

ScotZEB 2: Frequently Asked Questions

Last updated: 24th November 2023

This document is intended to supplement the Guidance regarding phase two of the Scottish Zero Emission Bus Challenge Fund. This document will be periodically updated as questions are received.

The Fund

When does ScotZEB2 close to new applications?

ScotZEB2 closed to new applications at midnight on 15th September 2023.

The two highest scoring bidders have been given the opportunity to improve certain aspects of their submissions with a best and final bid, which must be received by 16.59pm on Friday 19 January 2024.

Please note that there will be no opportunity to submit any material after this deadline so please ensure that all attachments are included and clearly labelled.

How do I request an application form?

You can request an application form by filling in our online request for found at the Guidance and Application forms section of the ScotZEB2 webpage.

If you already have an application form and wish to present a secondary scenario, please contact the ScotZEB2 project team via email at ScotZEB2@est.org.uk

Who can I contact if I have questions not answered in the FAQs?

Our team are on hand to support you during the application process. Please contact us at ScotZEB2@est.org.uk if you have any further questions or require further guidance.

Will Transport Scotland provide a residual value guarantee or other minimum price arrangement for batteries or other components?

No – We will not provide residual value guarantees or other minimum price arrangements.

Who is eligible to apply?

Bids from consortiums comprised of bodies from the following categories are eligible:

- Financiers
- Manufacturers of zero emission buses and coaches
- Charge Point Operators (CPOs)
- Energy companies
- Bus and coach Passenger Service Vehicle (PSV) Operators in Scotland
- Scottish local authorities and Regional Transport Partnerships
- Community Transport Organisations based in Scotland, holding a Section 19 and/or Section 22 community transport permit and providing
- Transport to health and social care and other community transport
- services
- Other organisations relevant to decarbonising buses and coaches in
- Scotland.

Only consortium bids will be considered. Consortia do not need to include all of the above. Consortia do need to include:

- at least 1 company providing private finance,
and
- at least 2 SME bus or coach operators, and/or 2 community transport operators.

My organisation is not typically involved in bus, coach transport, or infrastructure, could I potentially join a consortium?

Yes, leisure destinations, airports, seaports, hotels, can all bid in provided they have a role in delivering zero emission bus, coach, or community transport. A non-exhaustive list of organisations below includes:

- Hoteliers
- Universities and Colleges
- Leisure or tourism destinations
- Ports
- Airports

- Logistics and Distribution centres
- Retailers
- Rest stop operators

What is meant by a “company providing private finance” referenced in section 8 of the Guidance document?

A company providing private finance is any organisation providing equity or debt to support members of the consortium. This could include (but is not limited to) capital from existing corporate facilities, cash reserves, senior bank debt, institutional debt, equity providers (third party or in house), specialist asset financiers and supplier finance.

Can a bid be entirely financed by a bus operator, or is there a requirement to include a third party finance provider?

Yes, operators themselves may provide private financing to other members of their consortium and can self-fund. Terms of that financing agreement must be clearly described in the application form, as requested in the application materials.

How would the relationship between a private financier and a local authority work? Will the private financier have to go through a procurement process to work with the local authority?

Individual relationships and agreements between consortium members must be worked out between the consortium members and cannot be advised on by Energy Saving Trust or Transport Scotland.

Is being a part of a consortium a requirement for applying to the scheme?

Yes, all applications must be submitted on behalf of a consortium by a designated lead applicant. The purpose of ScotZEB2 is to create market changing ideas that will allow for a commercially self-sustaining Scottish zero-emission bus market. You should be looking to create as much forward looking change as possible with your bid.

Consortium Building

Does the financier need to be the lead applicant?

No, the party providing private finance does not have to lead the application, but they must be a consortium member and therefore beholden to our Fair Work First requirements.

How can I find other interested parties to build consortia with?

We have a process in place to facilitate introductions between interested parties. You can complete the form [here](#) to register your interest in introductions either as a consortium member or lead applicant. Energy Saving Trust will share the details of other interested parties and then you can decide how you would like to engage with one another.

Can companies participate in multiple (separate) consortia applications?

No, in this final step, companies may only be included within one consortium bid.

Can applicants join multiple consortiums for the same assets to maximise their chances of success?

No, in this final step, companies may only be included within one consortium bid.

What protections are in place for consortium members, should the lead applicant enter financial difficulty?

As part of the application process, you are required to provide consortium participation statements – this can include Memoranda of understanding, Head of terms of agreements, Agreements in principle, subscriber agreements, contracts and/or other written assurances. Applications that do not provide this information will be negatively impacted, while applications with firm evidence will be evaluated favourably. As with any partnership, you must look to mitigate and absorb risk were possible and contractual terms should be agreed between parties. Energy Saving Trust and Transport Scotland are not liable for any insolvency or administration experienced within a consortium; however, a review would be undertaken to assess the future of any funded project and any support that either administering organisation could provide.

