

Bio-Energy Capital Grant Scheme Guidance notes



The Big Lottery Fund, the Department of Trade and Industry (DTI) and the Department of the Environment, Food and Rural Affairs (DEFRA) have produced this guide to tell you more about funding under the second round of the Bio-energy Capital Grants Scheme. This guide is in five sections.

Bio-Energy Capital Grant Scheme Guidance Notes

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Further copies available from:

Email enquiries@biglotteryfund.org.uk

Phone 0845 0 10 11 12

Textphone 0845 6 02 16 59

Our website www.biglotteryfund.org.uk

Accessibility

Also available upon request in other formats including large print.

Our equality principles

Promoting accessibility; valuing cultural diversity; promoting participation; promoting equality of opportunity; promoting inclusive communities; reducing disadvantage and exclusion. Please visit our website for more information.

We care about the environment

The Big Lottery Fund seeks to minimise its negative environmental impact and only uses proper sustainable resources

Our mission

We are committed to bringing real improvements to communities and the lives of people most in need.

Our values

We have identified seven values that underpin our work: fairness; accessibility; strategic focus; involving people; innovation; enabling; additional to government.

The Big Lottery Fund is committed to valuing diversity and promoting equality of opportunity, both as a grantmaker and employer. The Big Lottery Fund will aim to adopt an inclusive approach to ensure grant applicants and recipients, stakeholders, job applicants and employees are treated fairly.

Big Lottery Fund is the joint operating name of the New Opportunities Fund and the National Lottery Charities Board (which made grants under the name of Community Fund).

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Section one

Overview

This section provides general information on the scheme. You should read this first to see if this scheme is applicable to you.

Introduction

The purpose of the second round of the Bio-energy Capital Grants Scheme is to promote the efficient use of biomass for energy by stimulating the deployment of biomass fuelled heat and combined heat and power (CHP) projects. It will do this by awarding capital grants towards the cost of equipment in complete installations.

We define biomass as fuel used in a generating station of which at least 98 per cent of the energy content (measured over a period of one month) is derived from plants or animals. It includes agricultural, forestry or wood wastes or residues, sewage and energy crops. The plant or animal matter should not be derived from fossil fuels.

The Bio-energy Capital Grants Scheme is a joint initiative funded by the Big Lottery Fund and the Department of Trade and Industry (DTI), with advice and direction from the Department for the Environment, Food and Rural Affairs (DEFRA).

Further information on the Big Lottery Fund can be found on our website www.biglotteryfund.org.uk Information on the DTI can be found on www.dti.gov.uk and DEFRA on www.defra.gov.uk.

Who the scheme is aimed at

The scheme is aimed at installers and suppliers of biomass heating and CHP equipment.

It is also aimed at project developers, and organisations that are considering investing in heat and/or CHP projects fuelled by energy crops and other biomass feedstocks.

It is not aimed at householders or individuals. They should consider applying to the Low Carbon Buildings programme, which the DTI is running in 2006. In Scotland the Scottish Communities and Household Renewables

Initiative (SCHRI) also provides funding for domestic biomass heating installations.

Companies already receiving a Bio-energy Capital Grant, from either the Big Lottery Fund or the DTI, are not eligible for more funding from this round.

Aims of the scheme

The overall aims of the scheme were described in the guidance notes to the first round of the scheme. They are summarised below.

The outcomes from projects under the scheme should meet all of these aims.

- contribute to improvements in the environment by encouraging investment in renewable energy
- contribute to the UK's international undertakings, under the Kyoto Protocol
- contribute to the UK's domestic policy goal of reducing emissions of carbon dioxide (CO₂)
- contribute to delivering capacity on the ground, as a means of stimulating the UK renewables industry and contributing to the 2010 and future targets for renewable electricity generation and CHP
- help overcome the barriers that are holding back the development of renewables in the UK
- contribute to delivering future learning benefits that will help achieve future environmental targets at lower cost, and help establish the UK renewables industry at the forefront in terms of technology and expertise.

In addition projects supported under the scheme should:

- encourage the deployment of energy crops
- encourage the development of efficient technologies for converting biomass products to useful energy
- stimulate the development of rural economies
- alleviate fuel poverty.

