

Solihull Metropolitan Borough Council

Auditor's Annual Report for the
year ended 31 March 2024

30 October 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Solihull Metropolitan Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

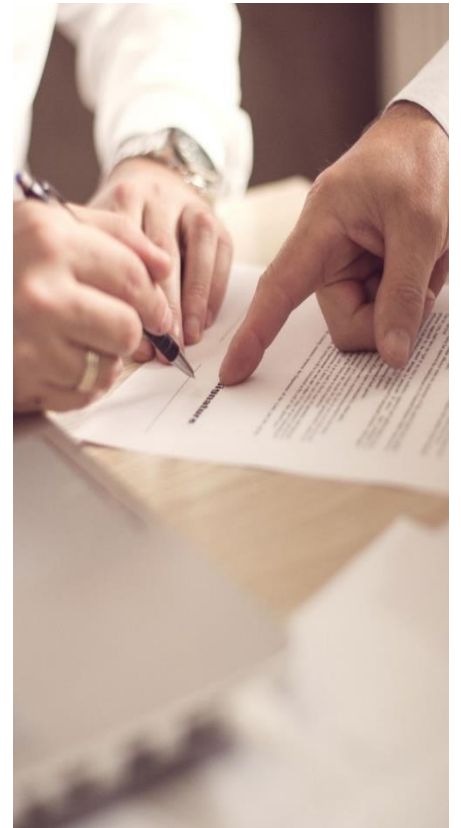
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 36.

Financial sustainability

The Council has a clear budget setting process and in 2023/24 benefited from confirmation that their business rates retention pilot would convert into a 10-year agreement. However, requirements for investment in Children's Services outstripped the planned budget and accounted for £6.993m of the total overspend of £8.149m at year end. The Council is forecasting that its reserves balance will reduce from £67.086m to £32.696m to support delivery of the MTFs, and it is currently forecasting an overspend of £7.694m at the end of 2024/25. Limited substantiated savings proposals have been identified to date, although we note that significant activity is ongoing to identify these and reach a more sustainable financial position.

Due to the significance of this matter, we have raised a key recommendation. We include further detail on the following pages.

Governance

The Council has effective governance arrangements in place. It has a robust risk management process which is supported by strong internal controls. We note that the internal audit opinion for 2023/24 has declined compared to the prior year, however clear recommendations have been made and improvements have already occurred between year end and the time of writing. The internal audit function is supported by a strong Audit Committee that has a clear workplan and oversight of the key issues impacting the Council. Lastly, the Council has established a number of companies for various purposes but is managing any issues that arise from these effectively through the officer presence on their respective Boards.

In conclusion, and based on our areas of focus and evidence considered, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

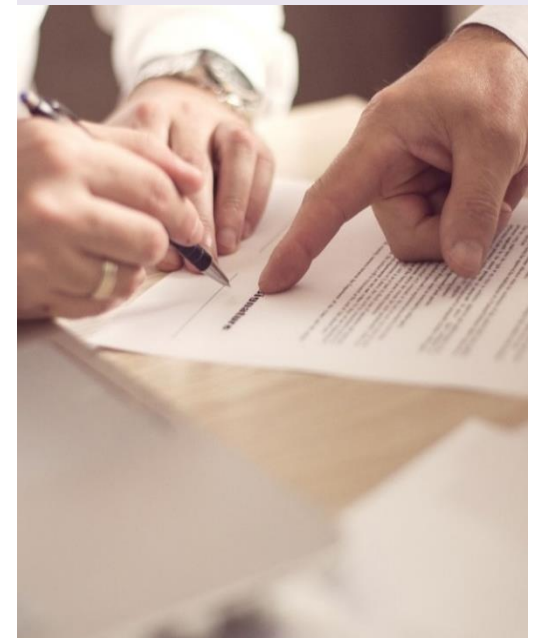
The Council is mostly effective in its arrangements to deliver improving economy, efficiency and effectiveness. It has a clear Council Plan, underpinned by strong principles, and works effectively in partnership with a range of regional organisations. It also has a strong procurement function and is implementing improvements to its corporate reporting which provide greater transparency and accountability around performance monitoring.

The delivery of a robust and effective service for children in the area was previously rated inadequate by Ofsted in late 2022, and the Council has been following an Improvement Plan since then which has had significant input from the Commissioner appointed by the Department for Education. Progress has been made since our report last year, as reported by Ofsted in their latest monitoring visit summary from May 2024. However, further work and investment is required to deliver an appropriate service to children in Solihull and therefore we have continued to identify this as a significant weakness for 2023/24.

Alongside the significant weakness, we have identified areas where the Council could improve arrangements and as such, have raised two improvement recommendations related to cyber security and corporate reporting.



We have substantially completed our audit of your financial statements and expect to issue an unqualified audit opinion in November 2024, following the Audit Committee meeting on 12 November 2024. Our findings are set out in further detail on pages 9 to 11.



Executive summary



Overall summary of our Value for Money assessment of the Council's arrangements

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weaknesses in arrangements identified. Improvement recommendations to consider included those raised in previous years and a reformed approach to reliance on reserves.	R One significant weakness in arrangements has been identified, but no improvement recommendations have been made. The key recommendation relates to the use of significant reserves over the medium term with limited substantiated savings proposals and continued high levels of investment in Children's Services required.	↓
Governance	G No significant weaknesses in the arrangements reviewed. Two minor improvement recommendations were made.	G Our work did not identify any areas where we considered that key or improvement recommendations were required. More detail is provided in the detailed findings section of this report on page 21.	↔
Improving economy, efficiency and effectiveness	R The significant weakness highlighted related to Children's Services, where positive progress had been made but it remained a significant weakness due to the time taken to implement the required changes.	R A significant weakness in arrangements for Children's Services was identified, in line with our report last year. A key recommendation has been made which reflects the recommendation made last year, given that the Ofsted rating of 'inadequate' remains in place until the next inspection. Our commentary recognises the latest monitoring report from Ofsted that significant progress in Children's Services has been made but that further work is required for this service to reach an acceptable level. We have also made two improvement recommendations related to cyber security and corporate reporting.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Significant weakness identified in Financial Sustainability arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing financial sustainability in its use of resources.

We reviewed the Council's arrangements to deliver financial sustainability and have concluded that there was a significant weakness in arrangements. This is for the following reasons:

- The Council ended 2023/24 with an overspend of £8.149m compared to its budget of £199.250m. As at September 2023 the forecast outturn position was £5.574m.
- As at September 2024, significant use of reserves was forecast which will reduce the Council's total reserves from £67.086m to £32.696m by the end of 2026/27.
- While steps are being taken to identify savings opportunities to feed into the 2025/26 budget and update to the MTFS, such as the creation of the Financial Sustainability Board (FSB), these are yet to be substantiated and feed into the Council's financial planning.
- At the latest MTFS update, the Council is forecasting an overspend of £7.694m for 2024/25 against a budget of £199.904m.
- Significant investment in Children's Services continues to be required to meet the recommendations of the Commissioner appointed by the Department for Education.

Based on the work undertaken and evidence reviewed, we are not satisfied that the Council has proper arrangements in place to secure financial sustainability in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

Key recommendation 1

We recommend that the Council continues and accelerates its current package of activities to address the significant structural budget deficit and reach a sustainable financial position in the medium-term. The Council must identify substantiated ongoing, long-term savings proposals to reduce its reliance on short term measures such as one-off savings or use of reserves. These savings proposals must be deliverable and subject to a robust governance structure. This will support careful management of the financial position over the immediate term. The Council should consider planning for the replenishment of these reserves, which may be achievable in three to five years.



