

**GUIDE**

**Setting up a Local  
Authority Community  
Energy Fund**

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## Contents

|   |           |
|---|-----------|
| <b>1. Introduction .....</b>  | <b>3</b>  |
| <b>2. Background to Community Energy London (CEL) .....</b>                     | <b>3</b>  |
| <b>3. Background to Islington Community Energy Fund (ICEF).....</b>             | <b>4</b>  |
| <b>4. Setting up your own Community Energy Fund .....</b>                       | <b>5</b>  |
| <b>4.1 Deciding Eligible Groups .....</b>                                       | <b>5</b>  |
| <b>4.2 Allocation of Funding .....</b>  | <b>6</b>  |
| <b>4.3 Funding Criteria .....</b>   | <b>6</b>  |
| <b>4.4 Number of Application Rounds .....</b>                                   | <b>6</b>  |
| <b>4.5 Reviewing Applications .....</b>   | <b>6</b>  |
| <b>5. The Projects Themselves .....</b>   | <b>7</b>  |
| <b>6. Information for Applicants .....</b>                                      | <b>7</b>  |
| <b>7. Notifying the Applicants .....</b>  | <b>8</b>  |
| <b>8. Promoting the Fund .....</b>  | <b>9</b>  |
| <b>9. Benefits to the Council of Establishing a Community Energy Fund .....</b> | <b>9</b>  |
| <b>10. Project Examples .....</b>   | <b>10</b> |
| <b>11. Examples of Community Energy Funds in Other Boroughs .....</b>           | <b>10</b> |

## 1. Introduction

In response to the climate emergency, community energy action is growing across London, with increasing numbers of groups looking at opportunities to develop carbon and energy reduction projects in their neighbourhoods. As part of any planned new initiative, groups often turn to their local council to look for advice, support and opportunities to collaborate to help develop their idea.

With close to all of London's 33 local authorities now declaring a climate emergency, supporting greater community climate action is an activity councils recognise as being a vital component in supporting the achievement of their Net Zero ambitions. Hence a number of London councils have introduced specific programmes and funds to accelerate the deployment of community-led energy and carbon reduction projects.

**In virtually all cases, the role of the local authority is critical to the success in developing a community energy project. Working in partnership with London Borough of Islington Council's Energy team, this briefing provides guidance to officers on issues to consider when establishing a council community energy fund to accelerate the deployment of projects in their area.**

## 2. Background to Community Energy London (CEL)

Community Energy London (CEL) was formed in 2017 and is a 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 from solar PV to micro anaerobic digestion plant (AD); worked on retrofit projects, insulating buildings and installing high efficiency LED lighting; and provided training to communities around domestic energy efficiency measures, energy bill advice and supported households experiencing fuel poverty. 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. For further information, see Community Energy London's website [here](#).

With climate and energy issues dominating news headlines over the past few years, CEL has observed a growing increase in the level of interest in community-led energy action, with many existing community energy groups being inundated with requests from individuals and groups to help them start their own project. ClientEarth have previously reported 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%).”

CEL has responded to this increasing demand for support by publishing an extensive set of resources on our website, from practical advice on how to set up a community energy group, to detailed guidance around the types of technologies and projects typical for a community-led scheme, to developing a list of CEL-member recommended contractors.

In 2022 CEL:

- Worked with industry trade associations to provide briefing sessions for groups on the latest technical and regulatory developments around solar PV, heat pumps and heat networks
- Operated an extensive fuel poverty training programme for community groups
- Created case studies and a series of promotional videos on London community energy projects
- Undertook a study on routes for community groups to work on Air Source Heat Pump (ASHP) retrofit projects
- Operated a Community Energy Mentors' programme
- Revised its Community Energy Projects Map, and
- Developed a new Community Energy Potential Map for London.

Details on all of the above can be found on [Community Energy London's website](#).

### **3. Background to the Islington Community Energy Fund (ICEF)**

In 2016, Islington Council established the [Islington Community Energy Fund](#) (ICEF) responding to a recommendation 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, five rounds of funding have given £500,000 of Section 106 Carbon Offset funds 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 five rounds to support a wider range of projects.



## 4. Setting up your own Community Energy Fund

Islington has used monies from their 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) have published:

- [Carbon Offset Funds Guidance 2022](#) which is primarily for local authorities, and explains how to set up a carbon offset fund and how these funds may be spent.
- In January 2023, a [Carbon Offset Funds Report](#). This details the results of a survey on the value of carbon offset funds across London, expenditure, the types of projects being selected for funding, and the governance and monitoring arrangements that are in place, concluding with recommendations for Local Planning Authorities (LPAs).

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. The GLA guidance on offset funds allows a proportion of offset funds to be allocated to pay for staff to develop and manage projects - Paragraph 2.17 of the 2022 Guidance states that: *"If an LPA determines that additional funds are needed to pay for staff to develop and manage identified offsetting projects, we recommend a maximum of 10 per cent of the fund is allocated to this, either annually or per project and this should be set out clearly in the agreement. Using offset funds for this purpose will reduce the funds available for projects directly and so we recommend using existing processes for administering and the monitoring the fund as far as possible"*.

