



RURAL COMMUNITY ENERGY FUND

Rural Community Energy Fund

Stage 2 Development Grant

Guidance Notes

Background

The Rural Community Energy Fund (RCEF) is being delivered by the five Local Energy Hubs in England using funding provided by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (Defra).

Clean renewable energy generation at community level is beneficial both to the community and the wider environment. By reducing dependence on fossil fuel based energy generation communities can secure future energy supply, gain protection from rising fuel costs and duties and reduce the risk of fuel poverty. Income from renewable projects can be used to provide benefits to the community, create jobs, and promote social cohesion.

The Fund aims are to:

- Support rural communities – by helping them to maximise the income generating potential of renewable energy and putting this to work locally;
- Increase the uptake of community and locally owned renewable energy, to support the Government's targets for renewable energy and carbon reduction; and
- Promote rural growth, job creation and volunteering opportunities – to enable communities to access the economic benefits associated with renewable energy schemes.

The Fund will achieve its aims by removing the barriers to investment, which are currently seen to be preventing the development of community scale projects, such as the up-front costs associated with gaining planning permission, designing a scheme and providing evidence of technical feasibility. It does this by providing funding to community organisations to establish the feasibility of and developing the business plan for a renewable energy facility. Currently the costs of exploring feasibility and developing an investment ready business plan are high and finance for this is not readily available in the commercial market.

RCEF offers support to eligible communities in two stages:

Stage 1 – Feasibility Grant

For those communities at an early stage of exploring the possibility of a renewable energy project, and which meet the Fund's eligibility criteria, this stage offers grants of up to a maximum of **£40,000** to cover consultancy and professional costs for the development of a feasibility report in a standard format.



RURAL COMMUNITY ENERGY FUND

Stage 2 – Development Grant

For projects that demonstrate a good chance of securing planning permission and being implemented, the Local Energy Hubs will consider further development funding of up to £100,000 to be made available to cover more detailed investigation into the key areas of technology selection. This includes securing a site (legal fees for example), environmental impact assessments, submitting planning applications, permitting applications and developing a full investment business plan.

By the end of the development grant stage your project should be investment ready, because you should have been able to determine the following:

- Business case and delivery plan to take the project through to construction
- Financial model and investment strategy
- Community benefit agreement and/or community investment plan
- Secured finance or have a firm financial plan in place
- Planning permission will be granted and any studies that are a condition of the planning approval will be complete
- Legal agreements will be in place for the land and site access
- Grid connection will be agreed and secured
- Energy supply contracts will be agreed in principal
- Plans for procurement for the construction phase

Development grants should only be applied for after you have completed an independent feasibility study to understand the technical, financial and regulatory risks of your project. At this stage, it is important for projects to demonstrate a reasonable chance of becoming operational.

NB: This guidance is for applications to Stage 2 – Development Grants. If your project is still at an early stage we would recommend that you talk through your project proposals with your Local Energy Hub.

Stage 2 – Development Grants

Who can apply?

Funding support will be available to eligible organisations developing rural community energy projects in England.

Eligibility

Rural Communities

RCEF is available to rural communities in England that represent a rural community of fewer than 10,000 residents.



RURAL COMMUNITY ENERGY FUND

Communities applying to the fund should form a legal entity (see below) in order to receive public funds and demonstrate the support of the wider community for the project.

For the purposes of the Fund we use the 'Office of National Statistics' (ONS) definition of a rural community as being a settlement of fewer than 10,000 residents. [Defra's Magic Map](#) will show you if the site of your project is based in a rural area. Please see our guide to Magic for rural funding.

Applications from organisations located in a different geographical location from that of the infrastructure to be developed will be considered provided they can demonstrate:

- The support of the community in proximity to where the infrastructure will be located.
- That the income and benefits generated will flow to the community where the infrastructure will be located.

