

Implementing local Net Zero investment: The Strategic Delivery Partner model

A report by Grant Thornton considering the emerging Strategic Delivery Partner (SDP) model for delivering Local Authority decarbonisation plans

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Introduction

Local Authorities in the UK are increasingly looking for new, innovative models for delivering their ambitious Net Zero action plans, particularly given the end of the Private Finance Initiative (PFI) procurement model and the increasing financial challenges facing many Authorities.

An emerging new model is the Strategic Delivery Partner model, spearheaded by early movers such as Bristol City Council, with the Bristol City Leap. The Strategic Delivery Partner model is increasingly being replicated and adapted to different projects, technologies and local contexts.

The SDP model is not a single commercial structure. It is a concept for a future proofed public private partnership that enables various commercial routes for specific investments.

At its core, the SDP model emphasises:



Joint decision-making by the Authority and the Delivery Partner;



Leveraging private sector capital, technical expertise and resource; and



Flexibility to deliver a diverse portfolio of projects across technologies.

This paper outlines the emerging Strategic Delivery Partner model for public-private partnerships in the UK and provides an overview of the pros and cons alongside guidance regarding tips for implementation.

Grant Thornton has firsthand experience of Strategic Delivery Partner procurements, for example, in our multi-year advisory mandate to Milton Keynes City Council. We understand the challenges in applying the model from a financial/commercial perspective as well as its benefits.

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Background: Local Net Zero investment



Over 2018 to 2021, a wave of Councils declared a climate emergency in their jurisdiction. According to the Climate Emergency Declaration website, **around 96% of the UK population** now lives in an area where the principal Local Authority has formally declared a climate emergency.

Most local Councils or Authorities who have declared a climate emergency have committed to publishing climate action plans. According to the Local Government Association, as of 2021, 300 Local Authorities had declared a climate emergency and nearly two thirds of Councils in England aimed to be carbon neutral by 2030, 20 years before the national target of 2050.

Despite these ambitious goals, Local Authorities have struggled to convert their climate action plans into tangible investment in low-carbon technologies.

This lack of progress is primarily the result of funding challenges, Local Authority capacity, and the fact that Local Authorities do not have control over the actions of private businesses and residents.

Local Area Energy Plans (LAEPs)

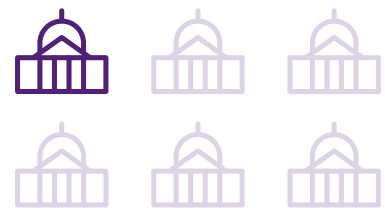
To bridge the gap from high-level climate action plans to investment on the ground, many Local Authorities have begun developing LAEPs.

LAEPs are data-driven, spatial, whole-system plans that set out the types of decarbonisation technologies that need to be applied in the local area across buildings, heat, transport, networks and energy generation. This planning approach was pioneered by the Energy Systems Catapult, with financial support from Innovate UK and endorsement by Government. LAEPs are typically developed in partnership with the local gas and electricity network operators, community groups and academic institutions. They require significant investment and technical analysis to complete.

Pioneering Authorities for development of LAEP plans include Greater Manchester, Wales (all 22 Local Authorities were mandated), York and North Yorkshire, and Cornwall, in addition to the initial pilot sites of Bridgend, Bury and Newcastle.

<50%

Most Councils are significantly behind on delivering their climate change targets, undertaking **less than half** the necessary measures to achieve their self-declared targets, according to Climate Emergency UK's 2025 scorecard.



Around **66 Local Authorities, or one in six**, has either published a LAEP or is developing one in 2023, according to the Energy Systems Catapult.



5

key challenges of local Net Zero plan delivery



1 Financial constraint and limited capital budgets

Local Authorities and public sector bodies are under significant financial pressure across the country. Public sector capital must focus on priority services, leaving little budget for energy and low-carbon infrastructure, often seen as desirable but not essential.



2 The need for private sector capital and expertise

Due to reducing public sector capital budgets, private capital is critical to delivering LAEPs. Private sector expertise and capacity is also critical alongside the invested capital, as internal Local Authority resource is increasingly stretched.



3 Importance of Local Authority collaboration

Many low-carbon technologies require Local Authority or public sector buy-in to be deliverable, for example heat networks, building retrofit, small-scale renewables, and EV charging infrastructure. The private sector cannot sufficiently deliver these projects in isolation to reach Net Zero at the local or national level.



4 Limited appetite for development risk

Local-level projects involve disproportionately high development costs and specialist resource to design and plan. In the UK, and globally, there is a shortage of development capital for energy and infrastructure projects, despite high appetite for mature, ready-to-build projects.



5 Fragmented planning and delivery

Projects at the local level are typically small-scale and heterogeneous, with different combinations of landowners and planning authorities across the region. Delivering ambitious Local Area Energy Plans requires coordination and economies of scale through aggregation of projects into investable portfolios.

