

#BeTheSolution

London Councils Community Energy Toolkit

Access to Funding and Finance



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**LONDON
COUNCILS**

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This section of the toolkit provides detail on the different funding options for community energy and considerations for the borough in enabling these.

Disclaimer: This is a non-specialist summary and should not be regarded as financial, legal or procurement advice or guidance for any specific project; the community energy landscape is a fast-moving area, and opportunities are likely to change regularly.



Introduction

This section will help you to understand:

- How to support communities to access grant funds, including developing joint funding bids and potential sources of funding to use for grants;
- Other national or regional sources of grant funding that you could signpost groups to or work on joint bids for;
- Other sources of finance and investment, including loans, and how the council might support CEGs to access these.

CEGs may use a variety of funding and finance to run their operations and deliver projects. These include:

- **Grants.** These may be to seed-fund organisation establishment, core services or early-stage project development.
- **Investment.** Including from community share offers, through bonds or from other local or national organisations. These are typically associated with capital projects and deliver modest (3-6%) returns to investors.
- **Loans.** These may be from commercial banks, specialist community-focused lenders or potentially from the council, typically for larger capital projects and with varying interest rates.

1.

Supporting communities to access grant funds

This section contains information on:

- [Joint funding bids](#)
- [Carbon offset funds](#)
- [Community Infrastructure Levy](#)
- [Local climate bonds](#)



Supporting communities to access grant funds

CEGs will usually access grant funds at some point in their organisational or project development lifecycle. Grants might contribute towards setting up a new organisation, running costs, site searches or feasibility studies, as well as capital costs of installations and delivery of engagement activities and advice services. As a climate officer, you can provide support to CEGs to access existing grant funding.

Support might include:

- Signposting to available funding through community newsletters or in response to enquiries
- Officer time to support groups to apply to funds, potentially reviewing applications or coaching on application writing skills
- Political or officer letters of endorsement for applications
- Joint funding bids (see [Joint Funding Bids](#))

There may also be opportunities to give grants directly to community energy projects or to establish new grant funds in the area. The Setting up a Community Energy Fund section goes through a step-by-step process for establishing a council-led fund.

Grants or a fund might be financed through council budgets, the borough's Carbon Offset Fund, from the Community Infrastructure Levy or other sources, such as social value commitments on infrastructure projects in the area.

Example

Bristol City Council negotiated the social value requirement for developers Ameresco and Vattenfall on its City Leap programme to contribute £750,000 each to a community energy fund for the city.

Joint funding bids

Developing a joint funding bid between the council and a CEG can offer access to funds that one or the other partner couldn't access without the partner. For example, Ofgem's Energy Redress fund is not available to councils to access on their own. On the other hand, the Zero Carbon Accelerator is only available to community groups where the application is in partnership with a public sector building/asset owner in London.

To develop a joint funding bid, you will need to work closely with the CEG to scope the bid and the shape of the partnership. The CEG will usually lead the bid writing process. The borough's legal team will need to be involved to ensure the council is able to sign the necessary contracts with the CEG and with the funder and that they are comfortable with all legal, commercial and technical arrangements.

For Energy Redress funding, for example, CEGs generally write the bid and source partnership/support. The council usually provides a letter of support and staff time to support delivery of the project.

Your role

You can lead the process of writing and getting sign-off for letters of support from the council. You may need to support the CEG to secure council staff time to contribute to the project delivery. You can also support the CEG to engage with the legal team to assess the contractual requirements of the funding bid.

Example

Project: Repowered Community Newham, aiming to create the first Repowered Community in Newham, including solar on community buildings, retrofitting homes and workshops and training.

Funder: National Lottery Community Fund – Climate Action Fund

Value: £1.5m over five years

Partners: Community Energy Newham, London Borough of Newham, London South Bank University, Dark Matter Laboratories, Glasgow Community Energy

Carbon Offset Funds

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Carbon Offset Funds can be used for community energy, including capital and revenue grants.

