Auditor's Annual Report on Solihull Metropolitan Borough Council

2022/23

March 2024

Contents

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.

Executive summary

Value for money arrangements and key recommendation(s)

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.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	Risk identified because the Council is primarily reliant on reserves to cover overspend	A	No significant weaknesses in arrangements identified. Improvement recommendations to consider include those raised last year and a reformed approach to reliance on reserves.	A	No significant weaknesses in arrangements, but improvement recommendations have been made	⟷
Governance	No risks of significant weakness identified	G	No significant weaknesses in the arrangements reviewed. Two minor Improvement recommendations have been made.	G	No significant weaknesses in the arrangements reviewed.	⟷
Improving economy, efficiency and effectiveness	The inadequate rating issued by Joint Targeted Area Inspection (JTAI) in relation to Children Services remains a key risk area to be addressed	R	The significant weakness highlighted last year remains. Whilst positive progress is being made, it is taking time to fully implement all the changes needed and so remains a significant weakness at this time.	R	One significant weakness in arrangements identified and one key recommendation made.	⟷

G	No significant weaknesses in arrangements identified or only minor improvement recommendation made.
A	No significant weaknesses in arrangements identified, but major improvement recommendation made.
R	Significant weaknesses in arrangements identified and one or more key recommendation made.

Executive summary (continued)

Financial sustainability

Solihull Metropolitan Borough Council has a good track record for delivering balanced budgets and 2022/23 was no different. Cost pressures are relieved early on through a Budget Strategy Reserve that has been sensibly built up to remove the risks associated with short-term decision making. In theory, more mature and robust saving initiatives can then be deployed to best effect and be sustained for the longer term. A longstanding cross-party approach to budget setting underpins the Council's approach in delivering balanced budgets. In recent times this has had to consider more closely the cost-of-living crisis and specific inflationary pressures.

It is worth noting, however, that the Council has been benefitting from windfall arrangements relating to the Business Rates Retention scheme. In recent years, the Council has consistently used this to top up the Budget Strategy Reserve (rather than build it into core income assumptions) and this onwardly supported the overall budged position by allowing for smoothing of the impact of emerging pressures over the MTFS period. Following on from central government approval, existing pilot arrangements for West Midlands authorities, and progressive devolution in the region, are being extended. These authorities continue to be able to retain all business rate growth applied for the next ten years. This decision has provided longer-term certainty to the Council to be able to consider this as core income in the year in which it is received – which the Council has started to do from the 2023/24 budget process.

For some broader context, at the 2023/24 provisional settlement, the government confirmed that authorities in Cornwall, Greater London Authority (GLA), Greater Manchester, Liverpool City Region, West of England, and West Midlands would retain an increased proportion of business rates in 2023/24. For the West Midlands this has been a reccurring annual confirmation carried out by central government under the pilot scheme. Other local authorities in England are required to pass 50% of all business rates received back to the central government for redistribution. In the West Midlands area, Birmingham City, City of Wolverhampton, Coventry City, Dudley, Sandwell, Solihull and Walsall councils are benefiting from increased business rates retention arrangements and have agreed in return to forgo the Revenue Support Grant (RSG) funding stream from the Department for Levelling Up, Housing and Communities (DLUHC).

As part of the Council's three-year budgeting approach, typically the Council would use reserves to manage the impact of changes in assumptions on years 1 and 2 of the MTFS, so that savings plans for year 3 can be properly planned. The Council is also intending on maintaining a minimum balance of £7.5 million on the Budget Strategy Reserve over the three-year Medium Term Financial Strategy (MTFS) period to help facilitate this which is explained in more detail later in this review.

There has been a tendency for use of surplus reserves to close budget gaps. We note that in the current financial year 2023/24 there has been a significant use of reserves to help maintain a balanced budget over the period with £24.293million being forecasted for use by the end of 2023/24. After this point, planned use of reserves reduces to £25.942million and £4.076million in 2024/25 and 2025/26 respectively. This will leave £36.768million of usable reserves to help manage financial risks. At the end of the MTFS cycle reserves are forecasted to be less than half the opening reserves balance of £103.4million (excluding COVID reserves) reported at 01 April 2022. The managed use of reserves is entirely appropriate but, based upon experience of other councils, Solihull must ensure that it does not become reliant on use of reserves to balance the budget at the expense of maintaining sufficient headroom to manage future financial risks. Where reserves are used in this way it is important that this is part of a strategy to deliver savings to bring the budget into balance in the medium-term.

