

#BeTheSolution

London Councils Community Energy Toolkit

# Setting up a community energy fund



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# Contents

1. **Making the case for a community energy fund**
2. **Administering the fund**

Establishing a community energy fund enables boroughs to provide targeted, strategic support to local groups and unlock greater community-led investment in renewable energy.

This section of the toolkit focuses on the process of setting up a community energy fund for the borough.

**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

As a climate officer, you will play a central coordinating role throughout the process of setting up a borough community energy fund.

You will need to work with other council departments, including finance and legal, to ensure the fund is effective, equitable and aligned with local ambitions for community energy.

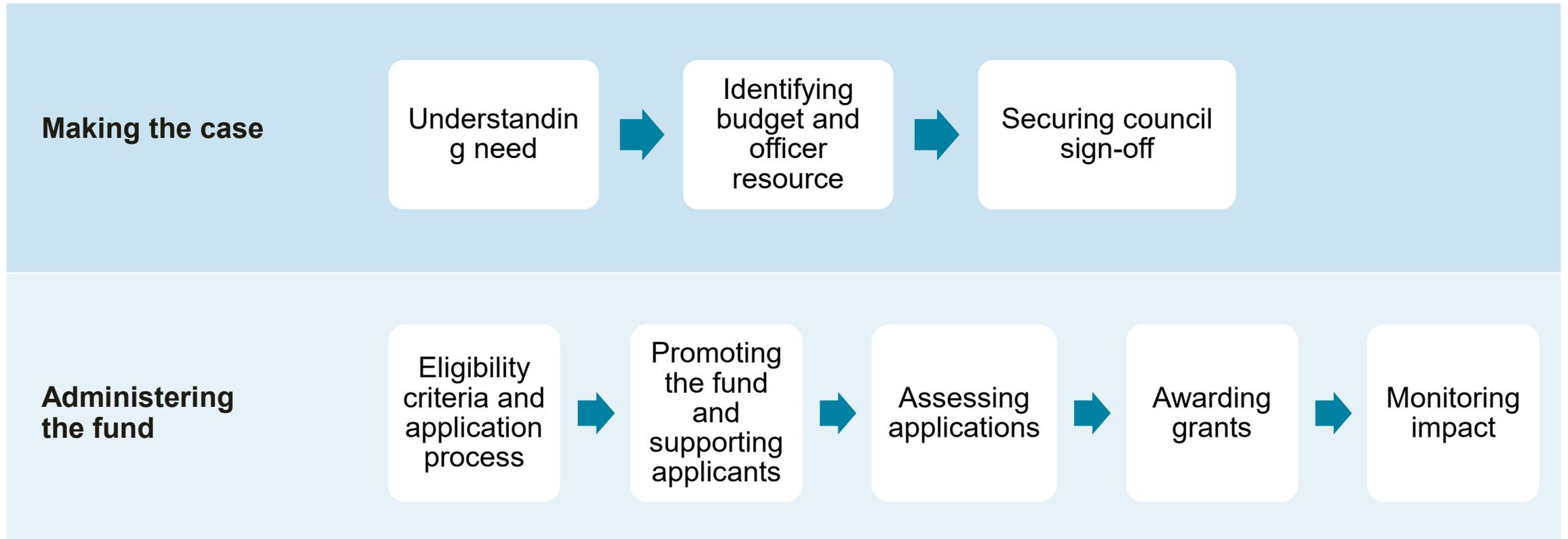
The first part of this toolkit section will guide you through the key steps of making the case for a fund including:

- Understanding the need for a fund and the existing funding landscape
- Identifying financial budget and officer resource
- Securing council sign-off from key departments and councillors

The second part then covers the steps in setting up and administering a fund:

- Establishing eligibility criteria that support the aims of the council and needs of the sector and setting out a clear and fair application process
- Promoting the fund to reach diverse groups and supporting applicants to submit high quality applications
- Assessing applications through a fair and transparent process
- Awarding grants, carrying out due diligence and issuing grant agreements
- Monitoring impact to track outcomes and demonstrate value.