There has been some uncertainty among London boroughs about the use of COFs. The Greater London Authority has issued [a practice note on the use of Carbon Offset Funds](#) and is producing a set of Frequently Asked Questions. The practice note clarifies that offset funds can be used to fund community projects.

The practice note also states that up to 10 percent of funds can be allocated to staff time to develop and manage identified projects. This means that COF could be used to fund officer time to set up and administer a community energy fund. A proportion of grants to CEGs could also be used to fund their internal staff time.

[The London Assembly's Environment Committee's 2024 report on community energy](#) recommended that: ***“As a minimum, 10 per cent of carbon offset funds received should be dedicated to the borough's community energy fund.”***

Background:

Under the [London Plan](#), new building developments are required to be zero carbon. Any development that cannot fully achieve this standard on site may offset its remaining carbon emissions via cash in lieu contributions.

This is commonly referred to as a “Carbon Offset” and is collected via a legal agreement called a Section 106 planning obligation. The Carbon Offset* payment is then put into a Carbon Offset Fund, which is ring-fenced to deliver local carbon saving projects in the borough.

A small number of boroughs do not currently have a COF in place. Guidance from the GLA on setting up a COF is available [here](#).

*Description of Carbon Offset Funds from [Haringey key decision report](#) on Carbon Offset Fund Allocation Strategy

Carbon Offset Funds

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Your role

You should talk to your finance or Section 106 team about your Carbon Offset Fund (if applicable) or internal budgets as a starting point.

More information

London Councils and the GLA have developed a resource pack for boroughs to support the use of COFs. It includes resources, including from Haringey and Hackney who have used COF to deliver community energy funds.

Resources include:

- Haringey's June 2021 key decision report on its planned four-year allocation of £0.39 million of its COF to set up, administer and provide grants through a Community Carbon Fund.
- Application forms, scoring criteria and fund guidance.
- Engagement materials, such as a brochure and presentation slides.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) and Neighbourhood CIL is a charge that can be levied by local authorities on new developments.

The purpose of the levy is to provide a toll for local authorities to deliver the infrastructure required to support local development. Local authorities in London that collect CIL from developments may use the funds to support projects with a community energy dimension.

CIL [can be used](#) towards community energy funds or projects in your borough. Community Energy London has [called for guidance on this issue](#) from the Ministry of Housing, Communities and Local Government (MHCLG), to give councils confidence.

Engagement with departments such as planning and finance is an important first step in understanding what options are available for specific councils.

Examples

Southwark Council used CIL funding for energy-saving measures in a council-owned property used by a community organisation. A council decision report with CIL funding allocation can be found [here](#).

City of London's Community Infrastructure Levy Neighbourhood Fund offers grants of between £10,000 and £500,000. [Eligibility criteria](#) include projects that mitigate climate change.

More information

[Government guidance on the Community Infrastructure Levy](#) explains what CIL is and how it operates.

Local climate bonds

Some councils are working with online crowdfunding platforms to develop local climate bonds, also known as community municipal investments. These bonds enable citizens to invest in decarbonisation projects in their area.

There are specific rules governing how funds are used and to date they have focused on council-led capital projects.

Research indicates that these bonds have not so far been used to fund community-led projects. There may be an (as-yet untested) opportunity for these bonds to be a source of funding for community-led projects.

Your role

You could explore the potential for your borough to establish a local climate bond. If there is one in your area, you could talk to the finance department about whether the funds can be used as a source of finance for a community energy project or fund in your area.

Examples in London

- Islington: Report to the executive on plans for [Community Municipal Investment](#) sets out their planned programme, risks and considerations.
- Camden: [Climate Investment Report](#) from 2022 provides useful lessons on setting up a local climate bond
- Lewisham: [Report to Mayor and Cabinet](#) sets out financial and legal considerations for their approach.
- [City of Westminster](#) news article includes endorsements from the Cabinet Member for Finance and Council Reform.
- [Hammersmith and Fulham](#)'s public facing web page is useful to understand how the offer was communicated.

