

Setting up a Local Authority Community Energy Fund

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Introduction

Over the past few years, a number of London local authorities have introduced specific programmes and funds to support the development of community-led energy and carbon reduction projects. With increasing numbers of local authorities now declaring a climate emergency, including 28 boroughs in London at the time of writing, supporting community action is one area that councils are looking to incorporate into their climate action plans.

Community energy is growing in London, with increasing numbers of groups looking at opportunities to develop projects in their neighbourhoods. Working in collaboration with Islington Council's Energy team, this briefing provides guidance to officers on issues to consider when establishing a council community energy fund.

Background to Community Energy London (CEL)

Community Energy London (CEL) was formed in 2017 and is an informal network of people and organisations with an interest in supporting the development of community energy projects across the capital. CEL members have developed, fundraised and installed renewable energy generation projects such as solar PV and anaerobic digestion plant (AD); worked on energy efficiency installations from insulation to high efficiency LED lighting; and provided guidance and training on energy bill savings and fuel poverty alleviation. CEL provides a route for groups to link up and share experiences, resources, best practice and skills gained through the development and delivery of their projects.¹ With support from the Mayor's London Community Energy Fund (LCEF), which provides feasibility funding for community energy projects, London has seen a resurgence in community energy action over the past few years.

ClientEarth reported in August 2018 that "*almost three quarters of consumers would be interested in joining a community energy scheme if the government made it easier (71%), and individuals keen to install their own solar panels (62%) and home energy storage (60%).*" Actions in 2019 by Extinction Rebellion, Greta Thunberg and the Climate School Strikes and the adoption of a Net Zero target by the Government has only spurred on this interest and CEL groups have been inundated with requests from individuals and groups to help them start their own project.

¹ For further information see CEL's [Annual Report 2019](#)

In virtually all cases, the role of the local authority is critical to the success of a developing a community energy project, and groups and councils are increasingly working together to look at realising opportunities in their areas.

Background to the Islington Community Energy Fund

In 2016, Islington Council established the Islington Community Energy Fund (ICEF)² from recommendations made through the council's Environment & Regeneration Scrutiny Committee.

The fund aims to support community-led innovative energy projects that benefit Islington residents, particularly the fuel poor. Projects help to reduce carbon emissions in the borough and help Islington move to cleaner sources of energy.

To date, four rounds³ of funding have given £360,000 of Section 106 Carbon Offset funds⁴ to charitable and community interest groups in the borough to commission energy projects.

In Islington, the grant covers funding for capital costs, some core costs, and project costs such as feasibility studies and consulting fees.

The Fund has been revised over the four rounds to support a wider range of projects.

Setting up your own Community Energy Fund

Islington has used monies from our Carbon Offset Fund to support projects. While every local authority is different, it may be worthwhile speaking to your Finance or Section 106 team about your Carbon Offset Fund to determine how much funding you could use for your Community Energy Fund. For further information on Carbon Offset Funds, the Greater London Authority (GLA) produced a useful guide to their use, and a 2019 survey of funds secured to date by London's councils provides further details⁵.

The Community Energy Fund may sit in various teams, depending on your organisation. It may be within your environment, climate change or sustainability team, planning department, or another appropriate team. The amount of carbon offset funds secured may impact on how much officer time is required: if you have a small pot of funding you probably don't require a full-time officer role. More significant levels of funding however are likely to require greater officer time – and the GLA guidance on offset funds allows a proportion of offset funds to be allocated to pay for staff to develop and

² <https://www.islington.gov.uk/environment-and-energy/energy/community-energy-fund>

³ Further information at [New fund launched to spread grass-roots green projects in Islington](#), 11 December 2017 and [Power to the people: Grants scheme reopens for Islington communities to propose energy projects](#), 9 March 2018,

⁴ Over time the London Plan has set increasingly stringent carbon reduction targets, exemplified by the target for zero carbon homes that came into force in October 2016. The draft new London Plan 2020 will extend this zero carbon standard to non-domestic buildings when adopted. Carbon offset funds can be used by developers to meet the zero carbon target.