Are only operators defined as a SMEs eligible to apply?

No – All operators providing eligible services may apply or participate, however a minimum of 2 SMEs, 2 community transport operators, or one of each must be included as a minimum as stated in the Guidance. Community operators are classed as any operator running services under a section 19 or section 22 licence.

Which party within any successful consortium will receive funds directly?

The lead applicant will be the sole body which directly receives grant funding. This funding can then be shared among the consortium in line with established contracts between parties.

What type of information is needed on the lender agreements?

A complete picture regarding the funding arrangements for vehicles and infrastructure is requested – therefore bidders are requested to put in place all lenders and financiers up front. The usual aspects of a term sheet are expected – so including quantum of financing, maturity, pricing/margins, covenants, arrangement fees, commitment fees, conditions precedent, repayment terms etc.

Can a successful grant applicant make changes to its consortium after being awarded funding?

Applicants would be subject to a change control process and are not guaranteed to be successful. The following changes will be permitted in most circumstances;

- Addition of operators based in Scotland
- Addition of participants whose main role is supplying land for infrastructure to be used by ZEBs (as stated in the Guidance, hotels, airports etc.), or vehicles which intend to use buses' shared infrastructure (HGVs, vans)

Additions will not be entitled to additional grant funding.

What if the lead applicant requires a significant funding sum for themselves?

Applications that approach the wider decarbonisation of the bus sector and other road users into the future, without ongoing need for government subsidy will be scored more favourably in the assessment. Applications that only request funding for the lead applicant, or show no collaborative element between members of the consortium, will be scored poorly. It is essential for all consortium members to work together in order to create a commercially viable market for zero-emission vehicles and infrastructure.

Lead applicants and consortium members may wish to explore options such as leasing vehicles or batteries, establishing infrastructure sharing agreements, or pursuing aggregated ordering in order to unlock economies of scale, and further drive down costs for all consortium members. Demonstrating significant value-

for-money with regard to the public subsidy requested will be scored more favourably at the assessment.

Vehicle Requirements

I am considering buying a zero emission bus, but it has a diesel onboard heating system. Is this eligible?

No - Heating systems for the saloon and drivers' cab must also be Net-Zero compliant. Combustion heaters are not eligible. Electric onboard heating systems are eligible and LEZ-compliant. Consortia leaders should do the utmost due diligence to ensure that the vehicles requested meet the zero-emission standard.

What if the vehicles I require for my company cannot accommodate bike or buggy space?

Our preference is that where possible space is made available for bike and buggy space in addition to the statutory requirement for a wheelchair space. Where this is not possible, evidence should be submitted in the application and Transport Scotland will evaluate. Should suitable reasoning be provided, applications will not be penalised.

What are the interactions between Network Support Grant and ScotZEB2?

Entitlement to Network Support Grant (NSG) is unaffected by ScotZEB2, therefore any vehicles part-funded by ScotZEB2 may claim in accordance with Network Support Grant's terms and conditions. No additional uplift in NSG will be granted for vehicles or assets funded by ScotZEB2.

What are the key criteria for repowering a vehicle compared with a new purchase?

The repowering cap applies where depreciated (i.e. used, or mid-life) vehicle assets are being re-used and converted to zero emissions. We will not fund new, completed, unused diesel engine vehicles to be repowered under any circumstances. If a partially complete vehicle is supplied to a repowering company who complete the vehicle with a zero emission drivetrain, and no funds have been used for wasted components, then this would be classed as an entirely new asset, and the appropriate subsidy cap would apply. Transport Scotland will not fund the purchase of any diesel or internal-combustion engine vehicle under ScotZEB 2.

I'm uncertain about how much subsidy could be paid towards this vehicle?

An eligible vehicle must be capable of holding nine or more seated passengers, plus the driver, and must be able to accept a wheelchair user boarding the vehicle in their wheelchair. Folding seats will be counted in the same way as non-folding seats. Vehicles with M1 type-approval are not eligible.

What options are available for smaller organisations to fund the purchase of new vehicles?

We are aware that value thresholds we've set are only a modest proportion of the cost difference between a diesel and a zero-emission bus, and that smaller organisations may face challenges in funding the purchase of new vehicles. However, by collaborating with financiers and leveraging the benefits of economies of scale, it is not impossible. We strongly recommend reaching out to private financiers and offering to be part of their consortium as their SME operator or community transport element, which is a requirement for each application. Private financiers can offer more favourable terms, which may not be available to you individually, like better financing options, e.g., longer leases, thanks to their partnerships and economies of scale.

Is vehicle standardisation a requirement for applying to ScotZEB2?

No - Applicants should be able to make use of shared and other supporting infrastructure.