More information:

The Green Finance Institute has developed a [Local Climate Bond toolkit](#) for councils.

2.

Potential grant funding sources

This section contains information on:

- [London Community Energy Fund](#)
- [Energy Redress Scheme](#)
- [Great British Energy Community Fund](#)
- [Zero Carbon Accelerator](#)



Potential grant fund sources

This sub-section summarises some potential grant funding and support sources (correct at time of publication) outside of council funds:

- London Community Energy Fund
- Energy Redress Scheme
- Great British Energy Community Fund
- Zero Carbon Accelerator

New sources of funding may emerge at any time, including potential further opportunities through the Local Power Plan and GB Energy that may focus on councils and community energy partnerships.

More information:

- [Community Energy England's website](#) provides a regularly updated list of available funds for CEGs.
- [Centre for Sustainable Energy's website](#) includes a regularly updated funding spreadsheet and further information on finance sources

London Community Energy Fund

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The Greater London Authority's London Community Energy Fund (LCEF) provides funding to support a wide range of community energy projects. It has been available on an annual basis since 2018 to community groups.

One of its aims is to strengthen the capacity of London's community energy sector by covering some of the core costs associated with running a CEG. All community organisations are welcome to apply, not just those set up to focus on energy.

More information

Details about phase 8 of the London Community Energy Fund (now closed to applicants) is available [here](#). Look out for announcements about further rounds.

According to [Community Energy London analysis](#), for every £1 provided through LCEF, groups went on to raise between five and seven times this amount in capital funding through community share offers or via other investors.

Funding for the phase 8 of LCEF was split across three distinct funding streams with the following criteria:

- **Stream 1:** Feasibility – grants of up to £10,000 covering feasibility studies, business case development, planning application submissions and full technical project design.
- **Stream 2:** Development – grants of up to £10,000 covering grid connection and lease agreement costs, contractor/equipment procurement, and fundraising.
- **Stream 3:** Delivery – grants of up to £60,000 (for up to one third of capital costs) covering installation of carbon-reduction technologies.

London Community Energy Fund

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Examples:

Community energy and local authority partnerships supported by the LCEF

1. Tower Bridge Primary School heat pump project – CREW secured funding for an air source heat pump at Tower Bridge Primary Schools in partnership with Southwark council.
2. Waltham Forest solar PV projects – Repowering London secured funding to undertake feasibility studies and develop solar PV projects on various leisure centres, community centres and schools.

Energy Redress Scheme

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Established in 2018 by Ofgem and administered by the Energy Saving Trust, the Energy Redress Scheme (ERS) is a key funding source for CEGs.

Funding is available to projects that are operated by registered charities, community interest companies, co-operative societies and community benefit societies, with a specific focus on energy.

The ERS has a wide range of applications relevant to CEGs. In particular, for groups seeking to deliver projects such as energy advice and fuel poverty support, the ERS is a valuable source of funding. ERS funding is targeted at CEGs; however, local authorities working in partnership with CEGs can often benefit.

The ERS priorities are defined as:

- **Supporting energy consumers in vulnerable situations:** This core priority aims to help people who are most at risk from cold homes and high energy bills.
- **Innovation projects:** Up to 15% of ERS funds can support the development of innovative products or services related to energy that have a realistic prospect of delivering benefits to existing and future energy consumers.
- **Carbon Emissions Reduction Fund (CERF):** Up to 15% of ERS is available to support projects focused on reducing carbon emissions from energy use, focusing on the generation, distribution or use of energy.
- **Just Transition Fund:** Under the Carbon Emissions Reduction priority, this fund aims to accelerate the development of community renewable energy schemes and build the capacity of the sector to deliver impactful renewable energy projects that promote a Just Transition to Net Zero.

