

**SCOTLAND'S ENERGY EFFICIENCY PROGRAMME
PILOT PROJECTS PATHFINDER FUND
QUESTIONS AND ANSWERS**

Scotland's Energy Efficiency Programme

What is Scotland's Energy Efficiency Programme?

Energy efficiency is fundamental to Scotland meeting its climate change targets. Scotland's Energy Efficiency Programme (SEEP) will be at the heart of activities led by the Scottish Government and its partners to improve the energy efficiency of all buildings (domestic and non-domestic) in Scotland over the next 15 – 20 years. There are 4 key themes that the Scottish Government intends to explore in this pilot stage of SEEP:

- an integrated approach to the delivery of energy efficiency and a reduction in the need for heat;
- innovative approaches to design and deliver new incentives and financial mechanisms to support SEEP;
- new ways of providing advice and information to households and businesses across the public, private and third sectors; and
- the setting and achievement of appropriate standards and regulation to ensure the quality of SEEP activities and support the achievement of an optimal energy performance for buildings.

How will the optimal energy performance for buildings be assessed and achieved?

The optimal performance is under consideration as part of modelling and development for the purposes of the 3rd Climate Change Report on Proposals and Policies (RPP3). This will vary from building to building. It will depend in each case on a range of issues, including age, fabric, existing energy efficiency measures and heat delivery model.

In parallel with work being undertaken to support RPP3, pilots will help to inform what this optimum level should be, by reporting on actual performance of energy efficiency measures. The Scottish Government and its partners will learn what works in different types of buildings, data which can then be used to inform the choice of energy efficiency measures in similar buildings. The experience gained through practical application will improve the knowledge base and support future decisions about the design, development, construction and retrofit of buildings.

When will SEEP be launched?

SEEP has been organised into two phases of delivery: Phase 1 from 2016-18 which concentrates on the piloting of new approaches and programme scoping, and Phase 2 which will commence in 2018 after new Energy Company Obligation powers are implemented, as currently provided for in the Scotland Bill. Phase 2 will mark the initial phase of the integrated programme of support for domestic and non-domestic sectors.

What are local authorities' responsibilities in respect of SEEP?

Local authorities are responsible for the provision of a range of public services including housing and planning, environmental protection, waste management and economic development. They are also responsible for initiating, facilitating and maintaining Community Planning; for ensuring Best Value in the discharge of their functions in a way which contributes to the achievement of sustainable development. In addition, their climate

change duties require them, in exercising their functions, to act in the way best calculated to contribute to the delivery of emissions reduction targets, in the way best calculated to help deliver any statutory climate change adaptation programme, and in a way that they consider is most sustainable.

In light of local authorities' experience in developing an integrated approach to service delivery, the Scottish Government anticipates that local authorities will have a key role in developing the integrated and innovative approaches to support SEEP, delivered through local, area-based approaches. In recognition of the assistance which local authorities will require to deliver these pilot projects at local level, they are encouraged to build wider partnerships with private sector organisations, community groups, universities or other public sector organisations. The call is open to local authority-led partnerships/consortia across Scotland with the local authority expected to be the lead partner or joint lead partner. We expect local authorities to deliver one integrated application bringing together a range of organisations to support the SEEP themes.

Are changes in legislation anticipated as part of SEEP?

One of the four themes at the heart of the development of SEEP is "Standards and Regulation". The setting and achievement of appropriate standards will play an important role in helping to support SEEP's objective of achieving an "optimal" energy performance for buildings. The pilot projects will help inform future proposals for any regulatory or legislative changes necessary to support the wider development of SEEP.

How should Local Housing Strategies be reflected in applications?

It is recognised that authorities may be reviewing current LHS. In the strategic narrative of the application form, applicants can refer to any current strategies covering housing or energy which may be relevant. They can also reference any current development of new strategic directions and outcomes.

Low Carbon Infrastructure Transition Programme

What is the Low Carbon Infrastructure Transition Programme?

