

Risk Assessment

A risk assessment has been conducted. Whilst individually none of the risks are particularly high, a view must be taken on the likelihood of several of these risks materialising in any one-year, and the combined impact. Of course, several of these risks could generate either an over-spend or under-spend – for instance interest rates can go up or down. There are other examples of opportunities or windfalls that need to be taken into account such as rate rebates and additional grant income.

The following approach has been used:

Likelihood			
Rating	Description	Range	Midpoint
A	Very High	>80%	90%
B	High	51-80%	65%
C	Significant	25-50%	38%
D	Low	10-24%	17%
E	Very Low	3-9%	6%
F	Almost impossible	1-2%	

Impact	
Rating	Description
I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

For each identified risk, the worst-case scenario in terms of possible overspend or income shortfall has been identified and multiplied by the likelihood. The risks have been quantified as shown in the table above.

The total value of risk that has been quantified for 2010-11 is £4.1m.

The risk level is greater in 2011-12 and 2012-13 due to the scale of the funding gaps and the need to identify savings via the transformation programme.