Will future vehicles to be supported by the funded infrastructure be included in the calculation of the "subsidy per vehicle" amount?

No, subsidy-per-vehicle will be calculated based on the amount of vehicles committed to within the application. However, applications will be assessed on their long-term benefits to the community and decarbonisation in the future. The applications will be assessed on both immediate and future benefits.

What is Transport Scotland's view on the partial/self-funding of the vehicles by operators?

Transport Scotland does not have a preference for any one proposed business model or approach to financing new zero-emission buses over another. Applicants should evidence how their approach provides the greatest value-for-money per subsidy requested.

Can operators draw down funding for different vehicle types/models in 2/3 years' time than the vehicles they commit to in the bid?

Change requests for deliverable changes can be submitted for consideration during the project lifecycle, all changes would be subject to approval by Transport Scotland. Grant funding will not be increased under any circumstances.

The wheelchair space will reduce the seated capacity of a normally 9-passenger or 32-passenger bus/coach. Will the vehicle still be eligible to claim the subsidy under it's original category?

Yes, as long as the vehicle meets the criteria of being a zero-emission bus or coach and includes at least one wheelchair accessible space, it qualifies for the funding. The capacity reduction when a wheelchair user is on board is taken into consideration, and it does not disqualify the vehicle from eligibility.

Infrastructure Requirements

Can infrastructure-only, or vehicle-only applications be submitted?

A successful application will need to provide clear assurances that the infrastructure assets funded will be used to support zero-emission bus, coach or community transport services in Scotland and the vehicles will have access to charging infrastructure. The subsidy applies only for infrastructure which directly utilised by zero emission vehicles. Bids will be scored higher for "deliverability" and "financial" if they can provide evidence of effective integration of vehicles and infrastructure.

I am transitioning a site in multiple stages, am I allowed to futureproof for stages which will occur beyond ScotZEB 2?

If a site or fleet is to be decarbonised in stages, you should submit evidence and plans for all the stages and how assets funded by ScotZEB 2 are futureproofed within your application. Drawdown period is over 3 years ending in March 2026. The 'Financial' evaluation will be assessed on the subsidy towards infrastructure on a per bus basis.

Can the subsidy caps be increased?

No, there is no scope to increase the Value Thresholds set out in the guidance. The infrastructure subsidy will be no more than 70% of the total capital costs for electric charging, or hydrogen refuelling infrastructure.

Are grid connection costs funded?

Yes – Costs are inclusive of all infrastructure costs, including non-contestable electricity network enhancements. These are costs with a fixed, regulated market price such as reinforcement and connection works provided by the Distribution Network Operator. These specific costs vary significantly due to local circumstances and therefore not comparable between sites, therefore these costs are excluded for the purposes of assessment and scoring of applications but will be funded if successful at assessment.

Are Telematics eligible for the subsidy?

Yes – providing there is a suitably strong business case made within an application, telematics will be considered an eligible cost.

Are Solar PV and Battery storage included as part of the eligible infrastructure cost?

Yes, we would consider this eligible under the infrastructure costs. Applicants will have to evidence the specific relevance to the buses/coaches, and their applications for these costs would be better supported by showing TCO forecast savings on those vehicles, and how this infrastructure would support future planning/wider implementation of decarbonisation solutions for further buses/coaches/others in the future.

Application Requirements

What are the reporting requirements that the lead applicant must fulfil during ScotZEB 2?

The full details will be set out in the terms and conditions within the grant offer letter.

What is the level of granularity expected for the financial spreadsheet?

We'd expect applicants to list all single item of the project and its correlating costs as close as possible, of course prices may vary over time and the grant offer will not be increased once signed off. Please ensure that the financial forecast provided within this document is as accurate as possible. Accurate financial forecasting and project management to avoid slippage across financial years is critical as the transfer of budget from one financial year to another is unlikely to be supported.

How should VAT be treated in the financial spreadsheet?

As the grant funding does not cover VAT, we expect consortia to submit both net (without VAT) and gross costs (with VAT) for assessment.

What information is required in the Financial Sustainability tab on the Financial Spreadsheet?

The Financial Sustainability tab of the spreadsheet is in relation to the lead applicant and their ongoing operating costs and revenue and will be assessed to ensure that the project will be financially sustainable.

How is an applicant's subsidy ranking calculated?

The overall subsidy requested by a bidder for vehicles and infrastructure would be divided by the total subsidy available under the value threshold and/or the 70% of the infrastructure cost. The total percentage of subsidy saved from each bid would then be scored based on its relative percentage.

For example, assuming all applicants are applying for a single bus with a value threshold of £135k and no infrastructure:

Bidder 1

Requested the maximum subsidy available of £135k

This was the highest subsidy requested so will receive 0 marks.

Bidder 2

Requested £60k

This represents 56% savings vs £135k

This was the lowest subsidy requested so received 10 marks.