The Low Carbon Infrastructure Transition Programme (LCITP) is a partnership between the Scottish Government, Scottish Enterprise, Highlands & Islands Enterprise, Scottish Futures Trust and sector specialists. This partnership is supported by the 2014 – 2020 European Regional Development Fund programme. The principal aim of the LCITP is to contribute to the Scottish Government's long-term target of reducing greenhouse gas emissions by 42% by 2020.

LCITP capital support will be available for demonstration of new and innovative approaches that can be replicated more widely when SEEP is launched in 2018. More information is available at <http://www.gov.scot/Topics/Business-Industry/Energy/Action/lowcarbon/LCITP>.

Home Energy Efficiency Programmes for Scotland (HEEPS)

What are the Home Energy Efficiency Programmes for Scotland: Area Based Schemes?

In line with recommendations from the Fuel Poverty Forum, the majority of the Scottish Government budget for fuel poverty and domestic energy efficiency is directed at area-based

schemes. The Home Energy Efficiency Programmes for Scotland: Area Based Schemes (HEEPS: ABS) are designed and delivered by Local Authorities, in conjunction with utility companies and local delivery partners, usually registered social landlords, targeting fuel poor areas to provide energy efficiency measures to a large number of Scottish households and help reduce fuel poverty.

Responsibility for programme delivery falls to local authorities because they are best placed as the relevant strategic housing authority to understand local housing needs and prioritise provision across their area. Local Authorities are expected to use a range of sources of information to target households whose properties have the lowest levels of energy efficiency and/or highest levels of fuel poverty. It is up to each Local Authority to define the areas within which projects will deliver and the detail of those projects.

Is this SEEP call separate from the 2016 HEEPS:ABS call?

Yes. Local authorities will still receive a core HEEPS: ABS allocation but can also apply for SEEP Pathfinder Funding. However, in applying for Pathfinder Funding, local authorities must have proposals which cover both domestic and non-domestic buildings. Proposals for domestic properties only will not be eligible and should be submitted as part of the 2016 HEEPS:ABS round.

Pathfinder Fund

Why is this call being launched 2 years before the integrated programme of support for domestic and non-domestic sectors?

These pilot projects will help the development of SEEP; contribute to the design of future programmes aimed at tackling fuel poverty and reducing carbon emissions; and inform how future SEEP funding is best deployed to achieve Ministerial objectives. Further analysis is needed to understand what is possible and the necessary mix of funding sources required to meet the commitment to a national programme, providing support for buildings across Scotland.

Subject to funding being available, the Scottish Government intends to issue a further call for pilot projects in 2017-18, in advance of the launch of SEEP in 2018.

Phase 1 (the calls for pilot projects) is the time to explore and pilot new approaches, delivering improvements to the energy efficiency of buildings so that, by the time SEEP is launched, the Scottish Government and its partners will have worked together to develop a clear plan, supported by a programme of proven activities, to roll out across Scotland to assist the achievement of a good energy efficiency rating for buildings, over the next 15 – 20 years.

Financial support available

How much can be applied for?

The minimum financial support which can be applied for is £250,000. While there is no maximum limit per application, the financial support available is limited by the total budget available (£14m) and the fact that the deadline for delivery of the capital project (or those elements supported by Pathfinder Funding) is December 2017.

Is there any revenue support available?

The financial support available is for capital expenditure related to the roll-out of the pilot projects. However, up to 15% of the support being provided by the Scottish Government can be spent on administrative and enabling costs to assist in building capacity to deliver the proposed project. Details of any enabling costs which are being applied for (see next question), must be included in the application form.

What is meant by “administrative and enabling costs”?

This is to assist in building capacity to deliver SEEP pilots and is for a short-term period only. Requests for enabling funding should clearly set out how it will be used and you may wish to discuss enabling funding with Scottish Government officials prior to making submissions. Some examples of costs which may be considered administrative or enabling costs, are set out below:

- i. Staff time after agreement to develop pilot.
- ii. Scheme marketing, promotion and publicity;
- iii. Scheme development costs, including resident consultation, sample physical surveys, etc.
- iv. Transport costs (for remote and rural areas);
- v. Ancillary site costs such as scaffolding or movement of services; and
- vi. Scheme management costs, including quality control, sampling, monitoring and evaluation.

