Stage 1 Feasibility Grant Application Guidance

Background

The Rural Community Energy Fund (RCEF) is being delivered by the five Local Energy Hubs in England on behalf of the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (DEFRA). This guidance is specific to the North East Yorkshire and Humber Local Energy Hub.

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 put this to work locally;
- Make progress against the Government’s target to increase renewable energy generation, and promote community-owned renewable schemes; and
- Promote rural growth and job creation – 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 eligible community organisations to establish the feasibility of and develop the business plan for a renewable energy facility. Currently the cost of exploring feasibility and developing an investment ready business plan is 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.

The work undertaken at this stage could provide an initial report into the feasibility of developing a specific Project although some community groups will have looked at a range of options and may require funding to develop a business case to progress their project.
Stage 2 – Full Business Planning Grant

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

NB: This guidance is for applications to Stage 1 – Feasibility Grants. If your Project is at a more advanced stage and you wish to apply directly for the development grant scheme, please contact your Local Energy hub.

Stage 1 – Feasibility Grants

Who can apply?
Funding support will be available to eligible rural community organisations in England.

Eligibility
The Rural Community Energy Fund (RCEF) is available to eligible organisations in rural communities in England that represent a rural community of fewer than 10,000 residents.

Communities applying to the fund must be a legal entity in order to receive public funds and must 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 a settlement of fewer than 10,000 residents. Defra’s Magic Map will show you if your postcode is based in a rural area (please see Annex 2 that explains how to use the Magic Map to determine your eligibility for RCEF).

Applications from eligible 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 be 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:

- Community Interest Company (CIC)
- Co-operative
- Community Benefit Society (Bencom)
- Local Community Groups in partnership with a Local Authority
- Registered Social Landlord
- Charitable Incorporated Organisation (CIO)
- Development Trust
- Registered society (pre 2014 IPS)
- Parish Council
- Faith Group

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

The RCEF funds are for eligible community groups and for the benefit of the community. Applications for joint ventures can be accepted and reviewed on a case-by-case basis as long as the community group are leading the project.

It is expected that community groups interested in applying for RCEF will seek to learn lessons from previous community energy projects. Community Energy England have a variety of resources that may be useful.

Notes:

It may be possible for you to work with an existing community group to develop your Project, as long as all of the community benefits go to the community where the Project will be located.

What can be funded?

Stage 1 grants

Stage 1 grants are intended to be used to secure the provision of professional services to undertake a feasibility study. There is a checklist for feasibility work that can be used by the community to ensure quality outputs. Where appropriate, funds can also be used for:

- Technical or planning consultancy fees
- Project management costs
- Community engagement activities

The grant is not for the purchase of capital equipment and cannot be used to cover costs incurred prior to the grant offer.
Stage 2 grants
Stage 2 grants are to be used to support planning applications and develop a robust business case to attract further investment.

State Aid

Grants awarded through the Rural Community Energy Fund Scheme are State Aid and are typically awarded under the De Minimis aid regulation\. The maximum funding any business can receive is €200,000 over a 3-year fiscal period. The sterling equivalent is calculated using the European Commission exchange rate applicable on the date of the grant offer letter.

What is State Aid?

State Aid is support given by the state or through state resources that provides a selective advantage to any entity regardless of legal form that undertakes economic activity, which can include charities. The support given by the state doesn’t have to be simply a direct grant of money. It can be a loan, a tax break, or the use of something like a public building for less than the market rate.

You may have heard that for aid to qualify as State Aid it has to be given at such a scale as to distort competition between member states of the EU, to create a huge advantage for one firm over another. This is incorrect. It is enough that the grant of aid has the potential to distort competition and affect trade between member states. As such, support for any product or service that is tradeable between Member States (even when given in modest amounts to small businesses) may count as State Aid.

Is the support provided through RCEF counted as State Aid?

Yes. Because the grants and loans available under RCEF are given by the Government to organisations that are engaged in an economic activity (the generation of energy), the support given is deemed to be State Aid. This does not mean that this financial support can’t be given, merely that it must be given using a route that is legal under EU rules.

De Minimis

The simplest route, and the one which RCEF will normally use, is the ‘De Minimis’ Regulation. It is the European Commission’s view that small amounts of aid are unlikely to distort competition, and it therefore allows sums of less than €200,000 over 3 fiscal years to be given to organisations involved in economic activities. This €200,000 limit is known as the De Minimis allowance.