Bidder 3

Requested £125k subsidy

This represents 7.5% saving vs 56% saved by the lowest bidder

= 1.3 and therefore 1 Mark awarded

Bidder 4

Requested £90k subsidy

This represents 33% saving vs 56% saved by the lowest bidder

= 5.9 and therefore 6 Marks awarded

For consistency of approach, the Financial Subsidy ranking for the “best and final” bids will be calculated by Energy Saving Trust against all the bids received – i.e. the 8 original bids and the 2 final bids to be submitted in response to this invitation.

Are subsidy rankings for vehicles and infrastructure calculated separately?

Both infrastructure and PCV factors are considered as part of the overall calculation. The evaluation is based on the total combined subsidy requested divided by the total subsidy eligible for both PCV (based on value thresholds) and infrastructure (based on 70% of the infrastructure cost).

If successful in obtaining ScotZEB 2 funding, what happens to the funding in the event of a default by one member of the consortium?

It is a risk the consortium has to take, should be considered as part of the agreements all consortium members agree to. The asset owner is free to re-deploy assets obtained through ScotZEB 2 elsewhere in Scotland should a situation like this occur, and must make Transport Scotland aware of this change as soon as possible.

What level of detail is needed for the lender agreement? Does there have to be a term sheet, does it have to cover the full loan requirement, can other lenders be added later (for instance senior), post the proposal? Are there any restrictions on lenders, items and detail that need to be included in the term sheet?

A complete picture regarding the funding arrangements for vehicles and infrastructure is requested – therefore bidders are requested to put in place all lenders and financiers up front. The usual aspects of a term sheet are expected – so including quantum of financing, maturity, pricing / margins, covenants, arrangement fees, commitment fees, conditions precedent, repayment terms etc.

Will grant payments be released in advance of asset delivery?

Grant payments can be made in advance of asset delivery, as long as there is supporting evidence such as an invoice provided. All claims for funding must be submitted before the end of the last financial year of the scheme or funding will not be able to be awarded. Accurate financial forecasting and project management to avoid slippage across financial years is critical as the transfer of budget from one financial year to another is unlikely to be supported. The full details will be available in the grant offer letter once it is issued.

Can applications be submitted early and will this affect the decision date?

The remaining applicants may submit their “best and final” bids at any time before the deadline on 19th January 2024. However, Transport Scotland will not consider applications received until the closing date. There is no ‘first come, first served’ incentive for early applications. Consortium should be as mature and developed as possible at the time of submission.

Is there a timeline to purchase buses, etc?

A successful project will have a drawdown period over 3 years, in which it will receive funding. Transport Scotland doesn’t have guidelines for setting timelines for individual components (e.g., the purchase of a bus) of an applicant’s bid.

Organisational Requirements

Are there any additional requirements for those applying to ScotZEB2?

Your organisation must have a UK bank account and you will be subject to the conditions laid out within the [Fair Work First Framework](#). In addition, applicants may be subject to credit checks. All requirements are outlined within the guidance and application form.

What will any background checks on applicants involve?

Background checks will be completed as part of the due diligence process to ensure that any grant money offered by the Scottish government is issued to appropriate organisations. As an example, background checks may include, but are not limited to identity checks, credit checks, solvency checks, review of company accounts or any requirements of the fair work first framework. Full details of any further requirements or checks will be included within the Grant Offer Letter.

How does the Fair Work First requirement impact my/our application to ScotZEB 2?

All organisations who wish to receive ScotZEB2 funding must align with the Fair Work First framework. As this is an eligibility requirement, if a consortium member or lead applicant is unable to demonstrate compliance with the Fair Work First, the application may be rejected.

What evidence can I provide in order to meet the requirements of Fair Work First?

Full details of the evidence which can demonstrate compliance with Fair Work First is available on the Scottish Government website: [Annex B](#)

To evidence workers are paid a Living Wage:

- Lead applicants can provide either a Living Wage Accreditation, Anonymised Payroll or an Accountant Certificate. An Accountant certificate would be the preferred evidence type.
- Depending on the grant value, consortium members may be able to make a self declaration, but any grant received above £100,000 will require either a Living Wage Accreditation, Anonymised Payroll or an Accountant Certificate

To evidence an effective Workers Voice Forum, written confirmation from trade union/worker representatives and/or management is required to confirm the following voice channels:

- Line Management Relationship (i.e. effective 2-way dialogue through 1:1 relationship).
- Staff /Engagement Surveys
- Suggestions Schemes
- Intranet/Online Platforms
- Staff Forums / Networks
- Trade Union Recognition/ Collective Bargaining
- Access is provided to trade unions / Pro union Membership attitude is demonstrated
- Joint Consultative Committee/s (JCC)
- European Works Councils (EWCs)