Community Organisations

In order to receive funds applicants must have formed a legal entity which provides benefit to the community. For the purposes of RCEF, the Local Energy Hubs will accept applications from suitable legal entities, for example:

- Registered Charity
- Community Interest Company (CIC)
- Co-operative
- Community Benefit Society (Bencom)
- Registered Social Landlord
- Charitable Incorporated Organisation (CIO)
- Development Trust
- Registered society (pre 2014 Industrial Provident Society)
- Parish or town council
- Sports Clubs with (Community Amateur Sports Club) status

Local authorities are not eligible for RCEF; however, they can support or partner community groups who wish to apply.

The RCEF funds are for community groups and for the benefit of the community. Applications for joint ventures can be accepted and reviewed on a case-by-case basis, but it is required that the community organisation are the key participants and own at least 51% of the project. Only the costs attributable to the eligible applicant are eligible for Development Grant funds.

Notes:

If you have not yet formed an eligible community legal entity, please consider whether you would be able to set up such an entity, funding can only be awarded to eligible legal entities.



RURAL COMMUNITY ENERGY FUND

It may be possible for you to work with an existing organisation to develop your project, as long as the community benefits go to the community where the project will be located. If you are setting up a joint venture or new legal entity to own the project, please include your plans in section 2.9, however, funding can only be awarded to an eligible organisation.

What can be funded?

Stage 2 funding is intended to be used to develop projects to an investment ready stage. We expect the project to already have undertaken robust feasibility studies, indicating that the project is likely to be viable and the steps required to develop the scheme.

Funds can be used for:

- Any eligible potential rural community energy project that demonstrates local community benefit.
- Projects must have a reasonable chance of success; development grants are not available for consideration of speculative sites.
- Existing projects under development, if it can be demonstrated that the project would not otherwise proceed
- All reasonable costs associated with developing a project to financial completion i.e. when the finance for the capital construction stage is finalised. Costs can include: Environmental Impact Assessment costs, legal fees, project management fees, grid connection deposits, planning fees, community engagement, financial services and land agent fees.
- The grant is expected to fund development costs prior to financial close. Support from feasibility through consenting, land agreements, energy supply contracts and through to procurement for a design and build contract. A firm financial model will be available.
- Applicants must demonstrate additionality i.e. that the proposed work could not proceed without this funding.
- Ineligible costs include planning appeal costs and Directors of the applying entity cannot claim fees for themselves, or for any other companies of which they are Directors.
- It is not for the purchase of capital equipment and cannot be used to cover costs incurred prior to the grant offer.

Technology

Applicants must be planning the installation of a renewable or low carbon energy facility. Below are example technologies which may be considered for RCEF:

- Anaerobic digestion (AD)
- AD (biogas) fuelled heat network
- Bio liquids/gas/fuels
- Biomass heat network
- Heat pumps
- Hydropower



RURAL COMMUNITY ENERGY FUND

- Solar (photo voltaic)
- Solar (thermal)
- Wind turbines
- Multi-technology approaches
 - Energy efficiency, storage, grid services and demand management can be considered in bundled approaches on a case-by-case basis.

The scale of projects eligible for funding will vary according to technology type. In general terms, projects should:

- Require planning permission and significant pre-planning development
- Generate energy for multiple buildings (or export the equivalent to the grid).
- Single community buildings are eligible for RCEF if they are exporting the equivalent back to the grid, the funds generated from this must be used for wider community benefit. We will also consider single buildings that generate their own energy, and export excess to other buildings, for example, in the case of heat networks. Single buildings that generate energy purely for their own consumption, with no export back to the grid, would not be eligible. Applications for installations on multiple individual community buildings as part of one project will be accepted and reviewed on a case-by-case basis.

Community Benefit and Engagement

Applicants must be planning a renewable energy project with a clearly defined community benefit, this includes the immediate beneficiaries (direct benefit from the project) and the wider community (e.g. local residents).

The RCEF grant is to support projects which are majority community owned and provide benefit to the rural communities in which they are located, applicants should clearly outline the ownership structure of the proposed installation and indicate how the money will be used to benefit the rural community.

Applicants should describe the community investment model, how revenues will be generated, spent or invested. If a community benefit fund is proposed how this will be distributed, what the scope of benefit is and how it will be administered.