It’s important to note that the De Minimis allowance is for the receiving organisation, not the project. As an example, if Organisation A secured £100,000 of RCEF funding towards the development of a large hydro project, but then immediately afterwards received a grant of £150,000 from another public body which was also granted as De Minimis aid, this would exceed the Organisation A’s De Minimis allowance.

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1 EU Commission Regulation no. 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union
Any State Aid from a public body in the last 3 years counts towards an organisation’s De Minimis limit. These 3 years are rolling, and therefore whenever an organisation receives De Minimis aid, it will have to look back over the last 36 months to see what other De Minimis it has received.

Applicants to RCEF are required to declare all public funding received during the previous 3 years and to specify how much of this was De Minimis aid received during the previous 3 fiscal years. We therefore require Grant Applicants to complete and return a signed De Minimis Declaration Form as part of the RCEF Grant Application.

Applicants must keep records of all De Minimis aid paid for 10 years from the last payment. Beneficiaries must keep records of De Minimis aid received for 3 years and must declare this when required to do so by other grant giving bodies. For further information, please read the De Minimis regulation.

If your organisation has exceeded their De Minimis allowance they may still be able to apply on a GBER exemption to receive RCEF funding. In using a GBER exemption, your organisation is likely to have to contribute funding from non-State Aid sources. If you think you have exceeded your De Minimis threshold please contact the Local Energy Hub.

Please contact your Local Energy Hub for further guidance on State Aid. Please note however, that grant recipients are responsible for ensuring that they are conforming with State Aid rules. If unlawful State Aid is paid, this will be recoverable from the recipient.

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

If you have not yet selected a preferred technology, you may use a small part of this grant to review the suitability of a range of technologies. As the Fund is designed to take a specific project through to investment, the grant must be used to investigate a specific technology and site. Applications will not be accepted that are simply a review (scoping study) of options.

The scale of Projects eligible for funding will vary according to technology type. In general terms, Projects should typically:
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- Require planning permission and significant pre-planning development
- Generate energy for multiple buildings (or export the equivalent to the grid).
- Single community buildings may be eligible for RCEF as long as 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 will be assessed on a case by case basis according to community benefit and value for money.

Community benefit and support

Applicants must be planning a renewable energy Project which provides a defined benefit to the community where the installation is based. Projects should be truly community led. Applicants must be able to demonstrate that a good level of community engagement has been, or will be carried out, that there is community support and explain what plans exist for ongoing community engagement. This may be critical to raising funds and/or attracting a customer base depending on your financial model.

Procurement of contractors

A good application should be able to demonstrate that the estimated costs of the project are reasonable. If your application is successful, you will need to develop a brief and obtain three quotes for the work that will be undertaken.

As part of your brief to the contractors, you will be expected to include the Stage 1 Feasibility Report Structure document as a guide to feasibility study expectations.

You will need to ensure the service provider you have chosen/will chose to carry out the feasibility work has the appropriate skills and experience. The Local Energy Hubs reserve the right to decline an application or decline a claim on a successful grant application if we consider the service provider does not have the appropriate skills and experience to undertake the work, or if their proposal does not adequately cover all aspects of the Feasibility Report Structure.

We will expect:

- A comprehensive proposal covering all aspects of the Feasibility Report Structure.
- A demonstrable track record of experience and/or qualifications in the relevant field. This may be demonstrated by their professional accreditation, CV, case studies, testimonials etc.
- Professional indemnity insurance of over £1m to cover your community for the investment of time and money you will be making on the basis of their advice.
- Value for money: The grant award falls under the remit of public funds, therefore we need to ensure Projects that we support have demonstrated value for money. We strongly recommend that applicants seek to obtain three quotations from contractors who have the relevant experience and skills to deliver the feasibility Project.
- Assurance that your selected contractor has appropriate financial experience to put together the required financial plans required for the Project.

The selection of contractors must be undertaken through a transparent procurement process.
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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 or grant claims where the procurement of contractors has not met these requirements.

If you, as an eligible 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 or grant claims 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 RCEF team for clarification.

VAT

You may 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 can recover VAT that we have included in our grant, these funds must be returned to us.
Phases of Project | Key Actions
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Grant Application Development | Community group with interest in developing a Community Energy Project express interest to Tees Valley Combined Authority (TVCA). RCEF Project Officers or Energy Project Managers in Local Enterprise Partnerships can provide support to help you develop your application.

