Governance Options **APPENDIX 2**

Raising Finance **How do options meet BCE project aims?**

Governance Structure	Liabilities	Asset Lock	Public share offer	Bond issue	Take out Loan	Access Grants	Community benefit	Reduce energy costs	Build skills & knowledge	Increase community ownership	Equitable ownership/control	Difficulty rating	Benefits	Risk	Comments
BCE as it exists (CBS)	Liability of new project affects existing BCE projects and members	Yes	Yes	Can issue bond with different terms to share offer	Yes	Yes: some specifically aimed at CBS. Not eligible for current HNDU	Required by rules	BCE has control over prices. Savings dependent on technology and	Need to build own capacity - possible to contract out parts of project.	Yes	Yes	2/10 some slight changes to Rules recommended to cope with membership expansion and larger customer numbers	Simple, transparent. Meets objective to expand BCE projects and widen community ownership.	Risk to existing members from scale of investment and ongoing operation.	Need to ensure fairness of energy pricing to customers alongside delivering community benefit and share payments to members
BCE with a wholly owned trading subsidiary company limited by guarantee or shares	Restricts financial liability of BCE to amount invested in subsidiary. BCE has sole power to appoint/ dismiss directors.	BCE must manage subsidiary with best interests of members in mind; and be prepared to sell the subsidiary if that best serves member interests	Company cannot raise public share finance. Company cannot offer redeemable shares. BCE can issue a public share offer but at risk to existing members. For a time-bound share offer, forecast business performance of subsidiary must be used to set the terms of the offer	Subsidiary can issue a bond with different finance terms to any BCE share offer	Company can access commercial or private loans. BCE can loan funds to company. Repayment terms of loan from BCE must be same as repayment of withdrawable share capital T&Cs.	BCE could access grants. May be able to loan to subsidiary	Profit from company goes back to BCE - then covered by rules.	BCE can set requirements on energy prices, but no direct control. Savings dependent on technology and management capabilities. Additional organisation costs	Need to build capacity in subsidiary - possible to contract out parts of project.	Possible through a bond.	Oversight possible through BCE. BCE own all the shares/responsible for guarantee and appoint directors.	5/10 need to set up and register company and ensure articles and governance are appropriate	BCE members who are concerned about taking on a large proejct may be reassured. BCE existing assets are not at risk if company failed - BUT any loans would be at risk. So it only restricts rather than removes financial risk to BCE.	Additional costs of full audit required for a CBS with a subsidiary. Asset lock does not apply the the subsidiary company.	Decision needed on whether to raise capital through BCE share offer. Typical suitable structure would be a not-for-profit company limited by guarantee.
BCE with majority owned subsidiary company limited by shares	BCE would have to own over half (ideally 3/4) of the shares.	As above	If there are NO shareholder agreements giving powers to minority shareholders; treat investment as above.	As above	As above	As above	Reduced amount available - shared with minority owner.	Reuced ability to determine energy costs.	Need to build capacity in subsidiary - possible to learn from minority shareholder(s)	Less, but some possible through a bond.	Shared ownership and control with minority shareholder(s).	6/10 more complex due to minority shareholder	Dependent on whether minority shareholders bring expertise.	Some loss of control, reduced income and community benefit. Reduced influence over energy prices for residents. Possible values clash. Possible reduced share interest.	Objects of majority owned venture must be the same as those of BCE
BCE with a subsidiary CIC	Restricts financial liability of BCE to amount invested in subsidiary.	No	CIC has to be a Public Limited Company to raise share capital. BCE can issue share offer and loan to CIC	Yes	Yes	More likely than private company	Written into CIC rules - must pass community interest test	Same as a company	Same as a company	No, except through BCE loan or bond.	Not required to engage with stakeholders	7/10 CIC subject to different regulation and rules.	Community aims clearly defined - may be attractive for members & community.	CIC does not have to engage with stakeholders/ members. If BCE issues share offer, doesn't limit risk to existing members.	CIC does not seem to present advantages and seems more complicated than a subsidiary company.

