



Foundation
Scotland

Running a Micro-Grants Scheme Guidance



Running a Micro-Grants Scheme

This guidance is for Community Councils and/or other community-based groups who receive funding from Foundation Scotland to operate a micro-grants scheme for their community. A 'micro-grant' means a small grant which can be awarded by a Community Council or other community-based group to a local community group, charity or individuals for an activity which benefits their community.

For simplicity, we will refer throughout this guidance to 'Community Council' as meaning any group which is running a micro-grants scheme, because most micro-grants are indeed run by community councils. **This guidance is however for all groups running micro-grants schemes.**

Part one introduces micro-grants schemes; what they are, and how they can benefit communities, who can apply for a micro-grant, what can generally be funded and key things which cannot be funded.

Part two describes how micro-grants are initially set up, designed and reported upon.

Part three looks at running a micro-grants scheme, and offers guidance on micro-grants application processes, publicising micro-grants schemes, micro-grant decision-making and administering micro-grants. It also provides additional guidance on micro-grants for individuals.



Part One: What is a micro-grants scheme?

A micro-grants scheme provides the Community Council with an agreed sum of money from the main Community Benefit Fund, for onward distribution in the form of small 'micro' grants.

Micro-grants are awards of normally up to £400 to individuals and up to £1,000 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 Community Benefit Fund in question.

Equally, some Community Councils choose lower limits given the amount of funding available or the amount of micro-grants activity in the community. If a Community Council wishes to review the upper limit, this can be discussed with Foundation Scotland on a case-by-case basis.

How does a microgrant scheme benefit communities?

Operating a micro-grants scheme provides an opportunity for community benefit funding to reach and benefit a wider number of people in the community in a range of ways. For example, by supporting:

- **Community activities run by smaller 'un-constituted' groups** - communities often benefit from valuable services or activities run by small, informal groups (for example, lunch clubs, beach clean volunteers or friendship groups) which don't have their own constitution. These groups are ineligible to apply to the main community benefit Fund, but can access micro-grants.
- **Individuals**, for activities which are both charitable and benefiting the community in some way (see section in Part 3, below).
- **The trialling or investigation of new ideas, activities or projects** by individuals or groups in the community.
- **Participation** (including travel) of community members **to represent their community**, for example at regional or national events or competitions (see section in Part 3 below).

How much money is available for a micro-grants scheme?

The amount available within a Community Benefit Fund for micro-grants schemes varies. The amount may be stated in:

- a Community Benefit Fund agreement with the donor agency, and/or
- an agreement or Memorandum of Understanding between Foundation Scotland and individual Community Councils, or
- may be determined by a Panel or Board responsible for decisions about Community Benefit Fund use.

The agreed amount to be available for micro-grants is usually, but not always, recurring. In other words, a Community Council will often be able to receive a new amount each year depending on the level of micro-grants activity in the community, and the balance held by the Community Council from the previous year. Where possible, the sums available for micro-grants schemes may be increased in line with inflation each year.

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 but was not required, this will not normally accrue for future years.

If a Community Council can evidence particularly high demand for micro-grants, the amount of funding provided each year for the scheme may be reviewed. However, depending upon the way the main Community Benefit Fund has been set up, any change may require approval from the donor (i.e. the owner of the renewable energy project providing the money for the micro-grants) and/or the Panel or Board responsible for decision-making on the main community benefit funding.

Who can apply for a micro-grant from a micro-grants scheme?

In general, the following may apply for a micro-grant:

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

(Please note: where an informal, un-constituted group is seeking funds, an individual or a host organisation may sometimes apply on their behalf).

It is at the discretion of each Community Council to specify which of the above are eligible to apply to its particular local micro-grants scheme, and/or in what circumstances, and to ensure this information is well advertised locally. For example, 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 less likely 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 main 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 from the main community benefit Fund or elsewhere, for example through submission of multiple micro-grant applications.

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

What can be funded (and what can't)?

Providing purpose is charitable and the activity/project has community benefit, what can be funded is very broad. Any micro-grant awarded by a Community Council must be:

- (a) For a charitable purpose, and;
- (b) Demonstrate benefit to the local community.

Charitable purpose

There are sixteen permissible charitable purposes in Scottish law and there are also rules about private vs public benefit. These charitable purposes are listed on the [Office of the Scottish Charity Regulator \(OSCR\) website](#).

Foundation Scotland's general rules do not however permit awards for two of these – the advancement of religion or the advancement of animal welfare.