Energy Redress Scheme

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Organisations should be aware that payments are currently made in arrears, which can pose a challenge. The scheme holds excellent webinars and information sessions about the funds, their distinctions, eligibility criteria, etc, which are worth watching.

More information

The latest funding round closed on 2 December 2025. Information about subsequent rounds should be available on the [Energy Redress website](#).

Great British Energy Community Fund

The Great British Energy Community Fund is the first grant programme for community energy projects funded by Great British Energy – the new publicly owned energy company. It is administered through the local net zero hubs.

While targeted at CEGs, projects which involve a partnership with a local authority may be eligible.

The initial funding round closed in September 2025; organisations can submit expressions of interest for potential further rounds. For the initial round, two types of funding were available:

- **Stage 1: Feasibility Grant.** Up to £40,000 available to cover the costs of undertaking feasibility studies and establishing the technical and financial viability of a project.
- **Stage 2: Development Grant.** Up to £100,000 to cover costs associated with developing a project able to demonstrate technical and financial feasibility. This includes legal costs of securing a site, environmental impact assessments, planning and permitting applications and business plan development.

Organisations should be aware that grant payments are generally made in arrears.

More information

In Greater London, the [Greater South East Net Zero Hub is responsible for administering GBCEF funding.](#)

Zero Carbon Accelerator

The Mayor of London's Zero Carbon Accelerator supports the public sector to decarbonise its buildings at scale. It is available to councils, public sector organisations and social housing providers.

It does not directly offer funding, instead offering technical support, including on how access grants and finance. It also publishes a publicly available [Green Funding and Finance Finder](#).

Community groups can access support if their project “focuses on a specific, identified building or asset owned by a public sector organisation based in London and their application is in partnership with the asset owner (e.g. a local authority)”.

The programme offers a range of technical support, including:

- **Expert consultancy**, including technical expertise (e.g. solar, low-carbon heating, building systems) and support with project management, procurement, finance guidance and funding opportunities
- **Training and skills development** around decarbonisation
- **Peer-to-peer networks** and knowledge sharing between organisations, encouraging collaboration and innovation.

More information

[The Zero Carbon Accelerator website](#) has more information on eligibility and how to apply.

3.

Access to finance

This section contains information on:

- Community share offers
- Investment bond offers
- Loans
- Other investment approaches
- Example finance composition



Access to finance

Communities will require finance to develop and build projects, through loans and other commercial instruments.

This can come from:

- Community share offers
- Investment bond offers
- Loans from commercial lenders and community lenders (e.g. Yunity or Big Solar Coop)
- Loans from public institutions (e.g. Public Works Loans Board, GB Energy or the National Wealth Fund).
- Council, pension fund or institutional investments

The following slides explore different investment and finance options, with a focus on how borough officers can support CEGs to access them.

More information

A useful companion to this section is London Council's [London Borough Green Finance Guide](#).

Community share offers

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Community share offers provide a way for CEGs to raise finance from the local community to invest in a project. They can deliver local financial benefits and give the community a personal stake in the project.

Key features

- Community benefit societies can issue community share offers
- Investors become members of the organisation, with voting rights. Each investor has one vote, regardless of investment size.
- The minimum investment can be set low, enabling a wide range of people to invest.
- The CEG will set the return on investment rates and terms. This is usually a modest rate, e.g. 3-6%.
- Shares can't be traded or sold but can be withdrawn.
- Community shares can qualify for inheritance tax relief, up to £1 million.

Your role

You could raise awareness of funding campaigns through existing engagement routes, adding legitimacy to the offer.

Care needs to be taken with this support to ensure that financial advice restrictions aren't breached – i.e. that the council isn't advising people where to invest their money. This can be avoided by using clear caveats and explainers.

Community share offers

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Example:

Hammersmith and Fulham Council promoted share offers for Hammersmith and Fulham Community Energy with strong comms support through their [website](#), [newsletters](#) and [social media](#).

