Public Private Partnership – Briefing Pack

Bankers without Boundaries (BwB)

28 March 2026

Funded by

Department for Energy Security & Net Zero

In partnership with

Greater South East Net Zero Hub

Fit4Finance

Table of Contents

Fit4Finance | Public-Private Partnership

What is a public-private partnership?

Definition

A public–private partnership (PPP) is a long-term contract where a local authority commissions a private partner to deliver a public asset or service, with the private partner taking on defined risks (often design / build / finance / operate) and being paid over time based on performance and service outcomes rather than just construction.

Why it matters for LAs:
Public-Private Partnerships (PPPs) enable Local Authorities to deliver large-scale, complex infrastructure, such as Net Zero energy networks or waste facilities, without bearing the full burden of upfront capital expenditure. By entering into long-term, performance-based contracts, Councils can effectively transfer design, construction, and operational risks to the private sector. The Authority shifts from being a traditional builder to a purchaser of services, paying a "unitary charge" only when the private partner meets strict, pre-agreed performance standards.

Key Terms

Risk Transfer: The core commercial principle of a PPP: moving the responsibility for specific future risks from the local authority to the private partner.

Output Specification: The technical schedule in the contract that defines the service requirements in terms of *outcomes* rather than *inputs*.

Unitary Charge: the single, regular payment that the public sector makes to the private sector partner over the life of the contract.

Abatement: The contractual mechanism for deducting money from the unitary charge when performance falls below the required standard.
How it works: It is usually calculated based on 'lack of availability' (e.g., a room cannot be used) or 'performance failure' (e.g., a room is dirty).

PPP Contract: Often called the **Project Agreement (PA)**, the PPP Contract is the primary legal document governing the entire 20-to-30-year relationship between the local authority and the private partner.

Fit4Finance | PPP

How a PPP works: money and risk flows

Local Authority
Sets the Targets

- Outcomes & Needs
- Budget Affordability
- Performance Standards

Private Partner
For Delivery

- Designs
- Builds
- Finances
- Operates/Maintains

Payments Over Time

- Paid over 20-30 years
- Only when the service is available
- Reduced if performance drops

Funders/Investors
Provides Upfront Capital

Residents/Users
Using the service/asset

Fit4Finance | PPP

Understanding PPPs

A PPP IS:

- A long-term contractual arrangement between a local authority and a private partner
- A way to bundle design, construction, operation, and maintenance responsibilities
- A mechanism to allocate specific risks to the party best placed to manage them
- A delivery model where payments are typically linked to performance and service outcomes
- A structure that can include private finance, but does not have to

A PPP IS NOT:

- Automatically off-balance-sheet or a way to bypass public borrowing limits
- Guaranteed to be cheaper than public borrowing (for example, Public Works Loan Board)
- A replacement for strong client-side governance or contract management
- A single, standard model that applies to all assets or sectors
- A way to fully transfer all risks away from the local authority

Fit4Finance | PPP

Fit screening

1 Cashflow and Rights Assessment
Can outcomes and performance be specified and managed?
- No → **Not Suitable** — Outcomes hard to specify and observe
- Yes ↓

2 Data Availability
Is there a need for integrated DBFO/maintain responsibilities?
- No → **Action Required** — No need for integrated DBFO(M)
- Yes ↓

3 Legal Feasibility
Is this a complex or long-life asset?
- No → **Stop** — Complex/long-life characteristics are limited
- Yes ↓

