

CABINET

MONDAY 16 OCTOBER 2023

4.00 PM

Council Chamber - Town Hall

Contact – daniel.kalley@peterborough.gov.uk, 01733 296334

AGENDA

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Circulation

Cabinet Members

Scrutiny Committee Representatives

Directors, Heads of Service

Press

*Any agenda item highlighted in bold and marked with an * is a 'key decision' involving the Council making expenditure or savings of over £500,000 or having a significant effect on two or more wards in Peterborough. These items have been advertised previously on the Council's Forward Plan (except where the issue is urgent in accordance with Section 15 of the Council's Access to Information rules).*

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**MINUTES OF THE CABINET MEETING
HELD AT 16:00PM, ON
MONDAY 18 SEPTEMBER 2023
COUNCIL CHAMBER, TOWN HALL, PETERBOROUGH**

Cabinet Members Present: Councillor Fitzgerald (Chair), Councillor Steve Allen, Councillor Ayres, Councillor Coles, Councillor Cereste, Councillor Simons

Cabinet Advisor Present: Councillor Hussain, Councillor Jackie Allen, Councillor Ray, Councillor Tyler

25. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor's Over, Nawaz and Moyo

26. DECLARATIONS OF INTEREST

There were no declarations interest received.

27. MINUTES OF THE CABINET MEETINGS HELD ON 10 JULY 2023

The minutes of the Cabinet meeting held on 10 July 2023 were agreed as a true and accurate record.

28. PETITIONS PRESENTED TO CABINET

There were no petitions presented to Cabinet.

STRATEGIC DECISIONS

29. THIRD REPORT OF THE PETERBOROUGH CITY COUNCIL INDEPENDENT IMPROVEMENT AND ASSURANCE PANEL

The Cabinet received a report in relation to the third Independent Improvement and Assurance Panel report.

The purpose of this report was for Cabinet to review the Panel's third six monthly review of the work of the Council against the previously agreed Improvement Plan and the recommendations of the independent reports commissioned by the Department of Levelling Up, Housing and Communities.

The Leader introduced the report and provided an overview of the key points.

The Chief Executive commented that the report had been presented to the Growth, Resources and Communities Scrutiny Committee and there were no further comments. The Council was entering the final phase around intervention. There were still some areas highlighted in the report that the Council may need further support on, this could be supported by organisations such as the LGA. There was still a lot of work

to do in order to transform and redesign some of the Council services to bring these into line with the corporate strategy.

Cabinet Members debated the report and in summary responses to questions raised included:

- There were a number of challenges with external auditors being able to go through the accounts and have them signed off. There had been a push for external auditors to try and progress the audits as quickly as possible. If the accounts were not signed off by the deadlines set there was a risk that these would be qualified, which could potentially disrupt the Council's improvement journey. Members were informed that this was a national issue and lots of other authorities were in the same position. Officers were working hard with CIPFA and the Public Sector Audit Appointments (PSAA) to try and get the accounts signed off by the deadlines.
- In terms of qualified accounts, it was likely that the external auditors would look at areas of the accounts and not be able to do a full audit of the accounts, on this basis they would likely qualify the accounts. No formal guidance had come out from DHLUC over the auditing of accounts. All local authorities wanted the accounts to be unqualified, having a set of qualified accounts would raise concerns. The Audit Committee had been stern with the external auditors to stress the importance of the accounts being signed off before it reached that stage.
- All members of the Corporate Leadership Team (CLT) had been encouraged to reach out to mentors and coaches for support and experience in helping transform their services and the council as a whole. There was still support available for officers and councillors from the LGA and CIPFA.
- The Council as a whole was looking at the training and development budget for Councillors to ensure that this was robust and met the needs of members.
- A report produced by the Centre for Governance and Scrutiny (CfGS) would be published, this contained recommendations that the Council would look to implement.
- There was a possibility of extending the Improvement Panel a little longer and this would be reported to Cabinet going forward. The Council should be proud of the collaborative work that had been done so far.
- The Council needed to be proud of the journey it had come on so far, there had been a sea change in the culture and working relationships. Politicians across the board had stepped up and taken collective responsibility for tough decisions.

Cabinet considered the report and **RESOLVED** to:

1. Note the third report of the Independent Improvement and Assurance Panel and agrees to the action to be taken as a result and progress being made with delivery of the Improvement Plan.
2. Respond with the action it wishes to take, including on the following issues:
 - Completing the audit and sign off of all outstanding annual accounts in this financial year,
 - Planning for the permanent recruitment to the S151 role,
 - Continuing to invest in the work of the Portfolio Boards,
 - Considering the approach to the disposal of assets,

- Developing and approving a Commercial Strategy to strengthen the work of the Shareholder Committee and align with best practice, Completing an Asset Management Plan and a Corporate Landlord approach,
- Considering replacement of the building compliance IT system,
- Reconsidering the proposal to move to all out elections,
- Facilitating handover between the outgoing and incoming Audit Committee chairs.

30. BUDGET SIMULATOR LAUNCH

The Cabinet received a report in relation to the Budget Simulator Launch.

The purpose of this report was to approve the launch of the budget simulator.

The Cabinet Member for Legal, Finance and Corporate Governance introduced the report and provided an overview of the key points.

Cabinet Members debated the report and in summary responses to questions raised included:

- Officers were going to speak to the tutor of the accountancy and business course at the university to see how this could link in with the students. A further conversation was ongoing about the possibility of a presentation being worked on with Councillor Coles to try and spread the word on the simulator around the university. In addition, there were a number of radio slots lined up to promote the simulator.
- Officers had engaged with the Youth MP to try and encourage participation amongst the city's younger residents. Secondary schools had also been informed and asked if the simulator could be included in lesson plans.
- The first iteration of the simulator worked well and gathered four times the responses compared to the usual consultation process. Some updates had been made to the simulator, including links to officers outlining their service areas and what would happen if the budget was increased or decreased. There was also the addition this year of the being able to adjust the levels of council tax increases above 5% and the impact this would have.
- A few different community groups had requested that a presentation on the budget simulator was given to them, this would help increase the awareness of the simulator to a wider audience.
- Officers had several organisations they were to contact to help share the message on the simulator and this included Opportunity Peterborough.
- There were no provisions in this iteration of the simulator to deal with the disposal of assets. One of the reasons was that this was not a sustainable option going forward as it would be a single transaction affecting the budget for one year. The purpose behind the simulator was to look at ongoing proposals.
- The Leader confirmed that following attending the LGA conference the research firm Localis had commented that the simulator was innovative and had not gone unnoticed by other authorities and DHLUC.
- This followed hard work by the administration and opposition members to reduce the £25 million budget gap the Council faced in the last financial year.

Cabinet considered the report and **RESOLVED** to agree:

1. The launch of the Budget Simulator from 19 September 2023, which will be open for the public to submit responses for a period of 6 weeks, closing on 31 October 2023.

REASONS FOR THE DECISION

To gather views of the public to support the Councils Budget Setting Process.

ALTERNATIVE OPTIONS CONSIDERED

No alternative option has been considered.

31. LEISURE, HERITAGE AND LIBRARY SERVICES CONTRACT AWARD

The Cabinet received a report in relation to the Council's Leisure, Heritage and Library Services contract award.

The purpose of this report was to extend the time period for the award of a contract to P-Ltd from 31 March 2024 to the 31 March 2029 in relation to leisure services (which P-Ltd would then sub-contract to the subsidiary), allowing the realisation of benefits which other operators in the market have, namely, National Non-Domestic Rates (NDR) and Value Added Tax (VAT).

The Deputy Leader and Cabinet Member for introduced the report and provided an overview of the key points.

The Service Director for explained that the report set out the key financial proposals, for which the subsidiary proposals would significantly reduce the costs to the Council. Peterborough Limited already ran the services to good effect, this would enable both Peterborough Limited and the Council to develop a longer-term strategy for leisure, libraries and heritage. In addition, this would provide the Council with the ability to have strategic oversight, ensuring the leisure services accorded with the Council's overall aims and objectives.

Members were advised that since the report was published, representations had come in from key partners around heritage, seeking assurances that accreditation status would be maintained for key heritage assets. Officers confirmed that they would continue working with those partners to ensure long term visions was achieved.

Cabinet Members debated the report and in summary responses to questions raised included:

- The Council did not have sufficient funds to maintain the service as it was. Moving the services into a subsidiary allowed the Council to bring costs down and secure best value for the services.
- There had been three key points raised around this proposal. Firstly, around the Peterborough Museums Arts Gallery (PMAG) arrangements, which operated the museums and Flag Fen and how these arrangements were to be reviewed for future purposes. Legal officers were working behind the scenes to see how this could be dealt with more effectively in the future.
- The second point was around the accreditation, officers assured cabinet that there was no immediate threat to the accreditation and that work was being done with legal support to deal with any issues around this, making it clear this was a not-for-profit organisation.

- With regards to the third query around procurement, a bill was still to be passed and it seemed at the current time there were to be no issues around this. Officers were confident that if there were any changes this could be navigated through with the subsidiary.
- The report being presented to Cabinet was to deal with the immediate operational matters of how the Council deals with the services. These were currently interim arrangements. In the longer-term officers recognised that each of the services needed a detailed plan put in place. Once the final models had been established it would be brought back to Cabinet.
- Thanks were given to officers and the team at Peterborough Limited for working on the proposal. It was important to recognise that the Council took leisure, libraries and heritage seriously and were working to protect these services for residents. It has been a challenge to find a legal vehicle in which to operate the services without the onerous rules around charities. The proposals being debated regularise the arrangements currently in place.
- Officers would work with partner organisations to make sure all concerns were understood and looked into.
- It was important to remember that this proposal would help the Council identify £2 million in savings which was important in trying to meet the pressures of setting a balanced budget. All concerns that had been raised were addressed and nothing in terms of the services were changing.
- Two leisure facility buildings had RAAC found in them, this being the Key Theatre and the Regional Pool, however Cabinet was reminded that there was no intention to sell these assets. Once the assets had been surveyed and assurances given that they were safe the council would re-open the facilities.
- It was essential to have a long-term plan in place to run key services around leisure, libraries and heritage. A two-year contract was not long enough to get these long-term plans in place. This was why a five-year contract was being proposed, although there were clauses in the contract that allowed this to be changed and tweaked as needed.

Cabinet considered the report and **RESOLVED** to:

1. Authorise the Council to commission Leisure services from Peterborough Limited (“P-Ltd”) and the sub-contracting of such services by P-Ltd to its wholly owned subsidiary company limited by guarantee (“CLG”) (subject to all necessary approvals being obtained and steps being completed, as required under Cabinet decision MAR23/CAB/104) until 31st March 2029 rather than 31st March 2024 as approved by Cabinet on 23 March 2023.
2. Subject to the Council in its capacity as trustee of the Peterborough Museum and Art Gallery obtaining all necessary consents, authorises the Council in its capacity as local authority to commission heritage and library services (specifically, Peterborough Museum and Art Gallery, Flag Fen, and Libraries), up to the available budget of £1.4m, from P-Ltd and the sub-contracting of such services by P-Ltd to CLG until 31st March 2029.
3. Delegate authority to the Executive Director for Place and Economy, in consultation with the Director for Legal and Governance and the Deputy Leader and Cabinet Member for Housing and Communities (following receipt of the necessary approvals and steps referred to in recommendation 1 and following receipt of any necessary consents referred to in recommendation 2) to take all necessary steps to protect the interests of the Council and implement the decision

in recommendations 1 and 2 including negotiating and entering into all documentation reasonably required to give effect to this recommendation.

