

Risk Register

Appendix 4

Low Carbon Hub Loan Facility

Risk ID	Risk						Gross Risk		Current Risk		Residual Risk		Risk Mitigation	
	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised	I	P	I	P	I	P		
1	Investment return	Threat	Failure of the existing portfolio of projects to produce expected income	Actual investment returns being lower than projected through adverse impacts such as loss of rental income	Insufficient income to support the 5% interest payment to the Council	31-Jul-15	2	4	2	2	2	2	2	The Hub monitors all of its installations on a daily basis in order to pick up and resolved any technical failures as quickly as possible. A contingency is included in the operational phase of the financial model for the whole portfolio to cover against unforeseen failures. So far the portfolio is generating in excess of forecast by 3% in the current financial year This is in line with the experience of installations on the Council's own buildings and reflects the conservative nature of the forecasting models used to make predictions. The Hub insurance policy includes for loss of income in case of large and long-term technical failures that cannot be resolved quickly.
181	2	Equity Share Scheme	Threat	The equity share scheme fails to raise sufficient funds	Lower equity share take up than anticipated	Funding would not be available to repay the principal element of the loan facility	31-Jul-15	5	4	3	2	3	2	A three month 'period of grace' from the agreed date of the repayment by the Hub to the Council to give the opportunity for the Hub to raise alternative funds either from the Charity Bank or other sources of debt finance that the Hub has negotiated. In the event of a default after the three month period of grace, the agreement allows for the following: o The creation of a Floating charge over any of the Hub's assets o Assignment rights over the assets and contracts o Step-in rights to intervene in the business to ensure that the appropriate steps are taken to secure the project as a going concern and thus maximise the value of security, although it is recognised that this is something of a last resort and is not something that the Council would prefer to do.

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182	3	Contract risk	Threat	Failure of the contractor employed by the Hub	Market conditions deteriorate or other adverse circumstances result in the failure of the contractor or the contractor fails to deliver outputs as contracted	Non-installation or faulty installation of the equipment results in loss of revenue	31-Jul-15	4	3	3	3	2	2	<p>The Hub (IPS) has procured a panel of four preferred solar panel installation contractors who are also responsible for the design of the solar panel installations. Each installation is offered to this panel in a mini-competition and the contract is awarded to the contractor offering the best combination of cost, time and quality in their tender. In the event of failure of one of the contractors, the Hub IPS would offer the remaining work to one of the other four contractors</p> <p>Mitigations against the failure of the selected contractor include:</p> <ul style="list-style-type: none"> • The contract between the Hub and the contractor is such that as soon as panels are purchased by the contractor a vesting certificated is issued and the panels being subsequently owned by the Low Carbon Hub (Industrial Provident Society). Normal contract terms apply with a retention held for the defects liability period of 6 months. • The contractor will provide a 2 year corporate warranty on the installation. • Original Equipment Manufacturer (OEM) guarantees will be provided for 5yrs for inverters, 10 years for panels and 25 year for panel performance • No money is paid to the installers for installation of the panels until the system is signed off accredited Microgeneration Certificate organisations, which subsequently grants the eligibility to claim the Feed In Tariff.
	4	Financial Failure	Threat	The Low Carbon Hub suffers overall financial failure	Loss of revenue stream or other significant financial event that results in the collapse of the organisation	The Hub's financial obligations to the Council would not be met	31-Jul-15	4	2	3	2	3	2	<p>The Hub structures the solar panel installation contracts such that the first payment to the supplier is for the purchase of the solar panel units which the Council can use as security. The loan of £800k against the current projects is secured as follows:</p> <ul style="list-style-type: none"> • The creation of a Floating charge over any of the Hub's assets (which would then have to be converted into a fixed charge over defined assets such as the panels) • Assignment rights over the assets and the contracts • Step in rights to intervene in the business to ensure that the appropriate steps are taken to secure the project as a going concern and thus maximise the value of the security, although it is recognised that this is something of a last resort and is not something that the Council would prefer to do.

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5	Inflation	Threat	Inflationary increases lead to rising installation prices	Increased demand / reduced supply within the industry	Increasing contractual costs for the Hub and an inability to provide as many installations with the finance available	31-Jul-15	4	4	3	3	3	2	The price for the installation has been fixed with the installer and therefore any rise in price and hence any requirement to increase the loan from the Council should not occur.
6	Policy Changes	Threat	National policy framework uncertainty	Changes to renewable energy generation incentives following the general election	Planned installations may not be viable due to inability to pre-accredit the project and secure the current FIT rate	31-Jul-15	4	4	4	4	2	2	Affected projects will be re-evaluated by the Investment Committee during September to confirm parameters for viability. No capital expenditure is planned on the project before November 2015 and therefore no drawdowns will be agreed without having confirmation that the project is still viable. The approval of the loan facility minimises the risk to projects by ensuring that they can be built as soon as possible

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