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

### 4.1 Deciding Eligible Groups

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 reinvests 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?

## **4.2 Allocation of Funding**

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. This could cover 100% of a project. The latest round has a cap of £50,000 per project, however, groups are only able to apply for 50% of a project's costs in order to ensure the group has a vested interest in making the project happen. You will want to determine a cap and a percentage.

## **4.3 Funding criteria**

In Islington, it is recognised that a group may have a fantastic idea but lack the technical expertise to get the project off the ground. Therefore, groups are allowed to request funding to help pay for consulting fees and feasibility studies.

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.

## **4.4 Number of Application Rounds**

If you have a fixed amount of money, you should consider whether you would 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.

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.

## **4.5 Reviewing Applications**

It is good to have both members and officers reviewing and judging the applications against set criteria. Put together a 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 also advisable to have a process through which you can ask clarification questions from applicants.

## 5. 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?

## 6. 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 London. 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.
- A detailed outline of their project with a comprehensive timeline.



- Costs for each element of their project.
- Other relevant information they should tell you, depending on the project. For example, if the applicant wants to put solar panels on the roof, do they have a letter from the building owner giving permission for the installation? Does the group have a maintenance plan for the panels? Islington has found that often a group has a 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 as a local authority, such as financial accounts or insurance documents.

Your council will likely have a grant agreement form that you have community groups sign. Check with your legal team to see if the document is relevant to this grant and, if so, 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 applicants are aware.

## 7. 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, building in time to ask any clarification questions from the applicants, if necessary.

You should 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, banking form, 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.

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 fund.

## 8. 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, there is Voluntary Action Islington, the Islington Faith Forum, and Fossil Free Islington – these groups are contacted when the fund opens and asked to promote the opportunity to their members. Community Energy London can also promote your fund through their monthly meetings and newsletters.

Also, try to speak to as 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, informational workshops are held 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.

## 9. 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.

## 10. Project Examples

While you are likely to have certain criteria for your fund, here are two 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** was given a grant to purchase solar-powered toy car kits to help the children learn how solar power works. Alongside this, their parents built and installed larger solar panels and a battery for an outdoor summer house and 'stage' area. This allows families to use the outdoor space for events and activities after dark.

## 11. Examples of Community Energy Funds in Other Boroughs

Since Islington established a community energy fund, a number of other London boroughs have set up similar funds which - together with the Mayor's London Community Energy Fund (LCEF) - have really driven the development of funds across the capital (see CEL's [Community Energy Project map](#) for details).

Examples include:

- [Camden Climate Fund: Community Energy Grant](#) which provides grants of up to 50% of costs to install renewable energy systems and make energy efficiency improvements to homes, businesses and community spaces (open to December 2024).

- [Haringey Community Carbon Fund](#) which is a 4-year programme with a total pot of £300,000 funding available for local decarbonisation projects delivered by the community across the borough.
- [Hounslow Community Energy Fund](#) which was launched in 2022 and allowed community groups of all sizes and levels of experience to apply for a share of £100,000 to take action on climate change and become more energy efficient.
- [Hackney Community Energy Fund](#) which was launched in November 2022 and supports community-led innovative energy projects, particularly in schools and with students. Successful bidders can use the grant for: capital costs for purchasing equipment and materials project costs, such as feasibility studies and consultancy fees.
- Tower Hamlets [Carbon Reduction Community Grants Programme](#) which is open to any Community Group, Community Interest Company and Charity in Tower Hamlets. The grants help support carbon reductions through building retrofit projects or community engagement activities.
- Other funds supporting community climate action include recent (December 2022) funding by the London Legacy Development Corporation ([LLDC awards carbon offset funding to 16 local community groups](#)), forthcoming £400,000 [Southwark Community Energy Fund](#), and a previous [Lewisham Community Energy Fund](#).
- City of London supported a community solar project through their [Community Infrastructure Levy Neighbourhood Fund](#) and Westminster City Council have in place an ongoing process for community groups to apply for funding for carbon reduction projects through their [carbon offset fund](#).
- The Mayor's [London Community Energy Fund](#) (LCEF) launched its 6th round of funding in December 2022. Since 2017, the fund has offered grants to support 139 community energy projects, across 27 boroughs. To date (January 2023), the fund has led to the installation of over 2.3 MW of solar PV across the capital.
- At the time of writing in January 2023, CEL is aware of a number of other London boroughs currently examining opportunities to set up their own community energy fund which we hope will launch later this year.

All of these community energy funds utilise a proportion of carbon offset funds to help pay for projects. The GLA's latest survey of carbon offset funds (published January 2023 with survey data from 2021 to early 2022) states that:

- Total value of carbon offset funds secured since 2016 is £145,210,000,
- Of this, the total amount collected is £47,423,000,
- And the total amount secured by legal agreement (but not yet collected) is £97,787,000.

See the GLA [survey](#) results for full details including a borough breakdown of funds.

In December 2022, CEL organised a workshop with presentations by the GLA of their offset fund survey, and several council officers who had experience of establishing and operating community energy funds in their borough. A recording and slides from that event can be accessed via the CEL [website](#).