REASONS FOR THE DECISION

As set out in this report, the provision of services by P-Ltd via a Not-for-Profit Company limited by guarantee (CLG) is the recommended option because of the following reasons:

- It is able to successfully administer “Vivacity Leisure” services.
- It can continue to benefit from economies of scale provided by P-Ltd.
- It has low additional administration costs.
- It can be in the same VAT group as P-Ltd to enable corporate services to support and recharge at cost without introducing new costs.
- The vision of the new entity and that of the Client are aligned and delivered.
- It will enable continued focus on other existing core business which P-Ltd has. In addition, it also provides a swift implementation option, given the most potential to reduce any deficit in 2023/24

ALTERNATIVE OPTIONS CONSIDERED

These were outlined in section 9 of the main report.

32. AWARD OF CONTRACTS FOR RESPITE CARE & ACCOMMODATION SERVICES FOR ADULTS WITH LEARNING DISABILITY/AUTISM IN PETERBOROUGH

The Cabinet received a report in relation to the award of contracts for respite care and accommodation services for adults with learning disability/autism in Peterborough.

The purpose of this report was to seek an award of contract

The Leader introduced the report and provided an overview of the key points.

Further information was provided by the Commissioning Manager Adult Services. The contract went out for tender and there were two bidders for Lot 1 of which one provider was successful. There were also two bidders for Lot 2, however one of those was excluded as they did not meet the criteria specified.

Cabinet Members debated the report and in summary responses to questions raised included:

- There had been a long historic issue with the Integrated Care Board (ICB), they had funded the provision for a number of years under previous contracts. This proposal and recommendation would allow more to be able to be done for those with social care needs.
- Officers would be looking throughout the period of this year at utilisation, working with ICB colleagues to find a solution that was more accessible and health driven.

Cabinet considered the report and **RESOLVED** to approve:

1. the award of Contract to Hereward Care Services Limited (company number 04044871) for the provision of Respite Care & Accommodation Services for Adults with Learning Disability / Autism for

Lot 1: six shared social care beds at a total cost of £429,240 per annum; being a total of £4,292,400 for the possible duration of ten (10) years) across all beds (budget to be uplifted annually as per the Inflation Strategy through the business plan) for a period of five years from 1st November 2023, with an option to extend up to a maximum period of five years in two increments; three years plus a further two years, making a possible total contract period of ten years and;

2. the award of Contract to Hereward Care Services Limited (company number 04044871) for the provision of Respite Care & Accommodation Services for Adults with Learning Disability / Autism for

Lot 2: five health beds at a cost of £393,562 across all beds for a period of one year from 1st November 2023

3. the Council entering into a Collaboration Agreement with Integrated Care Board to set out the funding arrangements for the Lot 2 Contract.

REASONS FOR THE DECISION

Statutory requirement under the Care Act 2014 to support needs of individuals with assessed health and social care needs

- Support of carers to give a break
- To support individuals to gain independence for future move to supported living and development of life skills

The reason for the recommendations is to continue the high-quality support to approximately 50 people per year plus their families and carers. Not providing the service would lead to a breakdown in support and pressures across the health and social care system such as earlier entry in supported living or residential support.

ALTERNATIVE OPTIONS CONSIDERED

Continue with current contractual arrangements without open tender: Would be a breach of Public Contract Regulations and would not explore competitive procurement and bring in improvements to service delivery or value for money. Terminate provision – people with planned respite would lose their support and their families and informal carers would lose their break. There would be pressures across along the social care system such as emergency admissions, safeguardings and pressure on permanent residential services.

33. SUPPLY OF TEMPORARY AGENCY RESOURCE TO THE COUNCIL

The Cabinet received a report in relation to the supply of temporary agency resource to the Council.

The purpose of this report was for the Cabinet to approve the recommendations for the Council's new temporary resource solution and to enter into contracts for the provision of agency workers within

- (i) social care; and
- (ii) non-social care; with effect from 1 October 2023 for a maximum contract period of four years.

The Cabinet Member for Legal, Finance and Corporate Services introduced the report and provided an overview of the key points.

Cabinet Members debated the report and in summary responses to questions raised included:

- The Council currently had a contract with opus and that was used for social care and non-social care agency staff. Following evaluation and to get best value for money it was proposed that Opus would remain for social care, however for the rest of the organisation other options would provide better value for money.

Cabinet considered the report and **RESOLVED** to:

1. Approve the award of a contract to OPUS People Solutions via ESPO MSTAR4 Lot1b Master Vendor for the provision of all social care temporary resources for a period of three years with an option to extend for a period of one year. The estimated value of the contract is £4m per year.
2. Approve the award of contracts via the ESPO 3S_22 framework to the suppliers listed below for the provision of all temporary resources that are non-social care for a period of four years including an option to break at year three and the estimated total value of the contracts is £3m per year.
 - Eden Brown
 - Tile Hill
 - Capita
 - Morgan Hunt
 - Hays
 - Reed
 - Sellick Partnership
 - Penna PLC
 - Liquid
 - Blue Arrow
 - OPUS People Solutions
3. Delegate authority to the Executive Director Corporate Services and Section 151 Officer to award non-social care call-off contracts to additional suppliers that are listed on the ESPO 3S_22 framework on a case-by-case basis and following recommendation by the Council's Work Force Board. The value of additional call-off contract(s) shall not exceed the value set out in recommendation 2.
4. Approve the Council entering into contracts with the contractors that are awarded contracts within recommendation 1, 2 and 3.

REASONS FOR THE DECISION

Social Care: OPUS have been delivering social care via the current contract which terminates 30th September 2023. There are a substantial number of agency staff that are placed via the current contract. The best option to avoid disruption was to find a more cost-effective route to use OPUS to continue to deliver this element of the Council's requirements. OPUS is an awarded supplier on the ESPO MSTAR4 Framework. It was therefore proposed that we should direct award to OPUS via the

ESPO Contract. OPUS will be a Master Vendor meaning that they will supply staff and could source via Agencies should the need arise. The Agency Fee is variable and is dependent upon the scale of pay. There is a fixed fee of £0.30 for the MSP Service. This is a standard fee across all frameworks although the amount may vary. OPUS Fees were competitive against other suppliers on the Framework.

Non-Social care: There was a need within the Council to achieve greater compliance and increased flexibility for Hiring Managers. In having 11 delivery partners that are drawn from the ESPO Framework and having contracts in place with each we can demonstrate robust compliance with PCR 2015. The Flexibility that is afforded to Hiring Managers will mean that fulfilling the need to fill a temporary vacancy will be flexible as Hiring Managers will have the ability to liaise directly with the Agencies and not have to go through a Master Vendor – this removes a layer of cost and facilitates accessing the right quality of candidate at the right time. Utilisation of the framework also ensures that we can be confident that pricing is competitive. YPO, CCS and ESPO Frameworks were considered but only ESPO 3S_22 met our requirements in terms of flexibility. It should also be noted that we receive a rebate from ESPO on total spend rates and fees are broadly similar to both CCS and YPO Contracts. The Key driver to achieve a more flexible process once Work Force Board approval had been secured.

ALTERNATIVE OPTIONS CONSIDERED

Option 1 Maintain Status Quo – Continue with OPUS Contract however, this was discounted as it was not meeting all the Council's agency staff requirements.

Option 2 Exit Opus using Break Clause and use an alternative Framework (ESPO/CCS/YPO) via direct award. Whilst procurement would be quicker via direct award, it would still require a high level of procurement resource and potentially the addition of a specialist category manager and associated additional costs.

Option 3 Exit Opus using Break Clause and use an alternative Framework (ESPO/CCS/YPO) via mini competition. Each procurement would be managed by procurement department and would result in a high level of procurement resource.

Option 4 Exit Opus using Break Clause and complete open procedure in accordance with PCR 2015 for a local framework with appropriate lots. This would require a consultant and high level of business input to develop the detailed specification. It would also require a named contract manager to ensure good supplier performance of the resulting framework.

Option 5 Exit Opus using Break Clause and appoint another managed Master or Neutral vendor. Fees would be applied for the finder service, which would result in the arrangement we have today and not give the Council the specific arrangements they need to meet their agency staff requirements.

MONITORING ITEMS

34. BUDGET CONTROL REPORT JUNE 2023 - QUARTER 1

The Cabinet received a report in relation to the budget control report for quarter one.

The purpose of this report was to provide Cabinet with an overview of the Councils forecast outturn for 2023/24, as at 30 June 2023

The Cabinet Member for Legal, Finance and Corporate Services introduced the report and provided an overview of the key points.

Cabinet Members debated the report and in summary responses to questions raised included:

- The most recent update was in line with what was being presented in the report. The overspend now stood at £5.3 million. There were proposals in place to try and minimise the impact and the report referred to improvement made since the end of June.
- With regards to Clare Lodge there were new fees in place and all providers had accepted those fees and it was suggested that this would now break even.
- There had been a huge rise in demand for temporary accommodation. Pressures around this had reduced down to £1 million.
- Officers were confident that the savings programme would deliver on those savings outlined. At the current time only 3% of those savings had been earmarked as being in the red, which was down from the 5% highlighted in the report.
- The team were working through a number of actions, including reducing the use of agency staff, reviewing reserve commitments and reviewing the capital programme to bring this down if possible.
- A lot of the pressure on budgets was not just due to inflation but from demand on services the Council run, particularly around Children's Services.
- The Executive Director Children's Services and Young People confirmed there were extreme pressures faced by the service area. There had been an increased demand in the volume of work coming in through the front door. This was down to two key aspects, namely demand on social care and issues post pandemic.
- There were still several areas to work through in terms of decoupling from Cambridgeshire County Council. It was key for officers to look at transforming services to enable the services to be sustainable over the longer term.

Cabinet considered the report and **RESOLVED** to note:

1. The budgetary control position for 2023/24 on 30 June 2023 is a forecast overspend of £5.1m position.
2. The key variance analysis and explanations are contained in section 4.2 and Appendix A to the report.
3. The Council's performance with respect to Business Rates (NNDR) and Council Tax Collection, as outlined within Appendix B to the report.

REASONS FOR THE DECISION

To ensure members of the Cabinet are abreast of the Council's current year forecast Outturn Position for 2023/24.

ALTERNATIVE OPTIONS CONSIDERED

Not Applicable - Performance report, item for information.

35. QUARTERLY PERFORMANCE REPORT – QUARTER ONE (2023/24)

The Cabinet received a report in relation to the quarterly performance report – quarter one.

The purpose of this report was to provide an update to Cabinet and to provide the direction of travel on the Council's corporate performance in line with our priority outcomes as set out in the Council's Corporate Strategy 2022-25

The Leader introduced the report and provided an overview of the key points.

Cabinet considered the report and **RESOLVED** to note the Corporate Performance Report for Quarter One, 2023/24.

REASONS FOR THE DECISION

The corporate performance report will support members to identify areas where improvement in performance is required.

ALTERNATIVE OPTIONS CONSIDERED

Do not publish a regular performance report – this option was considered but rejected as it would not provide CLT and Cabinet with oversight of the council's performance and progress.

At this point in the meeting the Leader made an announcement on changes to the Cabinet portfolios, this included:

Cllr Ayres portfolio to now read Cabinet Member for Skills, Further and Higher Education, including the University

Councillor Jackie Allen was now Cabinet Member for Children's Services and Education.

Councillor Hussain was now Cabinet Member for Adult Services and Public Health.

Councillor David Over would now be Cabinet Advisor for Children's Services and Education.

Councillor Moyo had resigned from her position as Cabinet Advisor for Legal.

Chair
4pm to 5.05pm
18 September 2023

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CABINET	AGENDA ITEM No. 5
16 OCTOBER 2023	PUBLIC REPORT

Report of:	Executive Director of Corporate Services and S151 Officer	
	Councillor Andy Coles, Cabinet Member for Legal, Finance and Corporate Governance	
Contact Officer(s):	Cecilie Booth, Executive Director of Corporate Services and S151 Officer Emma Riding, Service Director Financial Management and Deputy S151 Officer	Tel. 452520

SALES, FEES AND CHARGES REVIEW

RECOMMENDATIONS	
FROM: Cabinet Member for Finance and Corporate Governance	Deadline date: N/A
<p>That Cabinet</p> <ol style="list-style-type: none"> 1. Endorses the increases in Fees and Charges as outlined in this report 2. Recommends to Full Council the approval of the increases to Fees and Charges as set out in this report. 	