Executive summary



Significant weakness identified in Improving economy, efficiency and effectiveness arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

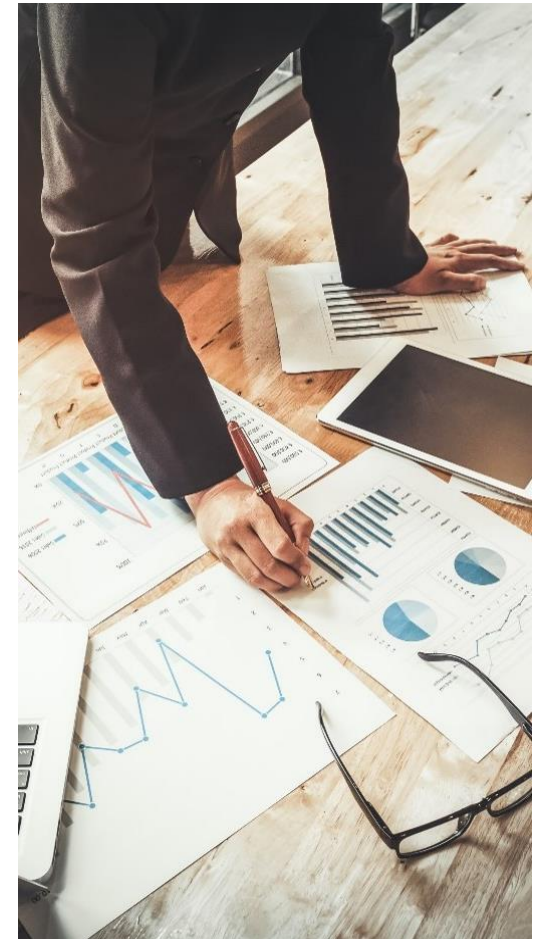
We reviewed the Council's arrangements to deliver improving economy, efficiency and effectiveness and have concluded that there was a significant weakness in arrangements. This is for the following reasons:

- The Council's Improvement Plan for Children's Services is ongoing and significant levels of further investment are required.
- The latest Ofsted Monitoring Report from May 2024 indicates that progress has been made and outcomes are improving, but there are areas where further work is required.
- The Council's investment in Children's Services during the first half of 2023 did not deliver improvements to outcomes to the extent that would be expected. This was impacted by changes to key personnel. We note that the Council appointed an experienced Director of Children's Services in late 2023 and this has significantly improved the level of progress occurring.
- The Ofsted judgement of 'inadequate' in 2022 remains in place until another formal opinion is provided. This is expected in Autumn 2025.

Based on the work undertaken and evidence reviewed, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

Key recommendation 2

The Council must continue to progress, at pace over the coming months, the improvements required to Children's Services noted in Ofsted's recent inspection reports and by the Department for Education (DfE) appointed Commissioner, Sir Alan Wood. This includes effective monitoring and reporting on progress to members – and all associated risks – on a regular basis.



Opinion on the financial statements and use of auditor's powers



Opinion on the financial statements



Audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council's financial statements in November 2024, following the Audit Committee on 12 November 2024.

The full opinion is included in the Council's Statement of Accounts for 2023/24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and the supporting working papers were of a good standard on the whole. Joint working with the external audit team was very good. We have now substantially completed our audit of the Council's 2023/24 financial statements. The only significant outstanding item relates to the receipt and consideration of the IAS19 report from the Pension Fund Auditor.

We have identified two related material adjustments to the financial statements that have resulted in amendments to the Council's Balance Sheet and Comprehensive Income and Expenditure Statement and related notes. Our audit procedures identified that the re-categorisation of several buildings from Land and Buildings to Investment Properties did not meet the CIPFA Code of Practice definition of Investment Properties. The Council subsequently agreed with this view and have revalued the properties and adjusted the accounts. Consequently, Investment Properties reduced by £72.8 million and Other Land and Buildings increased by £86 million. The two changes are not equal due to differences in the valuation methodology for Investment Properties and Other Land and Buildings.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit Committee on 12 November 2024. Requests for this Audit Findings Report should be directed to the Council.

Use of auditor's powers

We bring the following matters to your attention:

2023/24

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Nineteen councils securing government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



Local context

Solihull Metropolitan Borough Council (Solihull Council, or the Council), is a unitary council with a population of c.215,000 residents. It was formed in 1974 as one of seven boroughs in the new metropolitan county of the West Midlands, and then took on the functions of West Midlands County Council when this authority was abolished in 1986. Solihull Council has a large older population, 21% of whom are aged 65 and older (compared to 19% in England and Wales). However, this is expected to increase to 24% by 2040.

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Some strategic functions in the area are provided by the West Midlands Combined Authority.

The Council has 51 councillors representing 17 wards, and the Council has elections three out of every four years, with a third of the Council elected each time for a four-year term. The most recent elections were in May 2024 when the Conservatives secured a majority with 31 elected councillors. The Solihull Council Plan 2020 to 2025 sets out the Council's vision and strategic priorities, which is focused on People and Communities, A Strong Economy and Actioning the Climate Change Declaration. It all states that Children are central to the Council's work and the core purpose of the Council is creating Growth that creates opportunities for all.

Financial sustainability



Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	The Council has identified that its core area of financial pressure is within Children's Services, and this is documented in the MTFS. The financial pressure continues in 2024/25, demonstrated by the forecast £7.7m overspend against a budget of £199.904m. The Financial Sustainability Board was established in March 2024 to identify savings opportunities, but these are yet to translate into substantiated savings proposals for implementation. This process is expected to establish savings proposals ahead of the 2025/26 financial year.	R
plans to bridge its funding gaps and identifies achievable savings	A key recommendation has been made because the Council is yet to agree savings opportunities to mitigate the use of reserves over the MTFS period. The Council has carefully planned its use of reserves, following government guidance to use reserves to manage finances, but this is not supported by a savings plan. The Council established its FSB and is refining its operating model in order to identify savings opportunities. A number of ongoing and one-off savings opportunities have been identified by the FSB, alongside potential asset sales, but these have not been formed into substantiated savings proposals. The Council plans to use £28m of reserves in 2024/25 and these savings proposals are not currently sufficient to remove the reliance on reserves.	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council has an MTFS that accounts for its priorities and ensures the Council Plan is delivered. For example, the Council is increasing investment in Children's Services as this is its core area of focus for investment in the short and medium term. The Council is reliant on reserves to deliver services over the MTFS period and does not have a strategy to replenish these.	A
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council operates with a system that aligns the key elements of financial planning. Officers at the Council have key roles on regional boards and these opportunities allow for planning to take place across the wider ecosystem of public services. The Council is using reserves to ensure that services continue to be provided at an adequate level and is proposing that savings are made across all service areas, through efficiencies in statutory services and review of non-statutory services.	G
identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council has an online system to manage its corporate, operational and project risks, which is overseen by the risk management function within the audit services division. Directors and Managers are responsible for managing the risks related to their service areas and keeping these up to date. The online risk system is accessible to those responsible and reported to CLT and members across the year. The financial risks facing the Council require further work to identify a pathway to financial stability. These activities are ongoing and have been described above.	A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability

2023/24 financial performance

In 2023/24 the Council saw a significant shift in its financial position, with a gross outturn variance of £8.149m. The variance resulted from pressures seen nationally, such as inflation, interest rates and supplier cost increases, as well as specific pressures at Solihull such as Children's Services which was a significant area of investment in the financial year.

The net budget set for 2023/24 was £199.250m compared to £163.967m in 2022/23, which is an increase of nearly 22%. This is mainly due to the inclusion of "windfall" business rates income within the Council's core funding rather than as a contribution to reserves. Whilst the Council was previously reliant on a business rate retention pilot to support its financial position, this was superseded in April 2024 by a ten-year agreement with the government, as part of the West Midlands devolution deal, whereby the Council continues to retain 100% of its business rates growth, which provided the certainty for the element of business rates income previously contributed to reserves to move into the core budget.

The budget was funded by council tax income of £127.297m and business rates retained income of £71.953m. The Council maximised the uplift in the Council Tax rate in 2023/24 with a 4.99% increase, including the 2% Adult Social Care Precept.

The gross outturn variance of £8.149m was managed through the application of £5.574m of corporate mitigations approved in principle through the 2024/25 budget process (namely revenue/capital swaps, the flexible use of capital receipts and the use of surplus reserves). The residual £2.575 million variance was addressed through a combination of further flexible use of capital receipts, further use of reserves and one-off mitigations identified from within directorates at the end of the financial year.

With regard to the capital programme, the total spending was £54.280m against a budget of £78.608m. This represents a delivery variance of £24.328m. Approximately £19.160m of this variance was added into the capital programme for 2024/25. This variance between budgeted and delivered capital programme has a short-term positive impact on revenue but may impact the Council's ability to deliver services effectively in the medium to longer term, given that capital plans have not been delivered as intended. The Council ensures visibility of the slippage position by reporting this to Cabinet as part of the mid-year capital update. It also reports the capital strategy to Cabinet alongside the treasury strategy and revenue strategy within the budget setting process.

2024/25 financial planning

In February 2024, the Council approved its budget for the 2024/25 financial year. In this year the Council set a budget of £199.904m, reflecting a less than 1% increase on the 2023/24 budget. This includes an increase in council tax income of 4.99%, offset by a decrease in business rates retained income which is explained below.