To achieve the above aims the award process will, as far as is possible, ensure that:

- successful applications are completed and produce energy, as swiftly as possible
- where applicable, the output is made available to electricity suppliers in the UK for a minimum of 10 years to help them fulfil their renewables obligation
- a diversity of UK based companies capable of implementing such projects and their supply chains in future are developed and maintained
- the available funds support a range of projects that involve varied technical and commercial approaches.

Differences between Round 1 and Round 2

- This round is for heating and CHP projects only.
- There is no longer a requirement for geographical clusters of heating installations although the requirement to show access to a suitable fuel supply and technical support remains.
- Applications for heating projects can still be through a business plan but there is now a requirement to give a sales funnel setting realistic probabilities to future prospects.
- Where the application is for a project to install a series of heating plants at least one third of the requested grant assistance must be allocated for confirmed sales that are subject only to the award of a grant.
- End users must be business' or the public sector.
- There is no size limitation on CHP projects, although the maximum amount of grant assistance is capped at £500,000 per application.
- Pellet fuels are added to the list of eligible fuels for heating installations.
- CHP projects may be fuelled by any biomass as defined in the Renewables Obligation, but with a preference for energy crops, forestry wood fuels, and agricultural residues.

What a successful round two will deliver

We would consider round two successful if it delivered the following in the next four years:

- several examples of biomass heating and CHP projects that will create an initial market for equipment and services and stimulate rural economies, and
- a range of projects that will deliver learning benefits that will accelerate use of biomass energy in the future.

Funding available for each project

This scheme is competitive. Applicants must bid for the minimum amount of money that will enable their project to go ahead.

Value for money, as represented by the total grant requested per kW installed, and the percentage of grant as a proportion of total costs, will be a key assessment criterion.

The maximum grant available to each project is constrained by the European Commission rules on State Aid. Under these rules the total State Aid for any purpose from any UK source (or other member state) may not be more than 40per cent of the eligible costs for businesses.

For the purpose of this scheme eligible costs are those costs that are incurred over and above the costs of delivering the same energy output using natural gas or other fossil fuel.

The maximum amount of money available under the Bio-energy Capital Grants scheme will be reduced by any money from the European Union.

Total grant funding

The total funding available for this round is at least £2 million, as long as we receive enough good proposals.

Funding from this round must be spent by the end of March 2010.

Regional coverage

The funding will be open to applications across the UK and will not be split into allocations for individual countries or regions.

Section two

Priorities, eligibility and assessment criteria

This section sets out the scheme priorities, the eligibility criteria, and the assessment criteria against which bids will be assessed.

We described the aims of the scheme and what we expect to be achieved in Section one. Below we set out the detailed specification for bids.

Priorities

The previous round of the Bio-energy Grants Scheme had three priorities.

1. Deployment of high efficiency electricity generation and CHP using energy crops
2. Demonstration of new, high efficiency, technology for generating electricity from energy crops.
3. Deployment of biomass heating and small scale CHP.

This round of the scheme is for applications for funding of between £50,000 and £500,000 which address the third priority only.

Applications must meet the following objectives.

- To create an initial market for biomass heating and CHP equipment and services.
- Stimulate the rural economy through the installation and operation of equipment and fuel supply activities.
- Sustainable development through the involvement of communities.
- Where possible, to alleviate fuel poverty.

We want applications for grants toward the cost of building complete installations in the following two categories only.

Category 3a

Projects to deliver one or more complete and functioning installations, fuelled by solid biomass, whose main purpose is to supply space or process heating for business or public sector users.

Applications must show that a viable fuel supply and an

adequate installation and after sales support will be available to the end user.

We welcome applications that build up capacity and fuel supply infrastructure over a period.

Where the application is submitted by an installer or supplier, several installations can be included in the same application, but at least one third of the grant requested must be allocated to confirmed orders with a defined location. These orders must be confirmed by a letter of acceptance, subject to grant, from the end user, and a copy of the accepted quotation. These must be attached to the application.

All appliances must meet the criteria for inclusion on the Energy Technology List as described in the ECA (Enhanced Capital Allowances) scheme.

The Enhanced Capital Allowances (ECA) scheme enables businesses to claim 100 per cent first year capital allowances on investments in energy saving equipment. Businesses are now able to write off the whole cost of their investment against their taxable profits of the period during which they make the investment. More information can be found on www.eca.gov.uk

- The fuel in category 3a must be energy crops, forestry wood fuel, agricultural by-products or pellet fuel manufactured from these.