The case for new public-private partnership models

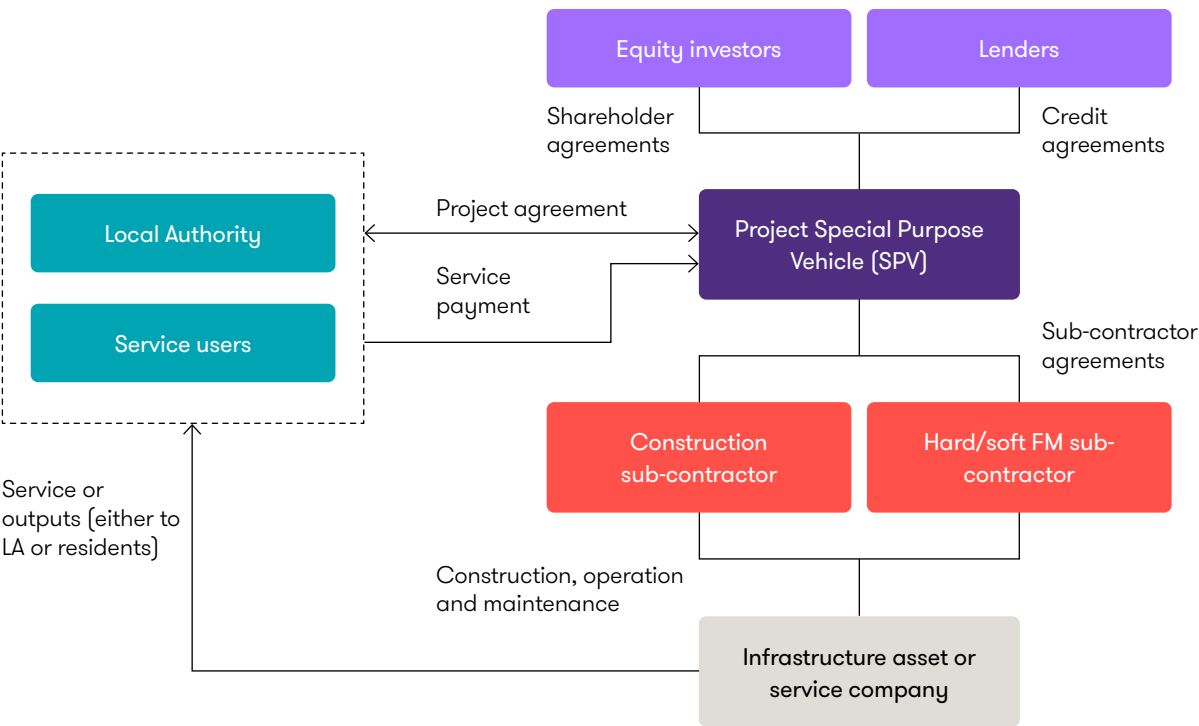
For more than 25 years, the Private Finance Initiative (PFI) dominated UK infrastructure delivery. Introduced in 1992, it supported over 700 contracts across hospitals, schools, roads and public estates by the early 2010s. Under PFI, private consortia financed, built and operated single assets, repaid via long-term unitary charges, often paid directly by the commissioning Local Authority or public body.

The PFI model, and the refreshed “PF2” model, were discontinued for new projects in 2018. The model had received some criticism in government and industry, eg for being “inflexible” and “complex”. Some government reviews cited concerns over value for money and the balance of risk between the public and private sector.

Since 2018, some successor models have emerged, such as Wales’s Mutual Investment Model (MIM), which aims to improve financial transparency, and introduces public sector equity stakes to share risk and reward more proportionately.

However, neither PFI nor MIM were designed specifically to the requirements of Net Zero. These procurement models focus on single, Design-Build-Finance-Operate (DBFO) opportunities. While MIM improves on PFI in terms of transparency and risk allocation, it is not specifically designed to deliver the diverse, evolving portfolios required for local decarbonisation, which may include building retrofit, heat networks, distributed renewables, EV infrastructure and more.

Figure 1: Illustrative PFI commercial structure (simplified)



The Strategic Delivery Partner model



The Strategic Delivery Partner (SDP) model is an emerging procurement model designed for Local Authorities and public sector bodies to deliver a regional project portfolio, where projects may require origination and development as well as capital investment and ongoing operation.

The SDP model is gaining traction because it provides Local Authorities with three key benefits:

-  **Additional delivery capacity**, particularly for project development and origination
-  **Leveraging private investment**, with co-investment from the Local Authority where appropriate
-  **Faster project development** and progressing towards delivery of complex Net Zero plans.

The approach was pioneered by Bristol City Council (BCC), with its Bristol City Leap (BCL) model. Below is an overview of the general SDP structure that has emerged, from Bristol’s early example in 2023, followed by a deeper dive into the BCL model.



The Strategic Delivery Partner model is not a single, specific commercial structure, as opposed to MIM. It is a concept for public-private partnerships that enables various commercial routes for specific investments.

Aims and structure of the SDP model

An SDP is a long-term partnership between a public authority and a private sector partner, or consortium of partners. Instead of procuring a specific asset or service, the Authority brings in a partner to help shape, develop, finance and deliver a wider programme of work across different technologies.

The SDP model is primarily designed to deliver projects on the public sector estate. It supports the Local Authority or public body in achieving Net Zero in the region, but is not intended to deliver all decarbonisation goals within the region, such as those of private homes and businesses.

The model aims to create a collaborative governance structure where the Authority and the Delivery Partner jointly make decisions regarding investments and asset management.

The table below sets out what is generally expected from each party under the SDP model.

Table 1: The role of the Authority and the Delivery Partner

The council provides...	The delivery partner brings...
A mature initial project portfolio	Equity investment and financing
Ongoing strategic direction and governance	Technical capability
Access to land and assets	Delivery resource and specialist capability across different disciplines
Co-investment (optional)	
Support with planning, development and coordination	Provision of essential services for public sector or residents
Payment for services or outputs (eg cost-plus or agreed commodity prices)	Technical innovation and market insight

The contract is typically in the form of a concession contract, providing long-term exclusive access to selected project types on public sector estate in the region in return for the partner receiving operating revenue or charging for access.

