



Foundation  
Scotland

# Running a Micro-Grants Scheme Guidance



## Running a Micro-Grants Scheme

This guidance is for Community Councils and other community-based groups who receive funding from Foundation Scotland to operate a micro-grants scheme for their community. For simplicity, we will refer to Community Council throughout this guidance as most micro-grants are run by community councils. However, this guidance is for all groups running such schemes.

**Part one** will look more closely at microgrants, what they are and how they operate. It will also look at the benefits that microgrant schemes can offer communities, who can apply for them and what can be funded.

**Part two** will look at Distribution and Decision-Making and covers the application process, how decisions are made and reporting on completed award schemes.



## Part One: What is a micro-grants scheme?

A micro-grants scheme provides the Community Council with a recurring award of an agreed sum from the main Community Benefit Fund, for onward distribution in the form of micro-grants. The recurring award may be processed annually or topped up as required, depending on the level of micro-grants activity in the community and the balance held by the Community Council.

Micro-grants are awards of normally up to £250 to individuals and up to £500 to groups for 'charitable purposes to the general benefit of local residents, including individuals and non-constituted groups' in line with the aims or purposes of the main Community Benefit Fund. In some cases, these upper limits may differ, depending on the agreement relating to the overall Fund.

If a Community Council wishes to review this upper limit, this can be discussed with Foundation Scotland. A Community Council may start, pause or re-start a micro-grant scheme at any time. However, if an annual amount was made available for a micro grant scheme, this will not accrue for future years.

### How does a microgrant scheme benefit communities?

Operating a micro-grants scheme provides an opportunity for the Fund to have impact on a wide number of people. For example, by supporting:

- Those not involved with or benefiting from activity run by formal, constituted groups; communities often contain small un-constituted groups who nonetheless provide valuable services or activities (for example, lunch clubs or friendship groups) but who are ineligible to apply to the main Fund.
- Individuals undertaking specialist training, e.g. music or athletics, fostering local talent.
- Individuals or small groups with an idea they wish to 'test' or try out.
- Participation (including travel) of community members to represent their community at regional or national events or in activities not available in the local community.

Micro-grant awards need not be restricted to un-constituted groups or individuals. However, where the scheme is open to all groups, consideration needs to be given to ensure that formal (i.e. constituted) groups do not monopolise the funds at the expense of others. Our experience shows this tends not to be the case in practice.

### **Some examples of awards might be:**

- An award of £175 toward the travel costs of an annual trip for the horticultural society.
- A local football club receiving £230 for goal nets.
- An informal lunch club for the elderly receiving £250 in start-up costs.
- An award to a young person to enable them to participate in an overseas volunteering project to build a new school.

### **Community Council Arrangements with Foundation Scotland**

Once the Community Council has agreed to run a micro-grants scheme, it must provide Foundation Scotland with up-to-date contact details, bank account details, and a copy of its most up-to-date constitution and approved accounts. An offer of award will then be sent to the Community Council along with [a link to our terms and conditions for micro-grant awards](#), instructions on accepting the award, and information on acknowledging the source of the funding. (These T&Cs are for the Community Council running the scheme, not for the recipients of micro-grants – more on this below).

Once the grant has formally been accepted by the Community Council, the grant can be paid out. In each subsequent year, the Community Council will not be required to provide any formal grant acceptance prior to the year's award being paid out, unless the amount being provided changes beyond the annual inflationary increase, where the main Community Fund annual payment is index linked. Before a top-up to the micro-grants balance can be released, the Community Council should submit a Completion Report to Foundation Scotland (see details under 'reporting' below).

Micro-grants funding will normally be released following the submission of this report and assuming sufficient funds are available. Generally speaking, Foundation Scotland will only release this next award where the majority of the previous award has been spent. Any underspend may be carried forward at the end of the period.

If the Community Council can evidence particularly high demand for micro-grants, the amount of funding provided each year for the scheme may be reviewed. However, any change may require approval from the donor (i.e. the owner of the renewable energy project providing the money for the micro-grants). The Completion Report will be shared with the Fund Panel and their views and opinions will be sought. However, the Panel does not authorise each subsequent micro-grant award; this is an administrative process managed by Foundation Scotland.

Should Foundation Scotland become aware of any potential issues with a micro-grants scheme, it will notify the Community Council at the earliest opportunity and seek to work with the Community Council to resolve the situation as necessary.

## Who can apply for a microgrant?

The following may apply for a micro-grant:

- Individuals
- Informal, non-constituted groups
- Constituted groups

Where an informal non constituted group is seeking funds, an individual or a host organisation can apply on their behalf. The Community council may decide to restrict eligibility to one or more of the above depending on local context. Groups that are not constituted should, generally speaking, be considered a priority, as other funds are unlikely to be open to such groups and it is felt to be unfair to ask small informal groups, which wish to remain as such, to develop a governance structure in order to access funds for 'low level' or informal activity. Constituted groups are eligible to apply for micro-grants but they should not use the micro-grants scheme to circumvent applying for grants elsewhere, for example through submission of multiple micro-grant applications.

