

## Urban Community Energy Fund – FAQs

### What legal entities are eligible?

Your group must be an incorporated group to access a UCEF loan. You can include the reasonable costs of becoming incorporated into your grant application, but we may release only the funding for this first and will wish to see evidence of your incorporated status before releasing any further grant funding.

Any of the following forms are eligible.

- Registered Company (including CICs)
- Charitable Incorporated Organisation
- Registered Societies (formerly known as IPS)
- Parish and Town Councils

Local Authorities and Housing Associations can apply in partnership with the local community. For example, if a Local Authority or Housing Association wished to use its own land or buildings to host a community renewable energy project, we would expect to see an application from an incorporated body that creates a partnership between that organisation and the community – e.g. 'Borchester Community Energy CIC'. Such an organisation would need to have clear representation from the local community and a defined, transparent process for managing the income and determining what it will be spent on.

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### Where can I find more information about setting up an incorporated body?

These resources provide advice and guidance on forming a legal entity:

- [Introduction to incorporation](#)
- Exercises to help with the development of your project – visit [www.planlocal.org.uk](http://www.planlocal.org.uk)

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### Should I seek legal advice when setting up my community organisation?

It is the decision of the community group whether to seek legal advice on forming a legal entity, however we recommend that you do so.

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### Which technologies are eligible?

- Wind turbines
- Hydropower
- Solar photo voltaic
- Solar thermal

- Ground, water and air source heat pumps
- Anaerobic digestion, biomass (heat only or CHP)
- Low carbon/renewable heat networks
- Gas combined heat and power (CHP) units
- Biogas and bioliquids

Note that domestic scale solar, heat pump and biomass projects may be eligible if they are aggregating many domestic-level installations e.g. a bulk-installation of heat pumps in your housing estate.

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## Where can I find further information on the different renewable energy technologies?

You can find introductory videos on all the main renewable energy technologies on the PlanLoCaL website here: [www.planlocal.org.uk/pages/videos#section1](http://www.planlocal.org.uk/pages/videos#section1)

These explain the basics of each technology and will help you determine what technologies might be most suitable for your location.

There is also a suite of further videos on the PlanLoCaL website that talk you through further things to think about when planning a project for each of the different technologies. This can be found here: [www.planlocal.org.uk/pages/videos#section2](http://www.planlocal.org.uk/pages/videos#section2)

You may also want to contact some of the key national trade bodies and other expert portals that provide information on the different technologies:

Hydro | [www.british-hydro.org](http://www.british-hydro.org)

Wind | [www.renewableuk.com](http://www.renewableuk.com)

Solar | [www.solar-trade.org.uk](http://www.solar-trade.org.uk)

AD | [www.adbioresources.org](http://www.adbioresources.org)

Biomass | [www.biomassenergycentre.org.uk](http://www.biomassenergycentre.org.uk)

CHP | [www.chpa.co.uk](http://www.chpa.co.uk)

Heat Pumps | [www.heatpumps.org.uk](http://www.heatpumps.org.uk)

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## What stages of a project lifecycle does UCEF provide funding for?

The 'lifecycle' of a renewable energy project can be summarised in four phases:

- development phase
- construction phase
- operational phase
- retirement phase

UCEF is designed to support community energy projects through the development phase (which is also the riskiest stage), preparing them to successfully enter the construction phase. The construction phase is the most cash-intensive phase of the project, and you will need to attract investors and lenders to fund it. Getting your project to this 'investment ready' stage represents the end of the development phase, and is what we want to help you achieve with a UCEF grant and loan.

For successful projects to be able to repay the UCEF loan and premium, it is important that the development cost should remain a relatively small fraction of the construction cost. If it is too large a fraction, then the future income projections for the project will not be sufficient for the repayment of the UCEF loan and this will deter investors from supporting your construction phase.

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## What size projects are you looking for?

All projects will be assessed on a case by case basis and there is no maximum or minimum project size that is eligible for UCEF. However, it is important to note that the aim of the scheme is to deliver community energy projects that contribute to the aspirations set out in the community energy strategy for between 0.5 and 3GW of community energy generation capacity by 2020, and as such we are looking to support projects of significant scale and ambition.