Category 3c

We invite projects to apply that will deliver one or more CHP installations fuelled by solid biomass whose main purpose is the supply of electricity and space or process heating. Applications must show that a viable fuel supply, and an adequate installation and after sales service is available.

Installations must meet the criteria set for good quality for the purposes of ECA as set out in the Combined Heat and Power Quality Assurance Programme (CHPQA).

Good quality CHP refers to CHP production that is energy efficient. The CHPQA determines that quality. For more information on the standard visit the programme's website at: www.chpqa.com

Installations in this category must be fuelled by biomass, but we will prefer projects that use energy crops, forestry wood fuel (that is, wood that has come from harvesting or primary processing, such as saw milling) and agricultural residues.

Applications in this category must demonstrate that a full and credible planning application has been made for any necessary building works, or that such permission is not necessary on the intended installation site.

Wastes

Installations that will be, or should be, regulated under the Waste Incineration Directive are not eligible for grants under this scheme.

Installations whose primary purpose is the disposal of waste are not eligible for grants under this scheme.

Applications for grants under both category 3a and 3c should show that all these conditions will be fulfilled.

Essential eligibility criteria

To be eligible for a grant under this scheme, you must ensure that your application, and the project described in it, meet the following criteria. If it does not then the application will not be assessed.

The application form

Criterion 1. You must send in your application by the deadline for submissions of 5.00pm on Monday 31st July. Applications received after the deadline will not be considered.

Criterion 2. The application must be complete and properly signed; we cannot consider it if it is not. You MUST complete all questions by giving the information

requested unless the guidance notes say that the question doesn't need to be completed, or is optional. Entering 'information to follow' as a response is not an acceptable answer to a question. Please ensure that you have sent us all of the information that we have asked for.

The project

Criterion 3. Your project must be within the limits set for output, technology, fuel and the other parameters set in the priorities identified in Section two of this guide.

Criterion 4. Projects addressing Category 3c should give evidence of an energy purchase agreement or other arrangement for the purchase of the output of the projects.

Criterion 5. All applications should include evidence that an adequate fuel supply with the correct quality for the project will be available.

Criterion 6. All projects must be physically located within the United Kingdom and supply energy to consumers in the UK.

The applicants

Criterion 7. Applicants must be registered in the United Kingdom and be one of the following;

- commercial companies
- local authorities
- charitable or not-for-profit companies
- Regional Development and other agencies.

Applications from private individuals will not be eligible.

Applications from both single organisations and consortia are eligible.

Criterion 8. Consortia proposing to operate through a collaborative agreement must have the collaboration agreement in place at the time they submit their application and must furnish a copy of the signed legal agreement with their application. They must also, as part

of the application, nominate a lead partner to whom the grant would be paid on their behalf.

Criterion 9. Consortia proposing to operate through a joint venture must have the joint venture vehicle in place at the time they submit their application and must furnish a copy of the relevant legal agreements with their application. They must also, as part of the application, nominate either the joint venture or a lead partner as the organisation to which the grant would be paid on their behalf.

Criterion 10. For projects addressing Category 3c applicants must be the legal entities who would hold beneficial ownership of the completed project. This would include equity investors but not financial organisations or individuals lending money to finance a project, even if loans were secured against the project income. The joint venture vehicle of a consortium would be the applicant, but for consortia the individual consortium partners would be joint applicants.

Criterion 11. All applicants and each partner in any consortium may have to prove their financial viability and must give us the information we ask for to do this, including any information not required on the application form. Applications from any organisation failing this financial viability test (including failure to provide information within one month of our asking for it), or involving a consortium that includes any organisation failing the test, will be ineligible.

Financial

Criterion 12. Your application must show that you can get adequate financing to complete your entire project, subject only to the award of the grant. You must supply proof of this by means of letters of intent etc.

Criterion 13. The capital funds that you are asking for in this application must fall within the limits set for this scheme by the State Aid rules and any criteria in

categories 3a and 3c set out in Section two.

Criterion 14. You intend to use our grant to cover costs that meet the rules set for this scheme including any requirements set out in the specification in Section two of these notes. These are described in more detail in the eligible costs section below.

Criterion 15. None of the costs you want us to fund are already being paid for by either another source or ourselves (or are to be funded by another source or ourselves in the future). Tell us if you anticipate applying for further funding in relation to this project.