1. ORIGIN OF REPORT

1.1 An annual review of Sales Fees & Charges comprises part of the Council's Budget setting process. The Council have commissioned specialist external support to work with colleagues to undertake a review to inform the 2024/25 budget setting process.

2. PURPOSE AND REASON FOR REPORT

2.1 This report provides an overview of the activity being undertaken as part of the comprehensive review of Sales Fees and Charges and proposes some increases for immediate implementation.

This review provides a consistent framework for approach in setting, monitoring, and reviewing fees and charges across all services. This will ensure fees and charges are set at a level that optimises income generation and take into account:

- Council strategies, plans and objectives
- Risk appetite
- Legislative constraints

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	YES	If yes, date for Cabinet meeting	16/10/23
Date for relevant Council meeting	06/12/23	Date for submission to Government Dept. (Please specify which Government Dept.)	N/A

4. BACKGROUND AND KEY ISSUES

4.1 Councils across the country are facing significant levels of financial challenges, largely driven by reduced Government Funding, pressures from high rates of inflation and increasing demand for services. The Council is currently developing its budget for 2024/25 to address a budget gap of £5.1m (as reported in July- [agenda item 11](#)). In addition to this there is currently a projected overspend of £5.1m in 2023/24, which the Council is putting measure in place to address as a matter of urgency.

Income is a key facet in the Council's financial planning, with approximately £35m (7.5%) of the revenue budget funded from sales, fees and charges. Therefore, the Council commissioned external specialists to work alongside officers in reviewing sales, fees and charges to support the refresh of the Medium Term Financial Plan and inform budget setting for 2024/25. There are a number of key deliverables from the work, including:

- The development and implementation of a sales, fees and charges Policy
- Review of the current levels of Sales Fees and charges
- Provision of tools and techniques to support the Council in embedding a systematic and sustainable approach to reviewing sales, fees and charges.

The outcomes of the review will form part of the annual budget process, however during the review it was identified that there were a number of areas where pricing changes could be implemented from 1 January 2024.

Emerging Fees and Charges Policy

A sales, fees and charges policy is currently under development and it is intended to be proposed to full Council on 21 February 2024 as part of the 2024/15 budget report. The emerging policy is based on a framework that recognises that a "one size fits all" approach is not appropriate for a complex organisation with diverse services, such as a Council, and therefore segments services via two key criteria:

- The **degree of legislation** impacting on the service area (for example many planning fees are set by central Government, whereas the only regulation set around charges for Taxi Licensing relate to limiting charges to full cost recovery)
- The **degree of competition** in the environment they are operating within (for example, the number of other car parking options available to car users)

Developing options

The review is also focused on developing implementation options for the policy, which includes working with services to make recommendations to amend prices. To maximise the impact of the review a phased approach is being taken:

- **Phase 1** – Focusing on services with income from sales, fees and charges that exceed £1m annually (including services such as car parking, waste and regulatory services)

- **Phase 2** – Focusing on services with income from sales, fees and charges that are between £0.5-1m annually (including services such as registrars, building control and CCTV)
- **Phase 3** – Provision of tools and techniques to all services and a review of discretionary pricing not covered in Phases 1 & 2.

Proposals for Implementation from 1 January 2024

During Phase 1 of the review a number of areas were identified for early implementation. The table below provides an overview of the charges that are proposed to be implemented from 1 January 2024.

Table 1: Early implementation Sales Fees and Charges

Id	Charge (Service Area)	Existing Charge	Proposed Charge	Expected Impact 2023/4 (£m)	Expected Impact 2024/5 (£m)
1	Garden Waste Collection (Annual) – Additional Collections (Waste Management)	£25.00	£50.00	0.000	0.101
2	Dispensation from Parking Restrictions – Daily Charge	New Charge	£15.00	0.005	0.010
3a	Parking Bay Suspensions – administration fee	New Charge	£20.00	0.002	0.004
3b	Parking Bay Suspension – daily charge	New Charge	£20.00	0.003	0.006
4	Residents Parking Permits – 2 nd and 3 rd Permits and Visitor Permits (annual)	£44.00	£70.00	0.010	0.020
5	Daily Charge – Cherry Lodge (External Users)	£520.00	£613.00	0.010	0.046
	Total (£m)			0.030	0.187

Supporting Information

1. The proposed change in price of “**Additional Collections**” for **Garden Waste** is to remove the differential in charge between the first and additional Garden Waste bin, therefore removing any inequality in charging.
 - The Council currently charges £50pa for the first Garden Waste collection and £25pa for any additional bins.
 - Of the 19 Statistical and nearest neighbours who charged for Garden Waste, only 2 others offered a reduced price for additional collections. On average, the councils charged an average of £5 extra for additional bins.
 - There are approximately 4,500 additional Garden Waste bins collected each year;
2. A **Dispensation from Parking Restrictions** is an exemption provided to a vehicle where there is a requirement to access restricted areas such as pedestrianised zones, for example to carry out building works:
 - Currently the Council process and provide these dispensations at no cost, although the Council incurs costs in administering and enforcing the scheme.
 - Many councils, particularly councils with predominantly urban areas, seek to recover these costs through applying a charge to applications.
 - There are a variety of charging structures utilised by other councils but a comparator group of nearest neighbours demonstrated that charges ranged from £10-35 per day
 - This will enable the Council to better manage the process of parking dispensations, recover costs administrative associated and mitigate loss of income.

3a & b Parking Bay Suspensions are required when there is a need to temporarily remove access to an on-street parking bay, this includes building or development sites that require access using on street parking bays and/or if there is the need to place a skip or similar in a parking bay:

- The Council can recover both the administration costs associated with processing an application and income lost due to space unavailability.
 - The Council processes applications free of charge and does not recover any associated costs or lost income.
 - Most other Councils invoke an administration fee for processing the dispensation and a daily charge.
 - Administration fees at comparator councils range from £7 to £50.
 - Daily Charges from comparator councils range from £10 to £45.
 - In general, councils that have a lower administration fee charge a higher daily rate, and vice versa e.g. Cambridgeshire charge £7 administration fee and £45 daily charge, Hampshire £50 administration fee and £10 daily charge.
 - The proposal of a £20 administration fee and a £20 daily charge is in the middle range for both fees.
4. The Council currently administers approximately 4,500 permits for **On Street Parking in Residential Zones** and applies a uniform administration charge of £44 for each permit, regardless of type. Households can receive a maximum of 3 residents permits and 1 visitor permit. The purpose of the parking permits is to enable free movement of traffic, including to enable residents to access parking close to their homes:
- Other councils' resident parking permit structures vary significantly, with some councils providing them for free and ranging up to £860 per year in Islington.
 - However, most councils charge between £35 and £70pa for first permits, but many have a graduated permit system, for example:
 - a. Derby City Council charge £35 for a first permit and £60 for additional permits.
 - b. Sheffield City Council charge £51.40 for a first permit and £102.80 for an additional permit).
 - c. Sandwell Council charges £30.90, £36.05 and £49.45 for first second and third permits respectively.
 - d. City of York Council charges £99.95 for a first permit, £220 for a second and £440 for a third permit.
 - Included in the 4,500 permits issued are approximately 1,700 visitor permits. These are not assigned to an individual vehicle and there is some empirical evidence of these being applied for in preference to residents permits (which are assigned to a single vehicle).
 - The increase in cost to 2nd, 3rd and visitor permits will support free movement of traffic, incentivise applications for the first residents permits attached to a single vehicle and is also aligned with the Councils environmental agenda.
 - Visitor permits for individual sessions will still be available at £22 per 10 sessions.
5. **Cherry Lodge** is a Council owned children's home that offers short breaks and shared placements to children and young people aged 5-19. It is primarily provided for the use of Peterborough residents, but approximately 20% of usage is funded from external sources. Currently the Council is not recovering the full costs from external organisations. The revised charge is to recover the full cost from all external organisations contributing to or paying for placements within the service.

Areas for implementation 1 April 2024

In addition to the areas for implementation from 1 January 2024, other areas under consideration are set out below.

Table 2: Sales fees and Charges amendments from 1 April 2024

Id	Charge (Service Area)	Proposed Change	Expected Impact 2024/5 (£m)	Expected Impact 2025/6 (£m)
1a	Garden Waste Collection (Annual) – (Waste Management)	Increase charge of Garden Waste bins from £50 to £55 per year	0.099	0.099
1b	Bulky Waste Collection (Waste Management)	Increase charge of Bulky Waste collections from £23 for 5 items to £30 for 5 items	0.030	0.030
2a	Residential car parking permits (Parking)	Increase charge of residents permits from £44 to £50 per year	0.023	0.023
2b	On and off street car parking (Parking)	Introduce standard charging hours for on and off street car parking 7am to 8pm (and introduce free overnight parking in all PCC car parks with exception to Sand Martin House multi storey and surface car park these will be reviewed separately)	0.043	0.073
2c	On and off street car parking (Parking)	Increases to on and off street car parking tariffs, removing maximum stay period from on street and restructuring tariff bands (to align with introduction of automatic numberplate recognition system in car parks)	0.126	0.196
3a	Cremation charges (Bereavement Services)	Increase of cremation charges by 2%	0.044	0.044
3b	Interment charges (Bereavement Services)	Increase burial charges by 7%	0.014	0.014
3c	Exclusive rights of burial (Bereavement Services)	Change term for exclusive rights of burial from 60 to 75 years and increase fee proportionately	0.041	0.041
4	Planning pre-application fees (Planning)	Introduce charges for minor and householder preapplication advice	0.025	0.025
5	Adult social care charges (Adult Social Care)	Revise Adult Social Care Charging Policy and remove automatic Disability Related Expenditure allowance	-	0.090
6	Land charges (Legal Services)	Increase commercial land charges	0.012	0.012
	Total (m)		0.457	0.647

Supporting Information

1a. The proposed increase in the charge to **Garden Waste Collection** is to reflect the fact that the cost of service delivery has increased since the price was last reviewed in 2021. Since this time, the high rates of inflation have driven up costs including fuel and the National Living Wage.

- Of the 19 statistical and nearest neighbours analysed, the mean average for garden waste bins in 2023/24 is £50.93. Amongst nearest neighbours, the average charge is £54.67, with the highest of these being Melton Borough Council at £78. These are anticipated to increase as other Councils review their charges for 2024/25.
- The proposal is to consider increasing the price by £5 to reflect increasing costs of delivering services and to reflect the price of other Councils.
- There are currently 9,500 customers who access the service by direct debit, it is more efficient for the Council for customers to pay by direct debit, therefore a £5 discount could be offered to further encourage residents to take up this payment option.

1b. The proposal is to increase the charge for the collection of up to five items of **bulky waste** from £23 to £30.

- The council's charges for bulky waste collections are in the lower quartile of the 28 councils compared against, with the number of items which can be included in a collection in the upper quartile.
- Increasing the charge for a collection to £30 while still allowing up to 5 items will put the charge at the mean level.
- A number of studies have been identified which show that there is no link between bulky waste charges and fly tipping rates. The most comprehensive of these was published by WRAP, a climate action group which specialises in recycling issues, in September 2021.

2a. The proposal is to increase the cost of **residential car parking permits** (first resident permits) to £50 per year.