# The process



# 1.

## Making the case for a community energy fund

This section contains information on:

- Understanding need
- Identifying budget and officer resource
- Carbon Offset Funds
- Securing council sign-off



# Understanding need

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The first step in setting up a community energy fund in your borough is to research the opportunity and needs in your area.

## Your role

You can follow the steps in the Understanding community energy in your borough section to create a baseline understanding of the sector and support needs in your area.

Alongside this, you should undertake an assessment of other local and national funds, such as the GB Energy Fund, to ensure that what you offer adds value, directly meeting the needs and ambitions of the local sector.

More information about potential sources of grant funding is available in Section 2 of the Accessing Funding and Finance section – with regularly updated lists on the [Community Energy England](#) and [Centre for Sustainable Energy](#) websites.

You can then determine which types of funding would be most impactful – typically, local authorities have offered grant funding rather than finance – and make a high-level case for what the funding should be used for (e.g. feasibility studies, seed funding organisations, hiring staff, capital installation costs).

You can also research other borough's funds, talking to climate officers and undertaking desktop research. Understanding how other areas have established community energy funds will save valuable resources.

## Examples

Dedicated Community Energy/Carbon Funds have been established in: [Barnet](#), [Southwark](#), [Hounslow](#), [Hackney](#) and [Islington](#). There are wider ranging community climate/carbon funds, which community energy groups can apply to in [Camden](#), [Westminster](#) and [Haringey](#).

# Understanding need

2/2

## More information:

- Community Energy London's report [Setting up a Local Authority Community Energy Fund](#) gives details of the steps required to set up a fund, focussing on the process undertaken in Islington.
- The [Southwark Community Energy Fund prospectus](#) clearly sets out the fund objectives, eligibility, rules, terms and conditions and case studies of projects receiving funding.
- [Community Energy England's website](#) provides a regularly updated list of available funds for CEGss.
- [Centre for Sustainable Energy's website](#) includes a regularly updated funding spreadsheet and further information on finance sources.

# Identifying budget & officer resource 1/2

It is critical to understand what resource - both financial and in officer time - is likely to be available for your community energy fund.

Using internal budget can be difficult where council budgets are stretched and may only be suitable for micro-grant provision. Internal budget will also need to cover time for a dedicated officer resource to manage the fund, although this may only need to be part of their wider role.

More ambitious schemes are likely to require funding from COF/CIL.

It can take over a year from idea to fund launch to get all the aspects in place, and considerable officer time, including input from finance and legal colleagues. See Embedding Community Energy for information on how to engage effectively with colleagues.

## Taking it further

You could explore alternative funding sources such as social value contributions from infrastructure developers, third-party or philanthropic funds from local major businesses or landowners, and local climate bonds that raise citizen investment for carbon-reduction projects and could be directed into a community energy fund.

# Identifying budget & officer resource 2/2

## Examples

**Microgrants:** [Hammersmith and Fulham's climate microgrants](#).

**Community Energy Funds:** [Barnet](#), [Southwark](#), [Hounslow](#), [Hackney](#) and [Islington](#)

**Innovation:** Bristol City Council negotiated the social value requirement for developers on its City Leap programme, Ameresco and Vattenfall, to contribute £750,000 each to a Community Energy Fund for the city.

## Your role

You should talk to your finance team about potential sources of funding.

Once you have identified a funding source, you will need to work with the finance team to determine how much funding is available, over what time period and how that might be allocated into funding rounds. For example, Haringey's initial Community Carbon Fund was planned to deliver over four years (now extended).

Multi-year funding is preferable, supporting CEGs to plan ahead and use funding for multiple stages of the project. You will need to choose whether you have any application criteria around reapplying. This may be dependent on how many applications you might receive and how much funding you have to distribute.