You should also note that while the more speculative stages of project development can be funded by a grant, once we have some confidence that your project has some chance of success, further development work will be funded by your UCEF loan. Different technologies come with different levels of complexity and risk, and as such, the amount of work you might get grant funding to do at the 'speculative' stage will vary between projects. This is why we will make decisions on a case by case basis on the amount of grant and loan your project can receive, within the maximum allowance of £20k for a grant and £130k for a loan.

We will work with you at pre-application stage to identify the right levels of grant and loan that will make both your project (and the fund overall) a success. In general terms, the value of your UCEF loan should not exceed 20% of your likely construction costs. Smaller projects are unlikely to be able to support the repayment costs of the UCEF loan plus its premium, and this is likely to preclude many single-building applications.

Do contact us to discuss your ideas if you are not sure whether your project is big enough.

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## Why do we have to borrow money as a loan? Why can we not receive all the funds as a grant?

A grant can only be paid once – when the money is gone, it's gone. A loan can help to recycle the money invested, so that we can give out more loans to other community energy

projects in future. So while we will be offering grant funding towards the more speculative and early-stage work on your project, the majority of the funding on offer is in the form of contingent loans. These loans are only paid back if all the development work is successful and the project can go on to be constructed. If your project isn't successful for a range of reasons, then your loan converts to a grant and is not repayable.

Successful community energy projects that make a profit will pay back their UCEF loan plus a premium, which at the moment is set at 45%, but will be reviewed as the scheme progresses. The 45% premium is not the same as interest, and will not accumulate over time. For example, if you borrow £100,000 you would repay £145,000 regardless of how long the loan lasts. This premium will help to cover the cost of loans that are never repaid because other projects have failed. This helps us continue to offer financial support for new communities that want to develop a project.

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## Is there a list of things we can spend the grant and loan on?

In very broad terms, we would consider that most of the following tasks would be funded by a grant:

- Professional support in assessing basic technical feasibility for the technology in question (this could include the work done to determine which technology you are going to focus on, and whether it is at all feasible to connect to the grid).
- Professional support for arranging an exclusivity agreement with a landowner, where necessary.
- Direct costs and any professional support costs for carrying out initial public engagement work to assess the public acceptability of the project – this could be very light touch for non-contentious projects.
- Professional support for carrying out initial stakeholder engagement with public bodies that have an interest in your project, such as English Heritage and the Environment Agency (where necessary)
- Professional support in assessing the planning issues that will need to be addressed, and determining that there are no absolute barriers that would prevent you from applying for planning permission.
- Professional support in assessing the permitting, licensing and consenting issues that will need to be addressed, and determining that there are no absolute barriers that would prevent you from applying for them.
- Professional support in assessing the basic financial viability of your proposed project.
- Reasonable costs associated with legal advice and registration fees relating to the establishment of an incorporated body.

Once you had established all of these things using your grant funding, it's likely that you would have a project with at least some chance of success. Further work beyond this point is most likely to be funded by a loan. Loan funding is therefore most likely to be available for the reasonable costs of carrying out tasks such as:

- Ongoing community consultations, including looking at how local people would like any profits to be invested.
- Detailed technical feasibility work.
- Preparing and submitting a planning application.
- Preparing and submitting applications for consents, permits and licences.
- Arranging a grid connection
- Arranging a Power Purchase Agreement
- Establishing ownership structures (such as a special purpose vehicle)
- Specifying, tendering and providing a Letter of Intent to appoint an engineering, procurement and construction (EPC) contractor
- Producing a detailed financial model and business case
- Specifying, tendering and providing a Letter of Intent to appoint an operations and maintenance contractor

Neither grants or loans can be used to support the construction costs of your projects, and nor will UCEF provide funding for general salary costs or overheads for members of your community group.

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## **When are the deadlines for applications?**

There will be an initial call for applications with a deadline of the 22nd of December. This call is for groups that have already done a great deal of preparation work and are ready to submit a comprehensive application, and these will be considered at the first funding committee on the 20th of January. You should still call us to discuss your application if you wish to submit to this early call.