- Charges for residential car parking permits vary significantly with areas of large cities attracting higher charges.
- The proposal is to increase the prices to reflect the charges of other medium to large urban areas in the local area.
- Residential permit charges are usually only applied in urban areas, and prices in neighbouring councils include:

Table 3: Residents Parking Benchmarking

Council	Area	Cost (annual cost)
North Northamptonshire	North Northamptonshire	£35
Cambridgeshire	Huntingdonshire	£26
Cambridgeshire	Cambridge	£54-102
Lincolnshire	Stamford	£50
Lincolnshire	Grantham	£50

2b&c. The proposal is to consider restructuring **On and Off Street Car Parking Charges** to better manage the free movement of traffic by developing a consistent approach to charging on and off street and to better reflect user behaviour. Proposed options include:

- Removing the 'evening tariff' at the Councils off street car parks, introducing a single (car park specific) charging structure from 7am-8pm and then allowing for free overnight car parking from 8pm.
- Aligning the charging hours of on-street car parking with those in off street car parks to embed a consistent 7am-8pm charging structure.
- Reviewing on-street parking charges (aligned to the roll out of new infrastructure) and removing maximum stay periods from on street bays.
- Restructuring parking tariffs in individual car parks to better reflect changing customer behaviour.
- **Applying an inflationary price increase to all parking tariffs as a minimum.** Further exploration of options to be completed to ensure income is maximised, whilst still remaining competitive with other city centre parking options.

3. Proposals to **Bereavement Charges** including cremations and burials include:

- Increase cremation charges by 2%. The Council is currently amongst the highest priced local authority. Therefore, an increase in price significantly below the prevailing rate of inflation is proposed.
- Burial charges vary significantly regionally and nationally but the charges at the Council are within the normal range of similar authorities regionally and nationally, therefore an increase of 7% is proposed that is in line with inflation.
- Practice varies significantly amongst local authorities about the length of term of the lease where customers purchase an exclusive right of burial. The Council currently offers a 60-year lease, the option being considered is to increase this term to 75 years

and reduce the price per year from £24 to £23.33. This reflects a number of queries from customers seeking to extend the initial 60 year period.

4. The proposals are to re-introduce a service to offer planning pre-application advice to minor and householder developments for **Planning Applications**.
 - Currently the Council only offers pre-application advice from major applications as the option to purchase pre-application advice was removed due to the lack of capacity in the planning team. However, the current approach has led to a number of householder (23%) and minor (39%) applications being amended after submission which is resource intensive and inefficient.
 - Therefore, reinstating and charging for pre-application advice is anticipated to generate income, increase a small amount of capacity in the planning team and deliver a better service. To support this the opportunity to amend applications free of charge will be removed.

5. The option being proposed is to remove the automatic application of disability related expenditure to clients who are receiving a financial assessment for **Adult Social Care**.
 - The Council, like other upper tier councils, offers financial assessments to those who access social care to calculate the correct contribution to their care from a service user. Part of this calculation is to calculate any existing expenditure related to their disability (which could include services such as a contribution to cleaning costs or goods such as the cost of an electric wheelchair). This expenditure is then deducted from the total amount that a client might be asked to contribute towards the cost of their care. The Council currently applies an automatic “minimum” level of disability related expenditure of £10, £15 or £25 per week depending on the level of disability. Expenditure in excess of this is then calculated and included.
 - Benchmarking data has shown that although some other councils apply an automatic “minimum” level of disability related expenditure it is in the minority. In 2023/24, approximately 72% of all service users had the ‘minimum’ level applied suggesting that if this was removed the level of disability related expenditure would reduce and client contributions increase.
 - It should be noted that to implement this, a review of the Adult Social Care charging policy from January 2016 will be required, including public consultation, which is not scheduled ahead of the 2024/25 and therefore additional income is not forecast until 2025/26, once full consultation has been undertaken.

6. An option is being proposed to apply and increase commercial land charges to align with those currently applied in geographical near neighbours Cambridge City and South Cambridgeshire Councils.

Other Areas of Investigation

Review of Environmental Crime Fines

The Prime Minister Anti-Social Behaviour Action Plan which launched in March, set out how they would help councils to take tougher action against those who harm our public spaces. Taking proportionate and effective enforcement action against people who intentionally or carelessly damage their local environment to change behaviour and deter others from offending.

One of the actions has been to increase the upper limit of fixed penalty notices for environmental crimes such as fly tipping, duty of care, littering, and graffiti offences. A full review of fixed penalty notices issued for environmental crime will be undertaken by the Council in the Autumn to be incorporated within the final Sales Fees and Charges schedule as part of the budget report.

- The maximum amount those caught fly-tipping could be fined will increase from £400 to £1,000

- The maximum amount those who litter or graffiti could be fined will increase from £150 to £500
- The maximum amount those who breach their household waste duty of care could be fined will increase from £400 to £600

Other Arrangements

The review has also identified a number of other areas that are outside the scope of sales, fees and charges but will support greater income generation for the Council. These largely focused on intra-council charging where the Council is providing services for other Councils. Work alongside service areas identified a number of areas where the full cost of delivering these services (including central costs) were not being recovered from other Councils. These are subject to commercial discussions between Councils so are not detailed in this report.

5 CORPORATE PRIORITIES

5.1 Ensuring the Council has its Sales, Fees and Charges set at an appropriate level and that they are reviewed annually is one of the Council will measure the success of delivering against the following City Priority:

- 'Supported by a Sustainable Future City Council - adjust how we work, serve, and enable, informed by strong data and insight capability, and led by a culture of strong leadership.

6. CONSULTATION

6.1 The review of Sales, Fees and Charges review is part of the budget setting framework.

The proposed charges as set out within this report were presented to the Growth, Resources and Community Scrutiny Committee on 14 September. The Committee considered the proposals and requested no changes to be considered by Cabinet.

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 The Council is expecting to generate additional income of £0.030m in 2023/24, £0.644m in 2024/25 and £0.834m from 2025/26 onwards, as a result of the recommended changes outlined within this report.

The policy and fully reviewed Sales fees and charges schedule will form part of the 2024/25 budget report.

8. REASON FOR THE RECOMMENDATION

8.1 The outcome of this review will support the Council in setting a lawful and balanced budget for 2024/25 and increase income in the current year 2023/24.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 Keep Sales, fees and charges as per current, however, this is not affordable in the short or medium term and does not ensure that the Council is obtaining Value for Money.

10. IMPLICATIONS

Financial Implications

- 10.1 The Council is expecting to generate additional income of £0.030m in 2023/24, £0.644m in 2024/25 and £0.834m from 2025/26 onwards, as a result of the recommended changes outlined in tables 1 and 2 of this report.

Legal Implications

- 10.2 The report is seeking approval for Cabinet to recommend to Full Council the changes to the fees as set out in the report as approval of the increases to the fees and charges is a function reserved to Full Council.

Some services are mandatory and governed by specific legislation, and there are some statutory fees and charges which are set nationally. Other services are discretionary, and fees and charges can be set locally. The Council has a general power to charge for discretionary services under Section 93 of the Local Government Act 2003 ("LGA 2003") and under the power of general competence found in Section 1 of the Localism Act 2011 ("LA 2011").

The Council must not charge for a service if legislation prohibits it from doing so. If legislation requires the Council to provide a service and to charge for it, we are required to do so. In the absence of specific powers or prohibitions on charging for services, the Council may use the powers in either s93 of the Local Government Act 2003 or s1 of the Localism Act 2011 to make charges for discretionary services. The Council cannot use these powers to make a profit, however the Council can include the full cost of all aspects of the service provision when calculating the costs.

Prior to a decision on the proposed changes to the fees and charges by Full Council an equalities impact assessment will need to be undertaken.

Equalities Implications

- 10.3 To be completed in advance of the Council meeting on 6 December 2023

Carbon Impact Assessment

- 10.4 To be completed in advance of the Council meeting on 6 December 2023

11. BACKGROUND DOCUMENTS

- 11.1 None

12. APPENDICES

- 12.1 None

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CABINET	AGENDA ITEM No. 6
16 OCTOBER 2023	PUBLIC REPORT

Report of:	Adrian Chapman – Executive Director Place and Economy	
Cabinet Member(s) responsible:	Cllr Nigel Simons, Cabinet Member for Infrastructure, Environment and Climate Change in consultation with Cllr Andy Coles, Cabinet Member for Legal, Finance and Corporate Services	
Contact Officer(s):	Charlotte Palmer – Head of Environment and Climate Change	Tel. 07920 160728

PETERBOROUGH INTEGRATED RENEWABLES INFRASTRUCTURE (PIRI)

RECOMMENDATIONS	
FROM: Adrian Chapman – Executive Director Place and Economy	Deadline date: N/A
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Approves the route to delivery of the PIRI project, via a partnership arrangement, as set out in section 4.2.2 of this report, including the procurement of a partner. 2. Authorise the Interim Director of Legal and Governance to enter into any legal agreements or documentation on behalf of the Council to facilitate the decision in recommendation one. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet as a key decision to enable Cabinet to make a decision on the preferred route to delivery of the PIRI project to enable the project to progress through the Full Business Case stage.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to consider the route to delivery of the PIRI project as detailed in this report and appendices.

A further report will be submitted to Cabinet in 2024 which, should the Full Business Case recommend construction, seek approval to proceed with the construction of the project. This report will set out for approval, the preferred partner for the project delivery, the structure of the partnership arrangement and the Full Business Case on which the recommendations are based.

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 and 3.2.7

3.2.1 To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.

3.2.7 To take a leading role in promoting the economic, environmental and social wellbeing of the area.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 Background

The PIRI (Peterborough Integrated Renewables Infrastructure) project effectively started in 2019 when a Heat Mapping and Masterplan study was carried out to look at the viability of a Heat Network within the city. The output report, which was completed in July 2019, illustrated that a heat network would be viable and would provide significant benefits, aligning to the council's decarbonisation commitments.

Following the Heat Mapping and Masterplan Study the council successfully secured funding from Innovate UK (via BEIS) and Private Investment to launch the PIRI project in April 2020. The project was specifically designed to deliver a Techno-Economic (TEF) and Detailed Project Development (DPD) along with an Outline Business Case (OBC).

This second phase of the project was delivered by a consortium of experts from the local authority, the energy industry and academia. The programme consisted of 6 different work packages (WP) as illustrated in figure one below.

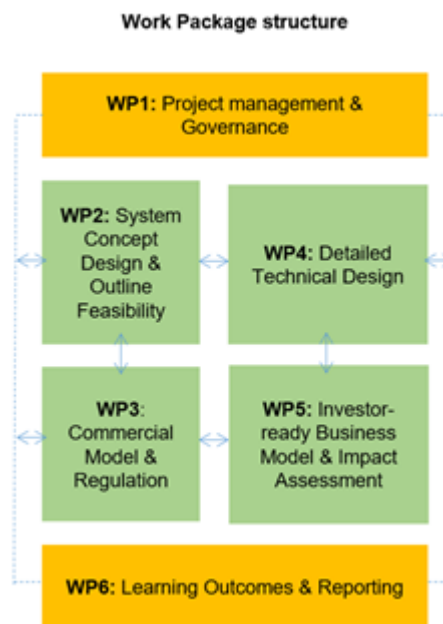


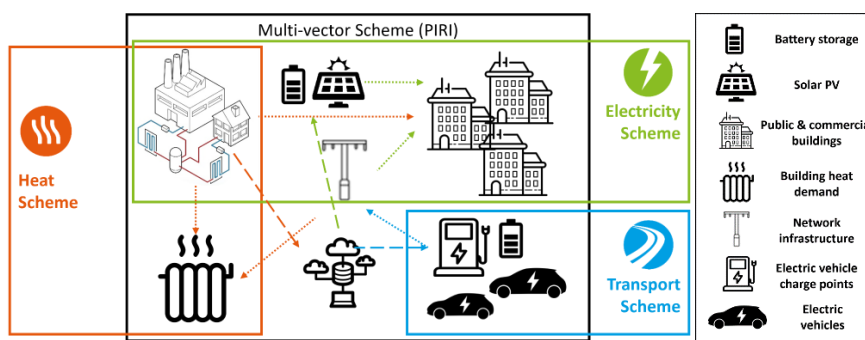
Figure one: Work Package structure

Each work package delivered key components to determine how PIRI could provide low-cost and low-carbon energy, within Peterborough, bringing together energy demand and supply using a joined up local energy system to create a better place to live and work. The project set out to achieve this by understanding the advantages of integrating both the technical and commercial aspects to create a smart, responsive, low-carbon, energy infrastructure that would support the city's future growth in the most sustainable way and provide a foundation for developing replicable, city scale design solutions for the benefit of other local authorities.