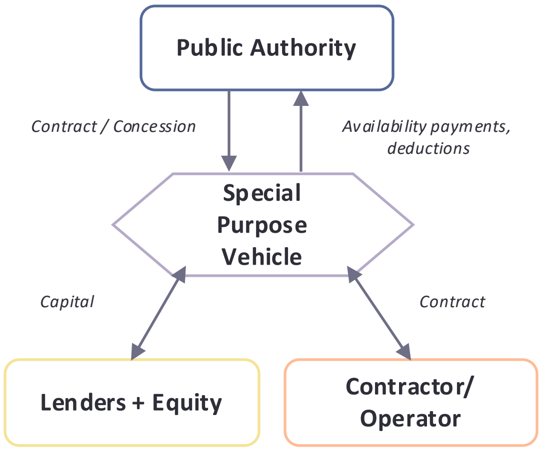
4 Scale and Economics
Is it programme-scale or a repeatable pipeline?
- No → **Consider Aggregation** — Small schemes where transaction costs dominate
- Yes ↓

✅ **Good Fit: Proceed with Structure**
All criteria met. Begin detailed designing & business case

Fit4Finance | PPP

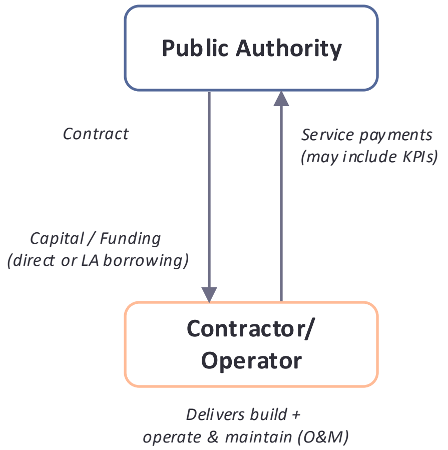
Different PPP structures

Privately Financed Availability PPP Design–Build–Finance–Operate (DBFO)



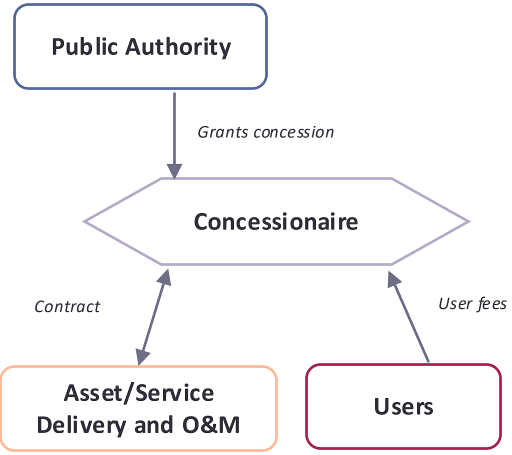
Signals	**Funding:** Private **Payment:** Availability **Risk:** Demand risk usually stays with public authority
When it Fits	Whole-life performance is critical and risks can be contractually managed.
Key Watch-Out	High transaction cost and long-term contract management burden.

Public-Funded Service Contract (Design–Build–Operate–Maintain model)



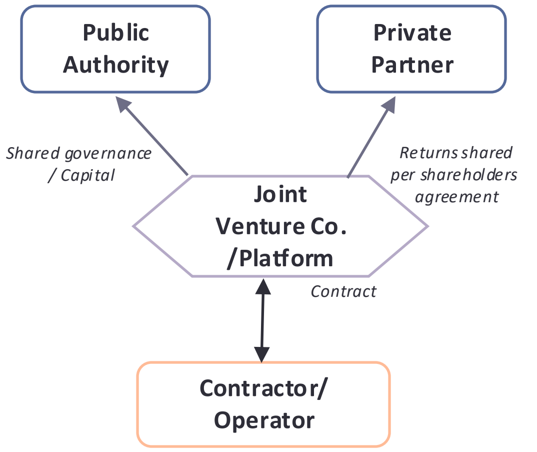
Signals	**Funding:** Public **Payment:** Service payments (may include KPIs) **Risk:** Financing risk stays with public authority
When it Fits	Public authority wants private delivery and O&M discipline but funds capital expenditure cheaply.
Key Watch-Out	Lower risk transfer than DBFO, benefits depend on contract design.

Concession (user-revenue based, demand risk transferred)



Signals	**Funding:** Private and/or mixed **Payment:** User revenue **Risk:** Demand risk sits with private partner
When it Fits	There is a viable revenue stream from users or counterparties.
Key Watch-Out	Forecasting and managing demand risk is the core challenge.