⁵ See [Carbon Offset Guidance](#) October 2018 and [Carbon Offset Funds Report](#), GLA, November 2019

manage projects⁶. In all instances there should be a dedicated officer looking after the fund as part of their role.

Assuming that your council has agreed to set up a Community Energy Fund, there are a number of things to consider before launching the fund.

Which groups would you like to benefit from the fund?

- In Islington, any group can apply if they are a registered charity, community or voluntary group, a co-operative, a faith or equalities group, a social enterprise, or a Community Interest Company. Essentially, any group that operates on a not-for-profit basis and reinvest any surplus income back into the organisation.
- You should decide what groups you would like to apply – would you include schools if they aren't a registered charity? Would you allow a group of neighbours to form a co-operative? Will you allow a consortium or partnership bid?

How much funding would you allocate to each application?

- In Islington, the early rounds had a cap of £15,000 per application. This was raised to £30,000 in later rounds in order to encourage more innovative and ambitious projects.

Would you allow groups to apply in more than one round?

- Islington has allowed organisations to apply in different rounds, particularly when the organisation has shown plans for an ambitious project they would like to implement in stages. However, you may wish to limit applications to allow a larger number of organisations to receive funding.

What kind of projects would you allow? See below for further information.

What can the funding be spent on – and what can't it pay for?

- In Islington, we recognise that a group may have a fantastic idea but may not have the technical expertise to get the project off the ground. Therefore, we have allowed groups to request funding to help pay for consulting fees and feasibility studies to get the project right.
- You may wish to only pay for capital costs (e.g. the actual equipment) in order to make your fund go further.
- Create a list of what you will and won't fund to make it clear to the applicants.

How many application rounds will you have?

- If you have a fixed amount of money, would you like to give it all away at once or over time? Many groups need time to think about and develop a project, so it may take time to get good quality applications. Having multiple rounds also allows for learning from earlier projects and enables space to amend criteria for future rounds if necessary.

⁶ Carbon Offset Funds, Guidance for London LPAs, GLA October 2018 – para 2.18

Who will review the applications and what will the process be?

- It is good to have both members and officers reviewing and judging the applications against set criteria. Put together some kind of panel or committee who will sit down at the end of each funding round to review all applications and discuss their merits.
- You may wish to have some kind of scoring sheet where an application has to get a set number of points to be considered for funding, or another way to decide how to fund projects. Check with your grants team to see what they would recommend.
- It is advisable to have a process to ask clarification questions from applicants.

How will you notify applicants?

- You should have a process to notify those who were successful. This would include some kind of a grant agreement from your council to ensure that the applicant knows the terms and conditions of funding before receiving the money.
- You should also have a process to notify those who were unsuccessful. Could they change their application and try again in future? Were there elements that were not eligible for funding that they would need to remove? Feedback is useful.

The projects themselves

Different councils have different priorities, and energy projects are no exception. Before you open the fund, look at what kind of projects you would allow to be funded – and what you wouldn't.

Consider what the priorities of your council are for energy and carbon savings. For example:

- If you want to focus on cutting carbon, you may wish to fund only projects that can demonstrate a carbon savings of X tonnes per £ requested.
- If you want to focus on energy savings, you may wish to fund only projects that can demonstrate an energy saving of X kWh per £ requested.
- If you want to focus on community projects, you may wish to consider projects that will require a certain number of residents to take part, or that help to alleviate fuel poverty.
- If you want to focus on particular technologies, what will they be?

Make a list of what you will and will not fund, so that it is clear to the applicants. For example, will you allow for some part-time or temporary posts to help with the project to be funded? Will you allow for contingencies, and if so how much?

Information for Applicants

You should have an information document that outlines all of the criteria for groups, including what the fund covers, how much you can apply for, etc. This could also have additional information, such as the contact details for Community Energy London⁷, etc. This should be readily available on your website.