Grant Application submitted to TVCA | Grant applications are submitted to [rcef@teesvalley-ca.gov.uk](mailto:rcef@teesvalley-ca.gov.uk). Please see the dates for submitting your application below.*

Grant Application assessed | 1. Your application will be reviewed by RCEF Programme Manager and clarifications sought
2. Your application will then be considered by the NEYH Energy Hub Board. BEIS and Defra are invited to these meetings.

Grant Decision | TVCA will notify you of the outcome of your grant application.

Grant Processed, Funding Agreement raised, and funding paid | If your application is successful:
1. A Funding Agreement will be sent to you that you will need to sign and return to TVCA
2. On receipt of your signed Funding Agreement, TVCA will make arrangements for your grant funding to be paid to you in instalments, as detailed in your Funding Agreement.

Feasibility Project in progress | Eligible Community Organisation, together with appointed contractor, undertakes Feasibility Study and any other project related activity. Progress reports provided to TVCA as detailed in your Funding Agreement.

Project Completion and Feasibility Report submitted | When your Final Feasibility Report is submitted, it will be reviewed, and feedback will be provided to enable the Project to be signed off and closed. If your Feasibility Report indicates that you have a viable Project that could be developed, you may be eligible to apply for a further development grant.

Timescales for applying

Applications are taken on a quarterly basis and you will be notified as soon as possible once the funding decisions have been made:

19th August 2019 - to be assessed on 9th September 2019
1st November 2019 - to be assessed on 9th December 2019
1st February 2020 - to be assessed on 9th March 2020
1st May 2020 - to be assessed on 8th June 2020
1st August 2020 - to be assessed on 14th September 2020
1st November 2020 - to be assessed on 14th December 2020
1st February 2021 - to be assessed on 8th March 2021
North East Yorkshire and Humber Energy Hub

The Local Energy Hubs are split by Local Enterprise Partnership (LEP) regions. Please find below detail on which LEP areas are part of the North East Yorkshire and Humber Energy Hub:

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

If you have any doubts over which LEP area you are in, please follow this link to see a map of LEP boundaries. Here you can find which regions are defined as ‘rural’ for each LEP region, as per the rural/urban classification 2011. Here you can find the Magic Map which can be a useful tool to see if your community is within a rural area.

Applications will be reviewed by the North East Yorkshire and Humber Local Energy Hub Board who will provide recommendations on the final funding decision which will be made by TVCA.

Please refer to the Applicants checklist below:

Additional Information Required in Support of your Application:

In addition to your grant application form, you will need to submit the following information:

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. If you are a registered charity you are already regulated therefore we do not require this. 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.
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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 provide a set of your management accounts and forecasts/business plan.

Signed De Minimis Declaration Form

Please note that you must complete a De Minimis Declaration Form and return a signed copy together with this application. Even if your legal entity has not previously received any form of public funding, you are still required to submit a signed declaration form back to us.

If your application is successful

If your application is successful we will issue a Funding Agreement and also request the organisation’s bank details.

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

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.

Payment of Grant

In line with your Funding Agreement, the Grant will be transferred to your account once we receive your signed form and have completed our checks.

Please note: a maximum of £40,000 per Project will be awarded.

Project Completion

Important: On completion of your Project we will require you to submit your feasibility report for review prior to your final payment to your contractor. Evidence of all expenditure such as invoices, receipts and proof of payment are also required. Should you have any grant funds remaining on completion of your Project these must be returned to TVCA.
An excellent application will typically demonstrate all of the following characteristics:

**Eligible Organisations**

**Financial Accounts:**
Eligible Organisation accounts are active and robust with evidence of good financial management and that the organisation is already working at a level of scale/income consistent with the proposed grant or if the project represents a scale-up in organisational activity, the organisation is likely to cope.

**Governance:**
Eligible community group is set up in a way that can demonstrate effective governance and project management.

**State Aid**
Applicant grant request is compatible with State Aid Rules (please see page 4).
The RCEF Grant Request will not take community group over the State Aid threshold as no other State aid has been received or is expected. Or, submitted information on State Aid indicates that, whilst there is other incoming State Aid, the grant will not bring them near the De Minimis threshold and it is very unlikely that their State Aid profile will affect their eligibility for further RCEF development grant.

**Project Management**

**Project manager - suitability**
Ideally there will be an identified project lead in place who is clearly able to offer the time, skills and experience required or a suitable project manager will be recruited.

