

CARES development loan

Supplementary guidance note



However you take part in a local energy project, the Scottish Governments Community and Renewable Energy Scheme (CARES), can help you to develop and realise your ideas.

Introduction

This Supplementary Guidance Note has been prepared to support potential applicants to the Scottish Government's development loan. This loan is part of the Scottish Government's Community and Renewable Energy Scheme (CARES) which is administered by Local Energy Scotland. Please refer to the general CARES Funding Guidance Notes available at <http://www.localenergy.scot/cares> for information on eligibility, CARES objectives, state aid and procurement guidance and the package of support available through CARES.

If you are still developing your project proposal we would recommend you read the general guidance note and then complete a [Project Proposal Form](#) to let the team at Local Energy Scotland help you to apply for the right package of support.

Development loans should 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's important for projects to demonstrate a reasonable chance of becoming operational.

If you are still at an early stage in developing your project proposal we would recommend that you talk through your project proposals or discuss CARES funding options with your Local Energy Scotland Development Officer. Contact details for all Development Officer by region can be found at <https://www.localenergy.scot/who-we-are/local-contacts/>.

If you are already in touch with Local Energy Scotland and know you wish to apply for a development loan you should review this 'development loan supplementary guidance note' and complete an application form. Your Local Energy Scotland Development Officer will help you to plan your project and to think about your objectives and consider the risks.

Contents

Introduction.....	1
Development loan purpose	2
Development loan - key features	2
What can be funded through development loan	3
Requirements	3
Application process - enquiries	4
Application process – making an application.....	4
Application process – loan assessment	5
General conditions of loan	6
Communication.....	6
Claiming your loan	7
Amending your Loan.....	7
Loan repayment.....	8

Loan Write-off facility	8
Next Steps	9
Annex 1 – Development loans application process chart	10
Annex 2 - Joint venture	11

Development loan purpose

The Scottish Government’s CARES Development Loan provides funding of up to £150,000, to support the development of locally-owned renewable energy projects which provide wider community benefit.

Loan finance will be available to cover the development (high risk) stages of the project which is widely seen as a development barrier to community groups and smaller businesses who would otherwise wish to develop a project.

Community Benefit is central to the aims and objectives of this programme. All projects must commit to following the Scottish Government’s Good Practice Principles for community benefits.

For community and non-commercial applicants the [CARES Enablement Grant](#) of up to £25,000 can be sought prior to seeking a Development Loan to help support projects conduct an initial Feasibility Study, building the project Business Case, Risk and Mitigation Assessments.

Additionally, our CARES toolkit has been designed to take you from project inception to financial close for your renewable energy project. Please refer to this throughout your project as it will ensure you are an informed buyer of services and should increase your chances of success www.localenergy.scot/toolkit

Development loan - key features

- Loans of up to £150,000
- Cover up to 95% of agreed costs
- Security not required
- Fixed interest rate at 10% p.a.
- Community Benefit central premise of scheme
- Local advice and support available
- Competitive approval process
- If a project fails to gain planning consent or meets another insurmountable obstacle, applicants can apply to the Scottish Government for a write-off. These are not a given and will be at the discretion of Scottish Government and subject to the applicant complying with the loan conditions and state aid requirements.
- Finance provided in stages, according to agreed drawdown schedule
- Payment of loan is made against evidence of expenditure and compliance with agreed project reporting requirements.