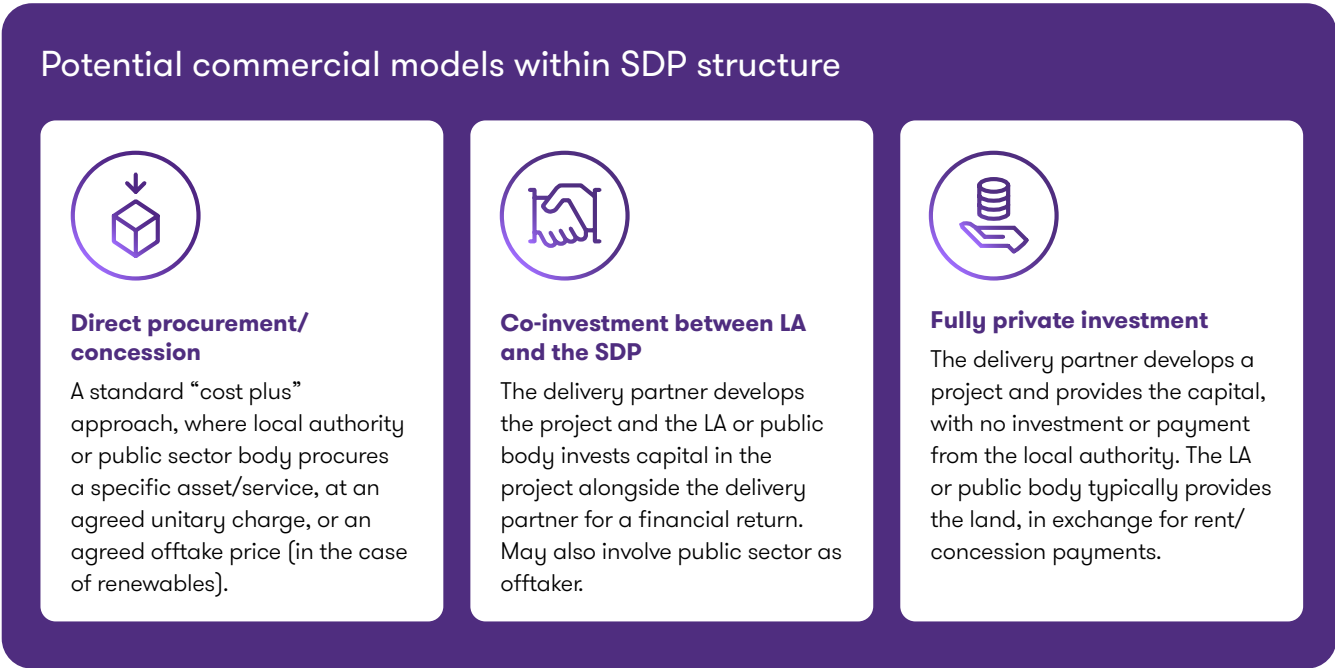
The technologies included in the concession would be based on the needs established in the Local Authority’s

climate change action plan or LAEP. Concessions can be designed to allow flexibility to adjust the programme as technologies develop or new initiatives are identified. SDP concessions can cover projects across building retrofit, heat decarbonisation, EV charging or renewable energy.

The long-term exclusivity provided to the partner gives them the confidence to invest in early-stage development work, which is often considered one of the biggest resource and budget challenges for Local Authorities.

The SDP model is sometimes referred to as the “Joint Venture” model or JV model, as the Local Authority and strategic partner may form a development company with each owning 50% (as in the Bristol City Leap model). This is not fundamental to the model, but it is beneficial where the Authority wants to have ongoing involvement or control.

Figure 2: SDP portfolio commercial delivery models (Bristol City Leap example)

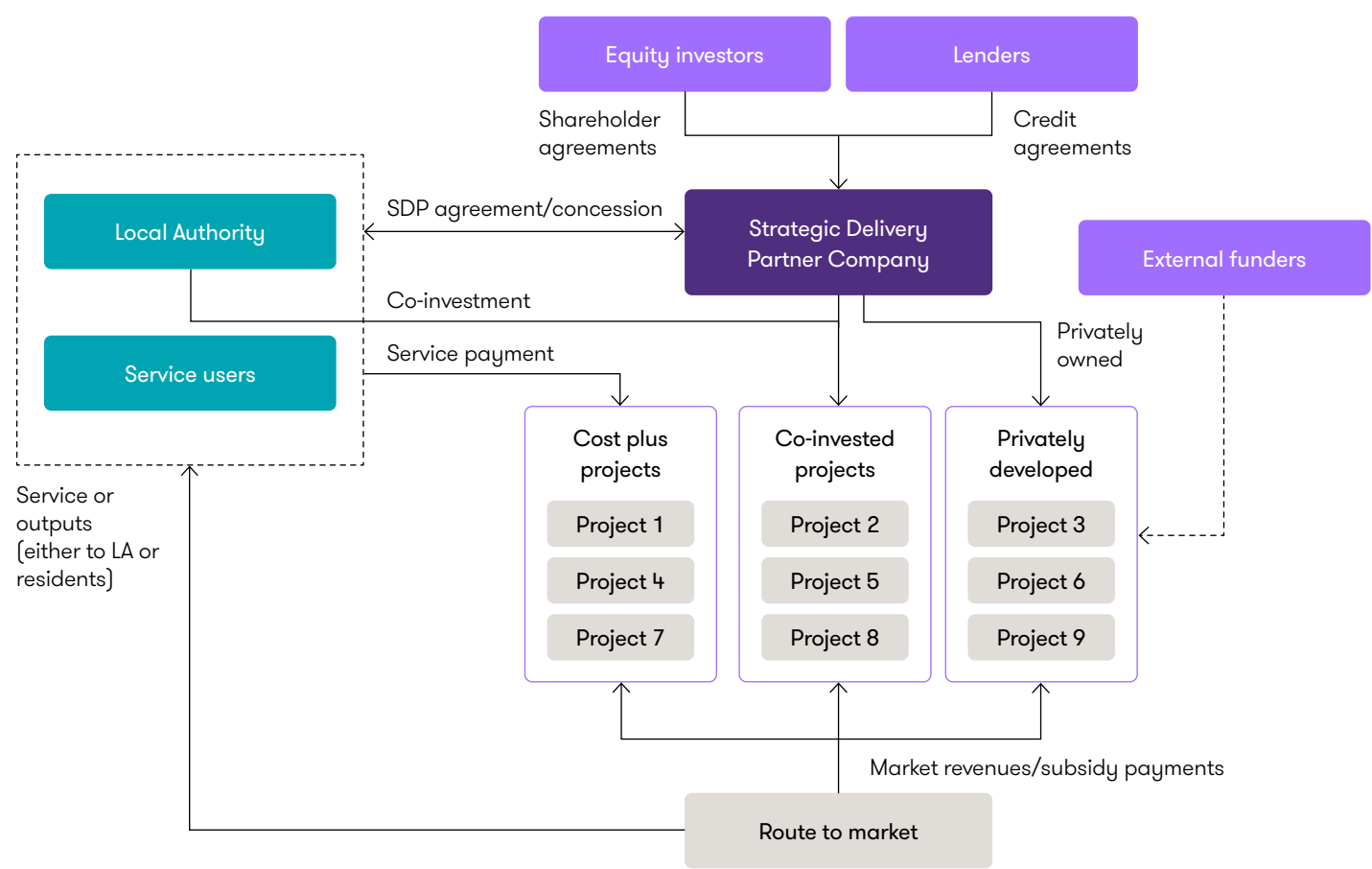


The contract between the Authority and the Delivery Partner does not necessarily dictate the commercial structure of each Project. For example, in the BCL model, the contract includes three project delivery structures.