From our review of Council records and performance, we have raised three improvement recommendations. See pages 21 - 23 for more detail.

Governance

Overall, the Council has maintained effective processes for monitoring risks, ensuring standards and behaviour, and facilitating efficient decision-making. However, our review of the governance processes has identified some areas where improvements can be made. These include:

- Reviewing the recording of risks in line with the planned improvements to the Risk Management Framework and Policy.
- Better efficiency in the formal following up and reporting of areas with no / limited assurance by Internal Audit.
- Providing comfort to a wider audience that key policies and legal documents are being regularly reviewed and are up to date.

It is observed that overall, the process in place at the Council are robust. However greater efficiency in the utilisation and follow-up of these processes and reviews is required to ensure best practice is being complied with.

Executive summary (continued)

Improving economy, efficiency and effectiveness

The Council effectively utilises benchmarking and financial information to inform its strategic priorities within the Council Plan and to improve performance across Directorates through monitoring.

At the end of May 2022, the Council upgraded their financial, Human Resources and Payroll systems from Oracle e-Business suite to Oracle Cloud which is a fully integrated Finance (including Accounts receivable, Payable and General ledger), HR and Payroll system. This required migration of data for the first months of the financial year from one system to another and to date it appears that the Council had managed the migration exceptionally well.

The Council has a good track record, generally, of working with partners. However, the recent report by Commissioner Sir Alan Wood identified that the Improving Outcomes for Children in Solihull board had little impact on practice and the joint approach to tackling multiple action plans was not effective and the aim of creating multi-agency ownership was unsuccessful to date. The Chief Executive of the Council determined that the Improving Outcomes for Children Board was not having the desired outputs and therefore took the decision to terminate this board.

In January 2023, Ofsted rated the Council's children's services 'Inadequate' and subsequent monitoring visits have found that although improvements are being made, there is still a long way to go. It is noted that the Council has approved the role of Birmingham Children's Trust (BCT) as its regional partner and has made considerable adjustments to its governance. However, a focus on the pace of change and implementation is required moving forward. It has also recently (December 2023) seen another change to its Director of Children's Services with the Council's Independent Scrutineer now appointed to the role. Encouragingly Ofsted's latest visit during 2024 reports early signs of social work practice improvements embedding

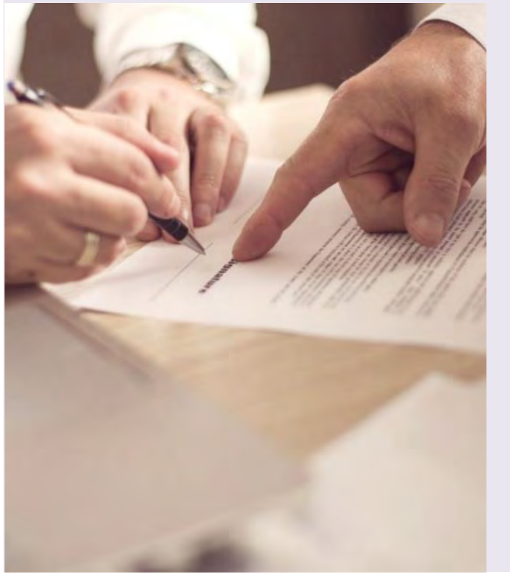
Taking all these factors into account, we have judged that the significant weakness that was identified in last year's Value for Money (VfM) audit remains, with a key recommendation that the Council ensures that it continues to engage with the Commissioner and BCT effectively, makes the investments required to embed the agreed Improvement Plan and regularly monitor and report against the progress being made.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 March 2024. Our findings are set out in further detail on pages 40 to 41.



Use of auditor's powers

We bring the following matters to your attention:

	2022/23
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.