# Securing council sign-off

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Setting up a fund will require input and sign off from several teams:

- If the fund is using Carbon Offset Funds, the legal team will need to ensure that they are satisfied that the proposed approach for spending Carbon Offset monies (secured through the section 106 process) is compliant with the terms of the Council's section 106 agreements.
- The legal team will check compliance with the Public Sector Equality Duty under the Equality Act (2010) – you may need to complete an Equalities Impact Assessment, with help from your equalities lead or HR department to assess any potential equalities issues and mitigations.
- The finance team will need to ensure they are satisfied that the council has the available funds and financial processes in place to set up the fund.
- The procurement or commercial team may need to ensure that funds or grants comply with Government [guidance](#) for subsidy control rules for public authorities.

Final sign off will often take the form of a key decision report, signed off by Cabinet. In some cases, setting up a fund may be an action in a climate or other strategy and so may not require the same level of political scrutiny, meaning it can be signed off by senior officials. However, the same level of internal checks should be followed.

## Your role

As climate officer, you will need to work with each of these teams on developing the fund and then achieving sign off. A key decision report may be needed to set out the details of the planned approach and to demonstrate that the relevant departments have been engaged and are satisfied with it and to gain Cabinet level sign off.

Councillors may need additional input beyond a decision report; this might include showing them examples of funds from other areas or using videos or site visits to inspire their support. Where possible, brief councillors early to bring them on the journey of developing the fund.

The *Embedding Community Energy* section has some tips and techniques for engaging councillors.

# Securing council sign-off

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## More information

[Haringey's June 2021 key decision report](#) on establishing its fund sets out the comments from each department involved in process and includes an Equalities Impact Assessment.

This video from Hackney may be useful inspiration for councillors and senior leaders: [Hackney Community Energy Fund](#)

Government and council-led grant funds have the potential to unlock significant community investment in an area. For example, analysis from the Poverty and Environment Trust estimates that £10 million of national government funding through the [Rural Community Energy Fund unlocked £500 million in community investment](#) over the lifetime of the scheme.

# 2.

## Administering the fund

This section contains information on:

- Eligibility criteria
- The application process
- Supporting applicants
- Promoting the fund
- Assessing applications
- Awarding grants
- Monitoring impact



# Eligibility criteria

The eligibility criteria for the fund should be developed based on the objectives of the council and the needs of the community energy sector. These include criteria relating to who can be funded (group criteria) and what can be funded (project criteria).

**Group criteria** can be varied depending on the size of the grant – with larger grants needing more evidence of a well-established organisation and small or micro-grants able to support newer groups. Boroughs with few established groups may want to focus initial grants on seed funding (e.g. for establishing a formal organisation) with fewer requirements on group eligibility.

Appendix 1 of [Haringey's June 2021 key decision report](#) on establishing its fund sets out clear criteria for groups that vary depending on the size of the grant.

Some considerations relating to **project criteria** include:

- To get projects to the development stage, funds could focus on pre-feasibility stage or on feasibility studies
- Objectives for the fund could be focussed on generating renewable energy, reducing energy demand, engaging the community, innovation or alleviating fuel poverty – or all five – and this will influence the types of eligible project.
- Some funds only provide access to capital funding but funding for resources and organisational development can support the development of the sector
- Some funds are focussed on leveraging in further funding and so offer the opportunity to match fund investments or other funding streams.

## Role of the climate officer:

You should engage with the community to steer the eligibility criteria, as well as with political leaders on their aims for the borough.

## More information:

Example application forms from Haringey and Hackney and example application guidance from Haringey are found on their [website](#).

# The application process

Once criteria are established, you will need to develop the application process, including producing the application form and supporting guidance. Information to gather through the application form might include:

- Email address and phone number for at least two separate people (adding resilience if one person falls out of contact)
- Project location and details
- Other funding needs and what has been applied for or secured
- Estimated costs and how these have been determined
- Current status of the project (e.g. feasibility studies, permissions needed/in place)
- Group information, including status, accounts, organisational policies and resources
- Delivery timeframes and team
- Expected carbon savings and co-benefits
- Engagement plans
- Operations and maintenance plans
- Project risks

## **Role of the climate officer:**

You should engage with the legal team to ensure that the application process collects all the information required for due diligence checks at the grant award stage. The amount of information should vary depending on the scale of grant being applied for.