BCL also grants exclusivity to the delivery partner, Ameresco, to deliver the projects in the portfolio or within certain criteria. Some LAs may prefer a non-exclusive structure, e.g. a multi-provider framework where mini-competitions determine the delivery partner for specific projects.

Because the commercial model is not pre-defined, each project can then take a different delivery approach, depending on the context. The diagram below illustrates how an SDP concession could be structured.

Figure 3: Illustrative SDP structure



Case study: Bristol City Leap

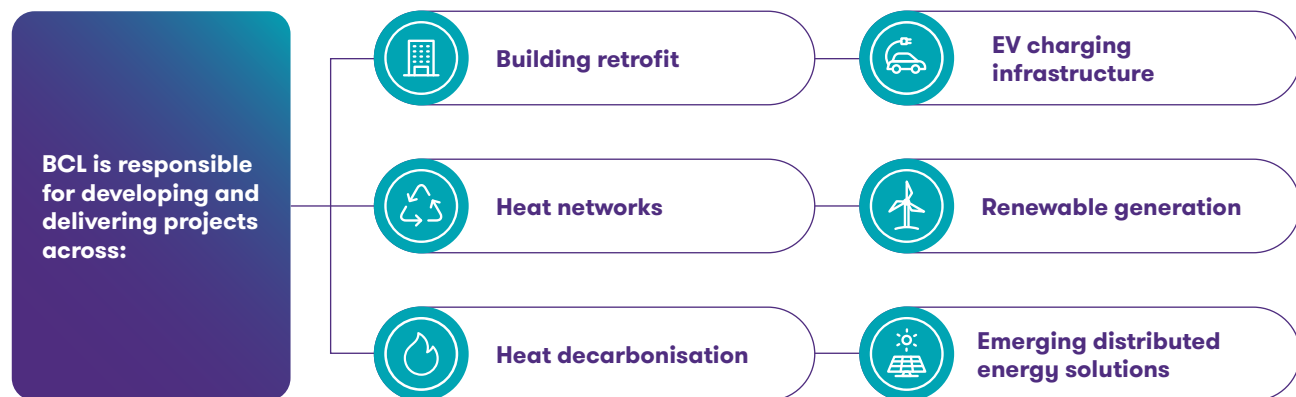


Bristol City Leap (BCL) is the most advanced and widely referenced example of the SDP model in the UK.

Bristol City Council set out to find a long term partner capable of helping deliver its ambition to be carbon neutral by 2030, supported by substantial private investment, technical expertise and programme delivery capacity. The result is a 20-year partnership agreement, designed to deliver an evolving pipeline of decarbonisation projects across the city rather than a fixed set of assets. This flexibility is a defining feature of the SDP model and one of the reasons Bristol City Leap has become a national benchmark.

Programme scope

The Bristol City Leap model was designed to help achieve key elements of Bristol's Net Zero strategy.



This reflects the fact that Net Zero delivery requires a rolling portfolio of projects that will evolve as technologies mature and new opportunities emerge. The model allows Bristol to adjust and expand the programme over time as city needs change.

Investment ambition and pipeline

A core purpose of the partnership is to mobilise private capital at scale. Bristol's ambition is for BCL to stimulate over £1 billion of private investment over the contract term.

Key investment commitments include:

- £424 million contractually committed by Ameresco (the private sector partner) by 2030
- Around 50% of the contractual commitment allocated to heat networks (delivered with Vattenfall)
- ~£500 million of projects anticipated over the next five years (2026-2030).

While full citywide decarbonisation in Bristol across all sectors (including private homes, transport and wider infrastructure) is estimated to cost several billions of pounds, Bristol City Leap represents only a proportion of that overall investment required, mobilising approximately £1 billion of private capital into projects specifically on public sector estate. However the BCL model provides a platform for the Council and the Delivery Partner to engage with the private sector in the region and develop projects outside the defined scope of the BCL partnership.¹

¹ <https://www.bristol.gov.uk/client-and-energy-manager/bristol-city-leap>

Commercial structure

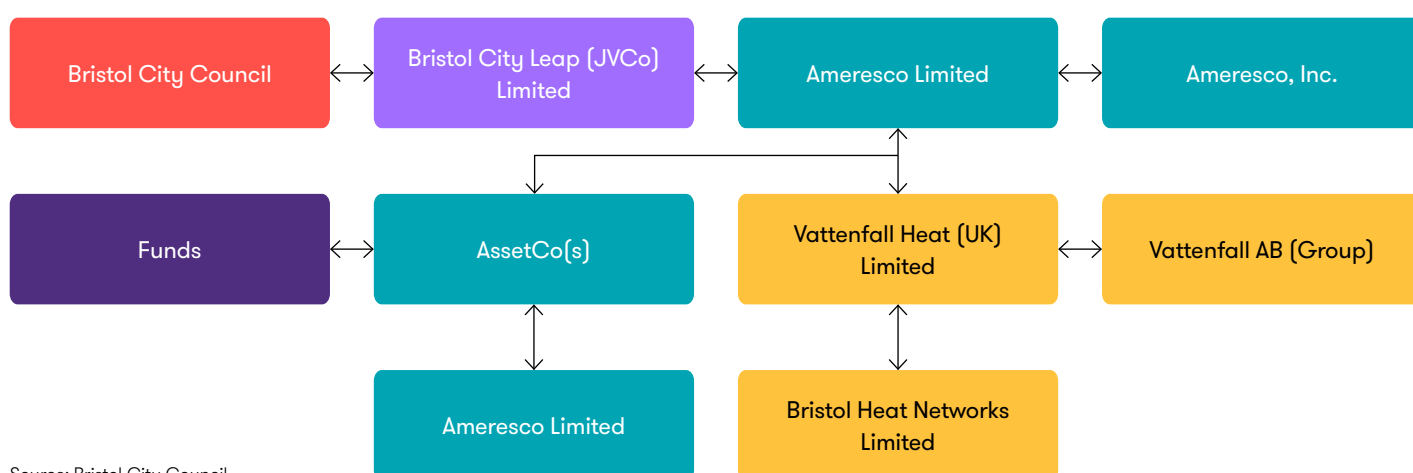
The commercial structure is built around a 50:50 joint venture between Bristol City Council and Ameresco, funded entirely by the private partner. Vattenfall acts as a specialist subcontractor focused on owning and expanding the Council's existing heat network.

