

# Brighton & Hove City Council

## Tourism, Equalities, Communities, & Culture Committee

## Agenda Item 56 (C)

**Subject: Deputations**

**Date of meeting: 9 March 2022**

A period of not more than fifteen minutes shall be allowed at each ordinary meeting of the Council for the hearing of deputations from members of the public.

The spokesperson is entitled to speak for 5 minutes.

### **1) Deputation: Community Benefit Societies and Eligibility for the Council's Third Sector Funding Pots**

The Council's various third sector funds currently accept application from a variety of not-for-profit structures – charities, community interest companies – but community benefit societies (CBS) are deemed ineligible.

Community Benefit Societies are a form of not-for-profit enterprise established in law in 1936, arising out of the co-operative and mutual sector for which they have been the used for enterprises run on democratic basis. Indeed, they are, along with co-operatives, the go-to legal structures recommended by Community Wealth Building practitioners and institutions. Several CBS in the city had applied for funding and been rejected.

After we lobbied Councillor Powell in 2021, Officers were asked to review this matter, and a report went to the Members Advisory Group in September 2021 presenting 2 options:

- Continue to exclude CBSs from eligibility on the grounds that they can pay interest to members
- Allow all CBSs to apply to the fund provided they have a statutory-strength asset lock

The report recommended option 2; the Members asked for a report on the activities of CBSs in the city to come before the December 2021 meeting of the MAG.

This subsequent report recommended the same two options as the September report, with a new third option allowing eligibility for those CBS which were not paying interest to members for the use of their capital. Regrettably, the Members Advisory Group chose the first of these options.

As a result, BHCC is – to my knowledge as a professional advisor to non-profits - the only council that excludes Community Benefit Societies. Perversely, despite them being recognised as not-for-profit structures by:

- HM Revenue and Customs
- The Financial Conduct Authority
- HM Treasury

- UK statutory legislation (eg Income Tax Act 2007 as amended in in 2014, Localism Act 2011)
- Department for Levelling Up, Housing and Communities
- The England and Wales Charity Commission
- The Office of the Scottish Charity Regulator
- The Charity Commission for Northern Ireland
- National Lotteries Fund
- Architectural Heritage Fund
- Crown Commercial Service
- Scottish Land Fund

As a result, a CBS can receive a capital and revenue grant of £300,000 from central governments, be funded by the National Lottery, charitable foundations, receive investment tax reliefs targeted at not-for-profits, gift aid, be recognised for nominating assets of community value, but are not eligible for Brighton and Hove's Community Fund.

BHCC continues to cleave to the notion that all the above institutions are wrong, and it is right. The reason why all these bodies take one view, and BHCC take another is based on the latter's fundamental misconception of the nature of interest. In a CBS, members who make financial contributions to the common capital of the society are able to receive an interest payment; this is capped by the FCA. Which is the registrar for such societies. BHCC believes this is a profit distribution. Every single other body does not.

The impacts of the exclusion have prevented organisations active in the city delivering impactful activity – aligned strongly with the council's own agenda – from undertaking more of that activity. The Bevy Pub – recognised as a shining light by a multitude of national and international organisations – was prevented from running a project with Brighton Permaculture Trust to plant trees around Moulescoomb and Bevendean.

Coldean Community Organisation were prevented from securing running costs from the Resilience Fund to help advance their plans for community-led housing (naturally, such housing is at the heart of desired outcomes from the Council's Community Wealth Building agenda, but the Council appears not to have told the Council in a classic failure of joined-up policy making).

We request the Council to revisit this matter urgently and bring its understanding into line with everyone else.

**Supported by:**

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