In its MTFS published in February 2024, the Council planned use of £22.898m of reserves in 2024/25, followed by £4.026m and £2.788m in 2025/26 and 2026/27 respectively. This results in a reduction of the Council's reserves by c.50% over the MTFS period.

The Council has historically managed its financial planning using a system whereby each Directorate manages its budget and has its own pool of reserves to draw upon. However, due to the ongoing financial pressures the Council agreed to shift away from this model and allow for any underspends within an individual Directorate to contribute to the overall Council deficit as necessary.

The medium term

At the point of the MTFS update on 12 September 2024, reflecting the financial position up to 31 July 2024, the financial position had shifted from a balanced budget to a £7.694m deficit against a budget of £199.904m. This deficit resulted from continued high levels of investment in Children's Services, with a forecast negative variance at September 2024 of £3.111m, and a forecast negative variance of £4.311m from Corporate due to lower than expected levels of business rates and a pay offer (subject to agreement) of around 3.4% rather than the forecast 2%.

The decrease in business rates retained income compared to the budget is due to a complex range of factors, including the success of an unexpectedly large number of appeals, lower than anticipated growth and the persistent use of avoidance tactics by ratings agents. In addition, the Council is reliant on a few large business premises, such as those of the NEC, Jaguar Land Rover, and the airport. This means that should any of these sites be removed from the business rates base (for example, during development work) then there is a significant impact on overall business rates income for the Council.

Financial sustainability

The medium term (continued)

There continues to be a strong requirement for investment in Children's Services, driven by the historical Ofsted review from November 2022 and resulting Commissioner's report. Children's Services has been identified as the Council's priority following the Commissioner's report in March 2023 and continued engagement with the Commissioner occurs through the Council's Improvement Plan.

Due to the immediate resourcing requirements of the Improvement Plan the Council has a substantial reliance on agency staff and this is driving the overspend within Children's Services.

The Council is yet to agree the required savings to close the current in-year deficit of £7.694m. The use of reserves across the Council is significant but planned, following guidance set by the previous government that local authorities should use reserves where necessary to manage budget gaps. However, the significant use of reserves in 2024/25 of £23.925m and across the next two financial years indicates a shift in the financial security of the Council and is not a sustainable approach to delivering a financially sustainable position. As a result, we have raised a key recommendation which can be found on page 20.

This will require a mindset shift among members and officers to ensure that the financial position can be managed carefully until a point in time when it can consider planning for the replenishment of these reserves, which may not be for another three to five years.

The table below sets out the reserves balance for the Council from the MTFs update on 12 September 2024, reflecting the position at 31 July 2024, excluding the DSG deficit reserve.

Reserves balance (£m)	Opening balance 1 April 2024	Reserves use over MTFs period	Closing balance 31 March 2027
Total reserves	67.086	(34.390)	32.696

The Council is taking steps to ensure its long-term financial stability. For example, it has established its Financial Sustainability Board (FSB) with membership from senior officers, meeting every three weeks to monitor the financial position and identify savings opportunities.

The FSB papers from October 2024 indicate that a framework has been established to support the delivery of savings. A savings log has been established but at this stage the log identifies every viable savings opportunity and these have not yet been evaluated or filtered. This process is due to take place ahead of budget setting for 2025/26. Also, an operating model for financial sustainability has been created to set principles for ensuring long term financial sustainability and support the Council's decision making around savings.

The Council owns a number of land assets which do not impact on Council services and are therefore being considered for sale to support the financial position. The Council has appointed an independent organisation to undertake a review of the financial position of the Council, including ensuring the Council is able financially to fulfil the Commissioner's recommendations for the Children's Services Improvement Plan to their full extent.

Capital

The Council approved the Corporate Capital Programme for 2023/24 on 23 February 2023, at a value of £99.288m (excluding the Housing Revenue Account (HRA)). The total Council Corporate Capital Programme (including HRA) was approved at £140.345m.

As per the outturn report for 2023/24, the total spending on the capital programme (including HRA) was £54.280m. This represents just 38.7% of the original budget set prior to the start of the financial year. We note that across the course of the year the Council revised down its capital programme budget significantly, with a revised budget of £78.608m in the year end outturn report.

The Council approved its capital programme for 2024/25 to 2033/34 on 27 February 2024. The total Capital programme (including the Housing Revenue Account (HRA)) for 2024/25 totalled £82.125m. Excluding the HRA, the capital programme totalled £51.289m. At the financial update published in September 2024, which reflects the July 2024 position, the Council was on track to deliver £42.181m of its capital programme (excluding HRA).

Through consistent reporting of capital spend the Council is able to track the forecast outturn and move the value of slippage into the following year as necessary. Overall, there is only a small number of corporate schemes ongoing due to the availability of funding.

Financial sustainability

Children's Services

In 2023/24 the Council continued to invest significantly in its Children's Services as it progressed the Improvement Plan agreed with the Commissioner, Sir Alan Wood, following his report in March 2023. The Commissioner was appointed to review Children's Services at the Council following the inadequate judgement provided by Ofsted in November 2022.

The required investment in Children's Services was exacerbated by demand pressures seen across the UK in areas such as children's placements, home-to-school transport and special educational needs and disabilities. The Council appointed a new Director for Children's Services (DCS) in November 2023. As referenced by Ofsted in their monitoring visit report dated 21 February 2024, this has led to strong governance arrangements which help to support progress. At the time of reporting Ofsted were visiting the Council with the report expected in due course. The previous Ofsted monitoring visit came in May 2024, and a full Ofsted inspection is expected in Autumn 2025.

The investment required to follow the Improvement Plan set by the DCS and guided by the Commissioner is adding significant financial strain to the Council. As noted earlier, Children's Services accounted for £6.993m of the total adverse variance to the budget of £8.149m in 2023/24.

Further, in 2024/25 at the 12 September 2024 MTFS update, which reflects the position up to 31 July 2024, Children's Services is already forecasting a year end overspend of £3.111m. The majority of this spend relates to home to school transport and a significant amount related to resourcing, where agency staff have been brought into to ensure that the Council is suitably equipped to deliver against the Commissioner's recommendations and the Improvement Plan which is being overseen by the DCS.

The Council is aware of the increased investment in Children's Services and has rightfully placed this priority front and centre of its Council Plan. The level of investment alongside strong leadership is leading to improved outcomes which are reflected in the Ofsted report from their fourth monitoring visit in May 2024. Tangible improvements such as a reduction in looked after children by a net total of 46 children from November 2023 to May 2024, per the Improvement Plan update in August 2024, will offer a long-term saving to the Council. If this trajectory continues there will be a large saving due to a reduction in the number of social workers required. This decrease in looked after children numbers goes against the national trend, which is positive.

Budget setting

A sound budget is essential to ensure effective financial control in any organisation and the preparation of the annual budget is a key activity at every Council. The budget and Council Tax is required to be approved by full Council prior to the start of the new financial year.

Solihull Council's budget for 2023/24 was approved on 23 February 2023. The budget for 2024/25 was approved on 27 February 2024. The Council keeps its MTFS under regular and continuous review. For example, the aforementioned update to the MTFS was taken to Cabinet in September 2024, presenting the position up to 31 July 2024.

As noted earlier, the Council has established its Financial Sustainability Board (FSB) to ensure appropriate oversight of the Council's financial position. This Board meets every three weeks to identify savings opportunities and develop these into proposals ahead of the 2025/26 financial year. The work plan and savings log of the FSB will be used to underpin the future budget setting process. The Council is currently going through budget setting process for 2025/26 and information from the FSB will form an important part of this.

As noted in our report last year, the Council has a transparent approach to budget setting and this has continued in 2024/25. The Council has established a specific FAQs webpage for residents to access and provide information about ramifications and next steps with regard to the current financial position.

Budgetary control

Once the financial year has started, the Council monitors actual spend and income against the approved budget and reports this on a quarterly basis to Cabinet, with more regular tracking by officers through the FSB and the Corporate Leadership Team. The responsibility for budgets sits with Directors and this includes responsibility for management of reserves within an individual directorate too. The financial year 2023/24 was the first year the Council has had to depart from the principle that each Directorate must deal with any overspend individually. For example, the carry forward of unconditional grants was applied against Children's Services rather than being retained by the individual service line they sat within. This indicates the overall financial pressures facing the Council but that mitigations have been made to reduce the burden on this single service area.

Financial sustainability

Budgetary control (continued)

The Treasury function within the finance team presents a quarterly summary of the cash position to the Audit Committee, alongside a full mid-year refresh and outturn position report. To address the overspend, the Council has sought savings opportunities which include flexible use of capital receipts, swaps around revenue/capital funding to release revenue funding against the overspend, and use of corporate reserves.