What can be funded through development loan

- Any potential renewable energy project, joint venture or cluster proposal will be considered and must demonstrate that local community benefit is maximised.
- Projects must have a reasonable chance of success. The loans are not available to consider speculative sites.
- New projects not yet initiated.
- Existing projects under development, if it can be demonstrated that the project would not otherwise proceed.
 - Where an existing project has been refused planning consent, applicants may apply for the CARES Loan facility to cover the costs of redesign of the scheme in light of issues for refusal. However they will be required to demonstrate, through the provision of evidence, that the issues for refusal have been mitigated in the redesign, specifically where the planning refusal related clearly to visual/noise and other residential amenity impacts, or planning constraints such as aviation. Any such loan would however be offered without the write-off facility. These will be assessed on a case by case basis by the CARES Panel.
 - Where an existing project has already received planning consent CARES Loan applications may be accepted, however the Scottish Government reserve the right to issue the loan without the write-off facility. Please discuss with your local Development Officer.
- Pre-planning costs must exceed £1,000
- 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.
- Ineligible costs include planning appeal costs and Directors of the applying entity cannot claim fees for themselves, or for any other companies they are directors of.
- Value Added Tax (VAT) is NOT an eligible cost if the applicant is VAT registered. If the applicant is not VAT registered and thus unable to claim back input VAT from Her Majesty's Revenue and Customs, they may include the VAT element, at the rate invoiced, in all draw-downs – this will be included in the loan amount overall.
- For larger projects the loan 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.
- For smaller scale projects Development Loans may also be used for some construction costs with a view to being refinanced once operational and with construction risk removed. The write-off facility would only apply to the development costs.
- Applicants must demonstrate "additionality", i.e. that the proposed work could not proceed without this funding.

Requirements

- The project must generate energy from renewable sources
- Projects must be located within Scotland
- Applicants must be resident in Scotland
- Applications must demonstrate wider community engagement and indicate how the money will be used within the beneficiary community.
- Applications may not be accepted where projects have not engaged appropriately with the wider community prior to application to panel. Projects should continue to consult with the local community as the project progresses.

- Applications must demonstrate engagement with the local planning authority, specifically including discussion of options and proposals at a pre-application meeting. Application 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.
- Where the project will involve a standard renewable energy generating installation applicants who are not communities are required to follow the good practice principles which for onshore renewables currently includes pledging a minimum of £5,000 per megawatt of installed capacity, per annum. See www.localenergy.scot/goodpractice. The legally binding agreement with community benefit recipient(s) must be entered during the course of the loan period governing the provision of an annual cash community benefit payment for twenty years, enforceable on successors in title.
- Declaration required that project will not proceed without loan
- Viability, site and access options confirmed at beginning of loan term
- Repayment in full, with interest, on financial completion, i.e. when the finance for the capital construction stage is finalised.
- Funding for expenditure approved must be spent as per agreed schedule

Application process - enquiries

- If you are considering submitting an application you should contact your Local Development Officer. The contact details for all Local Energy Scotland Development Officers by region are available [here](#).
- If you have a general project enquiry you can also contact the Local Energy Scotland's central office by emailing info@localenergy.scot or calling 0800 808 2288
- Application forms and the guidance are available online and can be accessed at www.localenergy.scot/cares
- Projects which have not contacted Local Energy Scotland prior to submitting an application will not be considered for funding.

Application process – making an application

Application forms should be fully completed and a word version emailed to your Local Development Officer and copied to info@localenergy.scot. Following initial review and approval from Local Energy Scotland the signed application form should be sent to:-

The Energy Saving Trust
 Local Energy Scotland Team
 Ocean Point 1
 94 Ocean Drive
 Edinburgh
 EH6 6JH

Applicant submits a detailed project application. Where applicable, a site visit will be carried out by your assigned Development Officer. Initial project due diligence will be undertaken by Local Energy Scotland. Applications will be assessed on the following criteria.

- Viability (Technical and 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 or community Investment Plan

- Local ownership
- Capacity to deliver project
- 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 operation phase
- Neighbourhood notification - applicants should provide evidence that they have engaged with any dwellings within 1km of their development.
- For solar projects, neighbour notification is only required to be sent in line with current planning guidelines.

Recording the project location

- The project location should be expressed as Eastings and Northings, which are written as two six-digit numbers (e.g. The Energy Saving Trust building in Edinburgh has the Eastings, Northings reference 326742 677081). 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.