Joint Venture / cOrporate Partnership (programme platform)



Signals	**Funding:** public, private, recycled returns **Payment:** contracts, revenues, dividends **Risk:** Governance and conflicts are the main risks
When it Fits	Long-term programme delivery where shared control matters.
Key Watch-Out	Governance complexity, decision rights, and subsidy control risk.

Fit4Finance | PPP

Who is involved? (RACI)

R **Responsible:** Doing the work **A** **Accountable:** Ultimate decision /approval **C** **Consulted:** Provided input/expertise **I** **Informed:** Kept up to date

Role / Party	Business Case & Strategy	Procurement & Selection	Legal & Financial Close	Construction & Mobilisation	Operations & Performance
Local Authority / SRO Policy maker	A Approves scope & affordability cap	A Approves shortlist & preferred bidder	A Signs project agreement	I Receives milestone updates	A Accountable for service outcomes
Internal Project Team Project Director, Finance, Legal	R Writes five-case model (OBC)	R Runs competitive dialogue	R Finalises commercial terms	C Monitors progress against timeline	R Calculates monthly abatements
External Advisors Legal, Technical, Financial	C Builds financial model & risk matrix	R Drafts output spec & evaluates bids	R Manages due diligence & funding	I Independent certifier validates completion	I Ad-hoc support on disputes
Cabinet / Elected Members Political Stakeholders	C Approves budget & 'go' decision	I Updates on bidder interest	C Approves full business case (FBC)	I Briefed on key delivery milestones	I Annual performance review
Private Partner Consortium & Lenders	I Participates in soft market testing	R Submits detailed solutions (ISDS)	R Secures debt/equity & swaps	R Constructs asset (risk owner)	R Delivers services & lifecycle

Fit4Finance | PPP

High-level legal and procurement considerations

Legal Package Inclusions

Procurement Route and Award
A compliant process and clear evaluation criteria.

PPP Contract
sets scope, standards, payment mechanism, performance deductions, change control, reporting, and termination.

Funding Documents
Lender/investor requirements, step-in rights, and direct agreements.

Governance and Approvals
Internal decision-making, delegated authority, and documentation trail.

State Aid/Subsidy
Considerations where support or guarantees are provided.

Regional Considerations

England / Wales (high level)
Typically follows public procurement rules (e.g., competitive procedures where appropriate) and standard Local Authority governance/decision frameworks.
Key issues: Transparency, equal treatment, change control discipline, and contract management capacity.

Scotland (high level)
Same overall principles (competitive procurement, governance, value-for-money), but procurement rules and guidance are Scotland-specific in places.
Key issues: Ensure the chosen procedure and documentation align to the Scottish procurement framework and local standing orders.

Across all three
The biggest legal 'risk reducers' are: a clean procurement, clear output specs, a robust payment mechanism, and a disciplined change process.

Fit4Finance | PPP

Best Practices for Governance of a PPP contract

Strategic Leadership and Accountability

- **Senior Responsible Owner (SRO):** Appoint an SRO for accountability
- **Project Boards:** Structure a high-level board comprising key department heads
- **Democratic Mandate:** Secure formal council approval at key milestones to ensure political legitimacy

Operational Delivery Structure

- **Project Director:** Designate a full-time lead to manage day-to-day executions, coordinate workstreams and act as a primary point of contact
- **Specialist Workstreams:** Divide the work into clear department heads
- **Advisor Integration:** Integrate external consultants into delivery team

Assurance and Approval Gates

- **Stage-Gate Reviews:** Implement mandatory 'gateway reviews' before proceeding to the next stages
- **Risk Management Committee:** A distinct forum that reviews the risk register, ensuring mitigation actions are being completed
- **Change Control Board:** A strict protocol for approving changes of scope or requirements during the procurement process

