EY report model assessments

Themes

Criteria	Description
Control	Ability for the Authority / YNY to exert both strategic and operational control over the delivery model through defined governance structures.
Influence	Ability for the Authority / YNY to have strategic influence to shape the route to net zero and drive wider social value and economic benefits.
Risk	The degree to which the Authority / YNY is exposed to the overarching delivery risk, which refers to risks associated with the origination, development, financing and successful execution and management of the net zero pipeline.
Reward	Ability to benefit from the rewards that arise at a delivery model level. This does include consideration for project level returns and rewards.
Time	Time required to design, develop and procure / implement the delivery model.
Resource	Resource required from the Authority / YNY for the procurement process and the day-to-day running of the delivery model.

Option 1: 50/50 Joint Venture Partnership model

Criteria	Implications for the Authority
Control	Gives YNY 50% control of the JV, allowing equal control in decision-making and voting rights through joint governance structures (strategic and operational).
Influence	YNY will have equal rights in the Partnership and therefore shares the ability to influence the Partnership and the Partnership's activity equally with the JV partner extending to all strategic and operational activities of Partnership. Such influence would extend to networking and stakeholder engagement to facilitate regional decarbonisation.
Risk	YNY and the Strategic Partner will share both the risk and reward of the Partnership equally. YNY will need to contribute 50% of the value of the Partnership, likely through Authority assets and exclusivity rights, exposing YNY to financial risk. Due to the costs associated with providing the necessary resources to support undertaking the primary activities of the Partnership. Risk, reward and contributions will be identified and ringfenced on a project-by-project basis and at a project level.
Reward	YNY and the Strategic Partner will share both the risk and reward of the Partnership equally. Therefore, YNY will be entitled to the 50% of rewards of the Partnership, however these rewards may be limited to that of recovery of costs in the form of development fees.
Time	May necessitate a complex and time-consuming procurement and implementation process, which will need to be supported by an appropriate level of skill and resource. However, once established and implemented there is no requirement to go through a procurement process / framework draw down process when support is required.
Resource	Requires dedicated YNY resource and time to design and procure the Partnership. Also requires resource to contribute to the operation of the JV, including commitment to develop and originate projects, which may require a dedicated client function to work in Partnership with the JV partner.

Option 2: Strategic Partner-led Joint Venture model (akin to Bristol and Coventry models)

Criteria	Implications for the Authority
Control	The model can provide for various levels of control. It is envisaged that the Strategic Partner will take the lead on project origination and development on a day-to-day basis and YNY would have equal control regarding the strategic direction of the Partnership, and any final investment decisions and decisions relating to Authority contributions (e.g. use of Authority assets). This does not preclude YNY, or other stakeholders playing a role in the origination and development of projects.
Influence	The model can provide for various levels of influence. YNY could maintain strategic oversight and influence through key processes at a portfolio level, for example, the model can be structured to meet KPIs and requirements that support broader co-benefits, including social value and economic benefits. Additionally, YNY could have a level of influence at a project level through development of Gateway Process, allowing for approval and input into project development. Such influence can extend to networking and stakeholder engagement to facilitate regional decarbonisation.
Risk	YNY will transfer the risk and reward of the Partnership's operations and project origination, meaning that YNY will limit its commitments to the Partnership (contributions in kind). For example; the JV partner may carry the risk of abortive costs (e.g. costs associated with failed project proposals or grant funding applications). Risk, reward, and contributions will be identified and ringfenced on a project-by-project basis.
Reward	YNY will transfer the risk and reward of the Partnership's operations and project origination to the Strategic Partner, meaning, that YNY will limit its ability to benefit from potential rewards arising from the Partnership. However, there is an ability to consider the inclusion of certain KPIs / commitments which are set at the outset of the JV agreement (e.g. commitments to regional social value that is provided regardless of the performance of the Partnership, or any developed projects).
Time	May necessitate a complex and time-consuming procurement and implementation process, which will need to be supported by an appropriate level of skill and resource. However, efficiencies can be gained by applying lessons learnt from similar procurements by Bristol and Coventry City Councils.
Resource	Requires dedicated YNY resource and time to design and procure the JV. To allow YNY to have strategic oversight and influence and therefore, resource will be required to support this. However, there is not a significant resource requirement to support the origination and development of projects, as this is led by the Strategic Partner.

Option 3: Authority-led Framework model

Criteria	Implications for the Authority
Control	YNY retain full control over the day-to-day management and will be the sole decision-making body. The private sector's role is limited to execution through frameworks and investment into individual projects, with little to no strategic input.
Influence	YNY retains overall influence and ability to align projects with strategic aims and existing processes. However, there may be less ability to influence the delivery of social value at a longer-term strategic level as contracts will be piecemeal and shorter-term. Contracts may be shorter-term meaning this model may not be as well-suited to achieving longer-term net zero aims.
Risk	Risk for the overall portfolio is retained by YNY. While YNY can transfer risk at a project level, YNY will be responsible and bear the risk of not delivering on the overall portfolio (e.g. there is no private sector support at a portfolio level).
Reward	Reward for the overall portfolio is retained by YNY. However, consideration needs to be given to the extent to which reward would be transferred to the private sector on a project level (e.g. depending on the route to delivery, reward would be shared with investors).
Time	May necessitate a complex, time-consuming design, procurement and implementation process, which will need to be supported by an appropriate level of skill and resource. Further time and resource will be required to call-off from the Framework as required. Will also involve significant time to upskill and train existing staff and to recruit and build a dedicated in-house team.
Resource	A high in-house resource requirement for management of the Framework procurement(s) and ongoing contract monitoring will be required. This includes significant contributions from procurement, legal, and finance teams, as well as requirement from Sustainability / Climate Change teams to manage the portfolio. Will likely result in increased requirements on in-house procurement teams for contract management and monitoring.

Option 4: Enhanced in-house model

Criteria	Implications for the Authority
Control	The three authorities retain full control over the day-to-day management and act as the sole decision-making body under a joint governance structure. The private sector's role is limited to execution as and when required through contracting and investment into individual projects, with little to no strategic input.
Influence	The Authority retains overall influence and ability to align projects with strategic aims and existing processes. The Authority would take a leading role in partnering with community groups and other public sector stakeholders, which could deliver social and economic benefits at a regional level. However, there is less focus than in a Partnership, where social value could be built into a contract.
Risk	Risk for the overall portfolio is retained by the Authority. While the Authority can transfer risk at a project level, the Authority will be responsible and bear the risk of not delivering on the overall portfolio (e.g. there is no private sector support at a portfolio level).
Reward	Reward for the overall portfolio is retained by Authority. However, consideration does need to be given to the extent of which reward would be transferred to the private sector on a project level (e.g. depending on the preferred route to delivery reward would be shared with investors).
Time	Will involve significant time to upskill and train existing staff and to recruit and build a dedicated in-house team. However, once this model is implemented, there is likely to be less time-consuming procurement requirements given the use of in-house resource.
Resource	A high in-house resource requirement for managing and delivering across the net zero portfolio. This includes significant contributions from procurement, legal, and finance teams, as well as requirement from Sustainability / Climate Change teams to manage the portfolio. May also result in increased requirements on Authority procurement teams for contract management and monitoring.

There are many ways that the three authorities can organise themselves in the enhanced in-house option. Section 7 explores three potential structures that this model could take.