Co-Investment – Briefing Pack

Bankers without Boundaries (BwB)

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Fit4Finance

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What is co-investment?

Definition

A **co-investment** vehicle is a structure in which a Local Authority (LA) invests alongside one or more partners (e.g., developers, utilities, investors) to deliver projects – sharing capital, risks, governance, and returns via a joint venture company (JVCo), limited liability partnership (LLP), or limited partnership (LP) fund.

Why it matters for LAs:
Co-investment transforms an LA from a traditional client paying for a service into an active equity partner. This shift allows the council to pursue specific return expectations and generate new revenue streams, while exerting direct strategic control through defined governance rights. However, this model directly exposes the council to commercial risk and requires navigating complex hurdles, including confirming statutory capacity, assessing strict subsidy control rules, and managing financial regulatory compliance.

Key Terms

JVCo: A separate legal entity (usually a private Ltd company) created to hold assets and manage the project, owned by shareholders.

Exit Strategy: The predefined plan for how and when the partners will sell their stake, wind down the vehicle, or extract their original capital at the end of the investment lifecycle.

Capital Calls (Drawdowns): Requests from the vehicle to partners to pay in committed capital when needed for project spending.

Waterfall: The agreed priority order for distributing project cash flows (e.g., costs first, then debt, then equity returns).

Subsidy Control: The UK legal framework that regulates how public money can be used to support commercial ventures.

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How co-investment works: money and risk flows

Local Authority

1. Provides anchor or catalytic capital
2. Signals strategic alignment
3. Core project pipeline generation role

Private Partner

1. Institutional investors or strategic partners that provide equity capital to the co-investment vehicle
2. May also act as a delivery partner or developer, depending on who the counterparty is

Debt Providers

E.g. commercial banks, infrastructure debt funds - Provide senior debt to scale investment

Co-Investment Vehicle

JVCo / LLP / LP Structure

↓

Project Special Purpose Vehicles (SPVs)

↓

Projects

↓

Project Revenues

Returns are distributed to the Co-Investment Vehicle

Priority 1
Operating Costs
Opex, Taxes, Admin

Priority 2
Service Debts
Interest & Principal

Priority 3
Return Capital
Repay Shareholder Loans

Priority 4
Profit Share
Dividends / Distribution

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Understanding co-investment

Co-Investment IS:

A Way to Share Control, Risk, and Upside
Allows LAs to participate in governance and financial returns

A Route to Crowd-in Private Capital
Leverages LA assets (land/cash) to attract significant private investment

A Vehicle with Clear Rights
Defined decision-making powers, reserved matters, and exit strategies

Co-Investment IS NOT:

A Way to Bypass Rules
Does not circumvent prudential borrowing limits or procurement regulations

Automatically Off-Balance-Sheet
Accounting treatment depends on specific structure and control tests

Guaranteed to be Cheaper than PWLB
Private capital cost reflects risk; value comes from expertise and risk transfer

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Fit screening

		No
1	**Strategic Alignment** Does the project align with adopted local strategies?	**Pause and Reassess**
2	**Need for Partnership** Do we need shared governance and risk/return alignment?	**Consider Simple Contract**
3	**Project Pipeline** Is there a scalable pipeline of projects or assets (e.g. land, buildings)?	**Assemble and Phase First**
4	**Market Readiness and Interest** Is there a credible private sector interest in partnering?	**Soft Market Testing Required**
5	**Capacity and Skill** Does the LA have the expertise and resources to manage a JVCo?	**Bolster Team / Advisors**

Yes

✔ **Good Fit: Proceed with Structure**

All criteria met. Begin detailed designing and business case

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Different co-investment structures

JVCo (Ltd by Shares)

Characteristics
Standard corporate entity. Familiar governance structure with Board of Directors.

Why/When
Used when partners want clear corporate governance and shared control over a long-term project or asset platform (e.g., development company, energy company)

Watch Out
Stamp duty land tax (SDLT) is usually payable on land transfers into the vehicle.

Limited Liability Partnership

Characteristics
Flexible partnership agreement. Corporate body with limited liability.

Why/When
Preferred where partners want tax transparency and flexible profit allocation, often used for development partnerships with varying returns.

Watch Out
SDLT partnership relief may apply. Check the Alternative Investment Fund Managers Directive (AIFMD) tests carefully.