As outlined above, projects delivered under BCL can be delivered using three contractual models:

- 1 Cost-plus model, with the contractor earning an agreed margin on a design-build-operate basis;
- 2 Co-investment between the Council and Ameresco, with sharing of risk and return; and
- 3 Private investment and ownership, with Ameresco or specific SPVs developing and financing the assets (with public sector landlord or offtaker).

This flexible approach gives Bristol the ability to apply different commercial and risk-sharing models on a project-by-project basis, reflecting variations in project scale, maturity and risk profile.

Figure 4: Illustrative delivery model structure example - Bristol City Leap



Source: Bristol City Council

Procurement and mobilisation

The procurement and set-up of BCL was a significant undertaking. The initial Prospectus attracted 181 expressions of interest, followed by a procurement process involving 150 hours of dialogue, 135 separate bidder meetings, and four Bristol City Council Cabinet approvals. Contract Award was followed by a nine-month mobilisation phase.

Procurement and mobilisation costs are estimated at ~£9 million, reflecting the complexity involved in developing the novel SDP model, with bespoke risk-sharing and commercial structures.²

Initial progress and latest outlook

Delivery in the first year (2023/24) was slower than the delivery partner initial forecast. This reflected an increased time and resource requirement to establish the joint venture, embed new and transition staff and assets into the partnership. Transferring the existing heat network to the subcontractor, Vattenfall, was reported to be particularly challenging.

The 2024/25 Business Plan Summary notes that this initial period has been largely focused on mobilisation rather than delivery, and that activity is expected to increase significantly from 2025/26 onwards as the programme moves into a more mature operating phase with a larger, better defined pipeline.³

² UKERC, *Bristol City Leap: A Novel Finance and Public Procurement Model for Delivering Net Zero* (2023) https://d2e1qxpsswcpzg.cloudfront.net/uploads/2023/12/UKERC_Bristol-City-Leap_Procurement-for-Net-Zero.pdf

³ Bristol City Leap, *2024/25 five-year business plan*, <https://www.bristolcityleap.co.uk/wp-content/uploads/2024/02/BCL-24-25-Business-Plan-Summary-FINAL-1.pdf>



Long-term economic benefits

The partnership is structured to maximise investment and move at pace, rather than maximise short-term revenue for the Council. Concession income over 20 years is expected to be around £4.2 million, relatively low compared to forecast private investment. This is consistent with Bristol City Council’s goal of achieving a holistic and diverse delivery of its Net Zero ambitions, and to create a variety of long-term commercial opportunities for the Council and its project sponsors.

The delivery partner also committed to delivering a substantial £61.5 million of social value benefits, including support for local supply chains, skills, jobs and community energy initiatives. This further enhances the overall economic benefit of the model for Bristol City.

Table 2: Benefits and trade-offs of Bristol City Leap model

Benefits of BCL model		Trade-offs	
	Crowds-in significant private investment (over £1 billion expected).		High procurement and mobilisation cost (~£9 million estimated).
	Provides technical expertise and much-needed delivery capacity.		Long-term economic benefit prioritised over short-term financial return.
	Flexible, portfolio-based model that evolves with new technologies.		Robust governance structure with ongoing Authority involvement and oversight.
	Pioneering commercial approach now being replicated elsewhere.		High dependency on delivery partner, making selection and due diligence critical.

Other Strategic Delivery Partner case studies

Other Local Authorities are now exploring approaches inspired by, or similar to, Bristol City Leap.

The Department for Energy Security and Net Zero (DESNZ) has launched a £19 million Local Net Zero Accelerator (LNZA) programme, with the aim of helping Local Authorities move from high-level climate plans to investible, deliverable pipelines of low-carbon projects.

The LNZA programme uses BCL as the foundation for a series of “replicator” projects, reflecting growing national interest in the SDP model as a repeatable way to mobilise private investment and accelerate delivery.



1 York and North Yorkshire Combined Authority

York and North Yorkshire are explicitly testing a BCL-inspired strategic energy partnership through the DESNZ Local Net Zero Accelerator programme. Using LNZA funding, the Combined Authority is developing an aggregated investment pipeline informed by its LAEP, with the aim of establishing a long term partnership capable of mobilising private capital across heat, retrofit, renewables and public sector estates.

The programme is focused on building an investible portfolio and defining the commercial and governance framework needed to support a Strategic Delivery Partner operating at scale across a large, mixed urban rural area.



2 Greater Manchester Combined Authority

GMCA is applying similar SDP principles at a regional scale, focusing on aggregation rather than a single partnership model. Through its Net Zero Accelerator funded programme, GMCA is bundling projects identified in the district level LAEPs into place based, thematic pipelines, and exploring joint ventures and delivery vehicles to accelerate investment in heat, retrofit, generation and transport. The approach prioritises pipeline certainty, reduced transaction costs and long term investment structures aligned with devolved governance.



3 Glasgow City Council

Glasgow City Council is developing a Model for Climate Investment to enable large scale private financing of Net Zero infrastructure, particularly heat networks and building decarbonisation. The Council is using this framework to create the conditions for long term partnerships around investable projects within its control, supported by appropriate governance and risk allocation arrangements. While still in development, the model reflects the same SDP logic seen in Bristol City Leap, moving from a fragmented project pipeline toward an investable portfolio delivery through private capital.

Other Councils have adopted similar Strategic Partnership approaches to delivering specific outputs across Net Zero sectors, for example:

- The Greater London Authority’s Energy Efficiency and Decentralised Generation (EDGE) Fund adopts a partnership-oriented approach, establishing an investment vehicle to support public sector decarbonisation projects.
- Birmingham City Council developed a Network Development Partner model for delivery of EV charging infrastructure in the region. It appointed a private partner via a long-term concession to install and operate EV chargepoints on public land and local areas.