Stakeholder and Market Interface

- **Communication Strategy:** A formal plan for managing the narrative with the public and unions to prevent misinformation
- **Union and Staff Consultation:** A structured timeline for engaging with employees early to minimise industrial relations risk
- **Probity and Confidentiality:** Strict protocols for interacting with bidders to ensure equal treatment and prevent legal challenges

Core Governance Principles

- Single SRO
- Gateway Reviews
- Risk Register
- Strict Probity

Fit4Finance | Case Studies

Public-private partnership (PPP) case study 1: Central Berkshire Waste PPP

Project Overview and Structure

Model Type
Design-Build-Finance-Operate (DBFO)

Key Partners
Reading, Bracknell Forest & Wokingham Councils, Private Partner

Payment Mechanisms
Availability payments and step-up during construction

Incentives
Gain share on landfill tax savings; ~70 KPIs

Context: A long-term partnership to manage waste across three council areas. The contract used a three-stage step-up payment mechanism to incentivise the timely construction of waste facilities. Payments are linked to availability and performance against strict output specifications.

Relevance for Local Authorities (LAs)

This case demonstrates how payment mechanisms can be structured to drive performance (step-ups for construction milestones) and how complex abatement regimes work in practice. It highlights the importance of robust contract management when dealing with long-term, output-based specifications.

Key Features

KPIs vs Policy Draft

KPIs set decades ago (e.g., landfill diversion) may not match modern goals (e.g., circular economy/recycling), creating tension.

Informal Audits

LAs introduced informal 'shadow' audits to monitor soft metrics not covered by the original contract, supplementing the formal KPI regime.

Change Control

A structured change process allowed for minor operational adjustments without reopening the entire commercial deal.

Certification Role

Use of an independent certifier was crucial for unbiased verification of construction milestones, triggering payment step-ups.

Source: Global Infrastructure Hub – Central Berkshire Waste PPP case study (accessed 2026)

Fit4Finance | Case Studies

PPP case study 1: Central Berkshire Waste PPP

Capital Deployment

Capital Value

~£700–730m

Total contract value

Construction Cost

~£180–200m

Initial capital expenditure

Participants and Partners

Private Partner	Consortium led by FCC Environment (formerly Waste Recycling Group)
Partner Role	Design, build, finance, operate waste infrastructure
Local Authorities	Reading / Bracknell Forest / Wokingham councils
Lenders	Various UK infrastructure lenders (senior debt)

Project Timeline

2006

Contract signature

2007

Financial close

2007–2010

Construction phase

2010–2031

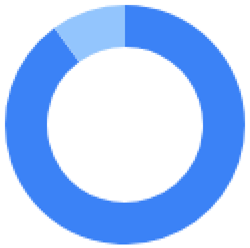
Operation (~25-year phase)

Source: Global Infrastructure Hub – Central Berkshire Waste PPP case study (accessed 2026)

Fit4Finance | Case Studies

PPP case study 1: Central Berkshire Waste PPP

Financing Structure



Typical Private Finance Initiative (PFI) Capital Structure

- ~90% Senior debt (bank lenders)
- ~10% Sponsor equity

Facilities Delivered

- Mechanical Biological Treatment (MBT) plant
- Materials Recovery Facility (MRF)
- Waste transfer stations
- Upgraded recycling facilities

Waste Capacity: ~150,000 tonnes municipal waste per year

Payment Mechanism (Three-Stage Step-up)

The LAs did not immediately pay the full service charge. Payments increased in stages as the infrastructure was delivered and verified.

1. **Construction Start**
   Minimal payments during initial phase
2. **Key Facilities Completed**
   Payment increases as milestones reached
3. **Full System Operational**
   Full service payments began upon certification

Why this matters

The private partner receives most of revenue only after infrastructure is operational. This requires achievement of construction milestones before full payment is released.