More information:

- [A friendly guide to community share, IFISAs and ethical bonds](#) from Ethex and Community Energy England.
- [South East London Community Energy guide on What is a Community Energy Share Offer](#)
- [The Community Shares Handbook](#)

Investment bond offers

Bonds are a route to raising finance from investors. They are sometimes known as 'Green Bonds'.

Investors can buy a bond for a fixed term, receiving interest in the form of dividends, and can withdraw their capital once the fixed term has expired. Bonds have the advantage that they can be part of a (tax-free) ISA savings account.

Key features

Bonds can be issued by a wider range of company structures than community share offers, which can only be issued by cooperatives and community benefit societies.

Bonds do not confer voting or ownership rights to investors and, as a result, do not create the same sense of community engagement or empowerment.

They can be invested in by companies and organisations as well as individuals, such as through the [Abundance Investment platform](#).

Your role

You could raise awareness of funding campaigns through existing engagement routes adding legitimacy to the offer.

Care needs to be taken to ensure that financial advice restrictions aren't breached – i.e. that the council isn't advising people where to invest their money.

You could also discuss the opportunity to invest with the finance department.

More information

[A friendly guide to community share, IFISAs and ethical bonds](#) from Ethex and Community Energy England.

[Abundance Investment](#) has more information about community-led bond offers on its website.

Loans

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CEGs often use loans to finance parts of their projects. These may come from banks, specialist social lenders or from public sources. Loans are secured against the project and its projected income.

GB Energy is expected to offer low- or no-cost loans to community energy groups through the Local Power Plan, so council officers should monitor developments.

The National Wealth Fund has also supported energy projects such as the Orkney Council-owned wind farm with low-cost loans that might similarly be applied to community energy projects.

Specialist lenders may provide affordable finance. For example, Repowering Finance has secured a £1.5m loan facility from the Esmée Fairbairn Foundation and Trust for London to install solar assets for community groups. These assets are held in trust until local groups can raise the capital to purchase them.

Some councils have supported individual projects or portfolios with council-backed low-interest loans. Councils may borrow via the Public Works Loan Board to offer lower-interest loans than commercial lenders or use government schemes such as Salix Finance to provide low-cost loans for community energy projects.

Unlike grants, loans ensure that council funds are recouped, meaning that further initiatives can be supported in the future.

Loans

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Specialist lenders

- [Repowering Finance](#)
- [Yunity](#)
- [Thrive Renewables](#)
- [Charity Bank](#)
- [Triodos](#)
- [Big Issue Invest](#)
- [Big Society Capital](#)

Your role

You could supply a community energy project with an endorsement letter to support a loan application or initiate conversations with potential lenders, including GB Energy and the National Wealth Fund.

You could also explore with the finance department whether the council could provide a loan to community energy projects or even set up a revolving loan fund.

Example

[Oxford City Council provided an initial £2.3 million revolving loan facility to enable the Low Carbon Hub](#) to install solar PV projects across Oxford. The loan was fully repaid with interest and subsequent loan agreements have been put in place. Low Carbon Hub uses the loans as bridging finance during the construction phase of projects and then undertakes community share offers to replace the loans with equity once the project is constructed.

Other investment approaches

The council may wish to be an investor in a community-led project where it can see a good return on investment and potential wider social value.

Some councils are divesting their pension funds from fossil fuels and actively seeking renewable energy projects to invest in, which could include community energy projects.

Other institutional investors that community groups could approach might include [Power to Change](#) and [Social and Sustainable Capital](#).

Your role

You could approach your borough's pension provider to discuss the potential for funds to be invested in local community energy projects.