At the feasibility stage applicants are expected to have consulted with the wider community, (e.g. residents and businesses in the project area) and be able to demonstrate community support which is evidenced in the application.

Where a business case is reliant on a customer base, the application should outline the customer proposition, customer benefit, detail the engagement to date and planned engagement to secure in principal agreement from potential customers.



RURAL COMMUNITY ENERGY FUND

Applications will not be accepted where projects cannot show that they have engaged appropriately with the wider community prior to applications being considered by the panel. Projects should continue to consult with the community as the project progresses.

Business Model & Investment Plan

The RCEF grant is expected to fund development costs to financial close i.e. when the finance for the capital construction is finalised. Projects are expected to be investment ready on completion of the RCEF development grant funded activities.

Applications must demonstrate that the project will be investment ready by providing detailed information on the work undertaken to date to determine the proposed ownership structure, business model and investment strategy. A robust business plan and financial model must be in place on completion of the RCEF grant.

Applications may not be accepted where there is no clear plan in place, unless this is an outcome of the RCEF development grant and based on a robust feasibility study with clearly defined next steps.

Local Planning Authority

Applications must demonstrate engagement with the local planning authority, specifically including discussion of options and proposals at a pre-application meeting. Applications may not be accepted where no pre-application meeting has taken place with the local planning authority; unless this form of engagement has been specifically declined by the planning authority. Written evidence should be referenced in such cases.

Procurement of Contractors

Where services have been procured, a clear record of the procurement process must be included in your application, including the tender package, responses and evaluation method. Clear rationale must demonstrate value for money in the preferred selection.

For services (when not provided by a project partner) with a value of less than £5,000 the applicant is required to show they have attempted to obtain at least three quotes before awarding the contract. Where the total value of all contracts given to that contractor exceed £5,000 it is expected that procurement is carried out, or value for money is demonstrated, as detailed above.

You will need to provide evidence of quotes and relevant expertise from any contractor paid for with the grant. The Local Energy Hubs reserve the right to decline an application if it is considered that the service provider does not have the appropriate skills and experience to undertake the work.

The selection of contractors must be undertaken through a transparent procurement process.



RURAL COMMUNITY ENERGY FUND

Potential contractors must not be involved in the development of tender documents or the collation, evaluation and selection of proposals or have access to proposals from other bidders.

The Local Energy Hubs reserve the right to reject applications where the procurement of contractors has not met these requirements.

If you, as a community organisation, are going to undertake any of the activities yourselves and are requesting grant funds towards this, you will need to submit a quote detailing the activities and costs and include this in the application form along with a justification for undertaking these activities in-house. The Local Energy Hubs reserve the right to reject applications that do not provide a clear justification for this.

We will need to know whether your selected contractor(s) has/have any personal or business relationships, for example with your community organisation or technology supplier, which might influence their advice.

If you are in any doubt about procurement rules, please contact the Local Energy Hub - RCEF team for clarification.

VAT

You are likely to be required to pay VAT on purchases you make as part of your project. You must only include VAT in the amount you request from us if you cannot claim it back from HM Revenue and Customs. If you later find that you could have recovered VAT that we have included in our grant, these funds must be returned to us. You will need to be VAT-registered in order to claim back VAT. You should also note that even where you are, not all VAT charged to you can necessarily be reclaimed. You should contact HMRC for advice on VAT.

Requirements of all projects

RCEF funding projects must share outcomes and findings to benefit local energy generation in England.

Any intellectual property (IP) generated by the Development Grant must be shared with the Local Energy Hub and BEIS. All partners contractors involved in the project must be in agreement with this obligation.

Each community receiving development grant funds will need to agree to provide a) resources to Community Energy England for sharing across all new schemes and b) support the Local Energy Hub on engaging other communities to develop a peer-to-peer support network to build capacity at a local level. Resources will be hosted on the Community Energy England website and branded accordingly. The applicant organisation(s) will also be credited for their work.



