Appendix A

Risks Influencing the Level of General Reserves

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2025/26 £m
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 support schools through this process 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 MTFS allocations assume the current level of demand grows, therefore given the level of overspend in relation to SEND/high needs in 2024/25 the provision has been maintained to ensure, despite the statutory override, the financial sustainability of the Authority is maintained. On top of Early Years funding the Authority receives supplementary funding for Maintained Nursery Schools to protect funding at the 2016-17 level for the universal 15 hours. The greatest financial pressure is on the maintained nursery schools and whilst the top-up grant has been confirmed for a further year, the pressure remains. The Grant is only confirmed for 12 months and if it is withdrawn the funding for nursery schools may not be sustainable.	A	£4.500
The likelihood of **unanticipated budget pressures** arising within the year, for example the repayment of grant or pressure on the authority's VAT partial exemption status or increases in demand that cannot be accommodated within directorate reserves.	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	£4.500

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2025/26 £m
The potential for **"Bellwin" type emergencies**. Assuming such costs would attract grants under the Bellwin scheme. 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	£0.250
The possibility of significant **increases in inflation and/or taxation**, after the budget has been set.	The 2025/26 budget proposals include provision for a 2.8% increase for pay inflation and a 2% increase for non-pay inflation, the total provision for price inflation being £30.595m. This includes additional provisions (above 2%) for specific service areas where the general price inflation expected to be insufficient and/or to catch-up for inflation. The Authority has set aside multiple provisions across the MTFS but given the limited controls in place the risk remains high.	A	£4.500
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.	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 with the new Adult Social Care reforms implementation, capacity is currently a key risk.	A	£2.000
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 increasing evidence in the market that suppliers are more willing to challenge the authority. The Procurement Act 2023 will place further requirements on local authorities and therefore increase the risk of challenges in the future. 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.	A	£1.500

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2025/26 £m
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 in 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	£1.000
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	£1.000
Provision for in-year cuts in government funding. The assumption is 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.	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.	A	£0.500
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 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	£0.500
Borrowing Risk/Capital Financing Cost - risk of interest rate volatility in relation to the assumptions applied to our projected borrowing requirements.	Current projections of capital expenditure are spend of £157m in 2024/25, with a revenue forecast of additional borrowing costs in 25/26 of £3m based on a 5% interest rate. There is a risk we could be underestimating the interest rate as even though the market expects interest rates to decrease, it remains quite volatile, especially if we look to borrow in the short term, as we anticipate additional capital resources at the back end of the MTFS.	A	£0.250

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2025/26 £m
the consequences of succssful **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	£2.000
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 2025/26, at 2.8%, is lower than the uplifts in recent pay awards and is lower than the uplift in the National Living Wage announced in the Chancellor’s 2024 Autumn Budget. Given the increased level of uncertainty provision is needed within the General Reserves.	G	£0.750
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 expected discontinuation of the Household Support Fund from 2026/27 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	£0.750
Unforeseen impact of future pandemic	The residual risks associated with the Covid-19 pandemic during 2025/26 are low but a future pandemic could have a significant impact on the Authority. This risk is not currently reflected in our other reserves.	G	£0.500

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2025/26 £m
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.	The general contingency is a provision for those smaller risks not significant enough in their own right to feature in the broader risk assessment or to have a specific volatility/risk reserve. It is impossible to cover all risk so the £1.25m provision remains as a general catch-all figure derived on the basis that if the likelihood of a material risk existing above this level services would already be aware of it.	G	£1.250
The risk of **industrial action** across all public sector organisations and service areas resulting in a net increase in costs for maintaining essential service provision.	In 2024/25 unions, collectively, have accepted employers' original pay offer after balloting for industrial action. However, the risk remains that the unions will secure a mandate to strike in 2025/26. 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	£0.250
Total			**£26.000**