

## Appendix G. Risk Analysis

### Woodland Crofts - Risks and Mitigation

*Risk* – A Crofter fails to 'work' his/her croft.

*Risk Level* – Low

*Mitigation* –

- Crofters will be selected on the merits of their business plans, demonstration of ability to work the croft, and references.
- Continued failure to comply with the terms of the croft lease will result in termination of the lease.

*Risk* – C3 has insufficient funds to compensate a crofter for croft 'improvements' when they leave.

*Risk Level* - Medium

*Mitigation* –

- A bridging loan will be secured, and the funds recouped from the incoming tenant.
- Compensation will only be paid for an improvement which is suitable for the croft.

*Risk* – Insufficient interest in leasing a woodland croft.

*Risk Level* - Low

*Mitigation* –

- Expressions of interest have already been received from 9 local people suggesting a good response once crofts are advertised more widely.
- The tenancies will be advertised in local papers.
- Recent (non-woodland) croft vacancies have attracted a high number of applications.

*Risk* – Crofters fail to secure planning permission for a croft house at Salachry.

*Risk Level* – Medium

*Mitigation* –

- C3 are working with Argyll & Bute planning office on a 'masterplan' for Salachry.
- Crofters will be advised of the criteria for proving operational/locational need for a house.
- When the next Local Plan is consulted on we will seek to have the designation of the forest changed from 'sensitive countryside' to facilitate the provision of croft housing.

*Risk* – Crofters seek a reduced rent from the Scottish Land Court, reducing the income to C3.

*Risk Level* - Medium

*Mitigation* –

- Crofters will be unable to approach the Land Court for a rent review until they have been tenants for 7 years. By this time C3 will be deriving an income from the trading arm.

*Risk* – The whole project fails.

*Mitigation* -

- Land is passed to a similar charity or reverts to the Scottish Ministers who will decide what to do with it. The crofts would remain as crofts.

### Community Woodlands - Risks and Mitigation

*Risk* – Public liability claim

*Risk Level* - Low

*Mitigation* –

- Public Liability Insurance will be obtained.

*Risk* – Project Fails

*Risk Level* - Low

*Mitigation* –

- Land is passed to a similar charity or reverts to the Scottish Ministers who will decide what to do with it.

### Commercial Forestry - Risks and Mitigation

*Risk* – The price of timber falls (even further)

*Risk Level* – Low

*Mitigation* –

- A larger area of forest will need to be felled to obtain the required income in year 1 of the cash flow forecast.
- A fall in timber costs will reduce input costs for the biomass business which will allow profits to be passed to C3 earlier than forecast, offsetting any cash short-fall.

*Risk* – Windblow

*Risk level* – Medium

*Mitigation* –

- The most vulnerable coupes will be felled as soon as possible.

### Biomass Business - Risks and Mitigation

*Risk* – The business fails

*Risk Level* – Medium

*Mitigation* –

- Conservative estimates of income have been used in the financial projections.
- Timber costs at the higher end of the market have been used in the financial projections.
- The business will be a limited liability company independent of C3.