These examples demonstrate how the SDP model and similar architecture can be applied to suit different commercial structures, and to deliver specific outputs and technologies. The examples demonstrate the overarching trend of Local Authorities adopting programme-level, partnership-based approaches to attract private investment, build delivery capacity and move faster on local Net Zero plans.

Case study: Milton Keynes Waste Recovery Park procurement 2025-26



Grant Thornton recently acted as financial and commercial adviser to Milton Keynes City Council, supporting the procurement of a Strategic Delivery Partner for the Council's existing Milton Keynes Waste Recovery Park (MKWRP).

The MKWRP currently combines three separate facilities:

- 1 A Mechanical Treatment recycling plant;
- 2 An Advanced Thermal Treatment plant;
- 3 An Anaerobic Digestion plant.

As the sole facility managing the waste from a growing population of over 300,000 residents, maximisation of availability and throughput was critical for the new contract.

The challenge

The Council required a new private sector partner to operate and invest in the three MKWRP facilities over a 10- to 15-year contract period. Major capital investments are envisaged at the facility over the contract period, both for equipment replacement and to explore new opportunities, such as district heating, private wire networks, increasing processing capacity and extending plant operating life.

The procurement steering group, comprised of MKCC staff and their advisors, including key members of the GT team, determined that a Strategic Delivery Partner model was best suited for managing the complex handover of the existing facility to a new operator, and the need for ongoing investment and incentivisation.

From the outset, MKCC were clear that a collaborative partnership model would be fundamental, in recognition that project requirements and challenges would evolve over time. Traditional PFI-based contractual models are not well-suited to such circumstances, whereas adaptability and incentivisation is key.

The appointed delivery partner would need to be incentivised to maximise availability, optimise outputs (electricity, recyclates, by-products), identify new investment opportunities, and deliver maintenance works effectively, including delivery of a schedule of capital works/initiatives.

The procurement was a multi-year process, with intensive Competitive Dialogue stages to ensure the model developed was aligned with supplier capabilities and that there would be sufficient bidder appetite.

The results

The Grant Thornton team supported the Council to:

- Design innovative, novel financial/commercial risk-sharing mechanisms;
- Negotiate key commercial terms and financial mechanisms with bidders throughout the Competitive Dialogue stages;
- Draft two comprehensive Payment Mechanisms for the two separate project phases, where risk shifts from the Council to the Contractor after a Familiarisation Phase;
- Develop of a suite of detailed yet user-friendly financial documentation, including a financial response template model, and financial/commercial guidance; and
- Robustly assess each bidder's financial strength, commercial proposals, and strategic collaboration approach.

After a highly competitive tendering process, Grant Thornton helped MKCC identify Suez as the preferred strategic partner.

Grant Thornton will continue to support the Council during due diligence and the transition from the Familiarisation Phase to the steady state phase, where risk is transferred from the Authority to the Strategic Partner.

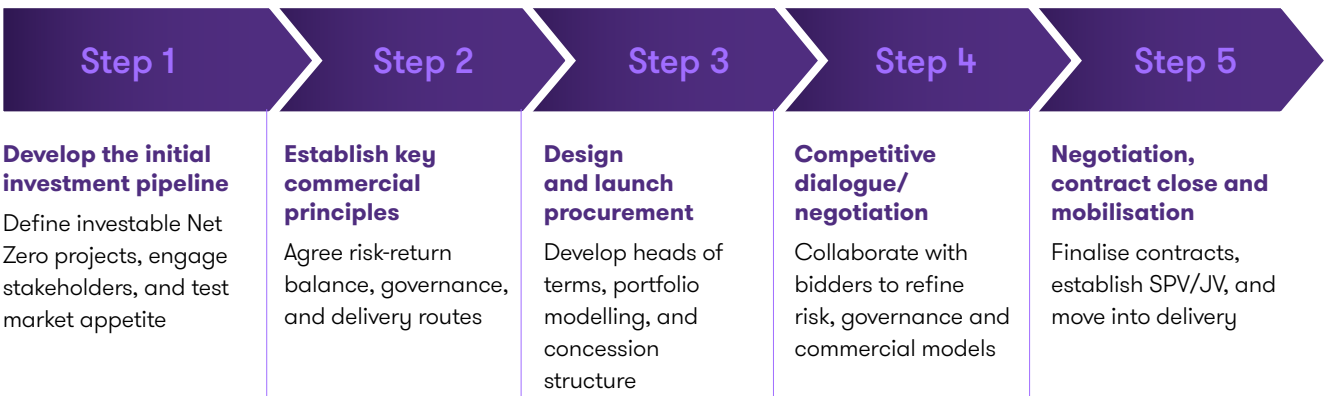
Implementing the SDP model



There are concrete learnings from existing case studies that Local Authorities exploring a Strategic Delivery Partner model can learn from. We provide a high-level introduction to the key steps in the process below, with a focus on precedents such as Bristol City Leap and other Competitive Dialogue processes Grant Thornton has supported.

The SDP model requires relatively high resource and investment from the Local Authority up-front, but with significant benefits in the long-term to leverage private capital, create commercial opportunities and meet Net Zero commitments.

Figure 6: Summary of the Strategic Delivery Partner Implementation Process



Step 1: Develop the initial investment pipeline

Critical to the success of Bristol City Leap was the Council’s up-front project pipeline work and initial development activities. The Council developed the City Leap Prospectus and held roadshows and stakeholder engagement with over 160 organisations.

The City Leap Prospectus was not linked to a Local Area Energy Plan (LAEP), but other LAs have been taking this approach to develop the key investment priorities in their regions. Testing the potential portfolio with the market is fundamental to ensure market appetite for the opportunity.

Engaging across public sector bodies in the local area is key to developing the portfolio. Understanding the potential energy needs, land availability, and strategic priorities of public sector sponsors enables a more robust pipeline.