The Community Council can apply for a micro-grant itself for an eligible activity. See more under managing conflicts of interest.

## What can be funded?

The purpose of any micro-grant must be charitable in nature. There are sixteen charitable purposes in law and there are also rules about private vs public benefit – these charitable purposes on the Office of the Scottish Charity Regulator (OSCR) website here: <https://www.oscr.org.uk/guidance-and-forms/meeting-the-charity-test-guidance/>

If the Community Council cannot discern the charitable purpose of the application, it can set a condition to ensure it is charitable. For example, a young person may apply for help to fund a trip to a music camp.

The charitable purpose could be viewed as supporting the promotion of the arts but if it is not clear how the award will enable this then the Community Council could set a condition that the young person uses what he/she has learned for the benefit of the community by e.g. by showing their class, providing a demonstration at the village hall, offering tuition to others locally, or entertaining at a senior citizens group.

If the Community Council is uncertain of the charitable nature of an application for a micro-grant it can seek a view from Foundation Scotland.

## Part Two: Distribution and Decision-Making

### Promotion

It is good practice for the Community Council to promote the scheme widely within its area and let people know how to apply. This might be via local newsletters, posters on noticeboards, social media and relevant local websites. Foundation Scotland may also provide information about the scheme and relevant contact details on the main Community Benefit Fund webpage.

### Application process

The Community Council also decides how individuals or groups apply for a micro-grant and reports on this within the Completion Report. Applications may take the form of a letter to the Community Council or the Community Council may choose to make available a short application form. Applicants must state how much they are applying for, what items they plan to spend the grant on, and how this would benefit the community. Foundation Scotland can provide a short sample application form should Community Councils wish to adopt one.

If creating their own process, Community Councils should ensure anything they devise is proportionate to the sums of money being distributed and also makes it clear:

- who and what is eligible to be funded
- how long a decision will take
- what criteria are being used to make decisions

### Decision making

To avoid confusion or any disputes it is helpful if the Community Council provides clear criteria for how it makes decisions. These should be clear and simple (is the activity charitable? Does it represent good value for money? Does it provide community benefit?).

The Community Council should also make it clear whether any information may be sought from the applicant before the Community Council meeting, and if so, how and when this will be done. Bear in mind the key issue of proportionality.

The Community Council should discuss and make decisions on awards at its own public meetings, and these decisions should be minuted. If useful, a Community Council may consider establishing a sub-group to consider micro-grant applications outwith any public Community Council meeting.

Recommendations may then be ratified at the next Community Council meeting but consideration should be both to transparency and to payment process in this scenario – for example, will ratification at the next meeting create a delay for the applicant?

## **Conflicts of interest**

Normal good practice should be applied in relation to conflicts of interest. Anyone attending a decision making meeting who has such a conflict should be asked to declare it. They could be allowed some time to answer any questions on the application that the meeting may have – but then should then be asked to leave the room while a decision is made on the application.

If the Community Council itself is applying for an award this should simply be discussed by the Community Council, agreed and minuted at a public Community Council meeting.

Any local rules that the Community Council has agreed about micro grants (e.g. restricting the number of applications in any 12-month period by the same applicant) should also apply to the Community Council. If the Community Council wishes to vary or waive any such rule in relation to its own application(s), it should first discuss the circumstances with Foundation Scotland.

## **Payment**

The grant is issued directly by the Community Council to the awardee. Foundation Scotland does not play a role in administering the scheme locally.

## **Thresholds**

Foundation Scotland will provide information to the Community Council on the upper limits to micro-grant awards made under the scheme, taking into account good practice and the donor's wishes or rules. However, the Community Council may wish to set lower thresholds for micro-grants if it deems that appropriate in light of the demand for micro-grants and the overall amount available for distribution.

## **Reporting**

Foundation Scotland requires the Community Council to complete and return a short online Completion Report once all the micro-grant funding they hold has been awarded or 12 months after the Community Council has received the award. The report must outline the micro-grants distributed, their value, purpose, and the reasons for any rejections.

A link to this report form is sent to the Community Council ahead of the agreed reporting period. The form also includes questions on how the scheme has been promoted and any steps the Community Council plans to take in the coming year to improve local promotion. Any subsequent year's grant will generally only be released once the report has been submitted to, and approved by, Foundation Scotland. The Community Council must ensure that the micro-grant money is ring-fenced in their accounts and reported on separately from other funds it holds, including the amount disbursed and the balance going forward.

The Community Council must submit its independently inspected accounts to Foundation Scotland each year. This may or may not coincide with submission of its annual Completion Report.

The Community Council may wish to consider how it gathers evidence of micro-grant spend for its own records. For example, it may ask awardees to provide receipts or to simply acknowledge the grant in writing by way of a receipt. Foundation Scotland does not need to see this paperwork, just the Completion Report mentioned above. The Community Council must also notify Foundation Scotland if their contact details or constitution change.

### **Further Information**

If you have any further queries about running a micro-grants scheme please contact Foundation Scotland on [grants@foundationscotland.org.uk](mailto:grants@foundationscotland.org.uk)