Will the support available be in the form of grant?

The nature of the financial support may be in the form of grant, loan, guarantee or combination thereof. It will be discussed with the individual applicants and decided on a case by case basis, reflecting relevant State aid rules where these apply. There is an expectation that projects will maximise leverage from other funding sources, such as private investment, the Energy Company Obligation, SALIX loans, District Heating loans, SME loan schemes and the Renewable Heat Incentive i.e. spend to save investments by those households and organisations which can afford to pay. As a result, it is unlikely that 100% of the anticipated capital costs will be offered in the form of Scottish Government grant.

Is support through ECO available for potential projects?

Despite the reductions in ECO, local authorities are expected to maximise leverage for domestic elements thus minimising owners' contributions if required. The levels of support for the HEEPS:ABS element are indicated in the HEEPS:ABS guidance of the SEEP application form.

The HEEPS:ABS application asks for a letter of ‘in principle support’ from an energy company to give comfort on the ECO element of funding. However as an authority we access ECO funding through our contractors. How should I address this element of the application?

In this case the local authority would have to demonstrate that they were confident of getting ECO funding into the project. This might be demonstrated by confirming the funding via the contractors used over the last few years and have letters from them that they have access to ECO for 16/17.

How much funding does SEEP require as a match?

There are no rules in respect of the minimum or maximum proportion of funding available for each element of the project. However, applicants should be looking to maximise leverage from other funding sources and should reflect these in their applications and how they could form part of the overall funding package for the pilot project.

Will funding be available to tackle the issue of “blockers” (owners who do not want to pay to have their part of the building upgraded) so that the whole building can be upgraded as part of a capital retrofit project?

HEEPS:ABS Guidance is available on the issue of “blockers”. Please contact your local HEEPS:ABS officer for further advice on this aspect of a potential SEEP application.

What is the minimum proportion of funding available for the non-domestic element of the project?

There are no rules in respect of the minimum or maximum proportion of funding available for each element of the project. However, projects which demonstrate integration of both domestic and non-domestic activities will score higher during assessment of the applications than projects which do not.

Will Pathfinder Fund support be considered State aid?

Pathfinder Fund applications will be considered on a case-by-case basis against State aid rules and will be discussed further with the applicants, as necessary.

State aid is a European term which refers to forms of public assistance, given to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union. The State aid rules are set by the EC.

All financial support provided under LCITP to Pathfinder Fund applicants, will be in compliance with State aid rules. Appropriate cover for LCITP has been provisioned for under the General Block Exemption Regulation (GBER) and a registered scheme has been approved by the Commission. This allows for public funding to be given to successful applicants under the relevant GBER articles. For some of these articles, there are special uplifts depending on company size, and whether it is located in an assisted area.

More information about State aid rules is available at <http://www.gov.scot/Topics/Government/State-Aid> and the LCITP registered scheme at <http://www.gov.scot/Topics/Business-Industry/Energy/Action/lowcarbon/LCITP/StateAid> .

Will the changes to the rules on public procurement in Scotland, which come into force in April 2016, affect projects successful in securing Pathfinder Funding?

Local authorities should seek their own legal and procurement advice in respect of the impact of changes to the public procurement rules on projects, including any successful in securing SEEP Pathfinder Funding.

Will Pathfinder Fund support be available next financial year for a further call for pilot projects?

Energy efficiency has been designated a national infrastructure priority and has received cross party support in the Scottish Parliament. The refreshed Infrastructure Investment Plan, published on 16 December, reflects the Scottish Government's long-term commitment to multi-year funding to improve the energy efficiency of buildings in Scotland. However, the level of funding available each year over the 15-20 year period of SEEP will be determined by a number of factors, including Ministerial priorities, Spending Reviews, potential changes in administration, etc.

Eligibility

What kind of projects are eligible for support?

Capital projects which meet the general criteria for HEEPS:ABS and LCITP applications and the specific objectives and eligibility criteria of the Pathfinder Fund may be eligible for support. The Scottish Government is keen to encourage innovative approaches and is open to considering more complex projects that reflect the challenges of integrated delivery. More information about the objectives and eligibility criteria is available in the call and supporting guidance notes.