At this stage of the project PIRI set out to design a replicable integrated smart city energy system comprising a heat network, Smart Embedded Electricity Network, electric vehicle charging network and overarching control scheme (Energy as a Service platform) to create a step change

in the transition to zero carbon. Crucially, this involved developing the optimum technical solutions for integrating the energy vectors (illustrated in figure two) ensuring:

1. Local demand is met with local generation and uses the most efficient balance of heat and electricity sources within one system.
2. Increased deployment of renewable and distributed energy generation connecting to and benefitting from a smart embedded electricity network.
3. An increased number of electric vehicles charge points by viewing them as assets and not demand liabilities.
4. Maximised carbon savings by offsetting fossil fuel grid electricity
5. A better understanding of peak energy demands and encouraging diversity of energy consumption at different times of the day.



This phase of the PIRI project successfully completed in June 2022, with the production of the Techno-Economic Feasibility (TEF) and Detailed Project Development (DPD) design for the multi-vector energy system across heat, power and mobility.

4.2 Current Phase

Upon completion of the TEF/DPD phase, the project successfully applied for Round 1 grant funding from the Green Heat Networks Fund (GHNF), receiving £906,300 for the commercialisation of the PIRI scheme and a separate amount of £13.5m towards delivery, released to the authority over the financial years 22/23, 23/24, 24/25.

There are five main activities to this stage, which are described in further detail in the following sections:

1. Preferences for the Energy Centre location will be determined, and the associated requirements to secure planning consent will be understood.
2. Determination of the council's preferred route to delivery – as outlined in the recommendation of this report. This activity will form the basis of the decision in relation to the PIRI project.
3. The procurement process, including invitations to tender, for a potential partner will be undertaken using the expertise of external legal and techno/commercial advisors.
4. A full business case will be produced.
5. Stakeholder engagement activity will continue to ensure suitable customers who are necessary for the overall viability of the project are available. Provisional contractual agreements will be sought for all stakeholders, both energy off takers and providers using internal and specialist input as required.

The next Cabinet report, anticipated to be submitted in Autumn 2024, will include the full business case, proposed partner and partnership arrangement for approval, so enabling Cabinet to approve PIRI moving on to the construction phase.

4.2.1 Energy Centre Location

PIRI requires a dedicated Energy Centre, which will accommodate the distribution equipment, controls and load balancing infrastructure, enabling the heat and non-heat vectors to interact to facilitate the delivery of an integrated energy vector scheme.

The location of this centre is key to the success of the project and the council is currently exploring several potential sites. Some are located on council property and some on land owned by other organisations. Within this phase of the project, it is anticipated that the preferred sites will be identified and the requirements to secure planning consent will be understood.

4.2.2 **Determination of the council's preferred route to delivery**

Option appraisals have been prepared by the council's legal and techno/commercial advisors advising on the different commercial routes for delivery of the project.

A summary of the findings in relation to the options is set out below;

- **3rd party ESCO** - divesting the entire project, risk and returns to a 3rd party Energy Service Company (ESCO)
- **Concession** – providing a 3rd party ESCO a concession over the infrastructure for 25 to 40 years, thereafter it returns to the council.
- **Partnership** – a commercial arrangement where the council and a 3rd party share the risk and rewards.
- **Project sponsor ESCO** – The council sets up its own ESCO through establishing a wholly owned subsidiary and procures delivery service (or DBOM) contracts for operation, maintenance, metering and billing.
- **Inhouse delivery** – the council remains fully responsible for the infrastructure using in house resource

As noted above the options available to the council all result in a sliding scale of risk and reward. The more risk the Council takes the more reward it can potentially receive; however as with any investment this would also expose the council to potential losses as well.

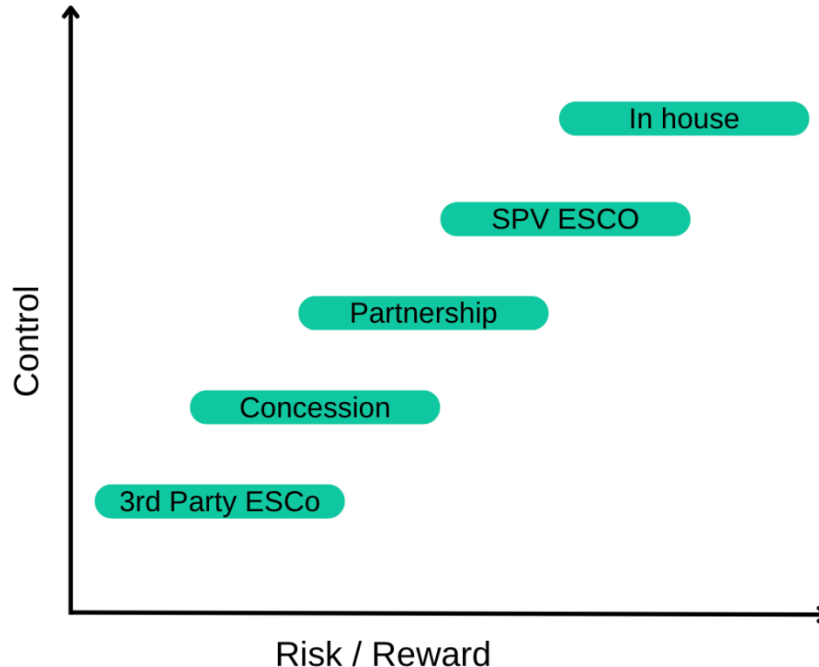


Figure 1 Risk/Reward v Control (Taken from SSE's SMT response)

Options	Pros	Cons
In House	Would receive full returns Council retains full control	Exposed to full risks –reputational, delivery & supply Require gap funding investment Internal recruitment of required resources Difficult to exit
Sponsor led ESCO	SPV receives full returns SPV retains full control	Require gap funding investment Internal recruitment of required resources Difficult to exit Supply and delivery responsibility Reputational exposure
Partnership	Share of the returns Share of the risks (allocated to the appropriate party) Easier to exit Partner provides the gap funding	Share of the returns Reduced controls Reputational exposure by association Supply and delivery responsibility by association
Concession	Fewer risks mainly relating to reputation Concessionaire provides gap funding Limited reputational exposure	No returns Limited control
3 rd party ESCO	Minimal risk 3 rd party ESCO provides gap funding Limited reputational exposure	No returns Minimal control

Table 1 Summary of pros and cons for each option

Deciding on the preferred pathway

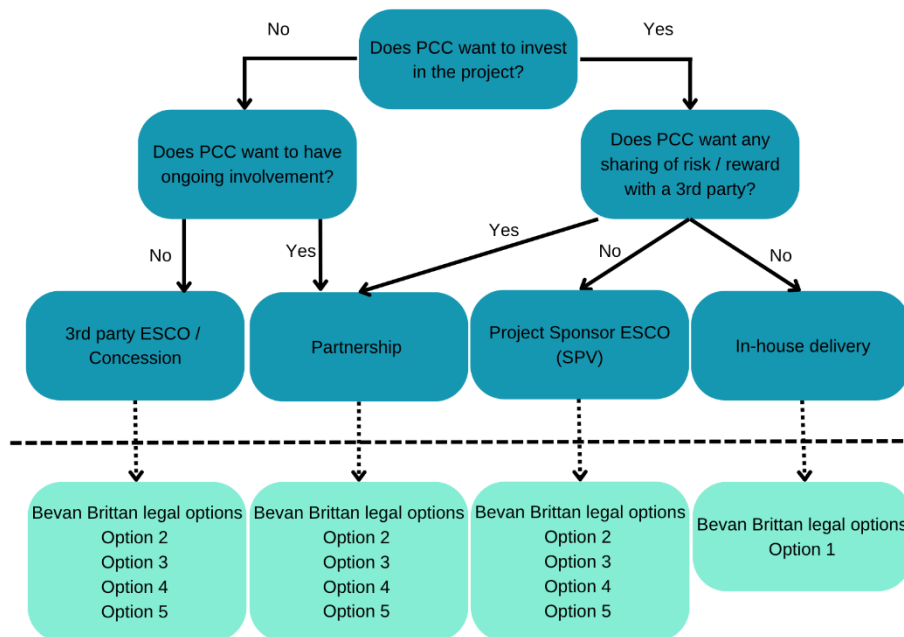
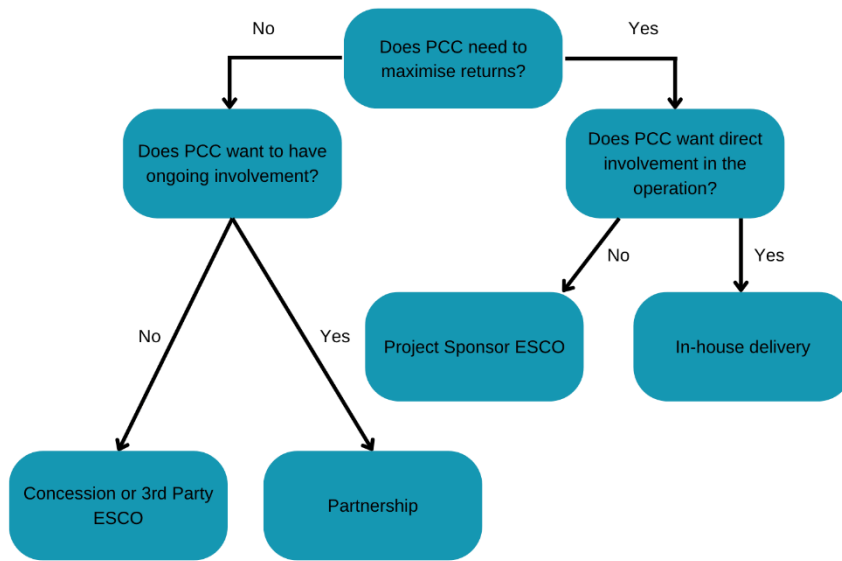
In order to crystalize the decision-making process for the council, the following key decisions have been considered;

Is the council in a position to undertake borrowing to provide direct balance sheet investment into the project?

Does the council want some ongoing role in the project in the future or is a full divestment preferred?

Is maximising returns a key success factor for the council?

The following decision trees help illustrate how the decisions to the questions above flow through preferred commercialisation pathways.



Recommendation

After analysis of the above delivery options the council is recommending the partnership route to delivery is pursued and potential partner procured to ensure:

- The council is not obliged to take on more debt to provide direct capital investment. This recognises the contribution already made by the council by way of the energy provided by the Energy Recovery Facility and the grant funding secured from the Green Heat Network Fund.
- The council is able to maintain an active role in the governance of the PIRI project whilst not requiring it to take on full delivery and supply obligations.
- To enable a return to be received from the project, so enabling the council to receive a reduced but predictable return in lieu of supply and demand side risks

Partnerships can vary in structure and this report is seeking approval for this route to be pursued. It is too early to ask for approval of the terms of a partnership, this will form the basis of a further Cabinet report in 2024 which will seek approval for the commercial structure, the proposed partner and the Full Business Case.

4.2.3 **Procurement of a potential partner**

The council will engage external legal advisors and techno/commercial advisors to assist and to advise on the procurement process.

The process will also include selection criteria which includes appropriate reference to the council's core values.