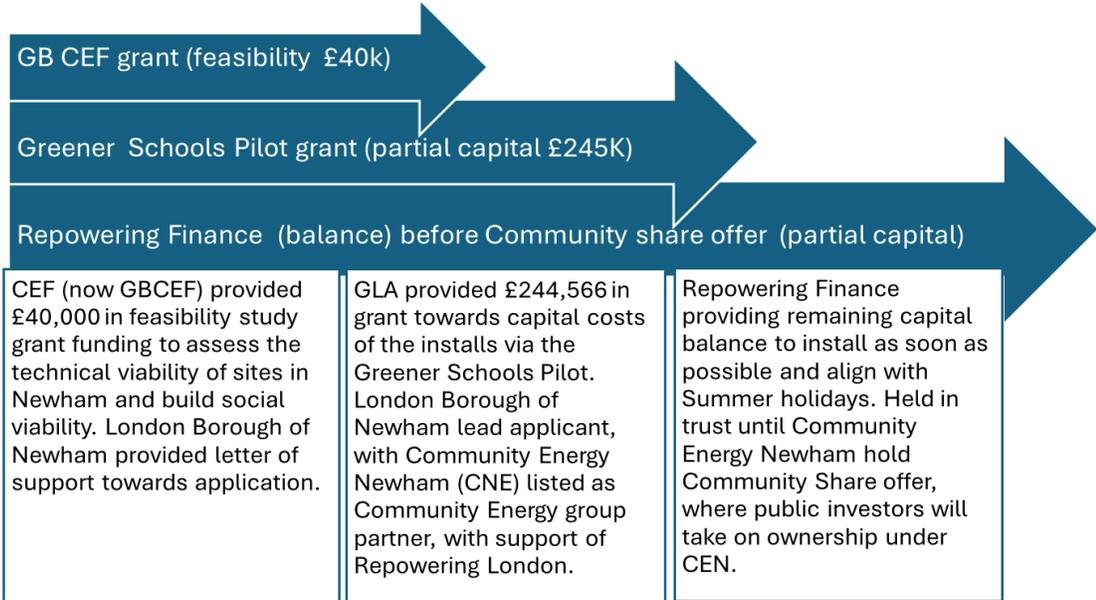
You could support groups to approach institutional investors, setting up initial conversations.

Examples

- [Lancashire County Council invested £12 million from their pension fund into the Westmill Solar Co-operative in Oxfordshire.](#)
- [Camden is considering investing council funds](#) in community energy projects delivered through a community energy partner. It is considering investing at a discounted rate of return relative to other investors, e.g. 2%, not 4%, allowing the CEG to sell power to host buildings at a lower cost. Camden's 2% return could then help to fund other climate-related projects. Investment could be through a special purpose vehicle or, if less than £100,000, through a direct investment.

Example finance composition

A single funding stream will often not be enough for CEGs to deliver projects end-to-end and therefore multiple funding streams are required at different stages of the project. This case study sets out how Repowering London and London Borough of Newham worked together to develop a **blended finance approach**, using a range of funding streams.



Example

Repowering London, in partnership with London Borough of Newham installed 340 kWp of solar PV on three schools in the borough in summer 2025. The council provided officer support and legal resources, but no financial support. A substantial grant was secured from the Greener Schools Pilot (a funding scheme with strong emphasis on community energy).

Newham had already completed several installations in partnership with Repowering London and, as a result, the entire project cycle was less than 18 months. The installations will be owned by Community Energy Newham, which will maintain the systems over a 20-year lease.

This example highlights how an effective partnership approach between a borough council and CEG can leverage a range of funding sources, fund council decarbonisation goals and bring social value to the local community

**LONDON
COUNCILS**

The logo for London Councils features the text "LONDON COUNCILS" in a bold, white, sans-serif font. A white, curved line sweeps under the text from the left side, ending under the word "COUNCILS".

**REPOWERING
LONDON**

The logo for Repowering London consists of a circular arrangement of white rectangular blocks, resembling a gear or a stylized sun. The text "REPOWERING LONDON" is centered within this circular arrangement in a bold, white, sans-serif font.

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