Risks Influencing the Level of General Reserves

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
The possibility of significant **increases in inflation and/or taxation**, after the budget has been set.	The 2023/24 budget proposals include provisions for inflation of £27.7m. This includes additional provisions for specific service areas where the 2% provision for general price inflation is expected to be insufficient and/or catch-up for inflation impacting in 2022/23 is required. The Authority has set aside multiple provisions across the MTFS but the limited controls mean the risk remains high.	R	£7.500m
The potential for **"Bellwin" type emergencies**. This would provide cover for all immediate costs up to the point Government emergency response funding can be claimed.	The funding from the Bellwin scheme is linked to the level of the Authority's budget. For authorities to be eligible for the Bellwin grant they are required to have first spent 0.2% of the budget on emergency response-related works. Once this is activated Bellwin relief funds 100% of qualifying emergency expenditure relating to safeguarding life or property. Any longer-term costs are not covered and are the Authority's responsibility.	A	£3.200m
The likelihood of **unanticipated budget pressures** arising within the year.	The need to resource in-year budget pressures may arise from pressure on the authority's VAT partial exemption status, increases in demand above the levels estimated that cannot be accommodated within directorate reserves or not having sufficient funding in directorate risk reserves to manage the non-delivery of savings. The risk across all three areas has increased since last year.	A	£2.900m
The risk of **industrial action** resulting in increased costs of maintaining critical services.	The Authority is required to maintain critical service delivery during a period of industrial action. There will be a financial risk if the Authority has to use external organisations, pay overtime or use agency staff to provide continuity of service.	A	£0.300m
Provision for **in-year cuts in government funding.**	The MTFS assumes that any in-year cuts in government funding will be met, in full, by services. The provision reflects the risk that in all cases existing commitments mean this may not be possible.	A	£0.500m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
Schools and Early Years Funding. The risk to the stability of the schools/education services funded from DSG across schools, early years, high needs and central services blocks where the authority needs to maintain the sufficiency of provision.	Allocations to manage the risk related to Schools and Early Years funding have already been built into the MTFS but there is still increasing volatility due to changing market conditions. Uncertainty is also caused by academic years data changing mid-financial year. The provision remains unchanged due to two offsetting factors: • the Government has announced increased funding to the DSG next year which has helped the overall position; and • whilst the MTFS allocations assume the current level of growth in demand continues. It does not provide for any further growth in demand beyond the current trajectory and during 2022/23 growth, post-covid has continued to increase.	A	£1.800m
The possibility of being **unable to agree inter-authority/organisation plans**.	We are operating through increasingly complex organisational structures across local government, integrated care systems and beyond. Delivery of our levelling up ambitions, the reduction in long term costs through early intervention and achieving better outcomes will all require navigation of this multi-layered, multi-dimensional environment. could be impacted by potential changes of political control, the delivery of savings which impact across tiers and the tier of local government to which funding is allocated.	A	£0.500m
Market and/or Social Enterprise Failure. The risk that services provided by the market and/or social enterprises may stop if the provider fails, requiring the local authority to secure alternative provision at short notice.	Specific risks include: • charities we commission services from suffering financial issues, due to wider economic factors; • having sufficient capacity in the market to replace capacity at short notice (i.e. additional placements); • paying above market prices due to low market supply; and • the impact of inflation on the markets ability to remain financially secure. Social market failure will increase if pressure on the authority to provide additional support at short notice.	A	£1.900m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
Unforeseen medium term/long term impact of Covid-19	Overall risk has reduced from last year, however going into 2023/24 the Authority will have no Covid grants or funding to support Covid pressures going forward. The longer-term social consequences of Covid which could impact the Authority are also still largely unknown.	A	£1.000m
The risk of **reduced demand for Education Traded Services** leading to loss of profit	As schools transfer to academies or change preferences with regard to suppliers and procurement this presents the risk of the loss of school subscriptions and thus reduced demand for traded services. The result is the short-term need to cover the loss of profit and cost of winding down services until longer-term solutions can be put in place.	A	£0.900m
The risk of **loans made to companies** through the pandemic and recovery process not being paid in full	The Authority has an increasing number of loans supporting businesses and organisations across Warwickshire, including the Warwickshire Recovery and Investment Fund and Warwickshire Property and Development Group. However, the creation of a specific Commercial Risk Reserve in 2022/23 means cover for much of the financial risk is already provided elsewhere.	A	£1.400m
The risk of increased financial impacts of **inspection reports**	A failed inspection, whilst unlikely to happen, can incur costs in the £millions in order to change the outcome. Fire inspection required £1.5m investment in addition to the reprioritisation of existing budgets. In 2023/24 there is a new Social Care regime and a reinspection of Fire and Rescue to assess progress The financial impact of any recommendation is not yet known.	A	£1.000m
The possibility of **overspending on the "Corporate Services" budget**.	Corporate Services has number of budgets that are volatile within and between years. Most of the risks that pose large financial impacts to the authority already have separate provisions (Commercial Risk Reserve, the Insurance Fund and the Financial Instruments Reserve). The exception is the corporately held provision for pay inflation. The pay provision for 2023/24, at 4%, is lower than the uplifts currently being requested by the unions and is lower than the uplift in the National Living Wage announced in the Chancellor’s 2022 Autumn Statement. Given the increased level of uncertainty provision is needed within the General Reserves.	A	£1.300m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
The possibility of any further costs arising from **legal judgements which would fall on the County Council** within one year.	Areas of heightened risk for 2023/24 include the new public subsidies legislation impact and increase number of procurement challenges. Across the country public interest reports have shown auditors highlighting failures to follow procurement legislation can pose risk to the authority. There has also been significant increase in SEND tribunal activities relating to eligibility. The authority holds both public liability insurance and employer insurance which provide cover against costs related to the above legal risks.	G	£1.000m
The possibility of planned **changes to the national benefits system** impacting adversely on the demand for local authority services.	The Government has announced that from April benefits will increase by CPI. The Authority has also been allocated £8m Household Support Grant to provide support to those in financial difficulty. These announcements and allocations partially mitigate the risk, although the risk that formula-based grant allocations do not keep up with benefit changes remains.	G	£0.300m
General contingency.	This could be supplemented in any one year by a sizeable proportion of earmarked reserves, providing these were replenished as part of the budget process.	G	£0.500m
		Total	**£26.000m**

Note: The risk assessment excludes the technical impact of any changes in accounting treatment.