LP Fund

Characteristics
The manager runs the fund. Passive investors. Capital calls and waterfall.

Why/When
Used when the goal is to attract institutional investors, where the council invests alongside private capital but does not manage the assets directly.

Watch Out
High likelihood of being in scope for AIFMD regulation.

Contractual JV / Land Pooling

Characteristics
Contract governs profit/risk share. No new legal entity created.

Why/When
Used where partners want collaboration without creating a new entity, typically for land assembly, regeneration sites, or project-specific delivery arrangements.

Watch Out
Procurement rules still apply to services/works. Complex liability.

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Who is Involved? (RACI)

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

Role / Party	Investment Strategy	Partner Selection	Deal Execution	Project Delivery	Asset Management
LA / SRO Investment Committee Chair	A — Approves the ‘investment thesis’ & risk appetite	A — Selects the co-investment partner	A — Signs the Shareholders’ Agreement (SHA)	C — Sits on the JV Board as director	A — Decides when to sell / exit the investment
LA Investment Team Finance / Commercial Lead	R — Builds financial model & returns analysis (IRR)	R — Runs ‘know your customer’ (KYC) & financial checks	R — Negotiates ‘reserved matters’ & voting rights	I — Receives quarterly dividend/performance reports	R — Monitors yield & calculates distribution
Private Co-Investor The Capital Partner	I — Participates in soft market testing	R — Submits proof of funds & track record	R — Transfers equity/debt capital	R — Often acts as a development manager	C — Agrees on refinancing or sale
JV Board The ‘New’ Company	-	-	I — Incorporated at this stage	A — Accountable for project success & solvency	R — Declares dividends to shareholders
Cabinet / Oversight Democratic Mandate	C — Approves the capital budget allocation	I — Notified of partner selection	C — Approves final ‘okay’	I — Annual review of investment portfolio	I — Receives capital receipt upon exit

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Documentation and key considerations

Key Transaction Documents

Shareholders' / LLP Agreement
Primary governance document. Defines reserved matters, capital calls, profit distribution, and exit mechanics.

Land Transfer / Option Agreement
Governs the transfer of LA land into the co-investment vehicle. Includes valuation basis and conditionality.

Development Management Agreement
Appoints the private partner (or affiliate) to manage delivery. Sets fees and performance key performance indicators (KPIs).

Funding Agreements
Loan facility agreements from members or third-party lenders (e.g., UKIB, commercial banks).

Intercreditor Deed
Required if debt is used. Ranks senior lenders versus member loans/equity. Sets payment waterfall.

Conflicts Policy
Critical for LA officers acting as directors. Manages statutory duties versus council interests.

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Governance and risk allocation

Governance Mechanics

Reserved Matters

Critical decisions (e.g., budget changes, new debt) require unanimous shareholder consent.

Performance KPIs

Objective metrics for delivery speed, quality, and financial returns tied to manager fees.

Deadlock Resolution

Formal escalation process (CEO-to-CEO, mediation, expert determination) to break impasses.

Step-in rights

Ability for LA or lenders to take control if the private partner fails to perform or becomes insolvent.

Conflicts Register

Mandatory declaration of interests for LA-appointed directors to manage fiduciary duties.

Audit and Reporting

Quarterly financial and operational reports to the Board and LA Scrutiny Committee.

Risk Allocation Matrix

Construction and Delivery Cost overruns, delays, defects	Private Partner / Contractor
Market and Demand Sales prices, rental income voids	Private Partner / JV
Planning and Site Planning permission, ground condition	Shared / Negotiated
Financing and Refinancing Interest rate changes, liquidity	JV Vehicle (Project Level)
Policy and Political Change in law, subsidy rules	LA (Monitored)

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Co-investment case study 1: Greater Manchester housing joint venture

Project Overview and Structure

Model Type
Limited liability partnership (LLP JV)

Key Partners
GMCA (20% stake) and 10 housing providers (GMHP)

Investments
~£3 million per RP + £2 million GMCA contribution

Target Scale
~500 homes/year (GMHP total: 8,000 in 5 years)

Context: A strategic partnership between the Greater Manchester Combined Authority (GMCA) and a consortium of housing providers to accelerate housing delivery. The LLP JV acts as a commercial developer to acquire land and secure planning, with 106 affordable units transferred to Registered Providers (RPs). Profits are reinvested.