Criterion 16. Projects awarded contracts under NFFO and their equivalents are not eligible. An electricity generating station at a location at which a qualifying arrangement already provides for the building of a generating station will not be eligible for a grant. This is because these contracts were won in a competitive tendering exercise. Under State Aid rules they are deemed to have received adequate assistance rules and more aid would be illegal. If we decide that any funding from the Bio-energy Capital Grants Scheme will support a Non Fossil Fuel, or Equivalent Obligation, Scheme or vice versa then the application will be ruled ineligible.

Eligible costs

Eligible costs include costs only incurred after you have accepted the offer of a grant.

We will pay for the cost of all purchased goods and services necessary to build and commission the project. This includes the cost of fuel used in the installation and labour up to and including certified acceptance of commissioning, less the cost of building an equivalent fossil fired installation. (A certified acceptance of commissioning is the formal acceptance, following an agreed testing programme, that the installation will have adequate performance and output. This will normally coincide with the owner's takeover of the installation for commercial operation from the construction contractor.)

For CHP projects the cost of building an equivalent fossil fired installation should be taken as £550 per kW of installed electrical capacity. For other projects please provide details of an equivalent natural gas fired installation. In the absence of other information the equivalent cost of a fossil fired heating installation should be taken as £40/kW.

For projects that will install a series of appliances over time we will pay for costs up to the time when the end user confirms in writing that each fully functioning appliance is satisfactory.

For CHP projects the scope of the equipment eligible for this grant must be taken from the scheme definition as set out under CHPQA plus the immediately associated fuel storage, preparation and feeding equipment.

For heat projects the equipment eligible for a grant is the boiler, or appliance, and immediately associated fuel storage and feeding equipment.

Buildings and building work are not eligible except:

- steelwork when it is an integral part of the boiler support structure
- simple, barn type structures used solely for the immediately associated fuel storage, and
- excavations for fuel storage.

In retrofit applications where one central biomass boiler will replace several smaller oil or gas boilers, insulated linking pipework with associated calorifiers, pumps and controls to connect to the heat load will be eligible – but not heating systems within buildings.

Remedial work on building fabric will be eligible only to the extent necessary to make good after equipment installation.

We will pay for the cost of purchased services for the independent evaluation of the project and the dissemination of the results.

Own labour costs, including agreed overheads, but not profit, for construction, commissioning, and project management are also eligible. But these costs should be directly linked to the design, construction, commissioning and evaluation of the equipment contained in the project and auditable as such. This scheme cannot support business start up or development, research and development, marketing, or sales activities.

In this context “own costs” include the applicant’s own costs and admissible costs incurred by consortium members and admissible costs incurred by companies connected to any of these.

Ineligible costs

The following are excluded from eligible costs.

- All costs associated with the operation of the equipment following commissioning or acceptance by the end user.
- All costs associated with applying for planning or other consents.
- Purchase cost of any land on which the project is built.
- Input VAT (except where it cannot be reclaimed by grant holders).
- Interest charges, bad debts, advertising, entertaining.
- Hire purchase interest and any associated service charges.
- Mark up and profits.
- Profit earned by a subsidiary or by an associate undertaking work sub-contracted under the project.
- Notional costs (for example, opportunity costs).
- The audit fee for certification of claims by an independent accountant.
- Activities that contribute directly to a company’s distributed profits.
- Endowments.
- Funds to build up a reserve or surplus.

- Retrospective funding.
- Loan repayments.

Revenues

All revenue from the sale of electricity and or heat during the commissioning phase must be shown in your estimates and offset against the cost of fuel, other consumables and labour during this phase.

The revenue from the sale of heat or electricity in the evaluation phase need not be shown, as the operating costs are not eligible.

Assessment criteria

All the eligible applications falling within a particular category will be assessed and scored against the criteria below.

To be funded an application must be judged as at least acceptable against all the criteria. Applications scoring below a threshold score on any criterion will be rejected irrespective of the scores on other criteria. If there are more acceptable applications than can be supported by the budget for a particular priority they will be ranked according to their merit against all the criteria.

A. Cost

Do the costs as presented in the application represent good value for money in terms of:

- grant requested per kW of contribution?
- specific capital cost (£/kW) for the appropriate type of equipment.

B. Relevance

How well do the aims and objectives match those of the scheme and category 3a or 3c?