Source: Global Infrastructure Hub – Central Berkshire Waste PPP case study (accessed 2026)

Fit4Finance | Case Studies

PPP case study 1: Central Berkshire Waste PPP

Incentive Structure

The private partner could share financial gains from avoided landfill tax, aligning commercial interests with environmental goals.

Context and Mechanism
UK landfill tax increased significantly during the 2000s. If waste facilities reduced landfill use beyond contractual targets, financial savings were shared between LAs and the private partner.

Outcome: Encouraged increased recycling, improved diversion performance, and reduced landfill disposal.

Legacy KPIs vs Policy Shift

Misalignment Risk

Many UK waste PPP contracts were designed in the late 1990s/early 2000s focusing on landfill diversion. Later policy shifted toward circular economy and recycling targets, causing some contractual KPIs to no longer align with updated goals.

Governance and Monitoring

Informal ('Shadow') Audits

LAs introduced shadow audits to monitor performance indicators not covered in the original contract (e.g., recycling quality, operational efficiency). This improved transparency and encouraged improvements without renegotiating the entire PPP contract.

Change Control

Minor operational changes could be implemented without reopening the entire commercial deal, allowing flexibility over a long contract period.

Why This Case Matters

Demonstrates the effectiveness of milestone-based PPP payments to enforce delivery and the alignment of public-private incentives. It also highlights the challenges of long-term contracts when policy evolves and the critical importance of flexible monitoring and governance mechanisms.

Fit4Finance | Case Studies

PPP / Co-investment case study 2: Bristol City Leap

Project Overview and Structure

Model Type
Equity Joint Venture (50/50), Bristol City Council & Ameresco Ltd, Governed under the Concession Contracts Regulations 2016

Key Partners
Bristol City Council (public, 50%), Ameresco Ltd (private, 50%), Vattenfall Heat UK (subcontractor to Ameresco)

Investments
£1bn+ over 20 years
£424m committed in IBP (years 1–5)
~£500m anticipated in revised 5yr plan

Objectives
Bristol carbon neutral by 2030
City-wide low-carbon energy infrastructure
1,000+ local jobs; £61.5m social value target

Context: Bristol City Leap (BCL) launched in 2018 as the UK's first city-scale PPP for energy decarbonisation. After a competitive dialogue procurement under Concession Contracts Regulations 2016, Ameresco was selected in 2022. Contracts signed January 2023. A world-first, cited by WEF/UN-Habitat as a model for city-wide public-private climate action.

Relevance to Local Authorities (LAs)

Demonstrates how an LA can attract £1bn+ of private capital without direct cash outlay, contributing assets, estate access and political mandate as its equity. The Concession Contracts Regulations 2016 framework is available to all UK LAs. KPI-anchored concession contract provides accountability without full public ownership. Replication explicitly designed into the model.

Key Lessons

Asset contribution can substitute for cash equity

BCC's 50% stake was primarily built on transferring heat network assets and estate access — not a cash injection. LAs with constrained budgets can use existing infrastructure as a credible equity contribution.

Procurement design determines risk transfer

Using Concession Contracts Regulations (not standard procurement) placed demand and operational risk on Ameresco. The private partner only generates revenue when projects are delivered and energy is sold — creating strong alignment.

Vattenfall ≠ Equity Partner — distinguish subcontractor roles clearly

Vattenfall operates as Ameresco's subcontractor, not as a JV equity holder with BCC. It bears contractor risk only (heat network delivery). Conflating these roles misrepresents the PPP structure and risk allocation.

Democratic oversight must be designed in — it won't happen automatically

BCL's JV board has no elected members; only one council officer. Operational agility was prioritised. Other LAs replicating this model should explicitly design in oversight mechanisms — BCL is a cautionary example here as well as a positive one.