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BCE in a joint venture	Must not invest so much as to affect BCE solvency / liquidity. Possibility that FCA may disqualify BCE as a CBS if terms unacceptable.	No	BCE could only raise capital by public share offer if it has overall control (as for majority owned subsidiary). BCE only owns a part of the scheme.	Yes. May be issues with FCA on how terms of bond affect BCE's ability to deliver community beneift.	Yes. May be issues with FCA on how terms of loan affect BCE's ability to deliver community beneift.	Yes	Reduced amount available - shared with JV partner	Reduced amount available - shared with JV partner	Possible for BCE to learn from JV partner	Not as much as stand-alone CBS	Not as much as stand-alone CBS	7/10 cannot invest in partnerships incl LLPs, must be a registered society or company	Brings in skills and finance. Shares risk with experienced company. Ongoing relationship with developer/installer may improve build quality and system management. Potential for regular learning from partner's other projects.	Loss of overall control. Reduced income and community benefit for BCE. Reduced influence over energy prices for residents. May dilute ethical investment element. Possible values clash. Possible reduced share interest if private company needs to pay higher finance costs. FCA may object to a CBS enabling distribution of profit.	BCE has to have influence written into share agreement or at least 25% voting rights in JV. Need to know what the partner company wants to get out of it. Careful choice of partner required - ideally ethical JV partner. Would need to seek advice from FCA on terms.
New Community Benefit Society	BCE would have no liabilities for new CBS	yes	yes	yes	yes	yes	Yes. Could be different rules to BCE.	Same as BCE	Same as BCE	Yes	Yes	3/10 cost and time in establishing new CBS	Removes any risk from existing organisation and members.	New CBS may have different aims. Potential for confusion between the two organisations.	Defeats object of BCE having already developed links, feasibility, skills and having a range of projects. Possible for new CBS to own/operate part of the scheme, with BCE owning the rest (e.g. electricity generation equipment)
New Co-operative Society	BCE would have no liabilities for new co-op	Possible but not necessary	FCA restricts co-ops raising share capital for energy projects. In practice FCA will not approve this.	Yes	Yes	Yes	No, Co-ops deliver member benefit	Possible to specify reduced energy costs for members.	Yes	Only through a bond - bondholders have no voting rights.	Yes within the members, but not investors.	7/10 challenge in developing a multi-stakeholder co-operative that would attract investor members and provide dividend (and fair energy price) for consumer members.	Co-operative model would be appropriate for consumer members, and a dividend would act to ensure any over-pricing was returned in dividend form. However, without existing members in place this will be a challenge to set up.	Risk is that investors may not invest in a co-operative that principally benefits its consumer members.	Multi-stakeholder co-op rules are extremely complicated; different voting rights for member categories etc. Little precedent to follow. In practice no benefit over CBS.
New CIC	BCE would have no liabilities for new CIC	No	No	Yes	Yes	Yes. More likely than private company	Written into CIC rules - must pass community interest test	Same as a company	Same as a company	Possible through bond.	Not required to engage with stakeholders. Community bondholders have no voting rights in the CIC.	7/10 CIC subject to different regulation and rules.	Community aims clearly defined - may be attractive for members & community.	Limited community engagement or role in decision-making.	CIC does not seem to present advantages and seems more complicated than a CBS.
New Company limited by guarantee	BCE would have no liabilities for new company	No	No	Yes	Yes	Some. Less likely than CBS or CIC.	Could set up as Not for Profit with surplus given to community.	Same as a company	Same as a company	Possible through bond.	Not required. Community bondholders have no voting rights in the company.	3/10 cost and time in establishing new company	Removes any risk from exisitng organisation and members.	Could change management or NFP status or sell on to another organisation with no interest in providing community benefit or fair prices.	Possible for new company to own/operate part of the scheme (e.g. networks), with BCE owning the rest (e.g. generation equipment)