Any micro-grant awarded must be for one of the other fourteen charitable purposes. The OSCR website provides additional information about each charitable purpose and things to consider.

Public and private benefit is a complex area in charitable law. Provided that micro-grants are for activities that don't unnecessarily exclude certain people from taking part, which don't cause harm to others in the community, and which don't primarily benefit private property, they are likely to meet the charitable test. Ensuring that micro-grants demonstrate community benefit (see below) also helps ensure public benefit. Further guidance on micro-grants specifically to individuals is also provided in Part 3, below.

Community benefit

A micro-grant should demonstrate benefit to the community. Broadly this could for example include enhancing quality of life for residents, improving community facilities or environment, increasing knowledge or skills within the community, encouraging community participation or volunteering in activities, increasing civic pride in the community, and bringing residents together through social activities to improve community spirit and neighbourliness.

If a Community Council cannot discern the community benefit of an application, it can set a 'condition' to ensure or increase the wider community benefit. For example, a young person may apply for help to fund a trip to a music camp. The charitable purpose could be clear (the promotion of the arts) but the Community Council could set a condition to help ensure that the young person uses what he/she has learned for the benefit of the wider community; for example by doing a 'show and tell' at school, providing a recital 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 or community benefit of an application for a micro-grant, it can seek a view from Foundation Scotland.

Standard exclusions

In general, micro-grants cannot be used for:

- Promoting religion or party politics
- Alcohol
- Statutory activities (e.g. things that local or national government have a duty to provide)
- Projects outwith the Fund area of benefit
- Activities likely to bring the Community Council, Foundation Scotland or the donor(s) into disrepute
- Anti-renewable energy/windfarm/donor activities
- General fundraising
- Repayment of loans or debts
- 'Retrospective funding' i.e.. things that have been done or paid for before the application was approved.

See also guidance below on micro-grants to individuals.

Part Two: Setting up a micro-grants scheme

This section explains the steps in setting up a micro-grants scheme, and things to consider when designing how it will run in a particular locality.

Establishing the initial agreement with Foundation Scotland

Once a Community Council has indicated an interest in running a local micro-grants scheme, it must firstly provide Foundation Scotland with up-to-date contact details, bank account details, a copy of its most up-to-date constitution, and its most recent approved accounts.

Secondly, a Community Council will normally complete a micro-grants 'set-up' form, outlining things like the criteria, exclusions, promotional plans, application and decision-making processes it plans to use in its scheme. Foundation Scotland will review this, and offer advice and support to help a Community Council design and refine how its micro-grants scheme will operate.

Foundation Scotland will send an email confirming the initial amount being made available to the Community Council for its micro-grants scheme, along with a link to our [terms and conditions for micro-grants schemes](#), instructions on accepting it, and information on acknowledging the source of the funding. (Please note: These terms and conditions are for the Community Council running the scheme, not for the recipients of micro-grants – more on this below).

Once terms and conditions have been formally accepted by the Community Council, the first instalment can be transferred to them.

Designing a local micro-grants scheme

Within this broad guidance provided by Foundation Scotland, the Community Council running the micro-grants scheme has discretion to tailor the scheme to what the local community needs and its local context.

Community Councils should consider the following, and ensure the criteria are clear, and well-advertised to applicants and decision-makers:

- **Who can apply:** Are unconstituted groups, individuals and constituted groups all able to apply? Can the Community Council itself apply?
- **How can people/groups apply:** Forms? Emails/letters? Online?
- **When can people/groups apply:** Any time? Certain times?
- **Grant size:** What are the minimum and maximum amounts that can be applied for? Does this differ for different types of applicant?
- **Repeat applicants:** Are these allowed? Is there a limit on how often/when? For same/different purposes?

- **Priorities:** Will certain activities or themes be prioritised? Or will purposes be broad?
- **Exclusions:** Anything which can't be funded beyond the standard exclusions above?
- **Timeframes:** When will decisions be made/how quickly?
- **Decision-making process:** How are applications processed? By whom? Who/how will be decisions made? How will decisions be made public?
- **Making payments:** How? Signatories?
- **Reporting back by awardees:** How should they do this?

Part 3 provides further information to assist.

Reporting on a micro-grants scheme

Before each annual instalment into a micro-grants scheme can be released by Foundation Scotland, the Community Council will need to submit a 'Micro-grants Completion Report'.