In the procurement of a potential partner the council, as project sponsor will need to establish its preferred procurement model. The most common are;

1. Traditional procurement model
2. Development partner
3. Hybrid procurement

The traditional procurement model is more suited to a project sponsor who has a clearly defined infrastructure project and is engaging with a standard procurement of the project agreements required to deliver the project. This places all of the risk on the council in the setting out of the project details upon which the supply chain is procured.

A development partner procurement would align better with a project sponsor who has not defined precisely the specific elements. It requires a partner to develop the project from feasibility stage and to test the viability and establish the basic project fundamentals.

The council has progressed PIRI past feasibility and viability, having undertaken a TEF and DPD and obtained grant funding underpinned by an Outline Business Case. The council however will need to procure a partner to finalise the development of the Full Business Case (FBC) and so sits in-between the two traditional procurement models as defined above.

A hybrid procurement model is therefore suitable, and a partner will be procured to develop the project, recognising the work the council has already undertaken. One of the benefits of a development partner could be, for example, the creation of a Strategic Partnership Agreement (SPA) (sometimes referred to as a Joint Development Agreement) to establish the principles of the governance, commercial and legal relationship.

4.2.4 **Production of the Full Business Case**

As part of the TEF/DPD phase of the project an outline business case was produced, and this formed the basis of the approval by Green Heat Network Fund for the award of the funding for this next stage.

A full business case will now be procured via the council's standard procurement process for the evaluation and commercial the route to implementation.

4.2.5 **Stakeholder Engagement**

Potential Off-takers

The council has been actively engaging in discussions with potential off-takers of the energy and this will continue throughout the next year to ensure suitable customers who are necessary for

the overall viability of the project are available. Drafts of legal agreements will be prepared to formalise the ongoing relationship with potential stakeholders.

Outcome from Soft Market Testing for Delivery

A soft market test for delivery of the project was held in the summer of 2023 and nine responses were received from firms operating in this field which all expressed a strong interest in pursuing delivery options for the council.

It was noted responses were received from companies operating across the range of delivery routes available to the council as noted above. These companies included international infrastructure investment funds who typically own and operate large scale public infrastructure, well known UK energy companies and private companies specialising in delivery and operation of decentralised energy infrastructure such as PIRI.

This positive response from the market indicates good support for the project principles and none discounted the opportunity for a partnership with PCC whilst some noted a preference for other procurement pathways more suited to their business model.

5. CORPORATE PRIORITIES

5.1 The recommendation links to the following Council's Corporate Priorities:

The Economy & Inclusive Growth -

- Environment - A district heating system will contribute to the Council's net zero commitment.
- Homes and Workplaces – Peterborough will be more attractive to new businesses as purchasing their energy supply from PIRI will enable them to achieve their own net zero targets.
- Jobs and Money – the PIRI project will promote sustainable growth in Peterborough and establish Peterborough as leaders in innovation.

Our Places & Communities -

- Health and Wellbeing – Air quality will be improved through reduced use of fossil fuel combustion in buildings.
- Educations and Skills for All – The development of a district heating system will create employment opportunities and will develop workforce skills and development opportunities.

Sustainable Future City Council -

- PIRI will deliver a more cost effective energy supply for its buildings by moving away from the high price volatility of fossil fuels.
- By entering into the recommended commercial arrangement, the Council will be able to exercise a degree of control over the project and receive a share of the returns.

Carbon Impact Assessment -

- This Cabinet Report is for approval for the commercialisation phase of the PIRI project. The work being approved will have minimal impact on carbon emissions of the City, which will be incurred if advisors travel to the city for meetings in petrol or diesel cars.

6. RISK

6.1 A risk register is maintained by the project team which is subject to regular review by the project team. As with any major project the risks will be incorporated into the Corporate Risk Register as and when required.

An extract of the register is attached as Appendix 2 which describes the major risks, mitigation and RAG status for this current stage of the project.

7. CONSULTATION

- 7.1 Extensive engagement has taken place with potential off-takers and industry partners in earlier phases of the project.

External legal and techno/commercial advisors have been engaged for this project and executive summary of the techno/commercial report is attached as Appendix 1. Further consultation will be undertaken as necessary in future stages of the project in line with the Council's standard processes.

- 7.2 An overview of the project was presented to All Party Policy on 27 July 2023. The report will be considered by the Financial Sustainability Working Group (FSWG) on 25 October 2023 and any feedback can be incorporated into the work being undertaken.

8. ANTICIPATED OUTCOMES OR IMPACT

- 8.1 The outcome will enable the council to take the necessary steps to establish a proposed commercial structure of the PIRI project. This is necessary should the council choose to commence the construction phase in winter 2024.

9. REASON FOR THE RECOMMENDATION

- 9.1 Should approval from Cabinet on 16 October 2023 be received, the work required to procure a potential partner will proceed. A full business case will be produced which will examine potential structuring arrangements. Following these steps Cabinet will be asked to approve the final delivery structure in order to complete the commercialisation phase of the project by October 2024.

10. ALTERNATIVE OPTIONS CONSIDERED

- 10.1 The alternative structures considered are described in the main body of the report.

11. IMPLICATIONS

Financial Implications

- 11.1 The recommendation is for the council to procure a potential partner to enable the delivery of the PIRI project. This work will be funded from the grant received by Green Heat Network Fund, which is set out below.

The overall cost of delivery of the two phases of the project were forecast in the Outline Business Case to be estimated at £53m, this will be reviewed and revised as part of the Full Business Case process. The Green Heat Network funding will form part of the contribution (see note below); however, a substantial investment will be required by a partner organisation.

If a contribution is required from the council, this request will form part of the next Cabinet paper which will recommend the commercial structure of the project. This request will be subject to approval by Council.

The expectation from the GHNCF is that all monies are spent and accounted for against the PIRI scheme by the end of financial year 2024/2025, and the scheme has its first connections in place.

Note: Green Heat Network funding was approved following the successful completion of the Outline Business case. This however was based on a Council led and funded model, therefore if this new route to delivery is approved an approach will be made to GHNCF to ask their permission for the alternative route to delivery.

Legal Implications

- 11.2 Under section 1 of the Localism Act 2011, The Council has a power to do anything an individual can do, including for a commercial purpose, subject to no other prohibition in any other legislation.

Any procurement relating to the project will be undertaken in compliance with the Public Contracts Regulations 2015 and the Council's Contract Rules.

Equalities Implications

- 11.3 No specific implications arising from this report although where necessary Equality Impact Assessments will be carried out to support decision making.

12. BACKGROUND DOCUMENTS

- 12.1 More background detail on PIRI can be located at www.pirienergy.co.uk

13. APPENDICES

- 13.1 Appendix 1 – Options appraisal for PIRI Exec Summary
Appendix 2 – Summary of Risk Register for the PIRI project
Appendix 3 – Summary of the Outline Business Case



Peterborough Integrated Renewables Infrastructure

DELIVERY AND COMMERCIALISATION OPTIONS APPRAISAL – EXECUTIVE
SUMMARY ONLY

VIMAL BHANA

SEPTEMBER 2023

Date: 12th September 2023

Versions:

Draft issued 19th July 2023

Final issued 12th September 2023 – comments received from PCC.

Executive summary to full report

This options appraisal seeks to present the procurement options and commercialisation pathways available to Peterborough City Council (PCC) in the delivery of its ground breaking infrastructure project, Peterborough Integrated Renewables Infrastructure (PIRI).

The assessment is based on discussions with the council to understand the key success factors, engagement with the supply chain via a soft market testing exercise and Joule Infrastructure's experience of delivering similar projects in the United Kingdom.

Soft market testing

A Soft Market Test for delivery of the project was held in the summer of 2023 and 9 responses were received from firms operating in this area which all expressed a strong interest in pursuing delivery options for Council.

It was noted responses were received from companies operating across the range of delivery routes available to the Council as noted above. These companies included international infrastructure investment funds who typically own and operate large scale public infrastructure, well known UK energy companies and private companies specialising in delivery and operation of decentralised energy infrastructure such as PIRI.

This positive response from the market indicates good support for the project principles and none discounted the opportunity for a partnership with PCC whilst some noted a preference for other commercialisation pathways more suited to their business model.

Procurement models

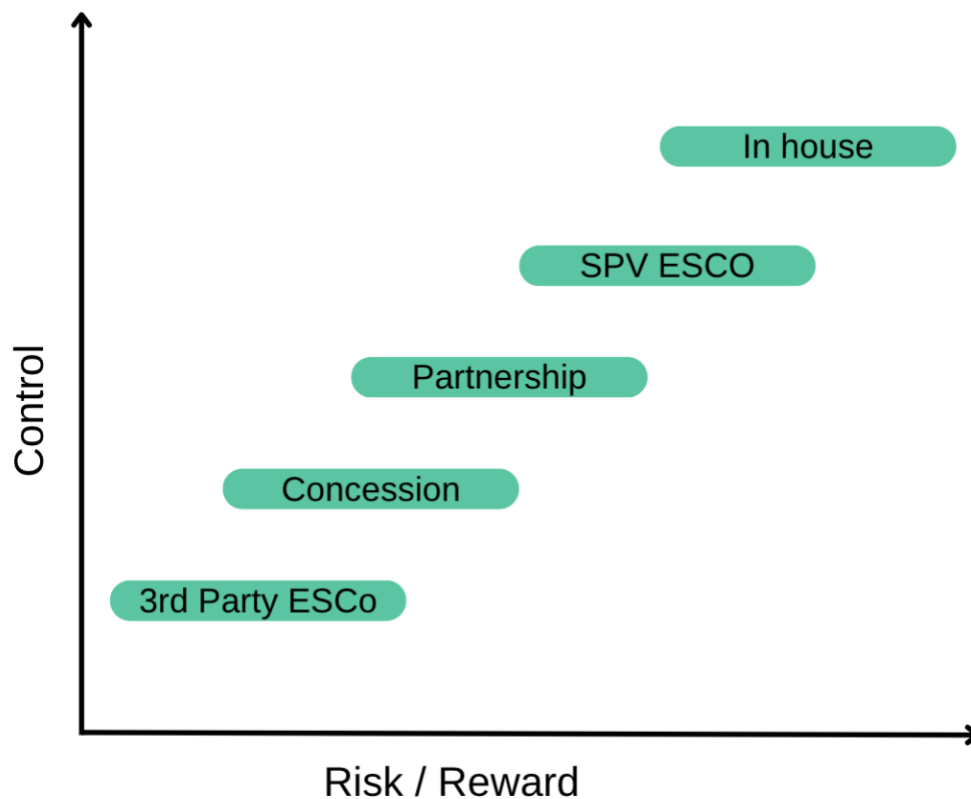
The typical procurements models are Traditional Procurement which best suits a simpler infrastructure project with clearly defined deliverables. The opposite to this is a Development Partner which is helpful in a situation where the council has not developed the project and would require the partner to develop the project in full. In evaluating the procurement models most appropriate to PIRI, it is important to understand and acknowledge the significant work already undertaken by the council to get to the current stage, being approved for a significant grant funding based upon a Treasury aligned 5 Cases Model Outline Business Case, Detailed Project Development (DPD) and Techno-Economic Feasibility (TEF) study. With this in hand, PCC are empowered to procure a supply chain partner with more control and stake over the project – PCC need not approach the market for all the answers. PCC does however need to procure an enabling partner to help develop the project up to Full Business Case and hence a Hybrid Procurement model may best suit PIRI.