Securing economy, efficiency and effectiveness in the Council's use of resources

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 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.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, 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.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 38.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

Key recommendation

Key Recommendation 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. *[Note: this recommendation has been updated from 2021/22 to reflect the current circumstances]*
Identified significant weakness in arrangements	In last year's audit (2021/22), it was identified that the Council had not made sufficient progress against its improvement plan and this year, it was again noted by the Commissioner and Ofsted that quicker and effective implementation of the recommendations is required by the Council. This key recommendation relates to that significant weakness.
Summary findings	After being subjected to a Statutory Direction by the Department for Education (DfE), from October 2022 to January 2023 the Council was subject to a review by Sir Alan Wood, a Commissioner appointed by the DfE. In January 2023, the Council's Ofsted inspection resulted in a rating of 'Inadequate' and subsequent monitoring visits have also highlighted that the improvement process will take time. Improvements have been made by the Council, but improvement requirements remain, and the pace of change during 2022/23 was assessed as not been quick enough to date. In March 2023, the Commissioner reported that the Council was taking definitive steps to improve its service but noted that a lack of stability in its workforce is contributing to progress being hampered. It is noted that the Council has approved the role of Birmingham Children's Trust (BCT) as its regional partner and has made considerable adjustments to its governance. However, a focus on the pace of change and implementation is required moving forward. We will formally review as part of 2023/24 work but we do note the latest monitoring visit in January 2024 (letter published 21 February 2024) observed that early signs of improvement are embedding and: • the presence of a permanent stable senior leadership team, heads of service and team managers had mitigated any upheaval for social workers, and • the continued commitment of the corporate leadership and support from the regional Ofsted improvement partner are supporting the new Director of Children's Services to take forward the improvements planned with greater pace.
Criteria impacted	Economy, efficiency, effectiveness
Auditor judgement	Based on the work undertaken to date here, we are not yet satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23. We have therefore identified a significant weakness in arrangements. A significant weakness remains regarding the pace the Council has addressed the significant recommendations raised from a regulator or inspectorate in Children's Services. At the end of 2022/23 there was concern that the Council was not structured in a way that could improve upon the rate of progress expected. This key recommendation relates to this significant weakness, and until the regulator advises that the service is no longer inadequate this will remain in place. The Council has taken the right steps by bringing in a stronger leadership team at the end of 2023, but this expertise still must effectively percolate and embed throughout the wider structure.
Management comments	The Council has responded to the most recent Ofsted letter published on the 26th February which saw improvements across a range of areas. The Council is under no illusion that the hard work being undertaken to improve Children's Services in recent months is now complete, but the Ofsted summary shows that we are on the right track, and that is the direction of travel that we are very determined to maintain, and whilst knowing there is still plenty more to do, it also shows how much work has gone into the improvements noted by the inspectors.

The range of recommendations that external auditors can make is explained in Appendix B.

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900million in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies.
- a failure to address and resolve relationship difficulties between senior officers and members.
- significant challenges associated with financial capability and capacity.
- a lack of compliance with procurement and contract management processes and procedures.
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)

Local context

The Council comprises 17 wards across three localities and is led by a Conservative administration, which as of May 2023, held 29 of the 51 seats and has been holding a majority of councillors since 2011. Solihull is the only Metropolitan Borough Council in England without any Labour Party councilors. Whilst the elected councilors decide the policies, council officers put them into practice.

On a per capita basis, Solihull has the second largest economy in England outside of London and the South-East and is therefore regarded as having one of the strongest subregional economies in the West Midlands (WM). Ranked in the 2nd top quintile nationally, it is also the least deprived upper tier local authority in the West Midlands (IMD 2019) with 76% of Solihull adults aged 16-64 in employment as of June 2022.

Whilst broadly speaking the Council is affluent both regionally and nationally, there is a rising demand on local services and there is a concentration of high deprivation in the northern locality. Specifically, the average rate of youth claimant unemployment across three northern wards of Chelmsley Wood, Kingshurst & Fordbridge, and Smith's Wood is 10.8% compared with 3.4% across the rest of the Borough and 6.1% for the West Midlands.

The Council is positioned right at the heart of the M6, M40, M42 motorway network providing many large businesses with a great location to benefit from these transport links. Some of the more established businesses and the region's best known strategic assets include Jaguar Land Rover, the NEC complex, Birmingham International Airport, and the Birmingham & Blythe Valley Business Parks. With significant geographic and infrastructure advantages, the Council is a key player to support and benefit from the West Midlands Combined Authority (WMCA) devolution deal made in 2015.

Building on ambitions set up in the 2022 Levelling Up White Paper, the government announced in March 2023 the agreement of further trailblazer devolution deals. This will enable the WM authorities to continue to retain all growth in business rates income for the next ten years, and has secured enhanced funding and flexibility to support more regeneration and housing. It has also helped create new Levelling Up Zones including North Solihull.