Application process – loan assessment

1. Applications will be supported by your Development Officer who will also complete an appraisal form assessing the application, scoring the project and making a recommendation on whether to approve, reject or request additional information. The application and appraisal will be peer reviewed and then assessed by the Local Energy Scotland management team.
 - a. Any applications considered by Local Energy Scotland to be incomplete, of insufficient quality, unclear in aims, or that are considered not to meet the schemes objectives will be rejected.
 - b. Projects that meet criteria and are of sufficient quality will be issued to the CARES Panel for review.
2. CARES funding decisions are taken by the CARES Independent Panel which meets every three months. This competitive process will operate with four application rounds throughout the year subject to demand. Details of future panel dates are available via www.localenergy.scot/applicationrounds
 - a. A recommendation to approve, reject or provide further information will be made by the CARES panel.
 - b. Final approval will rest with the Scottish Government. There is no guarantee that your application will be successful. We reserve the right to reject applications. Unsuccessful applicants will be provided with feedback.
3. Following any approval and before any loan offer can be made a credit check will be carried out. Applicants are asked specifically to provide a credit check authority to Energy Saving Trust as part of the application process. Please note applicants who fail the credit check process will be deemed ineligible.

4. Following satisfactory completion of organisational and financial checks, successful applicants will receive a loan offer from the Energy Saving Trust.
 - a. The loan offer will be subject to general and project-specific conditions.
 - b. The loan offer may only be valid for a limited period, which will be specified in the loan offer document.
 - c. The loan may be offered in staged payments aligned to agreed milestones. Successful applicants would be awarded the full amount but release of funds would be dependent on achieving these agreed milestones.
5. Work that is included as an eligible cost within the application should not commence until you have signed and returned your loan agreement to the Energy Saving Trust.

The decision of Local Energy Scotland is final and there is no right of appeal to the Scottish Government on any funding decision although you will be provided with feedback and invited to reapply.

General conditions of loan

- 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 Scottish Government 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 loan assistance
- Where the applicant is not a community organisation, applicants must be willing to enter into legally binding agreement during the course of the loan period governing the provision of community benefit with community benefit recipient(s) for lifetime of project, enforceable on successors in title.
- Applicants must consider a community consultation strategy in line with the Community Benefit Guidance for CARES Applicants.
- Local community groups beneficiaries must undertake to supply a community investment plan during the course of the loan 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 loan-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
- 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 Local Energy Scotland for advice in the first instance.

Breach of conditions

The Energy Saving Trust reserves the right to terminate the loan agreement and require full repayment of monies outstanding at any stage if the loan conditions are breached or the information provided by you in the Application Form is false or incorrect.

Communication

Where a CARES loan is awarded Local Energy Scotland will expect regular communication with the applicant as a requirement. This will include monthly project updates to be provided to your assigned Development Officer on and including project milestones below:

- Changes in 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

Please note these will be required for any release of funds and if they have not been met may impact on the approval of a write-off should this be required.

Claiming your loan

With each loan claim you submit 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
- Issues the project may be facing which is hampering its development and progress
- Fulfilment of any special conditions or identified project milestones.

CARES loan funds will only be released after Local Energy Scotland has received original invoices and progress report (as above) for work carried out.

The following will apply:

- Claim forms and all relevant invoices must be sent to Local Energy Scotland's office
- On receipt of the invoices, the Local Energy Scotland development officer assigned to the project will validate all claims and may undertake a site visit to check progress
- If satisfactory, the Energy Saving Trust (EST) will make a payment directly into your bank account.

Amending your Loan

Local Energy Scotland recognises that projects funded under CARES may change in nature through the course of development and the nature of the changes may impact on the initial agreed loan schedule.

- Where changes are required, please contact your Local Development Officer to complete a change request
- A reassessment of the project risks will take place at each a change request.
- Under certain circumstances, where project risks have increased this may result in the write-off facility being removed from any further loan facility.

All loans (including any instalments) must be drawn down by loan expiry date set out in your agreement unless agreed otherwise. You must inform Local Energy Scotland if you become aware that you may not be able to meet this date.

Loan repayment

All loans will be repayable in full with interest at the point at which a capital project is financed i.e. when the finance for the capital construction stage is finalised. You must inform Local Energy Scotland in writing when you have reached this stage.