Commercialisation pathways

This report also presents the most commonly used commercialisation pathways available for such infrastructure projects, these are;

- **3rd party ESCO** - divesting the entire project, risk and returns to a 3rd party Energy Service Company (ESCO)
- **Concession** – providing a 3rd party ESCO a concession over the infrastructure for 25 to 40 years thereafter it returns to the council.
- **Partnership** – (also referred to as a Joint Venture) a commercial arrangement where PCC and 3rd party share the risk and rewards.
- **Project sponsor ESCO** – PCC sets up its own ESCO through establishing a wholly owned subsidiary and procures delivery service (or DBOM) contracts for operation, maintenance, metering and billing.
- **Inhouse delivery** – the council remains fully responsible for the infrastructure using in house resource

The options available to PCC all providing a sliding scale of risk and reward for PCC. The more risk PCC takes the more reward it can potentially receive; however as with any investment this would also expose PCC to potential losses as well.



In House delivery or delivery via a wholly owned Council company (ESCO) / SPV

The Council will remain fully responsible for delivering the entire project, from generation, distribution, supply and funding the infrastructure construction. This structure will give the Council complete control over the project and will enable it to receive the full returns generated but will also expose it to the full risks of the project, albeit these can be mitigated to a degree if delivery is via a wholly owned company.

A grant has been approved from GHNf for £13.5m on this basis, and the Council will be required to borrow the remaining estimated requirement of £39.5m required to complete the construction.

The Council does not have the in-house expertise to deliver the project and will be required to recruit internal resources to provide the expertise required and to let contracts to third party providers to fulfil the specialist delivery systems needed.

Private sector concession arrangement

This route to delivery will require the Council to procure a third party to deliver the whole project. The Council will not be required to provide any additional funding as this will be provided by the third party as part of the arrangement. Under a typical concession arrangement, the Council will not receive any returns and any control it will be able to exercise will be determined when the concession is agreed, which typically is minimal. A concession arrangement is typically in place for a period of 25 to 40 years after which it returns to the Council.

Partnership

The Council will be required to procure a private sector partner to provide investment, delivery and supply expertise employing a partnership delivery vehicle through which the Council will be able to maintain a degree of control. The structure of partnership vehicles can vary, but typically both parties provide investment and share control of the entity.

Councils are generally unable to provide direct investment into the project and hence are limited to receive 'special voting rights' to maintain some degree of control. PIRI is unique in that the Council owns the energy generation asset and has obtained £13.5m of grant funding – valued together this can contribute substantively to the Council's "investment" in the scheme which we would expect to enable the council to obtaining a proportion of normal shares and thus a greater share of the voting rights of the entity than otherwise would have been possible.

With a partnership arrangement, the Council will not be required to provide all of the gap funding required for the project and will retain a degree of control. The risks will be shared with the partner best suited to manage those risks.

Another consideration of partnership agreements with councils typically lies in further calls for capital investment as the project is required to grow and expand. Given PCC would not want to be obliged to continue maintaining its share of capital investment, it would be prudent for the council to ensure structured buy and sell out mechanisms are agreed in the partnership agreement at each call for investment.

Integrated or individual heat, power and mobility delivery options?

A final consideration in the delivery and commercialisation options relates to the unique nature of PIRI in that it offers three service streams, namely heat, power and mobility. The SMT responses indicated the varied opinions on the question of whether to deliver the scheme as an integrated solution or separate them into individual delivery and commercialisation activities.

Item	HN	PWN	EV
CAPEX (£m)	44.9	12.6	1.0
EBIT (£m)	38.8	178.6	16.4
NPV @ 3.5% (£m)	-15.0	145.3	13.9
IRR (Pre-Tax, Real)	-1.6%	83%	27%

Table 1 Financial assessments for each service / vector¹

From Table 1 it is clear the heat network is marginal in terms of IRR and financial performance, whereas the mobility and electricity services have the opportunity to be very financially attractive. Some of the SMT respondents pointed to a protracted and complex procurement process if PIRI were to be marketed as an integrated offer. Whilst this may be true, it is our belief that if the services were to be procured individually, PCC would be left with the marginal heat network without any interest in it from the wider market.

----- END -----

¹ Taken from WP5 Business Model & Impact Assessment compiled by SSE dated 20.09.22

APPENDIX 2

PIRI RISK REGISTER SUMMARY

	Description	Risk Rating	Mitigation Plan
A	PIRI is a large scale project which we anticipate proceeding via a commercial Partnership arrangement with a complex procurement requirement	RED	<ul style="list-style-type: none"> To produce a full business case with input from technical experts to ensure opportunities and risk are understood and balanced. Procure a potential partner with advice from suitably experienced legal and techno/commercial advisors. Only once these steps have been completed will the approval to proceed be requested via a report to Cabinet.
B	The Energy Centre location is key to the project. There is a risk that the project is unable to identify a suitable site and obtain the necessary planning permissions	RED	<ul style="list-style-type: none"> A member of the Council's property team has been assigned to the project to enable a suitable location to be identified. Conversations with PCC Planning have commenced to identify the necessary reports to gain planning permission such as ecological reports, flood risk and archaeological reports once the preferred locations have been identified.
C	There is a risk that with the increased volatility in gas/electricity/oil prices, this could lead to potential PIRI customers going elsewhere, rather than waiting for PIRI in 2025 (earliest)	RED	<ul style="list-style-type: none"> Ensure continual engagement with organisations previously engaged with as part of the earlier phases of the PIRI scheme development. Continue discussions with other potential partners. Undertake early analysis with potential partners to ensure all parties understand the details.
D	The GHNF funding was granted on the basis of the OBC which was based on the Council owning and operating the system and may not approve the delivery route now being proposed	AMBER	<ul style="list-style-type: none"> The Council holds regular update meetings and produces monthly update reports for the GHNF. The progress towards the route to delivery are covered in these. The Full Business Case will formalise the proposed delivery route for PIRI and will be shared with GHNF.
E	Change in Government policy could impact the variables incorporated into the OBC and FBC in a negative way before the project enters the construction phase	AMBER	<ul style="list-style-type: none"> Monitor government proposed policy amendments and take appropriate advice to mitigate if this occurs.

APPENDIX 2

PIRI RISK REGISTER SUMMARY

F	The assumed District Heat network's thermal and electrical demands may be inaccurate where detailed demand data was not available. Resulting in District heating scheme becomes either oversized causing lower predicted revenues or undersized causing capacity issues at times of high demand	AMBER	<ul style="list-style-type: none"> The scheme is proposed to be installed in two phases. The second phase can be re-designed and the additional heat sources re-sized (or removed) once actual demand is known. The second phase can be limited to the DH network if deemed required. Ensure the energy centre could be expanded in case the heat demand is underestimated.
G	There is a risk to the timelines due to Council Governance and Procurement processes that have to be followed before the council can proceed with activities, impacting the cash flow/project timelines	AMBER	<ul style="list-style-type: none"> Build in Cabinet approvals and dependencies into the project plan where key decisions have to be ratified by the Council.
H	The Bespoke design of the connection to PERF (plant room), may result in increase in cost and/or change in design and layout	AMBER	<ul style="list-style-type: none"> Engage with suppliers to ensure cost effective solution and to ensure solution is optimised for area available.
I	Companies who have purchased Electric Vehicle's before PIRI scheme is installed will have an existing charging solution in place	AMBER	<ul style="list-style-type: none"> Continued engagement with the Council and Peterborough Limited who are likely to transition to EV's over a longer timescale. Opportunities to work with landowners to provide opportunity 'top-up' charging commercially will be explored.
J	If the District Heating design was changed and not constructed to the maximum scheme this could result in increased costs, as further work will be needed in the future.	AMBER	<ul style="list-style-type: none"> Ensure a booster station can be incorporated into the maximum scheme design to overcome pressure losses.
K	Secondary side modifications needed for connecting buildings' heating systems are not understood and therefore not implemented due to cost or within the timeframes needed for 'Power on'	AMBER	<ul style="list-style-type: none"> Training by District Heat Network (DHN) designer to the council to explain the secondary side heating design requirements in order for compatibility with District Heat network. <p>The reports include an example of the typical modifications needed (e.g. variable temperature system upgrade) and the impacts on DHN scheme if not implemented correctly.</p>

APPENDIX 2

PIRI RISK REGISTER SUMMARY

L	May have to build Energy Centre in two phases resulting in increase of 10-20% in cost	AMBER	<ul style="list-style-type: none"> Contract negotiation during construction of Phase 1 with those constructing the energy centre.
M	Energy Centre location is not within the vicinity of PERF resulting in accessibility and increased costs.	AMBER	<ul style="list-style-type: none"> Distance from the PERF to any potential Energy Centre locations will be considered as part of the identification work with the Property Team. Energy Centre costs will be revisited, based on the preferred location, as part of the Full Business Case and where needed, quotes will be refreshed.
M	Proposed customers of the scheme drop out during Commercialisation phase resulting in loss of heat demand and potentially loss of electricity demand.	AMBER	<ul style="list-style-type: none"> Engagement with key industrial stakeholders has continued throughout the whole programme. Ensuring awareness of their commitments and what inputs will be required of them as we progress through the FBC. Provisional contractual agreements will be sought for all stakeholders, both energy off takers and providers using internal and specialist input as required during the FBC stage.
O	Future policy changes to network charging structure (DUoS, TNUoS) may impact revenue stack. As well as impact counterfactual costs and different levies - climate, final consumption. Network installation costs may be higher than estimated	AMBER	<ul style="list-style-type: none"> Engagement with larger offtakers to understand location of meters, substations and options for connecting. Engage also with BEIS, Ofgem, PFER policy review & feedback activities. Provisional contractual agreements will be sought for all stakeholders, both energy off takers and providers using internal and specialist input as required during the FBC stage.
P	To qualify for regulatory exemptions, private wire network and distributed generation must be owned by the same entity.	AMBER	<ul style="list-style-type: none"> Commercial structure designed to take this issue into account. Partnership delivery is expected to overcome any regulatory issues. Further work will take place as part of the FBC development.

APPENDIX 2

PIRI RISK REGISTER SUMMARY

Q	Current financial climate won't attract the projected £50m of investment required to deploy assets in Peterborough	GREEN	<ul style="list-style-type: none"> • Soft Market testing completed with industry leaders. Circa 12 responses, were positive and showed an interest in investing in PIRI. • Communication channels will remain open.
R	Council does not have requisite knowledge or experience for system ownership resulting in either Scheme does not go ahead or is poorly managed.	GREEN	<ul style="list-style-type: none"> • Structure proposed does not involve full council ownership but a partnership. Reducing this risk significantly.
S	Political changes impacting financial viability of project	GREEN	<ul style="list-style-type: none"> • Gate reviews are built into PIRI Programme Plan to continually assess financial viability and agree continuation of the project. • Outline Business Case already produced and approved. • Full Business Case will be written, which will require full cabinet approval, before proceeding further.

Highlight Extract from Outline Business Case (OBC)

The OBC followed the structure of HM Treasury's Green Book model in comprising five separate cases – the Strategic, Economic, Commercial, Financial and Management cases – which described in detail: the rationale for the scheme; options considered and the preferred solution; its potential as an investment opportunity, and; its wider environmental, economic and social benefits.

Please note: this Cabinet Paper has requested approval to procure and proceed with a Full Business Case in accordance with HM Treasury Green Book guidelines which, in conjunction with the proposed partner, will build on the information provided in the extract highlights of the OBC below.

Strategic Case – How will PIRI benefit Peterborough

Carbon Abatement

A significant volume of natural gas use will be displaced for the connections to the proposed PIRI district heating network, which includes a range of Council buildings, other public sector buildings, and industrial facilities in Fengate. By supplying heat to customers from low-carbon sources, an estimated **188,000 tonnes of carbon** emissions will be abated over the PIRI scheme's lifetime, or approximately **4,700 tonnes carbon emissions abated per year** on average (over 40 years). This represents a **90% reduction in carbon emissions** versus the BAU natural gas heating systems.

This means that for Council buildings connected to the PIRI district heating network, carbon emissions over the scheme's lifetime will be reduced from ca. 75,000 tonnes to ca. 6,500 tonnes, or a ca. 91% reduction.