RURAL COMMUNITY ENERGY FUND

All material produced, publicly undertaken or events delivered must adequately acknowledge the assistance of the RCEF.

Monthly updates and spend forecasts for the Local Energy Hub will be required.

WTO Rules on Trade and the UK-EU Free Trade Agreement

From 1st Jan 2021 the UK will be complying with WTO rules on trade and the UK-EU Free Trade Agreement and BEIS will provide an update shortly on whether the previous cap limits on grants will be affected (note that this will not apply to the £40k and £100k limits for individual awards).

Approvals

Any applications considered by the Local Energy Hub to be incomplete, of insufficient quality, unclear in aims, or that are not considered to meet the objectives will be rejected.

Projects with match funding are welcome but it is not a requirement of the fund.

Final decisions on applications to be grant funding will be made with the Local Energy Hub Board's Funding Panel and there is no right of appeal.

Application Process

Enquiries

If you are considering an application or have a general enquiry you should contact your Local Energy Hub.

The RCEF Project Officer and/or Energy Hub Project Managers can provide support to help you develop your application.

Applications

Application forms should be fully completed, with supporting documents and a word version emailed to your Local Energy Hub. Where applicable, a site visit will be carried out by an assigned Energy Hub Officer. Initial project due diligence will be undertaken by the Local Energy Hub.

Assessment Process

Applications will be assessed on the following criteria:

- Viability (technical & financial) and must demonstrate a reasonable chance of success.
- Demonstration of need
- Evidence of progress towards legally binding site and access options agreement
- Community engagement
- Community benefit proposal
- Community ownership
- Capacity to deliver the project



RURAL COMMUNITY ENERGY FUND

- Risk management and mitigation proposals
- Realistic timescales for development
- Likelihood of gaining planning consent and grid connection
- Cost effectiveness i.e. development costs are realistic
- Quality of local consultation
- Viability of capital finance plan for construction and operational phase
- Neighbourhood notification – in line with current planning guidelines

Where appropriate the Local Energy Hubs reserve the right to consult with sister Local Energy Hubs and/or independent experts. The decision of the Independent Funding Panel is final and there is no right of appeal on any funding decision although you will be provided with feedback and could be invited to re-apply.

Applicants will be informed of the outcome of applications within 3 weeks of the Funding Panel meeting.

Project approval period

Any award(s) of funding will be made subject to your acceptance of the funding terms and conditions.

It is expected that:

- The recipient will undertake all appropriate measures to secure planning consent and progress the project through development to construction.
- The applicant will endeavour to secure legally binding site and access options agreement
- Monthly progress reports must be provided.
- Access by the Energy Hub or its agents to all information necessary will be granted to ensure compliance with all commitments made by the applicant and obligations on the applicant arising from receipt of development grant funds
- Where the project is a joint venture, applicants must be willing to enter into legally binding agreement during the course of the development grant period governing the provision of community benefit with community benefit recipient(s) for the lifetime of project, which is enforceable on successors in title.
- Applicants must consider a community consultation strategy.
- Local community groups beneficiaries must undertake to supply a community investment plan during the course of the development grant period
- Applicants must satisfy the due diligence, financial and organisational checks required prior to the distribution of public funds to the applicant
- Applicants must allow publication of details of any grant-assisted work and reasonable access to other project groups or businesses wishing to learn from the project
- Satisfactory management and maintenance plan must be in place prior to financial close



RURAL COMMUNITY ENERGY FUND

- Should there be any material changes to the project once a funding decision has been made, e.g. changes to local planning guidance, applicants must approach their local Energy Hub for advice in the first instance.

The local Energy Hub reserves the right to terminate the grant agreement and require full repayment of monies outstanding at any stage if the grant conditions are breached or the information provided by you in the application form is false or incorrect.

The terms are non-negotiable and attempts to, and proposals for, changes may result in your application being rejected.

Claims

Finance is released against stages of work, rather than a lump sum on approval. Funds can be claimed in advance of expenditure for each stage of work. However, further funds will not be released until satisfactory completion of the tasks for each stage of work, accompanied by evidence or copies of work undertaken, receipted invoices and a RCEF Claim Form.