Managing risks to financial resilience

The Council has taken a number of steps to manage its financial risk. These have been strengthened since the new Director of Resources / S151 Officer came into post in January 2024. Some of the activities that have been introduced are as follows:

- A freeze on non-essential spending was introduced from 1 August 2024;
- Vacancy management controls have been implemented, with Director approval required for new hires;
- The FSB has been established;
- An independent organisation has been appointed to conduct a review of the financial position of the Council.

Conclusion

The Council ended 2023/24 with an overspend of £8.149m. The Council used £6.790m of corporate reserves to balance this figure, over and above the reserves included in the budget originally.

An overspend of £7.694m is currently projected for 2024/25, as at the MTFS update from 12 September 2024, which reflects the position at 31 July 2024. This is driven by continued investment in Children's Services, lower than anticipated business rates receipts and a forecast pay increase of around 3.4% compared to the budgeted 2%. Since there are limited substantiated savings proposals present to address the current financial position, we consider there to be a significant weakness in the Council's arrangements to deliver financial sustainability.

Despite the overspend that is forecast in Children's Services, the financial support offered to this Directorate is central to the Council's improvement plan in this area. Since the inadequate rating for Children's Services from Ofsted in November 2022, the Council has invested significantly in this department. There is a Council-wide understanding around the necessity of this investment and support for the improvements that are being made. However, the requirement to make these changes urgently and at pace has led to a reliance on agency staff which have driven the overspend and this must be managed if the financial position is to improve in the future.

Going forward, the Council is planning significant use of reserves in the medium term. While this follows guidance from the previous government that was shared to assist local authorities in setting a balanced budget, it signals a step-change in the Council's financial position compared to its historical financial security.

The latest MTFS update from 12 September 2024 is forecasting that the Council will use £34.390m of reserves across the MTFS period, including £28.925m of reserves in 2024/25, from a starting balance of £67.086m of reserves. This will leave a reserves balance of £32.696m at the end of the MTFS period.

As a result, the Council must continue to monitor its financial position carefully, using the processes it has established to report this into Council and Cabinet regularly. In the medium term, savings opportunities should be sought where possible to reduce the reliance on reserves balances. The Council is planning for this and taking the steps within Children's Services so that investment in the current year will lead to future savings.

Financial sustainability



Significant weakness identified

The current medium-term financial position is reliant on reserves and to reach a position of financial stability a significant shift in financial position is required. Currently, at the point of the MTFS update from September 2024, reporting on the July 2024 position, there is a forecast reduction in reserves across the MTFS period of 2024/25 to 2026/27, from £67m to £33m. The most significant use of reserves occurs in 2024/25 of £28.925m, followed by £3.826m and £1.639m in 2025/26 and 2026/27 respectively. The Council is aware of the long-term weaknesses of this and has taken steps in the last nine months to address the financial position. We consider there to be a significant weakness due to the reserves position and the limited substantiated savings proposals which could be implemented to address the current gap over the medium term.

This financial position has been driven by the required investment in Children's Services to address the inadequate rating provided by Ofsted in November 2022. Following this, the Commissioner issued a detailed report on Children's Services within the Council and has continued to work with the Council on the Improvement Plan. The Council appointed a new DCS in November 2023 to work alongside the Commissioner and provide greater focus and direction on the Improvement Plan. The investment in Children's Services outstripped the forecast spend in 2023/24 and is already on track to exceed the budget in 2024/25. This investment is projected to lead to savings in the long-term.

To assess this weakness, we reviewed the financial and non-financial documents provided by the Council and held discussions with the Director of Resources, Deputy Section 151 Officer, and Head of Financial Operations at the Council to understand the financial position in greater depth.

Key Recommendation 1

We recommend that the Council continues and accelerates its current package of activities to address the significant structural budget deficit and reach a sustainable financial position in the medium-term. The Council must identify substantiated ongoing, long-term savings proposals to reduce its reliance on short term measures such as one-off savings or use of reserves. These savings proposals must be deliverable and subject to a robust governance structure. This will support careful management of the financial position over the immediate term. The Council should consider planning for the replenishment of these reserves, which may be achievable in three to five years.



Governance

Governance



We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council has a risk management system in place and updates this regularly. There is a clear risk hierarchy and risks are rated on a 5 by 5 basis.</p> <p>We note that there was a downgrade in the overall internal audit opinion in 2023/24 compared to 2022/23. This is not related to core financial services or overall Council governance, but specific areas of concern such as recruitment at Solihull Community Housing. Therefore, we are not offering a recommendation, but the Council should continue to follow the feedback provided by internal audit related to the specific deficiencies it has highlighted.</p>	G
approaches and carries out its annual budget setting process	<p>The Council has a robust budget setting process. The FSB was established in March 2024 to track spend and identify savings opportunities, and the work plan and savings log of this Board will be used to underpin the budget setting process for 2024/25.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council has effective processes and system in place to ensure budgetary control. For example, a freeze on spend has been implemented to provide protection to the financial position, as well as the requirement for directors to approve any planned new hires. The Council has four subsidiaries and three companies of which it holds a minority stake. It manages the governance of these companies through the positioning of an officer on the board of each company and the Council's Head of Legal taking the role of Company Secretary at each subsidiary. The Council reports the financial information about each company to Cabinet on an annual basis.</p>	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from Audit Committee	<p>The Council regularly reports to full Council and Cabinet, with key decisions presented by officers and supported by documentation that has been prepared sufficiently in advance for Members. The Audit Committee agreed a work plan for 2023/24 which covers the six core functions of accountability arrangements, governance & assurance, risk management, financial operations, audit services and internal audit. Officers are given the opportunity to present papers and reports to Cabinet so that properly informed decisions can be made.</p>	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	<p>The Council has a clear set of policies which ensures standards are upheld. Members receive regular training. No breaches of the Member Code of Conduct have occurred since 2018.</p>	G

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Governance

Risk management

The Council has an effective system for risk management. The Corporate Leadership Team (CLT) has accountability for overseeing the Risk Management policy and monitoring arrangements. The Audit Committee is updated on the corporate risks on a quarterly basis, which is also the case with CLT, and Cabinet receives an annual update.

Responsibility for risk management sits within the audit services division. The JC Applications Development (JCAD) software for risk management is used, and this is accessible and managed by Directors and Managers within individual teams as necessary. This risk management system allows for the implementation of a risk hierarchy, with corporate risks at the top, supported by operational and project related risks.

The Risk Management policy was updated in March 2024 with two major changes. Firstly, the scoring of risks has developed from a 3 by 3 scoring method to a 5 by 5 scoring method. This improvement enables a greater movement of risks, where previously risks may have been static for a longer period of time despite small changes in their position. Secondly, a risk appetite factor has been introduced which has been measured by Directorates across the organisation inputting how their department sits in terms of risk appetite on a matrix. This demonstrates consistent development of the risk policy to broaden the considerations around risk across the organisation.

From a review of the corporate risk register the regular review of risks is evident with clear assigned actions and a target date for mitigations to be completed. Also, a review date is assigned for each risk alongside its score, impact and movement.

The Council has identified challenges in recruiting permanent staff into areas such as legal services, procurement, IT and Children's Services. The Council has undertaken benchmarking to offer appropriate salary levels to new hires but this difficulty in recruitment is reflective of the wider local government sector. The Council have mitigated this risk through the use of interim staff and establishing effective schemes for bringing in new junior staff and developing them internally. These mitigations do come at an increased cost to the Council to provide the expertise required and the Council is exploring all avenues for reducing its reliance on agency staff.

An upcoming piece of work the Council is considering related to improving the Annual Governance Statement. The Council is benchmarking against examples from other local authorities as the initial stage of this evaluation.

Internal controls

The Council has a strong internal audit function which uses the audit universe planning system to identify an effective rotation of areas for review. In 2023/24, per the Annual Report on Internal Audit, a downgraded overall opinion of “‘moderate’ to ‘limited’ assurance” was given related to the adequacy and effectiveness of internal control, risk and governance. This compared to an opinion of ‘moderate’ assurance in 2022/23. The definitions of each assurance level can be found in the table below.