You must demonstrate that none of the proposed installations will be, or should be, regulated under the Waste Incineration Directive.

You must demonstrate that none of the proposed installations have waste disposal as their main purpose.

C. Technical credibility

How technically sound is the proposed project and business plan and how likely is it to deliver the objectives? This should cover energy technology, fuel supply, and technical support.

D. Credibility of the applicants

Do the applicants have the necessary experience to deliver the objectives and ensure that the project will be properly managed?

E. Evaluation and dissemination

How comprehensive and realistic are the measures to evaluate the performance of the project and disseminate the results?

Section three

The application process

This section explains the application process and how you should plan your application. A timetable is given at the end of this section to summarise the key stages in the application process, together with dates.

Why do we use an application process?

We have an application process so that we can:

- inform potential applicants about the programme so that they can decide if they want to apply
- find out details about the projects that people would like to carry out under the programme
- gather enough information from applicants to allow us to check how well their proposed project meets the priorities, eligibility criteria and assessment criteria of the scheme
- The application process is designed in such a way as to ensure that all applicants who are eligible for the scheme have an equal opportunity to bid for and secure grant funding.

Getting an application form

The round will be announced on the Big Lottery Fund website, through relevant trade associations, and press releases.

You can download application forms and guidance materials from the Big Lottery Fund website at www.biglotteryfund.org.uk.

Sending us your application

We must receive three original signed paper copies of your completed application form and attachments by 17.00 on Monday 31 July 2006 at The Big Lottery Fund, 1 Plough Place, London, EC4A 1DE. You should also enclose an electronic copy on a CD using Microsoft Word 2002 or earlier.

What we do with applications once we have received them

We will acknowledge your application within 10 days of receipt. When assessing your application, we will decide

whether or not to fund it based on its eligibility and how well it scores on our assessment criteria. Eligibility criteria allow us to identify which applications to consider in depth. Assessment criteria allow us to understand the difference between projects and help us select which ones are most likely to achieve the overall aims of the scheme.

The assessment and decision procedure

An external assessor will carry out all assessments. Application assessment and funding decisions will be in four stages.

1. Applications will first be assessed for eligibility.
2. If your application is deemed as being ineligible you will be informed of our decision and the reasons why it has been considered ineligible.
3. Each eligible application will be assessed and ranked against a range of criteria as set out in Section two. These will include its contribution to the aims and objectives of the scheme, technical merit, credibility of the applicants, financial viability and overall value for money.
4. The assessors will make recommendations on each application to be presented to a Project Board.
5. The Project Board will review the technical assessor's recommendation and make final recommendations to the Board of the Big Lottery Fund.
6. A final grant offer will be made to successful applicants, subject to financial checks, and any other terms that may be appropriate for the particular project and the terms and conditions of the Big Lottery Fund.
7. Both successful and unsuccessful applicants will be informed of the decision within 5 days of the Big Lottery Fund's Board meeting.

Only good projects that offer value for money will be funded and all of the available funds may not be awarded. Due to the limited funding available for this round we may not be able to fund all good projects.

What happens if your application is successful

If your application is successful, you will receive a grant offer letter shortly after we have made the final decision. This offer will be subject to conditions that need to be met before the first payment claim.

Grant offer letter – this will detail the amount of grant offered and include a unique reference number for your grant. This is the number that will be used to identify the application and must be used in all future correspondence.

Standard Conditions of grant – a list of responsibilities relating to the grant and what will happen if you fail to meet them.

Terms of grant – these are in addition to the Standard Conditions of grant. Terms are specific requirements relating to the grant scheme, and vary depending on the circumstances of each grant. We cannot release payments until you have met these terms.

The grant offer letter and terms and conditions of grant form the agreement between your organisation and us. You must sign the offer letter and return it to us to establish the agreement.

We cannot give you details of the terms that would be applied to your grant before making you a grant offer. You can find some of the terms that are likely to apply in Section five.

What happens if your application is unsuccessful

Where bids are not successful, we will send you a letter informing you that your application has been unsuccessful, within 5 days of the Big Lottery Fund Board meeting, and telling you the reasons for this decision.

Complaints about the assessment process

If you have a complaint about the assessment process you should contact the managing contractor who will give you details of how to complain. However, you should note that the Project Board's recommendation to the Board of the Big Lottery Fund is final.