History & Status

Named after its largest town, the Council is one of seven boroughs/unitary districts that comprise the West Midlands region.

This 44,495-acre borough covers two parliamentary wards, Solihull, and Meriden after the merger of Solihull County Borough and most of the Meriden Rural District in 1974 and it has been a unitary authority since 1986 when the West Midlands County Council was abolished.

Since 2011, Solihull has formed part of the Greater Birmingham & Solihull Local Enterprise Partnership along with neighbouring authorities Birmingham, Bromsgrove, Cannock Chase, East Staffordshire, Lichfield, Redditch, Tamworth, and Wyre Forest.

Being home to some of the region's key economic assets, such as Birmingham International Airport and the NEC, Solihull is a gateway to the rest of the Midlands and was recently the home for the 2022 Birmingham Commonwealth Games.

Organisation & Population

The Council supports a population in excess of 200,000 (216,245 per 2021 Census) with circa 3,900 fulltime staff working in schools, and across five core directorate areas being: i) Adult Social Care; ii) Children and Education; iii) Economy and Infrastructure; iv) Public Health and v) Resources.

The population of the region is expected to grow by around 11% (23,800) by 2041 with recent growth being slower than what has been recorded nationally.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium-term financial planning

Overview

For 2022/23, the base net revenue budget set was £163.967million (excluding levies, working balances and the Dedicated Schools Grant) locally funded from retained business rates of £44.181 million and council tax income of £119.786 million. Council tax was increased by 3.89% in 2022/23 and this income continued to be the main core funding source for the Council.

Within the above, the budget for expenditure on council services (excluding levies, working balances and corporate reserves and the Dedicated Schools Grant (DSG)) totalled £170.093 million. The out-turn for the year was £168.288m leading to a surplus of £1.805m. This was offset by an unfavourable variation in the DSG Budget of £3.144m leading to an overall deficit in the Council's financial statements of £1.339m. As noted on page 17, in terms of setting council tax the Council is not yet required to recognise the DSG deficit which enabled it to make the proposed contributions to specific reserves and future years' commitments and therefore have a net £0 variance on the core council budget. The Council is required to hold the DSG deficit as a negative reserve.

There had been additional cost pressures in 2022/23 to mitigate, with a small proportion of this variance being subsequently reduced through savings and efficiencies and the rest funded through reserves. The Council has devoted a Budget Strategy Reserve for this purpose. To manage this, the Medium-Term Financial Strategy (MTFS) provides an overview on the impact of demand on key services and assumptions regarding income. This is aligned with the Council Plan, Corporate Capital Strategy, and Treasury Management Strategy, and presented together to members for final scrutiny before approval.

The MTFS assumed general inflation of 3.7% in 2022/23, which was applied to around £14million of spend. The Council also had £22million of longer-term contracts at the start of the year with annual inflation linked to the RPIX (Retail Price Index excluding mortgage interest payments). Taking this into consideration and ongoing pressures for social services, an increase in budget was necessary. The Council utilised £14.875m of corporate reserves in 2022/23 to support the budget.

With respect to the capital programmes, 2021/22 had an underspend of £14.4million which was rephased into the following year due to ongoing HS2 delays. These delays stem from temporary but significant affordability contribution caps imposed at Central Government level with solutions being worked on in collaboration with the West Midlands Combined Authority (WMCA) arrangement. Progress in these areas continue to be a challenge and the risks are listed on the risk register demonstrating the Council intends to continue forward with the capital investments identified within the Solihull plan.

The overall capital programme outturn for 2022/23 was £71.1million against a programme of £82.6m resulting in a variance of £11.5million being reported. This is spread across a range of schemes in motion.

2023/24 Financial Planning

For 2023/24, the base revenue budget was set at £199.250 million, reflecting a 21.5% increase in comparison to the 2022/23 budget. This increase was driven by an increase in business rate income that, together with an increase in council tax (charge, tax base and surplus), allowed the Council to allocate additional resources to children's services in particular, as well as funding inflationary pressures elsewhere.The latest MTFS is assuming general inflation on service contracts for 2023/24 will be 6% on at least £19million of spend and RPIX increases will be applied to a further £24million of long-term strategic contracts.