**Organisation/Supporting group - suitability**
Good size of core project group, with relevant skills held within the group and any skills gaps supported by identified partners or other external support.

**Project Partner(s) - suitability**
Partners that clearly bring credibility (e.g. local authority, other credible organisation) and have a clear positive contribution to the project.

**Involvement of other stakeholders**
Project has explicit support from all likely major stakeholders.

**Timescales proposed by the applicant**
Timescales appear reasonable OR any reasons for shortening / lengthening of timescales have been thoroughly explained and have valid reasons.
Community Benefit

Benefits to the host community
Benefits are substantially contained within local host community and distributed to the benefit of the local population.

Community ownership and investment
Eligible organisation has exclusive provision for community benefit enshrined in governing document. Income and benefits generated will flow to the community where the infrastructure will be located.

Legal ownership of project is consistent with community influence and benefit
Legal ownership is consistent with community involvement and benefit, and this ‘locked in’ (e.g. owned by a Registered Society exclusively serving the host community).

Proposed Project

Project Plan
There is a clear project plan in place supported by a timetable of milestones to develop the feasibility and associated pre-development work. Key risks have been identified and there is a robust plan to monitor and mitigate risk.

Land ownership
Ideally the Land owner has committed exclusivity as a minimum (and possibly other legal agreement) with the applicant or Land owner has been engaged and is positive about the project.

Technologies - eligibility
Excellent projects are likely to have robust pre-feasibility work that has identified a preferred technology and the feasibility study is focused on investigating that technology/ies. Feasibility work is focused on renewable energy or low carbon energy facility. However, we recognise not all project will have undertaken this pre-feasibility work.

Project - scale
Robust assessment has identified that the project will require planning permission and significant pre-planning development OR generate energy for multiple building installations which have been identified and agreed OR export the equivalent to the grid.

Energy efficiency
Energy efficiency projects are not eligible to be funded by RCEF. However, if robust assessment has scoped the business case for energy efficiency as part of a multi-technology project and measures and buildings have been identified, then energy efficiency measures can be included as a component of the project.

Proposed Feasibility Work

Applicants brief to potential consultant(s)
Applicant’s project brief to supplier(s) is specific and detailed with clear outcomes and timelines AND builds on pre-feasibility/assessment work undertaken to date. The project has
been identified by the community group and is not driven by external companies seeking new business.

Feasibility Report Structure (provided by potential suppliers)
Consultant(s) Proposal(s) according to the Feasibility Report Structure should include:
- community engagement
- community benefits
- technology
- financial projections
- planning & permitting
- site
- operation and governance
- scheduling

Consultant(s) proposals meet all the requisites of the feasibility report structure AND fully meets the applicants brief AND show a deep understanding of the brief. Consultants have tailored the proposal to the community, including appropriate technologies, approach, outcomes and milestones.

Suitability of chosen suppliers
Suppliers are well suited to their work and three quotes have been provided for all work

Cost of work being done by chosen suppliers
Costs are sensible and in line with market rates

Quantity of work being done
No changes required to quantity of work being carried out or only very minor changes required to the work quoted.

Minimum Requirements
In addition, minimum requirements (pass/fail) are:

- The project is based in a rural community – you can check this using the DEFRA Magic Map
- The organisation purpose is compatible with RCEF aims
- The project scale is compatible with RCEF
- The proposal focuses only on eligible technologies
- The project intends to involve the host local community
- The project is intended to benefit the host local community
- At least 50% of the project should be owned by the eligible community group applying and receiving RCEF funding.
The Magic Map can be used to help you determine eligibility for RCEF. The images below provide guidance on how to do this:

On the left side of the page, expand ‘administrative geographies’, and then in the drop down expand ‘other administrative boundaries’

Select the red tick box- ‘rural areas within local enterprise partnerships’

Enter a postcode or zoom in to the area you are interested in, click the ‘site check’ icon at the top of the webpage and then click on the area to determine whether it is considered rural. Defra have suggested zooming into street level, or even clicking the exact building to get the most accurate result.

Define your area of interest by choosing one of these buttons and then click on the area to determine whether it is considered rural. Defra have suggested zooming into street level, or even clicking the exact building to get the most accurate result.

Click on ‘perform site check’.

If an area reads ‘no features found’ in the pop up box, this area is NOT considered to be rural.

If an area includes a LEP name (ie. Sheffield City Region), then this area IS considered to be rural.