Are new build projects eligible for support?

No. The Pathfinder Fund supports retrofit of existing buildings only.

Who can apply?

Only local authorities can apply, though local authorities are encouraged to create consortia or partnerships with other delivery partners to deliver the integrated projects (see next question). Any non-local authorities with an interest in being involved in a partnership or consortium for the purposes of delivering a pilot project, should contact their local authority. Contact details for the relevant official(s) within each local authority have been published on the Scottish Government website alongside the call documentation.

It is expected that local authorities will be the lead partner or joint lead partner in the delivery of pilot projects and, as such in most circumstances, will be the recipient of any offers of financial support which the Scottish Government may make in response to a Pathfinder Fund application form.

However, it is recognised that some of the non-domestic elements of the project(s) may be best led, and delivered, by a non-local authority consortium partner. Therefore Part B of the application form may be completed by/with the details of this third party. If the application is successful and the offer of financial support accepted by the local authority as lead partner, or joint lead partner, the relevant LCITP elements of the financial support will be made direct to the lead partner specified in Part B.

Once Parts A to C have been completed, the local authority, as lead partner or joint lead partner, should complete Part D and forward the application form in full to the relevant e-mail/postal address, in line with the instructions at Part E of the form.

Can only local authority-led consortia apply?

The Pathfinder Fund is only open to local authorities but while it is expected that local authorities will apply on behalf of a consortium, local authorities operating in a sole capacity (i.e. those which have yet to establish a partnership or consortium) may also apply. However, the application form should clearly outline plans for building partnerships with relevant private sector organisations, community groups, universities or other public sector organisations (including other local authorities, where relevant) for the purposes of delivering the pilot project. It should also be noted that applications submitted on behalf of a consortium will score higher, all else being equal, than those submitted by a local authority operating in a sole capacity.

Who should be in the consortium?

It is for individual local authorities and their local partners to decide which organisations should be invited to join the consortium – commercial organisations are eligible to act as co-leads with the relevant local authority. However, the application form will require a summary of the role of the individual consortium members and their related skills and experience.

Any non-local authorities with an interest in being involved in a partnership or consortium for the purposes of delivering a pilot project, should contact their local authority. Contact details for the relevant official(s) within each local authority have been published on the Scottish Government website alongside the call documentation.

Can each local authority only submit one application?

The eligibility criteria include “Only one application should be submitted by each local authority”. This should be as either the lead partner or joint lead partner. However, in addition to leading on an application, a local authority may also be named as a consortium partner in another local authority’s application. The resource implications of this, if both applications are successful, will need to be considered by the local authority (leading on one project and participating in another) before agreeing to be a member of another consortium. The capacity to deliver on all projects within the timescale available may also be explored by the evaluation panel before any formal offers of financial support are made.

The eligibility criteria include a reference to all projects having a fully developed partnership agreement. What form is this agreement required to take?

It is recognised that the detail of the partnership agreement may not have been finalised before the Pathfinder Fund application form is submitted. Therefore a letter of support to the proposals from each named partner organisation, will be sufficient.

Are there any energy generation technologies which are not eligible for Pathfinder Funding?

Projects which focus primarily on gas generation are not eligible. However, a project which includes gas generation, but where that is not the element of the project for which Pathfinder Fund support is being sought, will be considered. For example, if the project involves extending an existing gas district heating network, financial support in the form of a loan for the piping costs related to the extension, will be considered.

Can the non-domestic element of the project relate to building stock owned by the local authority?

Yes, it can. However, SEEP is cross sector so engagement with commercial landlords and owners is also encouraged.

Can 'energy efficiency' measures relate to electricity generation as well as heat generation technologies ?

Yes, it can. However, the paramount interest of SEEP is in energy efficiency and associated demand reduction so any generation proposals should be supported by energy efficiency measures.

Will SEEP fund projects focussing on the installation of LED lighting?

SEEP will not cover LED street lighting. However, proposals involving LED lighting within buildings may be eligible for support if part of a wider range of energy efficiency measures.

Will SEEP fund window upgrades?