The Council's core financial systems were deemed to be effective, but specific concerns were raised related to Solihull Community Housing and Children's Services. Mitigations have been implemented to alleviate these deficiencies. Across 2023/24, 39 audit reviews were conducted by the internal audit function of the Council. From this, the following ratings were given:

Score	Assurance level	Assurance criteria	No. of reports
1	Full	There is a sound framework of control operating effectively to achieve control objectives.	3
2	Substantial	The framework of control is adequate and controls are generally operating.	11
3	Moderate	The control framework is adequate but a number of controls are not operating effectively.	16
4	Limited	Adequate controls are not in place to meet all the system objectives and controls are not being consistently applied.	6
5	None	The control framework is inadequate and controls in place are not operating effectively. The system is open to abuse, significant error or loss and/or misappropriation.	3
Total			39

Governance

Internal controls (continued)

Of the 39 reviews, seven related to the core financial systems of the Council, of which there was one score of 3 and the remainder scored 2 or 1. This indicates that no significant issues were identified by Internal Audit related to internal financial systems of the Council.

The Internal Audit function implements a follow up procedure for Level 4 and 5 reviews in the following financial year. Of the Level 5 reports, two related to Solihull Community Housing and one to a school. These will be followed up (alongside the Level 4 reviews) in 2024/25 by Internal Audit.

We understand that Internal Audit recognises the increased risk that may come with the financial position of the Council. However, the strong controls of the core financial systems that have been reported by internal audit, alongside additional controls that have been implemented to freeze spend and require director sign-off for new hires, contributes to further strengthening the financial controls.

The Internal Audit function has an accountability chain that feeds through the Council, reporting to CLT where there is a level 4 or 5 audit review and then taking this to Audit Committee. During our review we have not identified any concerns with the responsiveness of the Council in implementing recommendations raised by Internal Audit.

As part of the Annual Report on Internal Audit a summary is provided to follow up on the previous Level 4 and 5 areas. In 2022/23, there were 16 reports across Level 4 and 5. As at 2023/24, these reports have been re-evaluated by internal audit and are now scored as follows:

- Four reports are Level 2
- Three reports are Level 3
- Two reports have not yet been followed up due to the timing of the initial review work
- Seven reports remain at Level 4 or 5, and will be followed up in 2024/25 with a further review by Internal Audit. Four of these seven relate to Solihull Community Housing.

This demonstrates that the Council is partially successful at following up on internal audit report recommendations and outstanding deficiencies are mainly present in acute areas.

Audit Committee effectiveness

The Audit Committee developed a formal Forward Work Programme which was approved on 25 September 2023 for 2023/24. This enables increased structure around what is reported across the year, covering the six core functions of accountability arrangements, governance & assurance, risk management, financial operations, audit services and internal audit. It assigns Audit Committee dates to key activities such as the presentation of the Corporate Risk Register Update on a quarterly basis and the Audit Services Monitoring Report on a quarterly basis, as two examples.

Across the 2023/24 financial year, there were 7 Audit Committee meetings. Of the five Audit Committee members, two attended 7 meetings, one attended 6 meetings, one 5 meetings and one 3 meetings. The Chair of the Audit Committee has strong local government experience including having worked at the Audit Commission for five years, demonstrating expertise at providing an appropriate level of scrutiny.

Compliance

The Council has arrangements in place to monitor compliance with legislation and regulatory standards.

There is a Code of Conduct for Employees which was updated in November 2022, and a Code of Conduct for Councillors which was adopted in 2021.

There is no evidence of significant or repeated departure from key regulatory or statutory requirements or professional standards. The Council has not had any breaches of the member code of conduct since 2018.

The Council maintains an electronic Declarations of Interest register and should ensure this is reviewed and updated at regular intervals.

Members receive regular training. These sessions are often scheduled prior to full Council sessions to increase attendance levels. The Council offers an induction programme for new members and has also accessed the Local Government Association's Leadership Academy for specialist training if necessary, such as for committee members or chairs.

Governance

Council decision making and oversight

The Council's decision-making process is regulated by the Constitution. This was reviewed by the Monitoring Officer in August 2024, with minor updates made as necessary for committee titles.

Within the last year, the Council's former Director of Resources has formally moved into the Chief Executive position, and the Council has appointed a new Director of Resources who started in January 2024. Within Children's services, the Council appointed an experienced DCS in November 2023 to lead the Improvement Plan in the department on a fixed term basis until the next full Ofsted review is conducted. The Council is considering how it manages the transition to a new, permanent long-term appointment for DCS including a robust and lengthy handover process.

As set out in our report last year, the Council has appropriate processes in place for keeping members informed, as the decision-makers. Each Directorate prepares reports and papers ahead of Cabinet, Council or committee meetings so that Members are provided with these with time to be properly informed prior to making decisions.

Climate change and net zero

The Council has a number of workstreams which relate to its climate commitments, underpinned by the commitment to reach net zero by 2030 as a Council and 2041 as Borough.

We previously reported that the Council ranked 5th out of 409 local authorities in the UK for the 2021 Council Climate Plan Scorecards, including a rank of 2nd amongst single tier local authorities.

The 2023 Council Climate Action Scorecards have developed on the initial 'Plan' methodology, and SMBC scored 37% compared to a single tier authority average of 35%. The Council received a score above or within 5 percentage points below the average score across all seven metrics apart from Waste Reduction & Food, where it received a score of 6% compared to the average of 37% for this metric amongst single tier authorities. The Council is aware of its deficiencies in this area and has a plan to introduce food waste collection and fortnightly waste collections by 2026. The next round of Council Climate Action Scorecards will be released in Summer 2025.

Companies

The Council has a number of subsidiaries, or Arms-length management organisations (ALMOs), under its control.

The governance of these companies is addressed in turn below. The Council has oversight of each company by appointing an officer or officers to the Board, and the Head of Legal at the Council sits as Company Secretary for each company too.

Solihull Community Housing Ltd (SCH)

Per its 2023/24 Annual Report, SCH has 9,751 properties under its control, a reduction of 151 on the prior year. SCH maintains and manages the housing stock. This includes 37 high rise buildings which have been a large focus for SCH since the Grenfell Tower fire in 2017.

SCH total spend was £57.709m in 2023/24, up from £54.195m in 2022/23. This is driven by an increase of £3.768m in 'Looking after your home'.

SCH received two Level 5 rated reviews from Internal Audit, covering Whistleblowing Allegations and Replacement of Spandrel Panels. As per the Annual Report on Internal Audit 2023/24, to address this the Head of Audit Services has increased the frequency of contact with the Chair of the SCH Audit & Risk Committee, the SCH Chief Executive and Director of Economy and Infrastructure, whose Directorate oversees the client relationship with SCH.

To improve the robustness of the governance system, the Council has conducted a governance review of SCH which will include the assessment of whether the vehicle should return to operate in-house. This review is expected to conclude before the end of 2024.

UK-Central (Solihull) Ltd (known as the Urban Growth Company (UGC))

As noted in our prior year report, a decision was made by the Council early in 2023/24 to bring the roles and responsibilities of the UGC back in-house.

This activity has mostly concluded, with the remaining activity being to formally wind up the company.

Governance

Companies (continued)

Mell Square Ltd

Mell Square Limited was acquired on 9 April 2021. It holds a long lease to the Mell Square shopping centre and will be used by the Council to manage the town centre and shopping district regeneration.

Mell Square Ltd reports into the Council's Property Investment Board. The members of the Property Investment Board are the same as those that sit on the company's shareholder committee. Further, the three company directors are all officers at the Council.

A redevelopment partner was appointed after an extensive procurement exercise. The timeline for the redevelopment includes works beginning in 2026. The Council has considered the implications of this development on business rate income and council tax income from the development.

Solihull Energy Ltd

Solihull Energy Ltd was incorporated on 12 July 2022. This independent energy services company (ESCo) will be responsible for managing individual contract and customer agreements associated with the Town Centre Energy Network.

In terms of the district energy network development, the Council signed an agreement in July 2024 with Vital Energi who will design, build, operate and maintain (DBOM) the energy network. The decision was initially taken to Cabinet in March 2023 but has faced a series of delays. These have been appropriately reported to Cabinet, including an update in August 2024, and reported to Scrutiny Committee on two occasions prior to the decision being signed off.

Other minority interests

The Council has a stake in the following companies, with the level of ownership stated alongside each company.

- Coventry and Solihull Waste Disposal Company Ltd (33%)
- Sherbourne Recycling Ltd (14.6%)
- Birmingham Airport Holdings Ltd (3.75%)

All these companies are held in the Council's accounts at fair value. The total level of financial assets measured at fair value on the Council's balance sheet remains at £57.822m for 2023/24, which was the same figure as reported in 2022/23.

Kingshurst regeneration scheme

Work commenced on the Kingshurst regeneration scheme in 2017. The first phase was completed in 2024 and is comprised of 25 affordable housing units.