Step 2: Establish key commercial principles

The Authority must establish its core commercial stance and priorities early in the process, for example its preferences for:

- governance control vs. reduced administrative effort
- financial return vs. risk transfer to private sector
- concession fees vs. co-investment opportunities.

The Local Authority must also set principles for how different projects within the portfolio will be structured commercially, since the SDP model can allow multiple delivery routes, eg cost-plus, vs. co-investment, or fully private (with lease payments), public sector offtake, etc. These principles set the starting position for bidder discussions, eg through a Competitive Dialogue.

The SDP model is suited to situations where delegation of development and commercialisation to the private sector is a priority, but where the Local Authority wants to retain strategic oversight. A key benefit of the model is risk transfer to the private sector partner, with the Local Authority de-risking projects through collaborative project development and governance rather than paying a fixed unitary charge (although cost-plus style direct procurements of individual projects are also possible under the SDP model).

Step 3: Design and launch procurement

At this stage most Authorities will need to engage specialist legal, commercial, financial, and potentially technical advisers (some will have engaged them in Step 1 or 2). Advisers will typically support with:

- developing initial Heads of Terms
- drafting procurement documentation
- responding to bidder clarification questions
- assessing bidder submitted responses.

The contract can take various forms, but a concession arrangement is most suited to delivery of an area-wide portfolio of Net Zero projects. The concession grants the supplier the role as Strategic Delivery Partner. This can either mean right of first refusal for projects on public sector land, or potentially exclusive access to delivery of those projects (with specific exceptions). The concession does not guarantee specific projects, but rather gives the Delivery Partner and its investors confidence to progress projects across the region, with flexibility over the commercial structures.

Development of an indicative portfolio financial model is also valuable at this stage as it can provide bidders with an estimate of capital requirements and the potential return on investment over concession/project terms.

Step 4: Competitive dialogue/negotiation

A Competitive Dialogue process is well-suited to an SDP because it allows the Authority and bidders to iteratively shape the commercial, legal and governance arrangements needed for a long-term, multi-technology concession. Unlike a fixed-scope procurement, an SDP involves varied project types, evolving pipelines and complex risk-sharing, so Competitive Dialogue provides the flexibility to explore options, test bidder appetite and refine the partnership structure collaboratively. It also allows the Authority to learn from bidders' existing experience and lessons learnt from previous procurements or contracts.

The dialogue phase is where key issues such as risk allocation, revenue mechanisms, incentives/penalties, and governance approaches are developed. Multiple rounds of structured discussions and document refinements help ensure that the final tender documents reflect what is deliverable by the market. A well-managed dialogue phase results in higher-quality bids and reduces ambiguity at contract close.

Step 5: Final negotiation, contract close and mobilisation

After identifying a preferred bidder, the Authority enters a final phase of confirmatory due diligence, during which the bidder's technical, financial and legal proposals are validated in detail, and may also include due diligence by the bidder to close and open issues at the point of tendering. The bidder financial model will likely be reviewed and validated.

After due diligence, the draft concession agreement would be agreed and signed, plus any relevant joint venture contracts and commercial/technical schedules.

A key task at this stage will be establishing any SPV or JV companies, appointing board members, finalising key guidance (eg project acceptance criteria), and arranging regular board meetings and procedures.

Benefits and trade-offs of the SDP model



The SDP model has the potential to significantly unlock private capital and accelerate delivery of Net Zero at the local level. However, implementing the model comes with relatively high up-front administrative costs for the Authority and the model may need to be adapted to suit each Authority's commercial priorities to achieve best Value for Money.

Benefits of the SDP model



1 Major mobilisation of private capital

SDP model can leverage large-scale private investment for a wide portfolio of investments. Bristol's partner for BCL, Ameresco, committed to invest £424 million by 2030, and initially forecast total investment of £775 million over the first five years of the contract.

2 Flexibility across technologies and delivery models

SDP contracts allow delivery of diverse portfolios using different commercial routes (cost-plus, concession, co-investment or private SPVs). This flexibility supports evolving Local Area Energy Plans.

3 Transfer of development and delivery risk

Early-stage development and commercialisation risk shift to the private partner, supported by long-term access granted by the SDP contract, encouraging investment in project origination, planning, and other challenging activities.

4 Additional delivery capacity and specialist expertise

The model brings access to private sector technical expertise, innovation, financing, and resource capacity. This is a key benefit in terms of accelerating progress towards Local Authority Net Zero ambitions.

5 Opportunities for co-investment

Where appropriate, Local Authorities can co-invest in specific projects alongside the strategic partner, sharing risk and returns, and offering opportunities to grow capital and obtain valuable learnings and experience.

6 Long-term efficiency and Value for Money

Though up-front set-up costs are high, SDP concessions establish a long-term investment platform for delivery of projects at low or no cost to the Authority. Short-term gains on individual projects may be lower than other models, but the up-front commitment supports the creation of enduring delivery capability. Over time, this structure can leverage private capital, unlock additional commercial opportunities and reduce ongoing administrative costs, delivering stronger Value for Money across the life of the programme.

Trade-offs in applying the SDP model



1 High up-front cost for procurement and mobilisation

Bristol's procurement and mobilisation costs reportedly exceeded £9 million, largely adviser and legal fees, driven by extensive due diligence, legal complexity and transaction costs associated with the concession and JV set-up. This was nonetheless considered worthwhile up-front investment in a long-term delivery model, and the costs are comparable to procurements for major infrastructure projects in the scale of >£1 billion investment.

2 Ongoing internal resource requirements

Although many activities are delegated to the strategic partner, there are ongoing administrative costs for the Authority. For example, Bristol City Council maintains an internal "client team" for BCL of ~12-15 FTEs. These roles support the programme with ongoing governance, contract management, project assurance and shareholder oversight. In the long run, as BCL invests and expands the portfolio, administrative costs and other overheads will fall significantly relative to overall programme size.

3 Prioritisation of long-term value over short-term income

The SDP model prioritises pace of delivery, and risk transfer to the private sector, rather than short-term income or financial returns for the Authority or the strategic partner. As an example, Bristol City Council expects only £4.2 million of concession fees over 20 years, relatively low compared to the >£1bn investment ambition. The model is designed to create commercial opportunities for both parties and deliver long-term Value for Money, with short-term gains reinvested into further project origination.