Producing guidance for completing the form will ensure you receive high-quality applications – this should include word limits, example answers or clarification bullets.

Develop the timeline for the fund, with clear deadlines and application windows. The latter should be long enough to enable groups to develop ideas, establish partnerships and write applications. This process can take several months.

You should have a clear policy on whether groups can reapply for the same or different projects in subsequent rounds, particularly for unsuccessful projects. In considering awarding a second round of funding to a previously funded group, you should have checks in place to ensure they have successfully delivered against the initial funding.

# Supporting applicants

Supporting applicants to develop project ideas and clear applications for funding will improve the quality and quantity of applications received. Support might include:

- Guidance documents
- Workshops on fund guidance and to enable groups to network and develop and share ideas
- One-to-one support for applicants via email or phone – e.g. accessed via an expression of interest
- Support on progressing early stages of a project – e.g. planning permission support

## Example:

Applicants to Camden's Community Fund are able to submit an Expression of Interest, which connects them with an officer who can advise on the most appropriate funding stream, assess likely eligibility and outline the evidence required to support a full application.

Once an application is under way, they can also access free planning advice on the measures they propose, helping to ensure feasibility and alignment with local planning requirements.

# Promoting the fund

Promoting the fund is important to ensure applications are received from a wide range of potential groups and sections of the community.

Promotional activities might include:

- Using the council website
- Social media posts and videos
- Printed material (posters, flyers and brochures)
- Existing council communication routes, such as newsletters and email distribution lists
- Dedicated launch events, webinars and workshops, as well as stands or information at other community focused events
- Sharing among existing community groups and networks (e.g. at Community Energy London monthly meetings).

## **Role of the climate officer:**

You should develop a promotion plan and support plan for the fund with the council's engagement team. You should include multiple reminders close to the application window closing date and plan to be available to respond to additional queries from potential applicants close to the deadline.

## **More information:**

[Haringey's Community Carbon Fund](#) brochure for 2025-29 includes examples of projects previously funded, as well as guidance for applicants.

Slides on year 5 of Haringey's fund were used in a [workshop](#) for potential applicants.

# Assessing applications

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Funds usually attract more applications than can be funded, so a process for assessing applications to choose the most suitable projects is needed. Even if only a limited number of applications are received, there should be a process for scrutinising these to ensure funding is being used appropriately in line with the fund criteria.

## Your role

You should undertake an initial longlisting of applications. At this stage, you should allow time to clarify points with applicants e.g. a group fills in the form in a way you haven't expected and it doesn't answer the question or they don't attach the right type of proof. If there is a large volume of applications this may not be possible but in many cases some omissions may be quick to rectify and will avoid screening out potentially suitable applications unnecessarily.

Having been through this process, any applications that clearly do not meet the fund criteria or fail to provide sufficient information should be screened out, leaving a longlist of applications.

You should establish an assessment panel to assess these longlisted applications. Ideally this panel should include a council officer and councillor, community sector representatives and energy industry experts. Using a panel will enable a range of views and expertise to assess the applications. Panel members from the voluntary or community sector should be paid for their time in assessing applications.

You should provide the panel with longlisted applications, an assessment form and guidance notes. Each member of the panel should assess the projects individually, recording detailed notes. The panel should then meet to discuss their views and agree which projects to fund.

They will need to consider the budget in determining how many projects might be funded. The guidance for the panel will need to set out whether there is any flexibility in the total available budget. The panel will produce a shortlist of projects for funding. It can be a good idea to nominate a "first reserve" project that can be funded if any of the shortlist drop out.

# Assessing applications

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The panel should record and agree its feedback for both shortlisted projects and unsuccessful projects. This feedback is important and should be shared with groups to ensure they can improve their applications in the future.