This should be completed either:

- once all the micro-grant funding the Community Council holds 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 online report is sent to the Community Council ahead of the agreed reporting period. The form also includes questions on how the scheme has operated and any steps the Community Council plans to take in the coming year to improve the scheme going forward.

Micro-grant Completion Reports will generally be available to a Fund Panel or Board, and their views and opinions may be sought. However, the Panel or Board does not typically authorise release of each subsequent micro-grant instalment; 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.

Receiving each annual instalment

Any subsequent year's instalment for microgrants will generally only be released once the 'Micro-grants Completion Report' has been submitted to, and approved by, Foundation Scotland. Foundation Scotland will also check the balance held, and whether the majority of the previous instalment has been awarded/spent, and hence confirm that the next instalment is needed.

Instalments will normally be released following the submission of this report and assuming sufficient funds are available.

Including micro-grants scheme in Accounts

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.

Part Three: Running a microgrants scheme

Promoting the micro-grants scheme

It is good practice for the Community Council to promote the scheme and its criteria 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. Areas to display posters can for example include community halls, doctor surgeries, local shops, school noticeboards and bus stops.

It is important to celebrate and promote the list of micro-grants awarded. This can encourage further applications and raise awareness of activities and opportunities available to residents.

Relevant application information should be displayed on promotional material and can include:

- The name of the Community Council/community group(s) running the micro-grants scheme
- Who can apply
- How to apply
- Amounts available
- What sort of things can be supported
- Timescales for decisions
- Contact details

Foundation Scotland may also provide information about the scheme and relevant contact details on the main Community Benefit Fund webpage of the relevant Fund.

Application Processes

The Community Council should decide how individuals or groups apply for a micro-grant, and will report on this within their Completion Report to Foundation Scotland. Applications may for example take the form of a letter to the Community Council, or the Community Council may choose to make available a short application form. This may for example be online, in paper form, by email, or all of these.

Applicants must at minimum 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 template should Community Councils wish to adopt it or refer to it. If creating their own process, Community Councils should ensure anything they devise is proportionate to the sums of money being distributed and also make it clear:

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

The Community Council should also make it clear whether any other information may be sought from the applicant before the decision-making meeting, and if so, how and when this will be done. Bear in mind the key issue of proportionality – don't ask applicants for more than is necessary.

Micro-grants to individuals

Community Councils should determine whether individuals may apply to their local micro-grants scheme, and/or in what circumstances or for what purposes.

Like all micro-grants, awards to individuals must be both for a charitable purpose, and show community benefit. The following common examples may help:

Charitable purpose: 'public participation in sport': such as for individual residents to take part in local/regional/national/international competitions; to take up specialist or advance training; to participate equally despite particular challenges (e.g. disability). Community benefits under this charitable purpose can include fostering local talent; civic pride from their participation/achievement; representing the community/raising the community's profile; inspiring other residents. Maximising community benefit (e.g. through a talk/article/session with local kids) should be encouraged. Applications to enable individuals' general participation in sporting activity may be charitable but have limited wider community benefit so should be excluded – micro-grants schemes should not become 'hobbies funds'. Community Councils should pay close attention that kit/equipment/travel costs are not excessive, i.e.. they represent reasonable value for money.

Charitable purpose: 'advancement of arts, heritage, culture or science': such as for individual residents to purchase particular/'expensive' musical instruments; be part of an orchestra trip; or participate in a sculpture competition. Community benefits and key considerations are similar to those in relation to 'public participation in sport' above, except that community benefit may also include improved community cultural life or environment (e.g. from pictures/sculptures/performances locally).

Charitable purpose: 'advancement of education': such as for individual residents to take part in educational trips; attend events or conferences. Community Councils should be particularly careful with school trips; whilst charitable, the community benefit may be harder to discern and it is likely that multiple local children are attending, so for fairness it is often better for a Parent Council or School to seek a grant to subsidise the trip for all children from the area participating. The community benefit of an individual's participation in college/university/VSO trips is likely to be dependent upon maximising the 'give back' to community e.g. via a talk/article/exhibition or similar. There is likely to be Community Benefit from residents attending events or conferences on the community's behalf; the subject matter and importance to the community will determine this.

Micro-grants for individuals to join *international trips* under the above purposes *can* be eligible for support; *But*, Community Councils should determine and state publicly whether ‘international trips’ are eligible or excluded from their particular local micro-grants scheme.