4 Adaptation of the model to each local context

The model must be designed to the specific requirements of the Local Authority or region in each instance. The nature of the portfolio, and the commercial offering, will differ in each instance. For example, some Local Authorities may not wish to provide exclusive access to a single Delivery Partner. Non-exclusive models are possible, but investor appetite may be lower. The LA should tailor the model to its requirements or restrictions, but it is critical that the Authority obtains specialist advice early in the process and undertakes ongoing market engagement to iteratively develop and shape the opportunity.

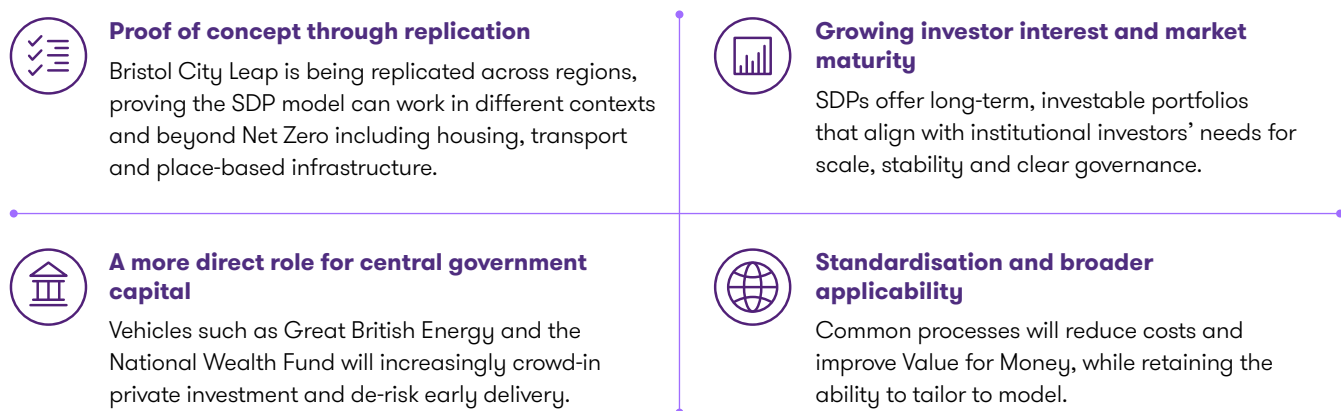
Grant Thornton view: The future of the Strategic Delivery Partner model



The Strategic Delivery Partner model is increasingly being adopted across the UK and is becoming a recognised delivery route, despite not having a fixed form.

We set out below the key trends we expect to see between now and 2030 in the Local Authority Net Zero space, and the progression of the Strategic Delivery Partner model.

Figure 7: Four trends shaping the future of the Strategic Delivery Partner model



1 Proof of concept through replication

The next phase of the SDP model will be shaped by replication and adaptation of the BCL example, in particular in York and North Yorkshire, Greater Manchester and Glasgow. York and North Yorkshire are explicitly testing how the Bristol City Leap model can be adapted to different regions, and the GMCA and Glasgow examples are further testing similar models where a project portfolio is tendered for deliver by a strategic partner. While many early applications are focused on Net Zero, the model has broader relevance, with potential application across housing, transport/stations, and other place-based infrastructure.

Some of these replicators have received funding from the Local Net Zero Accelerator. This programme has proved and is helping to de-risk Local Authority investment in developing investable delivery models. The programme will generate practical evidence on costs, governance, and mobilisation and delivery challenges. These learnings will be critical in building confidence and refine the model.

2 Growing investor interest and market maturity

As successful SDP agreements continue to develop, there will be increased interest from developers, lenders and strategic investors. Since the end of PFI, investors and lenders have been looking to government for new, repeatable investment models to support major capital programmes with public sector backing. The SDP model has the potential to provide this structure, despite not having a single defined structure.

Long-term concessions with defined pipelines and governance frameworks align well with the aims of institutional investors, seeking scalable investments, with stable returns, that are aligned with their Net Zero strategies. Over time, this will deepen and widen the pool of capital available and make SDP procurements more competitive, enhancing Value for Money for the public sector in the long term.



3 A more direct role for central government capital

Central government has signalled increased appetite to take a direct role in supporting SDP pipelines, not just through policy but through direct investment.

Great British Energy, the government-owned energy project development and investment vehicle, has launched a £5 million grant programme for community energy projects, the Great British Energy Community Fund (GBECF), and £10 million Mayoral Renewables Scheme, to support development of community-owned and Local Authority backed projects, via local Net Zero Hubs. It has also announced a £1 billion Local Power Plan to support locally owned clean energy projects. The exact financial instruments for delivery of the £1 billion funding have not yet been set out, but are likely to include exploring direct equity investment and lending, which GBE has previously committed to deploying.

The National Wealth Fund (the re-branded UK Infrastructure Bank) has also committed to support local and regional net zero infrastructure as part of its Strategic Priorities, with at least £4 billion of low-cost lending being earmarked to support local projects where the Local Authority is a key counterpart.

Government investment via GBE or NWF or other vehicles can complement private investment and help crowd-in institutional investors and lenders, eg acting as a cornerstone investor or helping prove concept on novel technologies or business models. Government has successfully demonstrated this concept in the past via the UK Infrastructure Bank and specific vehicles such as the Charging Infrastructure Investment Fund (CIIF).



4 Standardisation and broader applicability

As SDP models are replicated, greater standardisation is likely to emerge in terms of contract structures, governance frameworks, performance metrics and risk/reward sharing. As standardisation increases, this will reduce procurement and transaction costs and lower the barriers to entry for both Local Authorities and private sector bidders/investors. Pioneering Local Authorities such as Bristol City Council are well-known for knowledge sharing and collaboration with other Local Authorities looking to follow their example.

At the same time, the SDP model, by nature, cannot be fully standardised, and must be adapted to the local context and each Local Authority's commercial priorities. For example, some Authorities have developed models where they do not provide full exclusivity to a single Delivery Partner, but establish a multi-supplier framework with mini-competitions for specific projects.

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