## **More information:**

[An example panel project scoring sheet \(blank\) for Haringey Community Carbon Fund](#)

[An example guidance note for Haringey's fund assessment panel](#)

# Awarding grants

Grants should be awarded based on the recommendations of the assessment panel. To move from their decision to supplying funds to groups, due diligence checks should be undertaken and a grant agreement produced and signed.

## Your role

You will need to undertake due diligence on the successful groups and projects before funding can be awarded.

Due diligence is an investigation into the background, financial condition, business operations and contractual obligations of an organisation. You will need to check that supporting information provided in their application, such as accounts and organisational policies meet the necessary requirements.

Once due diligence requirements are satisfied, you will need to work with the legal team to issue a grant agreement and associated terms and conditions.

These should include:

- Clear timescales for when the group will receive the funds, including if this is staged in line with project milestones (larger grants) – you will need to liaise with the finance team on this.
- A timetable for the project delivery, including any deadlines for spending the grant and requirements for it to be paid back if not spent
- Monitoring requirements (see next slide)
- Publicity requirements e.g. requiring the project to state that it was funded by the borough in all publicity / at the site

## More information

A template grant agreement for Haringey's fund is available [here](#).

# Monitoring impact

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Monitoring the impact of the fund will be critical to demonstrating its value, supporting you to make the case for future years of funding allocation.

## Your role

You should ensure monitoring requirements for funded projects are made clear in the application form and guidance, with questions on how groups intend to measure impact.

Once funding has been awarded, you should issue groups with a monitoring form, enabling them to plan for how they need to report back to the borough from the start.

You should decide how often this form needs to be returned – it could be quarterly, at key project milestones or at project close. For larger grants, where there are stages to a project, the release of subsequent phases of funding should be dependent on submitting a satisfactory progress report.

Interim reporting should cover progress on delivering the project against the timetable, key activities and project spend. Final reports should aim to assess the broader outcomes or impacts of the project. Impact monitoring should go beyond simple carbon saving metrics to consider potential social and economic impacts.

## More information

- Community Energy London's [Monitoring and Evaluation for Community Energy Projects](#) is an excellent resource to support groups and will also support you to design grant monitoring processes and forms
- An [example monitoring form from Haringey Community Carbon Fund](#)
- [Mid-point monitoring form from Islington's community energy fund](#)
- [Final evaluation form from Islington's community energy fund](#)

# Monitoring impact

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[Guidance from Community Energy London](#) suggests monitoring the following potential outcomes from community energy projects:

- Avoidance of CO<sub>2</sub> emissions
- Financial benefits and value returned to community
- Employment, skills gained and benefit to volunteers
- Awareness raising and behavioural change
- Community engagement and representation
- Empowerment and other social outcomes

## More information:

- [Making it count: A guide to evidencing the impact of community energy](#) from the Energy Learning Network provides useful information on the importance of monitoring impact and approaches to it.
- Designing suitable surveys that provide useful impact-focused data requires some expertise. You can direct CEGs to guidance, such as [Energy Catalyst's Measuring Impact guide](#), which includes detail on survey design.

## Techniques to record impacts could include:

- Calculating energy generation and bill savings
- Tracking project spend and investment leveraged from the community or other sources
- Tracking community benefit funds created and the impacts of these
- Tracking hours spent on the project by employees, volunteers and local businesses
- Using employee and volunteer surveys to track skills development, awareness of issues and feelings relating to community cohesion and empowerment
- Recording community engagement activity, including events delivered and contacts with people
- Using surveys to gather information from people accessing advice about the impact of advice e.g. to record perceptions, changes to behaviour and bill savings
- Recording feedback from engagement events to understand the impact of the event and potential improvements for future events

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The logo for London Councils features the words "LONDON" and "COUNCILS" stacked vertically in a bold, white, sans-serif font. A white, curved line sweeps from the bottom right of "COUNCILS" and underlines the text.

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The logo for Repowering London consists of the words "REPOWERING" and "LONDON" stacked vertically in a bold, white, sans-serif font. The text is centered within a circular graphic made of white rectangular segments, resembling a gear or a stylized sun.

**REGEN**