Timetable of key dates

| | |
|---|------------------------|
| Web announcement and publication of application packs | 12 April 2006 |
| Closing date | 17.00h 31 July 2006 |
| Technical assessments completed | September 2006 |
| Funding decisions by the Big Lottery Fund Board | October 2006 |
| Grants issued | October/November 2006 |

Section four

Notes on the application form

Section 1

Administrative details

The information in this section will be used for database and management purposes.

The **title** of the project will be used throughout the award process and for any grant.

All correspondence will use the **contact address** given for the lead organisation.

Section 2

Funding

Please check that the grant you are applying for is within the State Aid rules – that is, less than 40 per cent of the eligible costs unless special circumstances apply.

The **preferred phasing** indicates how much money would be claimed by the applicant from the Big Lottery Fund in each financial year. The financial year runs from April to March. If your application is successful we will ask you to revise and confirm this phasing.

Section 3

Partners and subcontractors

The projects supported under this scheme will use substantial amounts of Lottery money. It is important that the organisations receiving the grants are credible, have the right skills to carry out the projects, and are able to ensure that the projects are well planned and managed.

Small and Medium Sized Enterprises (SMEs)

The State Aid rules define an SME as a company that:

has no more than 250 employees, and

has either an annual turnover of less than €40 million (approximately £28 million), or a balance sheet total of less than € 27 million (approximately £19 million), and

is less than 25 per cent owned by one or more companies not falling within this definition, except for public

investment corporations or venture capital companies.

We appreciate that it may not be possible, or commercially wise, to identify specific subcontractors at an early stage. However a list of the purchasing packages should be given with an indicated cost. This will help us in assessing the credibility of your project. You must also include these major purchasing contracts as milestones in the table in Section 4.6 of the application form. If your application is successful we may ask you to provide more detailed information before the final offer of a grant.

Section 4

Your Project

This section contains information in tables in 4.1 and 4.2 that describe the key technical data for your project.

For CHP projects an independent and qualified consultants' report must be included that confirms this data is realistic.

The description requested in 4.3 is your opportunity to present the project to the assessors. It should include the following sections.

The technology for conversion to energy

Where the project involves installing a number of heating appliances as part of category 3a you should use a business plan to explain how the capacity will build up to the figures you have given in sections 4.1 and 4.2 of the application form. You should pay particular attention to cash flow.

Projects in category 3a should provide a list of confirmed sales and prospects. At least one third of the grant applied for should be for installations on this list that are covered by confirmed orders. Letters from the end users should be logged in Section 6.2 and attached in an appendix to the application.

The remaining prospects should each have a realistic probability of success that reflects timing, competition and other factors.

CHP projects should describe the technology briefly, give reference installations and supply an energy balance.

The fuel supply and how it will be built up

This is a key feature in all biomass installations and will be an important factor in assessing the credibility of the project. You should describe how the supply will be built up from the start date and how it will take account of seasonality and annual variation. You must describe where the fuel will come from and what arrangements you will put in place to secure an adequate fuel supply with the right quality.

You must take into account the fuel supply conditions attached to the category that your project addresses, and describe how you will meet them.

If you are proposing a project that will install a number of appliances to third parties, you must describe how you will ensure the security and quality of their supplies in the long term.

The qualifications and track record of the organisations involved

You should present the skills and experience of the team. Experience in the previous round has shown that business skills and track record are an important indicator of the future success of the project.

Aims, objectives and what the project will achieve

State here the aims of your project and give clear, measurable objectives.

How the project will address the priorities identified in the round

You should briefly describe how your project contributes towards each of the aims and objectives of the round as listed in Section one of this guide and the specific objectives of each priority in Section two.

How the results will be evaluated and disseminated

It is important to the aims of the scheme that the projects supported by it should be examples that can be understood and inspire others. To provide best value for money the benefits and performance of the project will need to be evaluated and the results disseminated widely. Explain how your project will do this.

You must state in your application what you are prepared to publish and what you regard as confidential, bearing in mind that one of the key objectives of the scheme is to contribute to the delivery of future learning benefits.

A project timetable

This must be a Gantt chart. CHP projects should show the phases of planning, construction, commissioning, operation and evaluation. Heat only projects should show the phased delivery of the proposed installations. It must tie in with the information on costs in Section 4.5 and show the milestones listed in Section 4.6 of the application form.

