

Surplus Funds Management Policy

March 2024 – For Approval by Members

Introduction of Terms

The Surplus Funds Management Policy (the Policy) requires the notional division of the funds in the business into 3 “pots”: Future Business Capital Requirement, Shareholders Repayment Fund and the ICS Fund. The level of money in each “pot” is established at the end of each financial year. There is no suggestion that these “pots” require their own bank accounts, it is a notional allocation of the available funds.

Net Current Assets

Definition: Net Current Assets are defined in the Ilmington Community Shop Limited Year-end Accounts (on page 5 or 6 typically).

[Examples: 2023: £142,987, 2022: £112,064, 2021: £93,168]

Net Assets

Definition: Net Assets are defined in the Year-end Accounts (on page 5 typically) – which is equal to the Members Funds.

[Examples: 2023: £391,452, 2022: £369,195, 2021: £355,694]

Planned Project Expenditure

Definition: Planned Project Expenditure are estimates of future expenditure on any known projects that the Management Committee have plans for in the next Financial Year.

[Example: 2023: £46,500]

Future Business Capital Requirement

Definition: Target amount of Net Current Assets that Ilmington Community Shop Limited should have available at Year-end to cover Working Capital requirements for ongoing business operations and funds to cover the cost to replace assets that may fail in the future.

Value: The Working Capital and unknown asset failure target is set at £100,000 - increased by the CPI (Consumer Price Index) each Year-end (September)

Purpose: This is the amount of money that the Management Committee believe is adequate to manage the operational cash flow demands and unknown capital project needs of the Shop and Café even if there is a significant downturn in performance.



Available Cash Surplus

Definition: For any financial Year-end, Net Current Assets less Future Business Capital Requirements less Planned Project Expenditure less unspent Shareholder Repayment Fund and Ilmington Community Shop Fund from previous years – positive values only.

[Examples: 2023: (£142,987 - £100,000 - £46,500 - £7,000) = -£10,513 so £0
(Note: at year end we have £7,000 expected to be paid on Grace's playground)
2022: (£112,064 - £100,000 - £0 - £0) = £12,064
2021: (£93,168 - £100,000 - £0 - £0) = -6,832 so £0]

Shareholder Repayment Fund

Value: Variable but a maximum of 10% of Net Assets (this is the maximum that the Share Offer document says the Management Committee would pay out in a single year).

[Current maximum value is 10% of £391,452 = £39,145.]

Money added: This fund is to be topped up with 50% of the Available Cash Surplus each year up to the cap of 10% of the Net Assets.

Money taken out: On request from any shareholder. If the value requested is over the value in the fund, then the amount to each shareholder's request is prorated down accordingly. To ease administration of the shareholding, if funds allow, requests of less than £100 will be granted in full before the prorating process. If the requests are lower than the fund value, the balance of the fund carries forward to the following year but only up to the maximum value (as defined above).

Ilmington Community Shop Fund (ICS Fund)

Value: Variable but a maximum of 10% of Net Assets to match the Shareholders Repayment Fund – there is no point in building up to large sums of money in either Fund.

Money added: This ICS Fund is to be topped up with the balance of the Available Cash Profit each year up to the cap of 10% of the Net Assets.

Money taken out: Money granted by the Management Committee using the Issuing Grants Process outlined below.

ICS Fund Year

The decisions on allocation of ICS Funds is finalised by the AGM. The AGM is typically in March so the ICS Fund Year runs from April to March and is not the same as the financial year.

Accounting Note

The Annual Accounts will have an additional note stating the Future Business Capital Requirement, the Planned Project Expenditure, the unspent balance in the Shareholder Repayment Fund, the unspent balance in the Ilmington Community Shop Fund at Year-end and the Available Cash Surplus (if positive).



Issuing Grants Process

Step 1: Draft Year-end Accounts and Calculate establish level of each Fund (by end November)

The Year-end Accounts are prepared by the Treasurer and once reasonably confident in the numbers, a good estimate of the ICS Fund value is established as per the definition above.

Step 2: Publicise the ICS Fund (December/January)

The Management Committee will publicise the amount of money available in the ICS Fund and they will invite applications for grants from the ICS Fund. Applications are requested to be submitted by the end of January.

Step 3: Applications Review and Management Committee's recommendation (February/March up to AGM)

The Management Committee will review the applications making sure the following criteria are met:

1. The requester and the use of the funds meets the requirements of the Rules, and the proposed benefits advance the Purpose of the Co-operative.
2. The request is NOT for the general running of their organisation or activity unless it is for the running of a charity. Ideally the application will have a specific usage, a distinct project or item to purchase.
3. The application is for something that is planned to take place in the next ICS Fund Year.
4. It is strongly preferable that the application for grant is from a constituted body operating for the benefit of the Community. The Management Committee will consider requests from individuals from our Community if they have the sponsorship from the aforementioned constituted body, but safeguards on how the money is spent may be imposed.
5. In exceptional circumstances, the Management Committee may consider requests that do not conform to the above criteria.

The Management Committee are trying to maximise the social impact and benefit of the ICS Fund. They are looking for applications that:

- a. Offer positive social impact and benefit across the greatest breadth of our Community. (Previous year's grants will be taken into account when considering this breadth.)
- b. Have a longevity and leave a lasting impact on our Community.

To demonstrate the above, evidence of the support from the community and the need for funding are required.

If the value of all eligible applications is greater than the ICS Fund, the Management Committee will talk to applicants to see if there is any benefit from granting a proportion of their request, and if so, will consider part grants in their recommendation.

All the above information will be used by the Management Committee to agree their recommendation of which applications should be given how much grant.



Step 4: Approval

If any request that the Management Committee is recommending granting is over £2,500 then the whole recommendation will go to the AGM to be approved by the Members. Otherwise, the Management Committee can approve its own recommendation at a Committee meeting.

Step 5: Issuing the funds

- As the application for funds may be based on estimates, the Management Committee may require evidence of due process that the applicant is getting value for money for the grant. Small variations of the value granted can be approved by the Management Committee at this point.
- Funds will only be issued at the point they are required.
- The Management Committee reserve the right to withdraw their offer of the grant if it is not used within 2 ICS Fund Years of approval.

Step 6: Follow up and PR

The Management Committee would like the opportunity to follow up with recipients of the grants to understand the impact of the grant with a view to sharing this with our Members/followers and, with the agreement of the recipient, sharing on our social media platforms.

Requests outside of process window above

If an application for a grant comes in between the above designated process timings (December/January), and there are sufficient funds in the ICS Fund, the Management Committee can follow the above process to consider and issue the grant. If the application is for a grant of over £2,500, the Management Committee will arrange for a Members vote on the approval of the grant.