A report was taken to Audit Committee on 18 March 2024 which set out the decision-making timeline for the scheme, governance arrangements and progress to date.

In the 2023/24 Draft Statement of Accounts, the committed future cost of construction was noted to be £4.161m.

Following completion of the initial phase 1 element of the scheme, which had a residential focus, the Council plans to progress plans for phase 2. This includes a large proportion of integrated health board occupancy of the site, as the plans bring together a pool of services together onto one site. For example, a pharmacy and dentist to be included in the scheme. This aims to improve health outcomes in the local area and offer a shared community space for residents.

As this scheme progresses, the Council should continue to use its established governance procedures, both within the Kingshurst scheme structure and following the normal Council decision-making procedures.

Governance

Conclusion

The Council has a risk management system in place that enables it to identify and monitor risks at a strategic and operational level. It has developed its scoring system in the past year to allow for a more in depth understanding of risk movement over time, including the assessment of different risk appetites across the Council.

The Council has an effective internal audit function. The internal audit opinion for 2023/24 was “‘limited’ to ‘moderate’ assurance” related to the adequacy and effectiveness of internal control, risk and governance. This opinion relates to the high level of ‘limited’ or ‘no assurance’ reviews that were conducted in 2023/24, however the core financial systems are deemed to be working effectively. The Annual Report on Internal Audit also concludes that the Council has sound arrangements in place for risk management and the Annual Governance Statement process.

The Council has effective Audit & Risk Committee processes in place, with an annual workplan introduced for 2023/24 to introduce more structure to the pattern of topics under review.

There have been no reports of Member Code of Conduct breaches for a significant period of time.



**Improving economy,
efficiency and effectiveness**

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

uses financial and performance information to assess performance to identify areas for improvement	The Council has a clear improvement plan for its Children's Services which is being overseen by strong leadership team and supported by the Commissioner appointed by the Department for Education. However, the latest Ofsted monitoring report notes that there are still a number of areas for improvement. Children's Services remains under heavy levels of investment to get to a stabilised position. Until the improvements are ratified by a formal post-inspection Ofsted opinion, this must remain a priority for the Council.	R
evaluates the services it provides to assess performance and identify areas for improvement	The Council has developed enhanced corporate reporting at a central level, which is due to be rolled out more widely before the end of the year following approval from Cabinet. More transparent access to data and dashboards at a directorate level would benefit officers at all levels when making decisions, especially by being able to identify issues at their early stages and prevent missed opportunities for savings. The Council passed its most recent cyber security Public Service Network (PSN) audit but has limited budget and resources for enhancing cyber security over the medium term. Improving this service will be essential to maintaining the security of the Council.	A
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council engages widely with the local area across a number of partnerships. This includes those at an organisational level, such as with West Midlands Combined Authority and Birmingham and Solihull Integrated Care System, as well as specific Directorate partnerships across the region.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council has a robust procurement function and recently published its Procurement Strategy for 2024-2029. It has established partnerships with the Social Value Portal and Match My Project which helps to realise the value of private sector partnerships.	G

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness

Council Plan

The Council has a plan for 2020-25 which has People & Communities, A Strong Economy, and Climate Change as its three key themes. It also places Children as the central thread across these themes. The Council plan was updated for 2024/25 to reflect the latest activities and priorities for the Council.

Performance management

We reported last year that the Council's Performance Management Framework had been updated, to strengthen the 'line of sight' between corporate/directorate priorities and individual teams/employees to ensure that everyone understands their contribution to achieving Council priorities. However, an improvement recommendation was maintained in last year's report because further work was required to ensure directorates are producing streamlined KPI reports to their relevant boards.

The performance management reporting has been reviewed by the Audit Committee in November 2023 and July 2024, to monitor the implementation of this recommendation around greater consistency in performance reporting.

To address this recommendation, the Council is in the process of implementing a corporate 'Top 40' performance scorecard to provide a single high level reference document for corporate reporting. Directorates have identified performance metrics related to their respective priorities and tracked on a RAG basis. The dashboard is expected to be updated quarterly with access for Directors and ADs already present, and roll out to Members planned too. An example dashboard is provided below.



As well as the Top 40 scorecard, the Council has invested in the creation of a corporate data platform, data lake and in its reporting capability through corporate PowerBI licencing. To date, a PowerBI dashboard has been developed for Children's Services and the equivalent for Adult Social Care is expected to be completed in the next 6-12 months.

Separately, data deep dives can be requested by individual teams to support them in gaining a greater understanding of the drivers of performance for their service area. The Council also has well-embedded benchmarking against local geographies, similar authorities by profile, and national average. It also uses nationally published information from Oflog and LG Inform Plus.

Overall, this reflects a position where the Council still has some way to go before standardised performance reporting is present across each service area. As a result, we are maintaining our improvement recommendation around reporting for 2023/24. However, we note that significant progress has been made to improve the centralised performance reporting and that there is an opportunity to build on this to achieve more consistent and user-friendly dashboards for performance monitoring in each directorate.

Considering the Council's financial position, having effective processes in place to monitor performance and spot areas of need at the earliest opportunity is essential for preventing unnecessary cost. Having strong visibility of this across the Council, by implementing transparent reporting and providing training to ensure effective use of data and dashboards, will reinforce the messaging around making sure everyone is pulling in the same direction with regard to achieving a more robust financial position.

IT and security

The Council has a strong IT service with 99% uptime. It implemented the Oracle platform in 2022/23 and during 2023/24 this was live and bedding in.

The demand for IT services continues to grow at the Council and it is considering means for increasing capacity at a limited cost. The Council has limited resources for servicing IT problems and queries with four individuals working on the service desk, and therefore options for encouraging self-service are likely to reduce levels of demand on this resource. For example, how AI could be used as a capacity enabler while being managed appropriately and aware of associated risks.

Improving economy, efficiency and effectiveness

IT and security (continued)

The next major programme of change for IT services is to transfer 3,300 devices to Windows 11. Also, to implement a transition from desk phones to Microsoft Teams telephony.

Alongside IT support, cyber security is an area essential to Council operations and likely to face increasing pressure over time. This reflects a national trend, with major cyber attacks increasingly common such as the recent TfL cyber security incident in September 2024.

While the Council passed its Public Services Network (PSN) audit in 2023/24 and recently strengthened its cyber security through use of additional Microsoft services and implementation of a new phishing test for Council staff, this service currently receives limited resource with no set budget or staff.

As a result, we are making an improvement recommendation for the Council to formulate a more detailed cyber security plan. The Digital Strategy 2022-2027 references awareness that investment in cyber security is required, but the Council should consider producing a detailed plan for investment across the medium term.

Procurement and contract management

The Council has a well-established procurement function, split into an operational team and a policy, systems and governance team. The Council has a published Corporate Procurement Strategy 2024-2029 with the mission of being a 'best in class' procurement service.

Also, the Council continues to partner with the Social Value Portal for most of its procurement processes. Recently, it has been working with Match My Project to support the deliver of social value commitments. Match My Project is a service that links the business sector with opportunities to provide support in the community.

The Council tracks Exceptions to Rules (ETRs), also known as procurement waivers, with data and reporting. The recognition of non-compliant issues on rules for contracts has increased as a result of the implementation of Oracle, leading to a reduction in overall issue levels.

The procurement team has also conducted detail planning ahead of the implementation of the Procurement Act, which is now expected in February 2025. This includes approval and configuration of the new Atamis procurement software.

Partnership working

Solihull Council is well-placed geographically to take part in a number of strategic collaborations form a fundamental part of the Council's strategy.

For example, it operates as part of the West Midlands Combined Authority (WMCA) and Birmingham and Solihull Integrated Care System (ICS). The partnerships facilitate relationships spanning the region and drive collaboration with peers. This provides formal opportunities for greater economic prosperity, such as the 10-year business rates retention agreement, as well as softer benefits through relationship building and shared experiences.

Some examples of the ongoing partnerships that the Council has membership of or plays a leading role are:

- Solihull Place Committee – Chair
- Birmingham and Solihull ICS – Board member
- West Midlands Association of Directors of Adult Social Services (ADASS) – Chair

Adult Social Care

In 2023/24 the Council took the full available precept of 2% within the increase to council tax. The Council is having to consider the impact that an increasing average age of the population may have on services, especially since it is operating in an environment where market costs are increasing.

In 2023/24, the Council conducted a large re-procurement for care at home and this has maintained a quality of care for the Council which sits above the national average.

The Council is expecting a full CQC inspection before the end of 2025. It was subject to a peer assurance review from CQC in March 2023 and has followed up on recommendations where necessary, although we understand that no major areas of concern were noted.