Where a RCEF Development Grant is awarded your local Energy Hub will expect regular communication with the applicant as a requirement. This will include monthly project updates to be provided to your local Energy Hub on and including project milestones below:

- Changes on spend forecast, timetable or any other aspect of the project
- Lease agreement
- Planning application
- Grid connection
- Community benefit agreement
- And/or community investment plan
- Issues the project may be facing which is hampering its development and progress
- Fulfilment of any special conditions or any other identified project milestones

Claim Form

A Claim Form will be issued with your offer letter.

At each stage of work you will be expected to complete and submit a RCEF Claim Form, you will be required to provide evidence of progression on project milestones including:

- Changes in: spend forecast, timetable or any other aspect of the project.
- Progress reports on lease agreements, planning applications, grid connection, community benefit agreements or community investment plans.

RCEF Development Grant funds will only be released after your Local Energy Hub has received original invoices and a progress report (as above) for work carried out.

The following will apply:

- Claim forms and all relevant invoices must be sent to the local Energy Hub office.
- On receipt of the invoices the local Energy Hub will validate all claims and may undertake a site visit to check progress.
- If satisfactory, the local Energy Hub will make payment directly to your bank account.



RURAL COMMUNITY ENERGY FUND

Payment of Grant

Grant will be transferred to your account via BACs once we receive your signed form and have completed our checks. This process may vary between the Local Energy Hubs.

Please note: a maximum of £100,000 per project will be awarded.

Amending your Development Grant

The Energy Hub recognises that projects funded under RCEF may change in nature through the course of development and the nature of the changes may impact on the initial agreed development grant schedule:

- Where changes are required, please contact your local Energy Hub to complete a change request
- A reassessment of the project risks will take place at each change request.

Project Completion

Important: On completion of your project we will require you to submit your final report. Satisfactory documentary evidence is required to demonstrate that:

- A viable business plan and financial model It has been possible to establish an option or access agreement for the site
- It has been possible to secure a cost-effective grid connection
- Formal planning permission has been granted
- Energy supply contracts are agreed in principal
- Finance for the capital project has been secured or there is an investment strategy with evidence of interest from institutional investors or evidence of progress towards setting up crowd funding
- The project has a community benefit agreement and/or community investment plan
- Procurement specification(s) or contracts are in place for the delivery of the capital project
- The project is able to achieve financial completion

Evidence of all expenditure such as invoices, receipts and proof of payment is also required. Should you have any grant funds remaining on completion of your project these must be returned to the Local Energy Hub.

Timescales

Deadline for submissions	Please refer to your local Energy Hub for advice.
Applicants informed	Please refer to your local Energy Hub for advice.



RURAL COMMUNITY ENERGY FUND

Applicants' checklist:

Your application will need to include the following information:

Project Location

The project location should be expressed as Eastings and Northings, which are written as two six-digit. This should not be confused with a grid reference number, which is expressed as two letters, followed by two sets of numbers, (e.g. NT 26742 77081).

If you can locate the project site on a map but do not know the Eastings and Northings for the location, visit <http://gridreferencefinder.com> when you have zoomed in to the correct location on the map, click on "Measure and Drawing Tool" and then right click exactly on the location of the project on the map. Eastings and Northings for that location will be shown below the map.

You will also need to provide evidence that the location is eligible, please [use Defra's Magic Map](#) and read our guidance to MAGIC for Rural Development Funding.

Governing Document – required for unregulated organisations

Your governing document sets out in writing how your organisation is structured, what it is set up to do and how it does it. It may be called a number of things, such as a constitution, set of rules or trust deed. We also do not require this from statutory authorities such as parish councils.

Copy of your Annual Community Interest Report

If you are a registered Community Interest Company, please provide a copy of your most recent Annual CIC report.

Financial Accounts

If your organisation has been formed for 12 months or more please provide a copy of your most recent financial accounts which must be signed by the most senior representative within your organisation or by your accountant or auditor. If your organisation has been formed within the last 12 months please record your current and anticipated income stream(s), profit & loss statement in section 2.11 on the application form.