Section 4.6 of the application form lists all the important milestones in the project including planning and other consents. We will use this to assess the credibility of the application, how quickly it is likely to contribute to the aims, and, if a grant is awarded, the progress of the project against its planned timetable.

Some typical milestones for a CHP project would be;

- planning approval
- PPC approval
- financial close
- 25 per cent, 50 per cent, 100 per cent fuel supply secured
- start of site work
- major equipment purchases
- mechanical completion

- commissioning start and end dates
- evaluation start and end dates.

The milestones for heat only projects must include projected completion dates for the installations.

It is important that the timetable is realistic, as it will be used to judge the credibility of the application.

Each application must indicate the funding to be provided by the applicant, and by each partner in a consortium.

Loans secured against the project itself or unsecured loans specifically for the project must be shown separately, whether made to a joint venture or to one or more partners in a collaboration or to a single applicant.

Applications for all projects involving loan finance of any amount against the project itself (secured or unsecured) must be accompanied by evidence that the prospective lenders will provide the loans required if the project proceeds, subject only to award of the grant at the level requested and valid for at least a year after scheduled award date.

Cost estimates must take account of eligibility of costs (see below).

Costs must be denominated in GB pounds. Applicants must indicate where conversion has been made to GB pounds from other currencies and indicate the rate used. For the purposes of ranking applications an exchange rate to be defined by the assessors will be used to convert costs to GB pounds.

Costs are exclusive of Value Added Tax (VAT). (This does not apply to organisations that are not registered for VAT, nor to those invoicing for an exempt supply - in these cases the indirect VAT on items purchased must be included in the cost estimates, and identified separately).

Applicants must identify any other public support awarded, or applied for.

In kind support

These are non - monetary contributions such as volunteer labour, gifts, and free use of facilities or equipment (or use at a preferential rate).

Eligible costs

See the description in Section two.

Total eligible project costs are all goods and services necessary to implement the project. Total eligible costs are arrived at by subtracting the costs of a fossil fuel equivalent installations as described on page 11. If you have any questions about this, please contact the scheme administrators.

Revenue

See the description in Section two.

Ineligible costs

These are set out in Section two. If you have any questions, please contact the scheme administrators.

Section 6 Partner's Signatures

An authorised representative of the applicant must endorse the application before you send it to us.

An authorised representative of each partner must endorse the form for applications made on behalf of consortia operating through a collaborative agreement or a joint venture. For a joint venture an authorised representative of the joint venture must also endorse the application.

Where an applicant or partner in a consortium is wholly owned by a parent company, an authorised representative of the parent company must endorse the application.

Authorised representatives endorsing the application include the company secretary, president, chairman, managing director, chief executive, chief operating officer and the finance director of the organisation.

All signatures must be on the same side of a single sheet of paper and must be witnessed by an independent person.

List the confirmed orders that we require in Section 6.2 of the application form. Give the location and attach a letter confirming the approval of the end user for inclusion in the application.

Section 7 Data protection

Applicants must agree to publication by the Big Lottery Fund of the following information:

- identity of applicants (including consortium or joint venture membership where relevant)
- project location and capacity
- expected annual output
- estimated investment cost
- grant requested
- total public support from all sources
- proposed commissioning date
- project description (including any key technical features).

We will use the information you provide on the application form, during assessment and during the life of any grant offered to administer and analyse grants for our own research. We may also share information with other Lottery distributors, government departments and other organisations with a legitimate interest in Lottery applications and grants, or for the prevention and detection of fraud.

We recognise the need to maintain the confidentiality of commercially sensitive information and such details will not be disclosed in any way, except as required by law.

If information is requested under the Freedom of Information Act we will release it, subject to exemptions; although we may consult with you first.

Section 8 Declaration

Each applicant and all the partners in any application from a consortium must undertake to proceed with the project if the requested grant is awarded.

Section 9 Checklist

There must be either a tick or N/A in every box.

Send only the information that we have asked for.

Please do not send us any other documents (apart from those we have requested) in support of your application. If we require any further information to assess your scheme, we will ask for it.

Clearly reference attachments.

You can choose to answer a question on the application form by making reference to another document such as a business plan. However, if you choose to do this, you must enclose a copy of the document to which you are referring and indicate the precise location of the information in the document to which you are referring (for example, page number, section reference), and highlight the text concerned in the document.