Improving economy, efficiency and effectiveness

Children's Services

A detailed timeline of events related to Children's Services at the Council was provided in our 2022/23 report, and detail regarding the financial sustainability of Children's Services for 2023/24 can be found on page 18.

In our 2022/23 report we presented the findings from the Ofsted Monitoring Visit in November 2023. Following this, two further Ofsted Monitoring Visits have taken place, in January 2024 and April 2024. At the time of writing a further Ofsted Monitoring Visit is ongoing.

The April 2024 visit, which was reported on 16 May 2024, stated that the strategic plans in place to secure permanence for children in care are beginning to have a positive impact on children. Also, it states that the plans that have been implemented are beginning to impact children who have been in care for the long term. It also says that Independent Reviewing Officers (IROs) are ensuring permanence plans are progressing and using escalation processes, but the delays in response to these actions mean for many children this is not effective.

With regard to the effectiveness of the Council at delivering and supporting the improvements that are being made, Ofsted report that the senior leaders are working together effectively on this to provide appropriate political and financial support.

The Council's Improvement Plan for Children's Services continues to progress and the DCS is working closely with the Chief Executive and Commissioner to ensure appropriate investment continues in this area. This has included an internal restructuring of the Children's Services team with the education portfolio being moved outside of the DCS role and new management roles currently being advertised. The majority of the overspend in Children's Services results from the use of agency staff to provide the required level of resource and therefore these recruitment activities will be an important part of reducing spend in the department while transitioning to a stable level of good service.

These findings indicate that positive steps have been taken since our previous 2022/23 report. However, given that the Ofsted monitoring report continues to reflect that further work is required, and a formal Ofsted inspection is not expected until Autumn 2025, it remains our opinion that a significant weakness was present in the Council's arrangements for securing value for money in 2023/24.

Impact of wider national and international political context on service delivery

Over recent months Solihull has been subject to high-profile incidents which increases the required level of resilience at the Council in its service delivery.

The unrest that occurred in August 2024 was concentrated in two areas within Solihull and the Prime Minister visited the area to meet with community leaders following these events.

Separately, Birmingham Airport has seen repatriation activity from Lebanon which increases scrutiny on the area.

These examples have a direct and indirect cost the Council which should be recognised as placing increasing strain at a time when the Council is seeking to identify opportunities to make savings.

Conclusion

The Council has made significant progress in its development of corporate performance indicators in 2023/24. While only partially rolled out at the time of writing, this represents the beginning of a wider plan to improve visibility around performance across the Council. Further work is required to ensure that this progress improves and employees at all levels in the Council have access to this reporting and the skills to use it effectively to improve outcomes for residents.

The Council has strong cyber security in place but should improve its plan for investing in strengthening this system over the medium term, given the threat this poses to services.

Children's Services at the Council are following an Improvement Plan which has strong support from senior leaders at the Council. The latest Ofsted Monitoring Visit report from May 2024 noted that the Improvement Plan is having a positive impact. However, it also states that further progress and investment is required to achieve positive outcomes more consistently. A key recommendation remains in place for Children's Services until Ofsted conducts its next formal inspection, which is expected in Autumn 2025.

Improving economy, efficiency and effectiveness



Significant weakness identified

We have identified a significant weakness related to the Council's ability to deliver improving economy, efficiency and effectiveness.

The Council's improvement journey with Children's Services was well documented in our report last year. This continued in 2023/24 with progress recognised by Ofsted in their latest Monitoring Visit report from May 2024. The Council's leadership around Children's Service is strong and was particularly strengthened by the appointed of an experienced DCS in late 2023.

However, it is recognised by the Council and Ofsted that the level of service provided to children in Solihull requires further improvement if it is to reach the level required. Currently, Children's Services is reliant on significant agency staff to deliver the capacity and resource required to offer reasonable workloads to the wider team. This suggests that additional levels of investment will be required before the service can reach a stable position.

Additionally, the Ofsted judgement of 'inadequate' in 2022 remains in place until another formal opinion is provided. This is expected in Autumn 2025.

As a result, we will reconsider this significant weakness at the point of Ofsted's formal inspection.

To assess this weakness, we reviewed the available Ofsted Monitoring Visit reports, the Improvement Plan for Children's Services, and held conversations with the Director for Children's Services, Director of Resources and Chief Executive to provide further context and information to this.

Key Recommendation 2

The Council must continue to progress, at pace over the coming months, the improvements required to Children's Services noted in Ofsted's recent inspection reports and by the Department for Education (DfE) appointed Commissioner, Sir Alan Wood. This includes effective monitoring and reporting on progress to members – and all associated risks – on a regular basis.

Improving economy, efficiency and effectiveness



Areas for improvement

Cyber Security

The Council has invested in recent improvements to its cyber security, through enhanced intelligent phishing tests for all employees and use of additional Microsoft services. It also passed its Public Services Network (PSN) audit.

However, we have identified that there is limited budget for improvements in this area and no specific resources within the IT service for further investment. The IT service is also included within the areas that has been asked to seek savings opportunities as part of the wider ongoing work toward the Council achieving financial sustainability.

Cyber attacks are an increasing threat, particularly to public services which has a high impact and access to significant amounts of personal information.

As a result, we are recommending that the Council considers how it could apply specific resources to this area, by creating a formal plan for continued investment to ensure this remains robust and secure.

Corporate reporting

The Council is in the process of implementing additional opportunities for corporate reporting and monitoring.

Firstly, it plans to roll out a 'top 40' KPI tracker where the Council as a whole is RAG rated against 40 KPIs which have been identified by individual Directorates as key to their performance. This dashboard is due to be approved by Cabinet in October 2024. As well as this, PowerBI dashboards for each department are being developed to enable greater control and access to data around performance. Currently, there is a PowerBI dashboard available for Children's Services, and the next dashboard developed for Adult Social Care is expected to go live in the next 6-12 months.

Since these opportunities for improved corporate reporting can deliver better outcomes and identify areas of early prevention or savings, we are recommending that the Council prioritises roll out of dashboards and trains individuals at all grades to use this information effectively.

Improvement recommendation 1

We recommend that the Council maintains cyber security as a priority during its period of financial constraint. The Council should consider ringfencing a specific budget for cyber security investment and resource in light of increasing threat in this area.

Improvement recommendation 2

We recommend that the ongoing programme of improvements to central corporate reporting is prioritised to reflect more widely across Directorates, through development of PowerBI dashboards and training to ensure general visibility of standardised reporting and management information.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>KR1 We recommend that the Council continues and accelerates its current package of activities to address the significant structural budget deficit and reach a sustainable financial position in the medium-term. The Council must identify substantiated ongoing, long-term savings proposals to reduce its reliance on short term measures such as one-off savings or use of reserves. These savings proposals must be deliverable and subject to a robust governance structure. This will support careful management of the financial position over the immediate term. The Council should consider planning for the replenishment of these reserves, which may be achievable in three to five years.</p>	Key	Financial sustainability	Deterioration of and reliance on reserves to ensure financial sustainability	Funding shortfall and reduction in quality of services delivered	<p>Actions: The Council takes on board the key recommendation and through the work of the Financial Sustainability Board is seeking to quickly secure a range of measures that achieve a balanced budget for 2025/26, and work towards both a sustainable medium term position, and the recovery of the council's financial resilience in the longer term, including the retention of an appropriate level of risk assessed reserves. Additional work has been commissioned before Christmas 2024, with a view to achieving a balanced 25/26 budget by February 2025.</p> <p>Responsible Officer: Director of Resources</p> <p>Executive Lead: Chief Executive</p> <p>Due Date: September 2025</p>
<p>KR2 The Council must continue to progress, at pace over the coming months, the improvements required to Children's Services noted in Ofsted's recent inspection reports and by the Department for Education (DfE) appointed Commissioner, Sir Alan Wood. This includes effective monitoring and reporting on progress to members – and all associated risks – on a regular basis.</p>	Key	Improving economy, efficiency and effectiveness	Ofsted inspection outcome and subsequent monitoring visit reports	Poor outcomes for children under the Council's care	<p>Actions: The Council already has a defined improvement plan across a range of areas, as shared with our External Auditors. The plan is strongly supported by our Children Commissioner, Sir Alan and monitored by the Strategic Quartet. CLT also undertake monthly performance monitoring. The Council recognises that until SMBC has a further Ofsted judgement that supports the improvement journey we are on, this will remain a key recommendation.</p> <p>Responsible Officer: Director of Children's Services</p> <p>Executive Lead: Chief Executive</p> <p>Due Date: September 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR1 We recommend that the Council maintains cyber security as a priority during its period of financial constraint. The Council should consider ringfencing a specific budget for cyber security investment and resource in light of increasing threat in this area.</p>	Improvement	Improving economy, efficiency and effectiveness	Discussions with Head of IT	Cyber security breach	<p>Actions: In the context of current financial constraints, as recognised by KR1 it will be difficult to ringfence additional funding specifically for further enhanced investment in Cyber Security. However, the Council will review this recommendation as part of the Medium Term Financial Strategy and in light of any risk recommendations from the Head of ICT and Information Governance pertaining to Cyber Security. There is also the opportunity to prioritise funding within the existing ICT capital budgets to address any future cyber security risks if deemed a priority at a future point in time.</p> <p>Responsible Officer: Head of ICT and Information Governance</p> <p>Executive Lead: Director of Resources</p> <p>Due Date: September 2025</p>
<p>IR2 We recommend that improvements to central corporate reporting are reflected more widely across directorates, through development of PowerBi dashboards and training to ensure general visibility of standardised reporting and management information.</p>	Improvement	Improving economy, efficiency and effectiveness	Information provided on plans for development of corporate reporting	Missed opportunities for improvements to services or financial savings	<p>Actions: Recommendation accepted and a plan is already in place to extend the use of PowerBI through performance dashboards across all service areas. Resource constraints are the only limiting factor to the pace of this rollout, but the current plan commits to high level dashboards in all areas within the suggested due date.</p> <p>Responsible Officer: Head of Corporate Policy, Insight and Improvement</p> <p>Executive Lead: Director of Resources</p> <p>Due Date: September 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