Sources: 3Ci case study • UKERC policy brief – Bristol City Leap: A Novel Finance and Procurement Model for Delivering Net Zero • Bristol City Council/City Leap materials

Fit4Finance | Case Studies

PPP / Co-investment case study 2: Bristol City Leap

Two-Layer Partnership Model

Strategic Energy Partnership (PPP)

City Leap Energy Partnership Ltd (registered UK company)

- 50% Bristol City Council
- 50% Ameresco Ltd (US-listed cleantech integrator, NYSE: AMRC)
- **Vattenfall Heat UK: subcontractor to Ameresco — NOT a JV equity partner**

Co-Investment Platform

Individual projects within the BCL pipeline carry their own capital stack

- Ameresco: dominant financial contributor (£424m committed in 5yr IBP)
- Vattenfall: targeted co-investment in heat network assets specifically
- Community crowdfunding: ~£6m opportunities for residents into specific projects
- Government grants (HUGS, LHES, SHDF): applied project-by-project

Typical Project Capital Stack

- Govt Grants / Public Funding
- Ameresco Private Capital (dominant)
- Community Crowdfunding / Vattenfall co-invest

Partner Incentives and Alignment

Bristol City Council

- ✓ Political mandate: carbon neutrality by 2030
- ✓ Retain public co-ownership (50%) of delivery vehicle
- ✓ KPI-driven accountability without full public delivery risk
- ✓ Share of JV returns + £2.34m guaranteed + £1.63m risk-based payments

Contributes: Heat network assets + estate access + land + pre-procured project pipeline

Private Partners (Ameresco/Vattenfall)

- ✓ Ameresco: commercial return on infrastructure over 20yr concession; long-term O&M fees; replication in other UK cities
- ✓ Vattenfall: contractor margin + long-term heat sales revenue as Bristol Heat Network grows
- ✓ KPI framework: Ameresco's revenue depends on delivery; strong alignment with LA's carbon goals

Ameresco contributes: £424m+ financial capital (IBP) + technical delivery
Vattenfall contributes: heat network construction & operation

Fit4Finance | Case Studies

PPP / Co-investment case study 2: Bristol City Leap

Project Timeline

2018
Procurement launched

2020
Preferred bidder selected

2022
Partnership contract signed

2022–2042
Delivery phase (20-year partnership)

Project Scale

~£1 Billion+
Target Low-Carbon Investment

£424m
IBP 5yr committed investment (Ameresco)

~£500m
Revised 5yr business plan target

~140,000t
CO_2 savings (first 5 years)

~182 MW
Zero-carbon energy generation capacity

1,000+
Local jobs created (first 5 years)

£61.5m
Social value committed (first 5 years)

20 years
Concession duration (to 2043)

34 wards
Geographic coverage across Bristol

Governance

Concession & Contract Structure
Governed under Concession Contracts Regulations 2016. 20-year concession with Ameresco. Binding KPIs (not just a business plan) determine Ameresco's accountability. BCC's internal City Leap Assurance Team oversees compliance. 5-year business plans agreed jointly and reviewed periodically.

Democratic Oversight — A Caution for Replication
City Leap Energy Partnership Ltd's board has no elected members — only one council officer. This was a deliberate trade-off: operational speed over democratic accountability. LAs replicating this model must explicitly design-in oversight mechanisms. BCL is simultaneously a positive model and a governance cautionary tale.

Sources: 3Ci case study • UKERC policy brief – Bristol City Leap: A Novel Finance and Procurement Model for Delivering Net Zero • Bristol City Council/City Leap materials

Document Version Control

Version	Date	Purpose / Change	Produced by	Approved by	Date
0.1	DD-MMM-YY	Draft	Name surname	Name surname	DD-MMM-YY
0.2	DD-MMM-YY	Draft	Name surname	Name surname	DD-MMM-YY
0.3	DD-MMM-YY	Draft	Name surname	Name surname	DD-MMM-YY
0.4	DD-MMM-YY	Draft	Name surname	Name surname	DD-MMM-YY
1.0	DD-MMM-YY	Draft	Name surname	Name surname	DD-MMM-YY

Fit4Finance

Funded by

Department for
Energy Security
& Net Zero

In partnership with

Greater
South East
Net Zero Hub