Beyond heating, the electricity supplied from the PIRI scheme is generated from low-carbon sources whereas grid electricity is still partly fossil fuelled. PIRI will also put in place the enabling infrastructure for reducing reliance on fossil fuel based transport in Peterborough

Air quality improvements

The use of low-carbon energy in the PIRI scheme will result in major reductions in natural gas use, with direct benefits for local air quality. Alongside carbon dioxide, burning gas produces significant amounts of harmful nitrogen oxides. The energy to be generated by the PIRI scheme contributes significantly less to local adverse air quality effects than under "business as usual".

Internal combustion engines are another key contributor to adverse air quality in cities, generating nitrogen oxides and particulate matter that can lead to poor health for residents. Electrifying transport is a highly effective means to reduce poor local air quality, and the PIRI scheme provides the platform to realise this transition for Peterborough.

Enabling infrastructure

The PIRI scheme will not only deliver cleaner, greener energy in the short-term, but will also establish the "enabling infrastructure" for future energy decarbonisation and air quality improvements in Peterborough. Once cables, pipes, centralised energy hubs and other infrastructure are installed for the initial phases, there are numerous opportunities to expand the extents of the energy networks, allowing more customers to be connected and further low and zero-carbon energy sources to feed into the system.

Establishing Peterborough as a leader in innovation

PIRI was conceived of not only to deliver low-carbon energy for Peterborough, but also to demonstrate the Council's thought leadership and innovation in developing projects that deliver benefits to local and wider society.

Job creation and wider economic impact

PIRI will result in job creation and stimulation of the local economy throughout the project's development and lifetime, from design right through to operation.

Wider economic value

Indirectly, the establishment of a local energy system will help to retain spending on energy by residents, businesses and the public sector within the local economy and attract new organisations to Peterborough through lower cost, lower carbon and more resilient energy supply.

Attracting business to Peterborough

PIRI is anticipated to match or even lower energy bills for connected customers, as well as offering reduced exposure to volatile natural gas prices. This will be potentially attractive to businesses deciding on where to locate or expand in future years.

Economic Case

The Economic Case provides evidence of how the preferred PIRI scheme design has been selected, covering its technical, economic and social viability, and how this translates into an attractive investment opportunity that delivers on climate change mitigation alongside wider benefits for the city of Peterborough.

The analysis undertaken resulted in a balanced view on the best solution to take forward for developed technical design and economic forecasting. Economic appraisals were performed in accordance with HM Treasury Green Book guidelines.

A number of possible scheme designs were assessed for their ability to deliver on the Council success factors, developed with key stakeholders in Planning and Development, Environment, Finance and Highways, and their performance in terms of financial and other quantifiable returns. After this detailed techno-economic appraisal a highly attractive preferred scheme design was identified which was demonstrated to meet or exceed all objectives.

This final scheme design is shown to give a projected IRR of **8.39%** over 40-years and a net present social value (NPSV) of **£62.7M** during its operation. This figure comprises both net income and other quantifiable benefits from air quality improvement and carbon emissions reductions, and does not include benefits such as job creation during the construction phase. It is projected to save up to **197,000 tonnes** of carbon dioxide over its lifetime, representing an almost **93%** reduction over business-as-usual for the buildings connected to the PIRI scheme. These are pre-tax, pre-grant nominal figures and projections of financial performance are even more favourable once these financial elements are taken into account, with an IRR of **12.47%** and an NPV at 40 years of **£146.4m**.

The final PIRI scheme design is a highly innovative forward-looking investment opportunity which is shown to be financially attractive, technically robust and delivers a wide range of economic, social and environmental benefits to Peterborough, its citizens and to the country as a whole. Highly innovative,

also means potentially higher risk, therefore we have and will continue to undertake significant work on risks, sensitivities and scenarios.

Commercial Case

The Commercial Case addresses the key issues involved in successfully implementing investment, procurement, stakeholder management and delivery of the PIRI scheme. Details of the options for investment are discussed, the advantages, disadvantages and constraints which may apply, and a recommendation on how to proceed.

These elements are included in the body of the main report, and which outline the Council's preferred commercialisation route together with the procurement process to be undertaken

Financial Case

The financial business case within the OBC was built on a Council owned, operated and funded model which was the most straightforward model. However following review of the Council's various options by the legal and techno/commercial advisors a partnership route to delivery is being recommended. The full business case will be built on this delivery model.

This section of the OBC outlined the key financial requirements for the PIRI scheme as well as the base heat, revenue and operating cost assumptions. It also details the income and expenditure expectations, budget planning, financial risks and key sensitivities. The scheme includes both a district heating and private wire network which caters to twenty off-takers, all of which are connected to the private wire and seventeen of which are connected to the district heating.

This Financial Case considers the financial viability of the scheme, focusing on a Council-owned PIRI scheme, however the fundamentals of this case will remain the same regardless of the delivery model.

The analysis includes:

- Financial requirements and resources including project capital costs and sources of funds
- Heat Inputs
- Private Wire Inputs
- Revenue Inputs including fixed and variable heat revenues and private wire revenues
- Operating cost inputs
- Tax Inputs
- Forecast income and expenditure
- Budget Arrangements and business planning
- Savings vs BAU
- Financial Risk including business rate sensitivity and alternative replacement cost profile

Management Case

The Council currently has retained consultants advising on the technical, legal and financial aspects of the PIRI scheme, together with project management support through the aspects of the scheme's design and development that are funded by BEIS's sub-department HNDU.

The Council will need similar resources to develop the proposition further through commercialisation, and a new procurement round will be required to facilitate this. Procurement for the HNDU stages were via the CCS HELGA framework, which provided wide coverage across a range of potential applicants and a developed framework, and delivered an expedient method to procure consultant partners. It is anticipated that this route would be taken again.

Final details of all the project management and delivery arrangements for PIRI will necessarily only be available for the full business case, once the delivery structure and ownership of the scheme is approved.

CABINET	AGENDA ITEM No. 7
16 OCTOBER 2023	PUBLIC REPORT

Report of:	Adrian Chapman, Executive Director for Place and Economy	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Legal, Finance and Corporate Services, in consultation with Councillor Marco Cereste, Cabinet Member for Growth and Regeneration.	
Contact Officer(s):	Nick Carter, Service Director Growth and Regeneration	07950 854161

DISPOSAL OF THE DICKENS STREET AND WELLINGTON STREET CAR PARKS

RECOMMENDATIONS	
FROM: Executive Director, Place and Economy	Deadline date: 16 October 2023
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> Approves the disposal of the former Dickens Street and Wellington Street car parks. Delegates authority to the Executive Director for Corporate Services, in consultation with the Executive Director for Place and Economy, the Interim Director of Legal and Governance, and the Cabinet Member for Legal, Finance and Corporate Services to take all necessary steps to facilitate the decision in Recommendation 1, including completing due diligence, approving the final terms of disposal and entering into any necessary agreements. 	

1. ORIGIN OF REPORT

- 1.1 The report is submitted to Cabinet as a referral from the council's Corporate Leadership Team for Cabinet to consider the disposal of an asset that is held in the Place and Economy Directorate.

The financial detail and rationale of the potential disposal are set out in the Exempt Annex.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to request approval for the disposal of assets, namely the Dickens Street and Wellington Street car parks.
- 2.2 This report is for the cabinet to consider under its Terms of Reference No. 3.2.3, *'To determine any key decision ...'* and 3.2.4, *'To be responsible for budget planning, monitoring and expenditure/savings over £500,000, including Discretionary Rate Relief ...'*
- 2.3 There is an exempt appendix attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains information relating to the financial and business affairs of the Council. The public interest test has been applied to the information contained within this exempt appendix and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. **BACKGROUND AND KEY ISSUES**

4.1 The car parks are located at a key gateway to the city centre. This area of the city is currently spatially incoherent and environmentally unattractive. It is in need of a comprehensive regeneration scheme that can deliver an improved environment and social benefits for new and existing communities as well a new gateway into the city centre.

4.1.1 Car Parking Study

A study of car parking in the city has been used to show the usage of PCC's public car parks between April 2022 and February 2023, and to identify the opportunities that this information may offer – to accommodate new developments, to release car parks for development, and to intensify the use of existing car parks. The study included each of the PCC car parks, as well as the on-street parking meters. It has identified that the Dickens Street and Wellington Street car parks are not well used.

The two car parks are allocated for mixed use development in the Council's Local Plan adopted in July 2019. The Local Plan will remain in place until a new Plan is adopted by the Council in 2026.

4.1.2 Car Parks Site Opportunity

Lidl, the current owner of part of the Dickens Street car park site, has formed a consortium and has come forward with a new proposal for a comprehensive regeneration of the area which also incorporates the Wellington Street site. The proposal includes residential, food and beverage, electrical vehicle charging, and retail uses and would be subject to planning permission for any development.

The scheme proposed, if approved, could deliver social and environmental benefits for new and existing communities in the form of new development, employment, new homes, and an attractive gateway to the city centre.

The proposed development could also deliver financial benefits to the Council in terms of business rates, council tax and a significant capital receipt from the asset.

4.1.3 Dickens Street Car Park

The Council disposed of a portion of land contained within Dickens Street car park and the current landowner of this parcel is Lidl. Planning consent, for the portion of land, was refused for a supermarket on highway grounds and the site has since remained in an overgrown and unsightly condition.

The disposal of this portion of land has left PCC with an irregular shaped piece of retained land for parking purposes. The car park is not well utilised with the lowest income per space per day of all PCC car parks.

4.1.4 Wellington Steet Car Park

There are two leases and a licence in place for a small portion of the Wellington Street car park. This is the largest car park, and it performs below average for the income it generates per space, and the number of transactions per space.

The details are in the Exempt Annex.

5. CORPORATE PRIORITIES

5.1 The following outlines how the recommendation links to the Council's Corporate Priorities:

The Economy & Inclusive Growth

Environment

A Carbon Impact Assessment has been completed. It concludes that the sale of the land will have no direct carbon emissions.

Jobs & Money

A capital receipt will be achieved from the sale.

Our Places & Communities

Places and Safety & Health and Wellbeing

This area of the city is currently spatially incoherent and environmentally unattractive for what is a significant gateway into the city centre. The disposal will allow for future developments to potentially be brought forward in the area.

6. CONSULTATION

6.1 This recommendation has been considered by:

- Corporate Leadership Team – September 2023
- Cabinet Policy Forum – October 2023

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 The sale of the two car parks will generate a capital receipt.

Following disposal and subject to planning permission, the car parks could accommodate a new mixed-use development including residential and retail uses. This could regenerate an area of the city that is currently spatially incoherent and environmentally unattractive and is also a key gateway into the city centre.

A future development, if planning permission is granted, could also secure income to the Council in the form of business rates and council tax, as well as the capital receipt.

8. REASON FOR THE RECOMMENDATION

8.1 The recommendation is put forward to seek approval to dispose of the car parks and to be able to take all necessary steps to facilitate the sale including negotiating with third parties.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 **To do nothing** – This option was discounted as the car parks are currently underutilised. Also, this area of the city is in need of regeneration through new development that benefits new and existing communities.

10. IMPLICATIONS

10.1 Financial Implications

Financial implications are set out in the Exempt Annex.

10.2 Legal Implications

The Council has powers under Section 123 of the Local Government Act 1972 which includes requirements to obtain best consideration which will need to be taken into account when agreeing the terms for the sale of the property.

10.3 Equalities Implications

There will be a loss of two disabled car parking spaces. This is the only negative equality implication to be considered.

Wellington Street has two disabled parking bays and Dickens Street none.

The nearest alternative disabled parking would be on-street at Brook Street (290 yards) or Crawthorne Road (352 yards). There are also disabled bays on St Johns Street near Bishops Road.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 Car Parking data analysis 2022-23.

12. APPENDICES

12.1 Appendix 1 - Exempt Annex

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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