You should also have a comprehensive application form available. This should include:

- Their organisation details, including the main contact for the project.
- An outline of their project.
- Costs for each element of their project.
- Other relevant information they should tell you. For example, if the applicant wants to put solar panels on the roof, do they have the building owner's permission, and do they have a maintenance plan for the panels? We have found that often a group has a really great idea but hasn't thought ahead to replacing an inverter for their solar panels, or checked that their landlord is happy for them to use the roof.
- Any relevant documents you require, such as financial accounts or insurance documents.

Your council will likely have some kind of grant agreement form that you have community groups sign. Check with your legal team to see if the document is relevant to this grant. Ensure that all successful applicants have read and signed the agreement – and point out anything you feel would be relevant. For example, if your grant agreement states that the project must be finished in a certain amount of time you may want to highlight that section or include this information on the application form so they are aware.

Notifying the Applicants

You should give all applicants an idea of when they are likely to hear back from you. Please allow yourself enough time to go through each application to check for completeness. Also, take into account when your review panel/team will meet to assess each application. These should involve a Member, so schedule time in everyone's diary early in the process.

Once you have decided if an application is successful, you will want to notify the applicant. If you have a grant agreement form, terms and conditions, or any other forms you require, send them at this time. Also, it is useful to let the applicants know when they are likely to receive the funds on receipt of any forms you require – this will be something your Finance team can advise you.

⁷ Further information at www.communityenergy.london

For anyone who was not successful, it is useful to give them some feedback as to why they did not qualify. For example, they may have requested funds for something that has been stated you will not to fund.

Promoting the Fund

You will need to get the information out to all relevant groups in your borough once the fund is open. Please liaise with your communications team to use all usual channels, such as your website, social media, newsletters, poster sites, etc.

It is useful as well to create flyers and posters to hand out to groups in your area and through local libraries and community centres.

Try to contact groups through your council channels as well. For example, if you have a voluntary or community team, ask if they can send an email out to their contacts or include an item in their newsletter. In Islington we have Voluntary Action Islington, the Islington Faith Forum, and Fossil Free Islington – we contact all of them when our fund opens and ask them to promote to their members. Community Energy London can also promote your fund through their monthly meetings and newsletter.

Also, try to speak to ask many potential applicants as possible to help them understand what they can (or can't) apply for and check if they need help.

At Islington, we have held informational workshops when each round of funding opens. These workshops bring potential applicants together with volunteers, local energy groups and energy professionals who can help projects. Applicants can ask specific questions and network with other groups to share knowledge and advice for their projects. These workshops are promoted on posters, our website and through direct email with those who have expressed an interest or completed an application in previous rounds.

It is useful to have the fund open for several weeks so that groups have plenty of time to complete feasibility studies, obtain quotes, get any permissions, etc.

Benefits to the Council of Establishing a Community Energy Fund

There are many benefits to establishing a Community Energy Fund. These include:

- Supporting the development of energy efficiency, renewable energy and fuel poverty alleviation projects in the borough.
- Encouraging individuals and local groups in community carbon reduction action.
- Delivering innovative projects and technologies within the borough.
- Helping your council to meet its climate targets, particularly if you have declared a climate emergency.

- Community energy groups often secure additional funding for a project from the local community through crowd funding, helping boost the amount of investment in low carbon action in your borough
- Community energy groups also give priority to working with local businesses and encourage training and educational opportunities through their projects.

Project Examples

While you are likely to have certain criteria for your fund, here are a couple of examples of projects funded by Islington in the past to show what is possible:

- A local housing cooperative has a long-term plan to be energy self-sufficient. This includes solar PV panels to generate electricity, making all communal lighting LED, installing electric vehicle charge points, and putting in battery storage to use all energy generated. The ICEF has given them a grant to begin the process by installing a large solar PV array.
- A local adventure playground has been given a grant to purchase solar-powered toy car kits to help the children learn how solar power works. Their parents will build and install larger solar panels for an outdoor summer house.

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