There also continues to be rising demand, particularly in adults' and children's services with councils needing to manage these funding pressures within their budgets. There is recognition of the national pressures facing adult social care, so local authorities are entitled to charge an adult social care precept on council tax. For Solihull, this will generate around £16.2 million of additional income but the Council is also responding to manage these longer-term revenue funding gaps by managing demand and exploring where costs can be reduced within the next three-years of budget setting. The Budget Strategy Group has been assessing the impact of these demand and cost pressures on future budget strategies.

Financial sustainability (continued)

Short and medium-term financial planning (continued)

As part of the 2023/24 budget, it was agreed to use £7.660m of the business rates windfall income generated in 2022/23 to top up the budget strategy reserve. In addition, it was agreed and as noted earlier that, all future windfall income from 2023/24 will be treated as core in-year business rates income. The Council is intending on maintaining a minimum balance of £7.5 million on the Budget Strategy Reserve over the three-year MTFS period. This is a reserve specifically earmarked to accommodate in-year budget pressures and is managed separately from the General Fund reserve.

We note that to maintain a balanced budget, £24.293million is being forecasted for use by the end of 2023/24. After this point, planned use of reserves reduces to £25.942million and £4.076million in 2024/25 and 2025/26 respectively. This will leave £36.768million of usable reserves to help manage financial risks. Accordingly, the remaining reserves at the end of the MTFS cycle are forecast to be less than half the opening reserves balance reported of £103.4million (excluding Covid reserves) at 1 April 2022 noting Covid reserves of £40.5million of which £27million relating to business rates were budgeted for use in 2022/23.

This demonstrates significant reliance on reserves currently to balance budgets. The Council's arrangements in prior years have put it in a position to enable it to do this and minmise the impact upon council tax-payers and services. As highlighted earlier, to bring the budget into balance in the medium-term, Solihull must ensure that it does not become reliant on use of reserves to balance the budget at the expense of maintaining sufficient headroom to manage future financial risks.

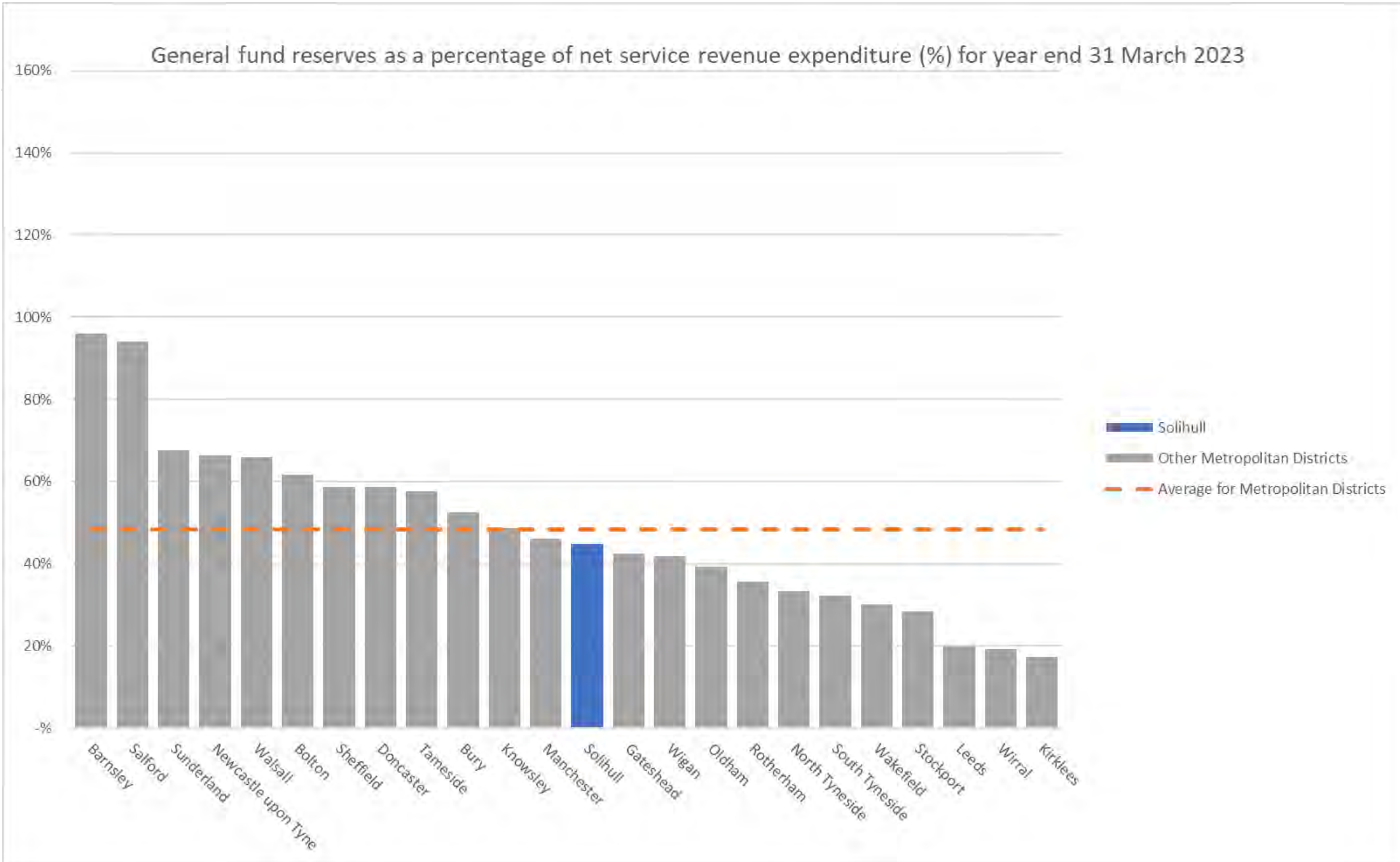
For a benchmarking perspective, we highlight in a chart on the next page where Solihull is placed in comparison to other metropolitan councils by considering the level of reserves in relation to net service revenue expenditure, which is just below the average at the end of 2022/23.