But don't worry if you are not ready to apply on the first deadline. There will be further application deadlines at the end of January, February and March 2015. Thereafter, the deadlines will be at the end of every other month, and all upcoming application dates will be publicised on the scheme's website. The same deadlines apply whether you are applying for a grant or a loan.

The scheme runs until November 2017 and we anticipate the final deadline for applications being at the end of September 2017 in order for us to have time to process them and make awards before the end of the scheme.

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## **When will we know if we have been awarded a grant or a loan?**

There will be a monthly meeting of the UCEF Funding Committee. This will meet on the 3rd Tuesday of every month, and will consider all applications that are ready at that time. If you have submitted an application on or before the deadline, and all your information is in order and we do not need any further clarification, then your application will be considered at the next funding meeting. If your application is incomplete or needs improvement, then it may not be considered until the following month's meeting. We will always attempt to work with you to get applications to the nearest available committee date.

If your application is approved, then we will aim to set up contracts and release funds on the following timetables:

- Grant Contracts sent out for signature within 5 working days of grant approval.
- Loan contracts sent out for signature within 15 working days of loan approval.
- Grant and loan funds available for drawdown within three working days of our receipt of your signed grant contract.

**NB** It is very unlikely that you will be able to draw down your entire grant or loan in one payment. Your grant or loan contract will contain a schedule of deliverables against which funding can be released. In most cases, this will outline the things you have applied for funding against, and will explain the amounts of money you can draw down in advance of different tasks (e.g. to pay deposits to consultants), and the amounts you can draw down when you have provided evidence that a particular task is complete (for example, an ecological study report).

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## How do I go about selecting a suitable consultant?

One of the key things you will need to think about is where you will ultimately get the funding to construct your installation, once you have used your UCEF grant and/or loan to complete your development work. In particular, if you will be borrowing much of the money from a bank to pay for construction (debt finance), as opposed to getting all the funds you need through a local share issue (equity), then the bank lenders will typically specify what information they need, and the consultants that they would like you to use to prepare it. Since debt providers are usually the most risk averse and have the most stringent requirements for the work that goes into the development of projects, any information prepared for them by consultants that they approve is usually going to be acceptable to equity investors.

You should use a common sense approach wherever possible. You will want to use a consultant that has a demonstrable track record in supporting the development of renewable energy projects that have gone on to secure debt finance. Speak to any lenders you have in mind and ask them for their lists of approved technical, legal and financial consultants. For any companies that you contact direct, ask them if they work with any particular lenders, and ask them for references for project managers and organisations that they have previously supported with project development.

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## What is the level of premium and why is this being charged?

Successful community energy projects that make a profit will pay back their UCEF loan plus a premium, which at the moment is set at 45%, but will be reviewed as the scheme progresses. The 45% premium is not the same as interest, and will not accumulate over time. For example, if you borrow £100,000 you would repay £145,000 regardless of how long the loan lasts. This premium will help to cover the cost of loans that are never repaid

because other projects have failed. This helps us continue to offer financial support for new communities that want to develop a project.

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## Can applications be submitted by an organisation based in a different location to the bidding community?

Yes. 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.
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## How can I engage with my local community?

Community engagement is a key part of making your energy project a success, and applicants to UCEF will need to demonstrate that they will undertake a suitable level of consultation with their grant and loan.

This video provides a useful overview of consultation for a community renewable energy project: [http://www.youtube.com/watch?v=xHKys2\\_zjLo&list=PL73977304274232B7](http://www.youtube.com/watch?v=xHKys2_zjLo&list=PL73977304274232B7)

The PlanLoCaL resource pack on community renewable energy projects gives detailed guidance on why you should consult your community, and how to go about this. It contains guidance on organising events, venues, advertising, writing up and communicating outcomes, and the roles that need to be covered to ensure that a consultation goes smoothly. It also contains a complete set of videos and participatory exercises for renewable energy projects that you can use. Please contact the UCEF team and request a copy if you would like a hard copy, or you can access all of the contents at [www.planlocal.org.uk/planlocal-community-renewables](http://www.planlocal.org.uk/planlocal-community-renewables).

We have also produced a short guidance note as an overview for the UCEF programme.

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**If you have any further questions, call 0800 038 6345 or email [info@ucef.org.uk](mailto:info@ucef.org.uk).**