Procurement

You should include evidence of tender specifications, consultant(s) responses, evaluation method demonstrating value for money, in-house quotations and justification to undertake activities yourself.

Supporting Documents

You should also append a full risk register and project plan which summarises work streams, key milestones, timelines and budget to your application.



RURAL COMMUNITY ENERGY FUND

You should also append any other supporting documents such as feasibility studies that demonstrate the project is likely to be viable, evidence of engagement with your Planning Authority & District Network operator, evidence of progress towards legally binding site and access options agreement, community consultation and engagement,

Legal Agreements

If your application is successful, we will contact you with an offer in principle and to request the organisation's bank details. You will then be asked to sign and accept terms and conditions of the grant and confirm that the information within your application is correct.

Important: You must not start your project until we have received, checked and approved the signed offer letter and any other additional documents we may request.

Verifying bank details

We require Grant Recipients to have their own UK-based bank account. To minimise the risk of improper use of grant funds, we require there to be two authorised signatories on the account for all cheques and withdrawals including internet purchases. Account signatories must not be related or live at the same address.

So that we can verify your account details, we will also require you to provide an original bank statement which must have all pages included and must not be more than three months old. If you are a new organisation that has only recently opened your account we will require you to obtain a letter from your bank confirming when the account was opened, your account details and the names/addresses of the account signatories.

Important: We will require original documents. On completion of our checks the original documents will be returned to you via secured post. If you are unable to provide originals we will require copies that must be stamped and certified as true copies by your Bank or Building Society.

Once we have received your signed form back and completed our final checks we will notify you of when you may proceed with the project.

Local Energy Hub Contact Details

Applications are taken on an open basis with a quarterly deadline, which will be set by your Local Energy Hub. The local Energy Hubs have project managers available to discuss your application and answer any questions you may have. If you would like to apply for RCEF, or have any queries, please contact the relevant local Energy Hub for your area for more information.



RURAL COMMUNITY ENERGY FUND

Local Energy Hub Regions

The Local Energy Hubs are split by Local Enterprise Partnership (LEP) regions. Please find below detail on which Hubs cover which LEP areas:

North East Yorkshire and Humber:

- Tees Valley Combined Authority LEP
- North East LEP
- Leeds City Region Enterprise Partnership
- Humber Local Enterprise Partnership
- Sheffield City Region LEP
- York, North Yorkshire and East Riding Enterprise Partnership

North West:

- Cumbria Local Enterprise Partnership
- Greater Manchester LEP
- Liverpool City Region LEP
- Cheshire and Warrington LEP
- Lancashire Enterprise Partnership

Midlands:

- D2N2 (Derby, Derbyshire, Nottingham, Nottinghamshire) LEP
- Stoke-on-Trent and Staffordshire Enterprise Partnership
- The Marches Local Enterprise Partnership
- Worcestershire LEP
- LLEP (Leicester and Leicestershire Enterprise Partnership)
- Black Country LEP
- Coventry and Warwickshire LEP
- Greater Birmingham and Solihull LEP
- Greater Lincolnshire LEP

South West:

- Swindon and Wiltshire LEP
- West of England Combined Authority
- Cornwall and Isles of Scilly LEP
- Heart of the South West LEP
- Dorset LEP
- GFirst (Gloucestershire) LEP
- Solent LEP

South East:

- Cambridgeshire and Peterborough Combined Authority
- New Anglia Local Enterprise Partnership
- Herts (Hertfordshire) LEP
- Buckinghamshire LEP
- OxLEP (Oxfordshire) LEP



RURAL COMMUNITY ENERGY FUND

- SEMLEP (South East Midlands LEP)
- Coast to Capital LEP
- South East Local Enterprise Partnership
- Enterprise M3 LEP
- Thames Valley Berkshire LEP
- LEAP (London Economic Action Partnership)

If you have any doubts over which LEP area you are in, please follow [this](#) link to see a map of LEP boundaries.