

Appendix D LAMS Risk Assessment

	Strategic Risk	Key Risk	Risk Rating	Likelihood	Impact	Preventative Measures	Notes
F1	Financial	Local Authority affordability	Moderate	Low	Moderate / High	Make adequate budget provision	For a cash backed guarantee it may be prudent that the interest earned on the deposit is set aside in a ring fenced reserve to be used to fund future potential liabilities in the event of default and the guarantee being called upon.
F2		Lending to sub prime applicants	Low	Low	Moderate	Use lender's existing credit criteria	
F3		Applicant affordability	Low	Low	Moderate	Lenders will ensure the mortgage is affordable	
F4		Costs incurred in the event of the guarantee being called	Low	Low	Low	The number of repossessions by first-charge mortgage lenders in 2010 was 0.3% of all mortgages (Source – CML website). For each £1m, there is potential for loss of £3,000 if each default leads to a 100% loss of the value of the guarantee. For 95% LTV mortgages this may be higher, perhaps 1 – 2%. The cash backed guarantee will attract a premium investment return in the region of 4.1%, i.e. each £1m allocated to the scheme will earn £41,000.	No specific stats available for first time buyers only. Figures could be refined further to cover local / regional areas. For this purpose, it is assumed the full value of the guarantee will be lost in the event of default.
F5		Counterparty Risk	Low	Low	High	Partnership with highly reputable financial institutions for deposits. Ensure compliance with the TMSS	The cash backed mortgage support should not be seen as a straight forward deposit with a financial institution. Participating Local Authorities may be required to provide a “financial advance” to the participating mortgage lender (to support mortgages in the local economy), so the requirements of the scheme would always be slightly different to the usual investment

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							principles. This should be identified in the TMSS.
R1	Reputation	Poor publicity / bad press re use of public monies	Moderate	Low	Low	Press Officer to liaise closely with local press Promotion of benefits of the scheme, i.e. supporting the local housing market and local economy Good promotional material Joint working with partners and Estate Agents Press release / photo opportunity	Sector / participating mortgage lenders will support the promotional process.
R2		Repossession in the hands of the lender, therefore outside the Local Authority's area of responsibility	Moderate	Moderate	Low	Lender to inform Local Authority if and when an applicant is facing repossession. Local Authority may be able to support people to prevent repossession.	
R3		Poor publicity / bad press re possible repossession	Moderate	Moderate	High	Is the Local Authority support an issue? Early notice from lender to the Local Authority if action is due to be taken Local Authority to assess alternative options	
P1	Political	Lack of political support	Low	Low	High	Ensure political support from the outset Continued member briefing of progress on the scheme and value of guarantees offered	Sector will support this process
P2		Change of political priorities	Low	Moderate	Low	Future support for the scheme may be withdrawn, but existing support would remain until expiry	
O1	Operational	Adverse impact on existing staffing levels	Low	Low	Low	The Local Authority will have no input in the assessment / processing of mortgage applications	
O2		Housing market fully recovers and the scheme is no longer required	Moderate	Moderate	Low	The scheme will cease to exist. Guarantees already granted – for 5 years + a further 2 years if the account is 90+ days in arrears - would remain in place.	Further analysis of local / regional housing issues to be added, i.e. local housing need, house prices, mortgage approvals etc. this information will determine the anticipated life of the scheme.