You can repay the loan in full, with interest, at any time however please inform us if you intend to do so.

The interest will be compounded and fixed at 10% per annum and will accrue on a full monthly basis from the date that the loan is paid. If the loan is paid in instalments, then each instalment will attract interest from the date of payment to the recipient.

A statement showing the original loan amount and the interest accrued is available on request.

Loan Write-off facility

Development loans are offered with write-off facility should the project fail to gain planning consent or meets another insurmountable obstacle; subject to EU State Aid rules (see [CARES Funding Guidance Notes](#)).

You must submit an application to write-off a loan which will be reviewed by the CARES panel, but the final decision rests with the Scottish Government. Satisfactory documentary evidence is required to demonstrate that one or more of the following circumstances apply:

- A detailed feasibility study has indicated the project is no longer feasible
- It has not been possible to establish an option or access agreement for the site
- It has not been possible to secure a cost-effective grid connection
- Formal planning permission has been refused
- The project is unable to achieve financial completion
- Other reasons can be considered

A copy of the write-off application form is available on request.

Loans without write-off

- Refundable deposits (i.e. grid deposit) will not be eligible for write-off and should be refunded to the Scottish Government should the project not go ahead.
- In cases where a write-off is not approved or the applicant is not able to accept a loan with a write-off facility because of European Union State Aid Conditions, a loan may still be offered on purely commercial terms, without a write-off facility. N.B. Community benefit provisions will still apply.

Loan interest

- CARES Loans are short term loans to allow prospective developers to work up a project to a stage where a commercial funder will agree to provide loan finance to build the scheme. The loan is required to be repaid when financial close on the capital scheme is reached.
- Example - If a CARES Loans of £100,000 has been used for a year to develop a project to a stage where a bank will fund the capital stage, and if the cost then to build the project is £800,000, the developer (whether community or commercial) will require to assemble

finance of £910,000. This will allow the capital costs to be financed, and the CARES Loan to be repaid in full - £110,000 including the CARES Loan interest of £10,000.

- Interest is charged at a fixed rate of 10% per annum from the date that instalments are drawn down until the date the loan is repaid. If the loan is written-off, then the interest accruing to the loan is also written-off.
- Interest will accrue from the date that the loan is paid to the recipient, if the loan is paid in instalments then each instalment will attract interest from the date of payment to the recipient.

Next Steps

After reaching financial close additional funding streams may be available to support your project through to completion, as follows:

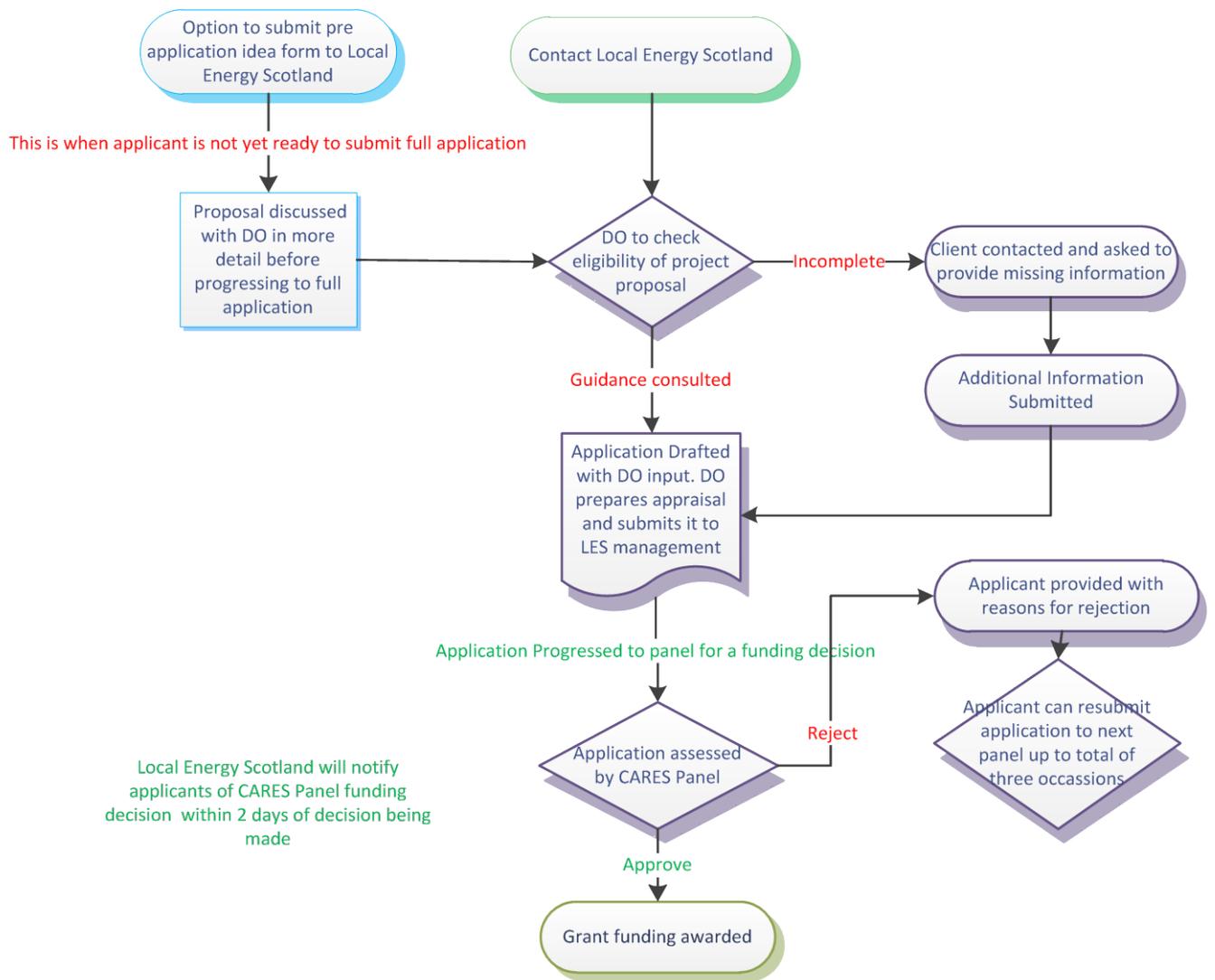
- Bridging Loan provides up to £100,000 to assist projects through to financial close.
- Innovation Fund for projects with higher development costs due to being more innovative.

Further information is available on our website www.localenergy.scot/funding

Please refer to the [CARES Funding Guidance Notes](#) for information on eligibility, CARES objectives, state aid and procurement guidance and the package of support available through CARES.

Annex 1 – Development loans application process chart

Application process



Abbreviations
 DO- Development Officer
 LES- Local Energy Scotland

Annex 2 - Joint venture

Joint Ventures between eligible applicants

- Applications between eligible organisations are welcomed.
- The Joint Venture vehicle should be the CARES Loan applicant where possible.
- Where a Joint Venture vehicle has not been established, a joint submission from all from all project partners will be required. This should contain details of the roles and responsibilities of individual partners, the proposed organisational structure and terms of the joint venture vehicle, intentions for administering the CARES loan.
- If successful, project partners must provide evidence of the status of the agreement and progress will need to be demonstrated prior to any loan draw down.

Joint Ventures where one or more partners are not eligible applicants.

- Application from Joint Venture between eligible applicants and non-CARES supported partners are welcomed.
- In these cases, the CARES Loan applicant must be the eligible applicant rather than the JV vehicle.
- Only those costs attributable to the eligible applicant are eligible for the CARES Loan application.
- The application process will require a joint submission from all project partners. This should contain details of the roles and responsibilities of individual partners, the proposed structure and terms of the joint venture vehicle, intentions for valuing and attributing the CARES loan proportion of work in the final Joint Venture.

Interest from Scotland's agricultural cooperative sector and other groups of businesses, charities or community groups who have a clear idea on how they can unlock more of Scotland's renewable energy capacity by working together are welcomed.