The continued use of reserves can be contrasted with the fact that only £4.235million of net savings have been targeted up to 2025/26 in the MTFS. For the longer term, and certainly over the next 10-years, given the pressures on council services nationally the funding gap could be more substantial. The recent (December 2023) local government settlement has also seen greater reductions in some grants than anticipated. The Council can meet these challenges through reserves and maintain the minimum £7.5m of budget strategy reserve balance it has set itself.

However, reliance upon reserves is unlikely to always be the answer and a more fundamental review is likely to be required to ensure services are thinking innovatively and considering and planning options should tough decisions be required to be made. Improvement recommendations are therefore made later in this report because there has been so much reliance on reserves.

The Council's performance against key financial and performance metrics is set out in this table.	2022/23	2021/22
Planned revenue expenditure	£164.0m	£151.3m
Actual revenue expenditure	£165.3m	£153.2m
Plannned captial spend	£82.6m	£107.9m
Actual capital spend	£71.1m	£93.7m
Planned savings target (recurrent/non-recurrent)	£3.5m	£2.8m
Actual savings delivered (recurrent/non-recurrent)	£3.2m	£2.8m
Cashflow movement for the year	(-£10.7m)	(-£5.3m)

Financial Sustainability (continued)



Note: From the data we hold, Solihull has just below the mean average percentage of general fund reserves in relation to net revenue expenditure for Metropolitan Districts. This percentage will have reduced throughout 2023/24.

This data has been obtained from unaudited financial statements for 2022-23.

Source – Grant Thornton Borrowing and Reserves Analysis tool

Financial sustainability (continued)

Identifying savings

The process for assessing savings has been consistent over the last few years with savings schemes initially assessed by Departmental Leadership Teams (DLTs) and cabinet members before inclusion within the MTFS and being reported to the Budget Strategy Group. The MTFS is then scrutinised and approved by the Cabinet but there are also layers of consultation to help refine this process before there is full final approval and a savings plan is accepted. The Aligning Resources to Our Priorities (ARTOP) board has a role in monitoring and effective delivery of savings agreed. The Council's approach to its budget planning process in recent years is to identify a combination of funding options, savings and/or mitigations in order to address service pressures or investment required in its services to align to Council Plan priorities.

ARTOP closely monitors the delivery of any budget savings and supports the management and mitigation of any anticipated shortfalls. The MTFS currently includes £5.6million of new savings identified for 2023/24 with a £4.1million target set for the budget for this period. The difference of £1.5million effectively represents the reversal of time-limited savings identified in previous years. Further savings of £1.9 million are expected to be delivered through strategic and structural options by 2025/26. The Council acknowledges there will always be uncertainty around whether any further savings will be required and for 2024/25 and 2025/26 this will be assessed once the funding envelope for those years is confirmed.