Charitable purpose: ‘advancement of citizenship or community development’ or ‘environmental protection or improvement’: such as for individual residents to carry out/arrange litterpicks; beach cleans; maintain community ‘assets’ like gardens or monuments or village planters or paths; take part in volunteering. The Community Benefit of these is usually straight forward to identify.

Charitable purpose: ‘organising recreational activities’: such as for individual residents to arrange craft/singing groups and activities; OAP excursions; a community dance; kids fun day. The Community Benefit of these is usually straight forward to identify.

Charitable purpose: ‘relief of those in need...financial hardship’: under OSCR guidance, grants to individuals for this purpose are only charitable if they target a defined segment of a population, generally require individual needs assessment/means testing, and grants must directly address the explicit hardship in question. Hardship is a complicated area, requiring distinctly different rules, procedures and approach which are difficult and must be more thorough than for other micro-grants activity. For these reasons, individual hardship grants should be EXCLUDED from micro-grants schemes. Any Community Councils or other groups seeking to set-up specific hardship grants schemes should do so separately from any micro-grants scheme, with separate funding/arrangements – contact the Fund Advisor at Foundation Scotland for advice).

Decision Making

To avoid confusion or any disputes, it is helpful if the Community Council clearly advertises its decision-making criteria.

When making decisions, at minimum Community Council should record the amount awarded, to whom, for what and the justification for awarding/not awarding, noting:

- Which eligible charitable purpose does the request fall under?
- What is/are the key community benefit(s)?
- Does it meet the scheme criteria?
- Does it represent good value for money?

Remember that the amounts in question are relatively small – so some level of risk or uncertainty in the micro-grant application may be OK. The important thing is to weigh up the potential opportunity or community benefit of the award against the perceived risk/uncertainty.

The Community Council can discuss and make decisions on awards at its own public meetings, and these decisions should be minuted.

However, it may often be useful for a Community Council to consider establishing a sub-group or having confidential ‘business meetings’ to consider micro-grant applications outwith any public Community Council meeting, provided their local authority’s ‘Scheme for Community Councils’ allows this. This can allow more open discussion to take place amongst decision-makers, but the collective recommendation and justifications must be recorded, and decision-makers should collectively ‘own’ the decision and not divulge publicly individual views aired during the meeting. Recommendations must be ratified/formally documented at the next Community Council meeting but consideration should be given both to transparency and to payment process in this scenario – for example, will ratification at the next meeting create a delay for the applicant?

Good decision-making culture

Community Councils can be flexible when making decisions, but must try to be consistent in their rationale for awarding/not awarding. Decisions should be made collectively, with shared ownership of outcomes.

It is vital to communicate decisions made and the key justification for them, both to the applicant (first) and then for wider community awareness and transparency.

Conflicts of Interest

Normal good practice should be applied in relation to conflicts of interest. Anyone participating in a decision-making discussion who has such a conflict should be asked to declare it. S/he 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 (such as restricting the number of applications in any 12-month period by the same applicant, size of permissible awards etc) should also apply to the Community Council itself. 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 to micro-grant awardees

A micro-grant payment is issued directly by the Community Council to the awardee. Foundation Scotland does not play a role in administering the scheme locally. Community Councils are responsible for ensuring suitable signatories to authorise payments from its bank accounts after decisions have been made.

Reporting back by micro-grant awardees

Microgrants awardees should be asked to provide a brief report to the Community Council, confirming if the project/activity went ahead as planned, and the community benefits from it. It is at the discretion of the Community Council to state what information is required and how it should be provided – by email, via a form etc. Again, the important thing is to be proportionate as the sums of money involved are relatively small and awardees should not be over-burdened, and to make sure it is clearly advertised what reporting is expected.

Regarding financial reporting, the Community Council may wish to consider how it gathers evidence of micro-grant spend for its own records, proportionate to the size of award and subject to any local authority rules or accounting guidance it must abide by. As these are grants *not* direct purchases, Foundation Scotland does not demand that Community Councils seek receipts for all expenditure from awardees.

It is often unreasonable to ask awardees for receipts especially for low-value items; Community Councils may simply ask awardees to confirm or briefly outline spend when they report at the end of their grant. Community Councils might ask for receipts for larger or more expensive individual items; again this is not compulsory from Foundation Scotland's perspective. Foundation Scotland does not routinely need to see any paperwork provided by awardees.

Further Information

If you have any further queries about running a micro-grants scheme please contact Foundation Scotland: grants@foundationscotland.org.uk