton too tenuous
- Political / controversial causes which would alienate some of our customer base
- Fundraising could be easily achieved by other means not yet explored

General Considerations:

- Any member of the MC who is affiliated to the applicant (member of applicant committee, partner, child) cannot consider the application
- Decisions to be based on the protocols outlined in the Constitution, details on the form and in the presentation where relevant alongside the knowledge of the sums available in the Community Fund
- Should there not be sufficient cash available, a lesser value grant can be made
- The MC will determine whether all major grant applications are funded, which would in turn reduce the amount of funding available should there be, for example, 4 applicants
- Decisions will be carried with a vote of 80% consensus of the MC
- The green token system that supports schools will continue under the heading of a minor grant
- Applications for support for raffles, auctions, coffee mornings etc are under minor grants

- Gift bags for new residents are under marketing, not community funding

How is the amount for distribution (the Community Fund) calculated?

Broadly speaking profits can be:

- reinvested in the society
- spent on charitable or community benefit activities (internal delivery)
- donated to other community organisations or charities with the same or similar objects (external delivery)

As a matter of good practice, a society should annually report to members how much of its trading surplus is being used for community or charitable benefit through internal and external delivery mechanisms.

Internal delivery is where a society commits part of its trading surpluses to community benefit activities that are consistent with the objects of the society. This has the effect of reducing the net profit of the society. A society adopting this approach should therefore state in its annual accounts what proportion of revenue expenditure was devoted to non-trading community benefit activities.

External delivery is where the society donates profit to other organisations with the same or similar objectives. Most societies will endeavour to do this in a tax efficient manner, so may choose to donate to charitable organisations.

These accounts should state the net profits of the society and working capital, and propose what proportion of the working capital should be reinvested in the society, used for the benefit of the community, or donated to other organisations with similar community objects

As part of its annual report the society should explain how the proposed reinvestment, or use of funds, will benefit the community. The same applies to any proposed donations to other organisations. The annual report might use social accounting techniques, or other methods that help members understand how the society benefits the community

Funding formula:

- Working capital at the end of the financial year

Minus

- Monies for shareholder refunds as stated in the Constitution
- Funds to pay quarterly VAT and any taxes owed at the end of the year
- 6 months operating fixed costs as per budget plan (in case of emergency and/or downturn in activity)
- Capital projects planned for the following year
- Contingency for replacement equipment

The sum will then be split:

- 20% for minor grants
- 80% for major grants

Appendix 1

The relevant parts of the Constitution were noted:

Regarding Share withdrawal:
8.4.3: the MC may specify a maximum total withdrawal for each financial year;

8.4.5: all withdrawals shall be paid in the order in which the notices were received, up to a maximum total withdrawal specified for the financial year, following which no further withdrawals may be made;

Regarding Purpose, objects and powers:
9.2: Reinvesting surplus/profit into the business to maintain and improve facilities and to ensure sufficient reserves are in place, any remaining surplus/profit being used for the benefit of the local community

Regarding Treatment of Profits:
9.10: The profits of the Society shall not be distributed either directly or indirectly in any way whatsoever among Members, but shall be applied:
9.10.1 to maintain prudent reserves;
9.10.2 social payments furthering the objects of the Society;
9.10.3 on expenditure in carrying out the Society's Objects.

<table>
<tr><td colspan="5">Document Title: BCS Application For Funding - Guidance and Principles (GOV05)</td></tr>
<tr><td colspan="5">Document classification: Restricted to Broughton Community Shop Management Committee (BCSMC)</td></tr>
<tr><td colspan="5">Document Author: Mike Hensman (Treasurer)</td></tr>
<tr><td>Approved by: BCSMC</td><td colspan="4">Master Document Location: Dropbox TBC</td></tr>
<tr><td>Issue date: Jul-21</td><td colspan="2">Review date: 13-10-2028</td><td>Version: 2.0</td><td></td></tr>
<tr><td>Last Updated :</td><td>13-Oct-2025</td><td></td><td></td><td></td></tr>
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