Appendix A

Risks Influencing the Level of General Reserves

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2024-25
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. Whilst the MTFS allocations assume the current level of demand continues, it does not provide for any further growth in demand beyond the current trajectory. Therefore, given the level of overspend in relation to SEND/high needs in 2023/24 the provision has been materially increased to ensure, despite the statutory override, the financial sustainability of the Authority is maintained.	A	£4.750m
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, the non-delivery of savings, or the difficulties with workforce resilience/capacity that cannot be managed within the corporate financial management reserve. The risk across all areas has increased since last year.	A	£4.000m
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	£3.500m
The possibility of significant **increases in inflation and/or taxation**, after the budget has been set.	The 2024/25 budget proposals include provisions for inflation of £22.6m. This includes additional provisions for specific service areas where the 2% provision for general price inflation is expected to be insufficient. The Authority has set aside multiple provisions across the MTFS and combined with the downward trend in inflation across the economy this risk has decreased.	A	£2.250m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2024-25
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. With the increased reliance on the market for the provision of critical services to vulnerable people market failure remains a risk to the authority. Social care providers are facing increasing rates of demand, limited availability of staff and capacity is currently a key risk.	A	£1.500m
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. With the planned increases in income whilst the risk remains unchanged the provision has increased	A	£1.250m
The risk of **loans made to companies** 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 the specific Commercial Risk Reserve means cover for much of the financial risk is already provided elsewhere.	A	£0.750m
The possibility of any further costs arising from **legal judgements which would fall on the County Council** within one year.	There has been an increase in legal procurement challenges, with suppliers more willing to challenge decisions. The Procurement Act 2023 will place additional requirements on local authorities and increase the risk of challenges further. Across the country public interest reports have shown auditors highlighting the risk of failures to follow procurement legislation. 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, but risk overall has increased.	A	£1.000m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2024-25
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, which may require some investment at short notice.	A	£1.000m
Provision for **in-year cuts in government funding.**	The Authority receives grants based on activity which require a minimum level of infrastructure to be in place; this leaves the authority at risk of having to fund overheads without any activity. A key principle underpinning the MTFS is that services will be reduced where Government removes the grants that fund them, which reduces the risk of overspending but there will be a timing cost if a scale down of service is required. There is also evidence of a growing risk of having to pay back ring fenced grants due to stricter government oversight. This is offset by the reduction in the amount of ringfenced grants received following the discontinuation of Covid funding.	A	£0.500m
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, which could be impacted by potential changes of political control, the delivery of savings which impact across organisations and the allocation of funding to organisations within this complex system.	A	£0.500m
The consequences of a successful **cyber-attack and fines** including **GDPR** and potential compensation	Claims for GDPR breach are in the range of £3,000-£30,000 compensation. A significant breach involving thousands of service users therefore is a significant financial risk. The risk of cyber-attacks is mitigated by backing up data and security software. Therefore, whilst the financial impact of any breach is material, the risk is assessed as low due to the extent of the mitigations in place.	G	£2.000m
The possibility of planned **changes to the national benefits system** impacting adversely on the demand for local authority services.	Benefits are expected to increase in line with CPI, however, the discontinuation of the Household Support Fund (£6.9m in 2023/24) will mean temporary additional support we have provided to communities in Warwickshire in recent years will no longer be available. The demand for essentials from people experiencing hardship will have to be managed by local charities and councils, potentially increasing demand for statutory services we provide and demand for our Local Welfare Scheme.	G	£0.750m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2024-25
The possibility of **overspending on the "Corporate Services" budget**.	Corporate Services has a number of budgets that are volatile within and between years. Most of the risks with 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 2024/25, 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 2023 Autumn Statement. Given the increased level of uncertainty provision is needed within the General Reserves.	G	£1.000m
Unforeseen impact of a future pandemic	Over 2023/24 the risks associated with the Covid-19 pandemic have reduced significantly but a risk of a future pandemic could have a significant impact on the Authority. This risk is not currently reflected in our other reserves.	G	£0.500m
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.	G	£0.250m
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.