As part of a wider retrofit project, window upgrades may be eligible for support. However, it should be noted that for HEEPS:ABS, the priority is External Wall Insulation and Hard to Treat Cavities. Window glazing is a secondary measure for ECO and is unlikely to be supported unless the homes are fully insulated and is linked to a district heating proposal to fully complete a project.

Are there any restrictions on who can be the lead partner for the non-domestic elements of the project?

No. As long as Part B of the application form meets the LCITP eligibility criteria and the project meets the SEEP call criteria, there are no restrictions on the organisations that can apply.

Are projects which target electrical savings, eligible?

Yes. Projects which focus on a reduction in the use of electricity as a result of the use of more energy efficiency measures, such as LED lighting, will be eligible for consideration for Pathfinder Fund support.

The local authority has more than one project. Does a separate application form need to be completed for each project?

It is recognised that a local energy efficiency plan or strategy may involve several projects. Therefore individual application forms for each project are not required. Details should be included in the application form submitted by the lead authority, of all related elements and projects, including a description of how they work together to contribute to an integrated approach to energy efficiency and a reduction in the need for heat in domestic and non-domestic buildings in the relevant area.

Must domestic and non-domestic buildings be physically adjacent to each other in order for the project to be eligible for Pathfinder Fund support?

The Scottish Government is seeking proposals for an integrated approach to the delivery of energy efficiency and reducing the need for heat across Scotland. This eligibility criterion may be met by physical circumstances e.g. if the proposed approach relates to fabric measures targeting adjacent domestic and non-domestic buildings. However, integration may occur at a different stage of the proposed approach. For example, it may relate to the funding mechanism to be utilised in order to improve the energy efficiency of domestic and non-domestic buildings which are geographically distant from each other yet within the same local authority area.

This call is targeting innovation as well as integration. The Scottish Government therefore encourages proposals which recognise the complex challenges of integrated delivery and suggest innovative methods of meeting these, whether physically, financially or technologically.

Section D of the application form requires certification that the application has received local authority elected committee approval. My committee does not meet until after the deadline for applications. Does this mean that we cannot apply?

No, you can still apply but you should make it clear in the application form what approval has still to be received and when it is hoped that that will be. In the event that the application is passed by the evaluation panel, confirmation will be sought from the lead partner that the relevant committee approval has been received before any formal offer of financial support is made. Director level commitment from within the local authority is required for the application.

How accurate must costings be for the purposes of the application?

The evaluation panel will be looking for broad CAPEX costs for the proposed project and applications must be for a minimum of £250,000.

Will applicants be expected to have explored all other potential sources of funding available before applying?

No. It is recognised that exploring all other potential sources of funding, such as SALIX funding and SME loans, would be extremely challenging within the time available for applications to be submitted. However, applicants should reflect in their applications, their awareness of the sources of funding which may be available and could form part of the overall funding package for the pilot project and an outline of proposals for following these up.

Assessment of applications

How will the applications be assessed?

Applications will be assessed against the set criteria for HEEPS:ABS and LCITP applications (more information about these are available in the application form and related guidance notes). In addition applications will also be scored in respect of deliverability within the set timescale and how well they meet the criteria specific to this call which focus on integration, innovation & incentives. This scoring will inform the assessment panel's decision in respect of offers of financial support.

Claims

Will there be a common arrangement/timetable for the submission of claims across the two funding streams (HEEPS:ABS and LCITP)?

Yes. Details of the claim arrangements and timetable will be included in the award letter in due course, having been discussed and agreed by the HEEPS:ABS and LCITP evaluation panels.

Further information

Where can I get further information if I have additional queries?

Further information about the Pathfinder Fund and the application process is available in the call document. In addition, the application form has accompanying guidance notes in respect of the LCITP and HEEPS:ABS sections.

This Q and A document will be kept under review throughout the 8 weeks of the call and updated, as required.

If, having read all the call documentation and the latest version of this document, your question is still unanswered, please e-mail your query to SEEP@gov.scot. Please note that a summary of your query and the relevant response may be added to this Q and A document and published on the Scottish Government website.

Scottish Government
Revised 10 March 2016