Relevance to Local Authorities (LAs)

This case demonstrates successful diversified funding and shared governance at a regional scale. It shows how LAs can leverage land and strategic oversight while partnering with sector specialists (RPs) for delivery, using an LLP structure to align long-term incentives and recycle returns into future phases.

Key Lessons

Trust is Critical

Success relied on building trust between multiple partners and focusing on the collective good over individual organisational interests.

Embedded Coordination

Having a dedicated coordination post embedded within GMCA ensured alignment and smooth communication.

Clear Governance

Shared governance structures with clear terms of reference were essential for managing a complex multi-stakeholder partnership.

Commercial Focus

Operating with a commercial mindset for land acquisition and planning allowed the JV to be agile and effective in a competitive market.

Source: LGA case study – Greater Manchester: housing joint venture (GMCA + GMHP)

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Co-investment case study 1: Greater Manchester housing joint venture

Project Timeline

- **2010**
  GMHP established as a partnership group
- **2018/19**
  A specific 10-strong housing association JV (Hive Homes) was set up; 2,841 planning consents, 2,145 starts, and 1,920 completions per year
- **Autumn 2021**
  Hive Homes has planning secured on 178 homes and is in pre-planning consultation on a further 589 homes
- **Jan 2022**
  GMHP publicly announces Hive Homes as part of its £2.5bn housing investment pledge
- **Ongoing**
  Hive Homes operates as active company; supply chain almost exclusively North West SMEs; all profits recycled back to partners for reinvestment in affordable housing

GMHP Members

The partnership pools resources from 10 major housing associations to operate as a regional development company with scale.

- Bolton at Home
- Great Places Housing Group
- Irwell Valley Homes
- Jigsaw Homes Group
- Mosscare St Vincent's
- One Manchester
- Salix Homes
- Southway Housing Trust
- Stockport Homes
- Wythenshawe Community Housing

Source: LGA case study – Greater Manchester: housing joint venture (GMCA + GMHP)

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Co-investment case study 1: Greater Manchester housing joint venture

Incentive Structure

GMCA Incentives

- Accelerated housing delivery across the region
- Increased supply of affordable housing
- Recycling of profits into future housing investment
- Alignment with regional growth and planning strategy

GMHP Incentives

- Access to development sites secured through the JV
- Reduced development risk (land and planning risk shared)
- Economies of scale across multiple providers
- Access to public sector capital support

Applicable Models
Similar models could be used for housing delivery partnerships, regeneration joint ventures, and strategic land development programmes.

What Does the JV Do?

The partnership operates as a regional development company, acquiring land and progressing planning before transferring completed housing to member providers.

1. **Identifying development sites** across Greater Manchester region
2. **Acquiring land** and securing planning permission
3. **Progressing early development stages** (infrastructure and site prep)
4. **Transferring completed affordable housing** units to member providers

Early Pipeline Success
In its early pipeline, the JV identified ~20 development sites across Greater Manchester, including Stockport regeneration projects and housing sites in Wigan and Bolton.

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

Project Overview and Structure

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

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

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

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

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

Relevance to Local Authorities (LAs)

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

Key Lessons

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

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

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

Democratic oversight must be designed in — it won't happen automatically
BCL's JV board has no elected members; only one council officer. Operational agility was prioritised. Other LAs replicating this model should explicitly design in oversight mechanisms — BCL is a cautionary example here as well as a positive one.

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

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

Two-Layer Partnership Model

Strategic Energy Partnership (PPP)

City Leap Energy Partnership Ltd (registered UK company)

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

Co-Investment Platform

Individual projects within the BCL pipeline carry their own capital stack

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

Typical Project Capital Stack

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

Partner Incentives and Alignment

Bristol City Council

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

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

Private Partners (Ameresco/Vattenfall)

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

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

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

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

Project Timeline

2018
Procurement launched

2020
Preferred bidder selected

2022
Partnership contract signed

2022–2042
Delivery phase (20-year partnership)

Project Scale

~£1 Billion+
Target Low-Carbon Investment

£424m
IBP 5yr committed investment (Ameresco)

~£500m
Revised 5yr business plan target

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

~182 MW
Zero-carbon energy generation capacity

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

£61.5m
Social value committed (first 5 years)

20 years
Concession duration (to 2043)

34 wards
Geographic coverage across Bristol

Governance

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

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

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

Document Version Control

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