Where you are asked to answer a question by enclosing a separate sheet of paper rather than filling in a box on the application form, please ensure the sheet is clearly labelled with the reference number of the section it refers to.

Ensure the information you send us is relevant.

If you choose to answer all or part of a question by referring to another document, please double check that the information you are sending does in fact answer the question we have asked.

Section five

Grant conditions

We cannot tell you at this stage the exact terms and conditions of any offer. These would be set out in full in any offer of grant. The terms below give an indication of the minimum terms that may be applied.

General

1. An offer will lapse unless the conditions specified in the offer have been fulfilled, before the first scheduled payment. These are likely to include the following:
 - full planning permission for any building works necessary for the completion of the project
 - evidence of access to an adequate fuel supply that meets the scheme's priorities.
2. All projects must be installed in the UK and supply energy to beneficiaries in the UK.
3. Any offer of grant must be accepted within six months of the offer date.
4. Commissioning must take place no later than 24 months after the date scheduled in the application.
5. All proposed changes of beneficial ownership or bankruptcy proceedings etc. (including consortium partners) must be notified to the Big Lottery Fund.
6. The grant entitlement ceases on bankruptcy etc. of the lead organisation or any consortium partner or any parent company and any payments will be recovered.
7. The grant entitlement ceases on change of beneficial ownership, including any change of partners within the consortium unless otherwise agreed by the Big Lottery Fund. Agreement to any change of ownership is at our discretion (following financial checks etc) and only within the terms of the original scheme.
8. Grant entitlement ceases if there are any changes to a "key elements" schedule unless agreed with us beforehand. Key elements include location and actual built capacity being not less than 90 per cent of application.
9. Applicants must notify any subsequent application for, or award of, European or State Aid.

10. Quarterly and annual progress reports must be provided throughout the period of the grant. Quarterly reports should include progress against schedule and cost and claim estimates. Annual reports should additionally provide an overview of the previous years progress.
11. Monthly management updates must be provided throughout the period of the grant.
12. Applicants must co-operate with any evaluation exercise or audit investigation and with promotional activity including permission for photographs and pre-arranged site visits.

Payment terms and claims

1. The amount of grant payable will be reduced by the amount of any other award of public funding (excluding Climate Change Levy exemption and Renewables Obligation.)
2. Claims must be against actual costs both incurred and defrayed and only up to the maximum agreed percentage and maximum value.
3. All claims must be accompanied by copies of relevant invoices, time sheets and receipts such that the claims are auditable.
4. The first and last claims, and any claims over £100,000, must be certified by an independent auditor at the lead organisation's expense.
5. Payments for Category 3a projects (heat only) will be paid every three months, in arrears against the actual costs for completed installations that have been certificated as satisfactory by the end user.
6. For Category 3c projects (CHP) a maximum of four payments will be made to each successful bidder as follows.
 - An initial payment of up to 5 per cent of the grant on completion of excavations for civil works.
 - Up to 75 per cent of the total grant on mechanical completion.
 - Up to 85 per cent of the total grant when hot

commissioning is completed. At this point the total value of the grant may be revised downward to reflect lower actual costs when compared to estimated costs. Also, if the rated output of the installation fails to reach 90 per cent of the value stated in the application then we may decide to pay no more grant and you will be liable to repay us any payments. If the rated output of the installation falls between 90 per cent and 100 per cent of the value stated in the application form then we may decide to reduce the maximum value of the grant in proportion to the total shortfall using the same £/MW as in the application.

- Up to 100 per cent of the revised total grant on the acceptance of an independent report containing the results of the evaluation phase.
7. Claims must be made within two months of reaching each milestone.
 8. Correct claims will be paid within 30 days of receipt of all necessary documentation
 9. The Big Lottery Fund reserves the right to specify alternative payment schedules as part of the offer of grant.
 10. Eligible costs must be claimed for, and will be paid in £ Sterling.

Release of information

11. The following information may be published for all successful bids.

Identity of applicants (including consortium or joint venture membership where relevant). The identity of the end users of biomass heating appliances will not be published.

- Project general location and capacity.
- Expected annual output.
- Estimated investment cost.
- Grant requested.
- Total public support from all sources.
- Proposed commissioning date.

We will also publish:

- a list of eligible bids, and
- a list of successful bids.

12. The final report describing the evaluation will be published in full. You must also produce publishable versions of regular progress reports.