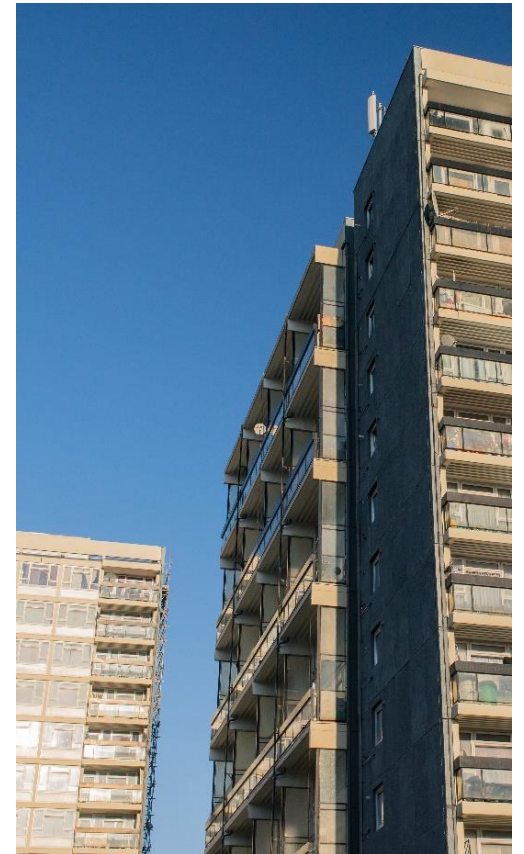
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Council must continue to progress, at pace over the coming months, the improvements required to Children's Services noted in Ofsted's recent inspection reports and by the Department for Education (DfE) appointed Commissioner, Sir Alan Wood. This includes effective monitoring and reporting on progress – and all associated risks – on a regular basis.	Key	March 2024	Both the Corporate Leadership Team and the Children's Strategic Quartet now receive a monthly performance monitoring and improvement pack on all key aspects of Children's Services and the extensive and ambitious improvement plan. At headline level, this is showing reductions in children in care, improving quality of social worker assessments, emerging impact from reinstated early help services, new facilities coming online like all family hubs now open and enhanced grip on budgets, including an overall reduction in agency spend. In a letter of support for our improvement journey, our Commissioner, Sir Alan, wrote: <i>'I have been impressed by the determination of the Leader of the Council, its new Chief Executive and its new Director of Children's Services to drive improvement in the provision of children's services, to achieve a status of at least good in the next inspection. This determination included the decision to invest significant resources in children's services, to ensure an impressive improvement plan can be implemented.'</i>	Partially	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See Key recommendation KRI.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
2	Improvement	March 2024	<p>Usable reserves forecasts are being updated monthly for every Directorate/Corporate across all of the MTFS years. The detail of these forecasts is then being reported quarterly to Cabinet. The detail of these forecasts and every single reserve is also now being reviewed and updated as they always are, as part of the upcoming budget process for the next MTFS period up to 2027/28.</p> <p>Additional savings have been and continue being explored following the inception of the FSB in March 2024 which has been working on a new savings log for the new MTFS period 2025/26 – 2027/28. Savings log options will now be being considered as part of the upcoming budget process, for approval, and for delivery plans to be drawn up.</p> <p>Monitoring and reporting against the delivery of a greater value and volume of savings will then be subject to similar reporting regimes that we had in place pre covid during the period of austerity for which a lot of detail was shared with the auditors last year to demonstrate what we had done in previous years.</p>	Partially	We have raised a key recommendation on the basis that the Council's financial position worsened over 2023/24. Limited substantiated savings proposals have been identified to achieve financial sustainability. However, we note that significant activity is being undertaken to identify savings. See Key recommendation KR2.
3	Improvement	March 2024	<p>We are reporting delivery of current mitigations as part of our regular reports to CLT and Cabinet. We do this by % achieved and by RAG rating. For every mitigation there is an assessment made of the RAG status of it which we then summarise for the reporting.</p> <p>Any mitigations which are not on course to be delivered in accordance with the target would then be reflected in the forecast position for that area of the business and would then be reported as a pressure in the in year position or for a future year, for which an alternative mitigation needed to be found.</p>	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 The cashflow forecast would benefit from being managed on a 12-18 month rolling basis rather than being limited to reporting up to the end of a financial year. The Council needs to develop a more robust process with better tools for this forecasting to ensure a sufficient period is covered with there being a clear demarcation between cash flows of the Council and what relates to subsidiaries / group companies.	Improvement	March 2024	The Council now operates a rolling 12-month cash flow forecast and currently has a cash flow forecast up to 31st March 2026 (18 months) that will be updated alongside the rolling 12-month version. These cash flow forecasts are then included in the quarterly Treasury Management update reports to Audit Committee.	Yes	No
5 To reduce the possibility of the Corporate Risks, and particularly progress in reducing risk being misinterpreted, more context should be given about: <ul style="list-style-type: none"> • How risks are being logged • How risks are being tracked • How risks are being resolved • Which risks are controllable, and which are not • Recognition of which risks are a current issue 	Improvement	March 2024	The Council Risk Management Policy details a 4-step process and a reporting framework showing which risks must be logged and their management, escalation, and oversight arrangements. Risk owners and managers receive training to ensure they understand the policy. Risks are logged in the JCAD online risk management system, which sends reminders for reviews. Risk dashboards show risk age, spread, impact, and drivers for better understanding of the risk. There is a multipronged approach to managing corporate risks. This includes ownership by a named CLT member, quarterly CLT oversight and updates presented on key risks as a part of the CLT governance arrangements. Mitigations for uncontrollable risks focus on reducing impact, and the risk software tracks whether actions are preventative, detective, or corrective. Risks that become issues can be marked as issues where required.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
6 The regular review of key policies, legal documents and registers could be made more apparent and evidenced to provide comfort to readers that these documents are up to date and are the most current version to rely on.	Improvement	March 2024	The various documents that comprise the Council's constitution have been reviewed by the Monitoring Officer and updated where necessary to reflect current practice, political management structure and job titles etc. Each document now indicates the date of review. Regarding Internal Audit, the main policy we have responsibility for is the Whistleblowing Policy. This was updated and approved by the Governance Committee and the date approved is included within the document.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix D: Stakeholders consulted

The following individuals were consulted directly on a Microsoft Teams call as part of this engagement:

- Chief Executive
- Director of Adult Social Care and Deputy Chief Executive
- Director of Resources
- Director of Children's Services
- Director of Public Health, Education and Inclusion
- Director of Economy and Infrastructure
- Deputy S151 Officer and Assistant Director of Finance and Property Services
- Head of Procurement
- Head of Democratic Services
- Head of HR
- Head of Audit Services
- Head of IT
- Head of Financial Operations
- Head of Corporate Policy, Insight and Improvement
- Head of Legal
- Head of Commercial and Partnerships
- Health, Safety and Risk Manager



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