The Council's approach to its budget planning process in recent years is to identify a combination of funding options, savings and/or mitigations* in order to address service pressures or investment required in its services to align to Council Plan priorities. Savings beyond these pressures, especially since the recovery of the Covid pandemic has been, and remains, harder to achieve but the Council also recognises the need to continue identifying and delivering on-going savings opportunities in order to ensure financial sustainability. The presumed layer of protection available from having reserves built up some years before means the Council, unlike others, has not had to rush to identify significant new savings but it does still consider opportunities where savings are to be had.

One such target for the longer-term is with respect to the underutilisation of the main council office which has space for 900 members of staff but typically no more than 200 are on site at any one time. This seems to be a natural outcome and is more apparent as hybrid working looks to be a longer-term reality and in many instances is becoming the norm.

At the start of each MTFS cycle, the first few years are generally more reliant on reserves before a wider and more scalable savings plan is being implemented but this also ensures there can be a methodical approach more closely aligned to transformation ambitions where benefits can be sustained for the longer term. The idea is that the first few years enable the Council to develop a more mature savings plan rather than putting in place short-term fixes which may disrupt services prematurely or unnecessarily.

At this stage, the rather modest value of savings sought means that variance analysis within the core central suite of documents is not that detailed or prominent. If the presentation in this area was more advanced, it would be fair to expect that reports demonstrate what challenges there have been in achieving saving targets set. There would also be more clarity regarding the outcome from subsequent deep reviews when savings are not being delivered.

**Mitigation are with respect to efficiencies/budget savings identified by departments which are incorporated into their base budget rather than separate savings plans.*

With the rate at which the Council has recently been drawing down on its reserves it becomes more important in having a robust savings plan is in place. As noted in the following pages, there are significant increases in spend on both the Adult and Children Social Care services to contend with too so saving targets alongside the potential for service re-design should be considered an increasing priority.

	2023/24
Planned savings	£4.1m
Planned savings as a % of income	0.9%
Planned savings (recurrent/non-recurrent)	Split between recurrent and non-recurrent not stipulated
Planned saving schemes rated amber/green	Demonstrably green rated – ongoing assessments throughout the year

Financial planning and strategic priorities

In the previous year, we highlighted that the Council had a deficit on the Dedicated Schools Grant of £13.2 million which was forecast to increase to £16.8 million by 31 March 2023. The actual position was a £16.4m deficit. A deficit here is not unique to the Council with many others having significant deficits currently. However, whilst the Government has extended the statutory override which currently enables the Council to carry forward this deficit up until 2025/26, if it is not extended beyond that date the Council would have to fund this from its own useable revenue reserves from 2026/27.

This would be a significant issue for the Council as it has materially less reserves than it had a few years ago. If this was to materialise, the reserves would be at risk of being below best practice levels as a proportion of the net revenue budget. We re-highlight that the Council has responded to a Department of Education (DfE) consultation in August 2022 with: "Continuation of the statutory override is essential to avoid a detrimental impact on vulnerable residents and / or the potential issuing of a S114 notice."

Over the last 2 years, as noted previously, Children's Services has been the most significant financial challenge for the Council and budgets have been substantially increased to support the necessary improvement and transformation in this service area.

Financial sustainability (continued)

Financial planning and other operational plans

The Council delivers a balanced MTFS annually with this currently being achieved by use of available reserves to close funding gaps. Materially, the focal points for the Council have been on how Children Social Care is appropriately improved and structured moving forward and the investment needed to support this. Adult Social Care has also been under more pressure with increasing demand and managing the impact of continued increases in the National Living Wage.

The MTFS provides clear visuals of the key cost components relating to each directorate and a constellations overview in the Council Plan brings to life the split of the total revenue budget by service line with this going more granular to show the makeup of these. This overview encapsulates what has been set out in each of the following:

- Council Plan 2020 - 2025
- Health and Wellbeing Strategy, 2019 - 2023
- Tackling Health Inequalities, 2022 – 2025
- Net Zero Action Plan
- Adult Social Care 5-Year Plan 2022 - 2027
- Solihull Local Plan
- Solihull Economic Strategy 2023 – 2032

Fuel and energy cost pressures have been under close review but also as an opportunity to explore and deliver on developing a Low Carbon Energy Network for Solihull Town Centre. The intention is that this will be providing affordable low carbon energy to existing occupiers and for the new town centre development, supporting Solihull's net zero carbon ambition. The Council has achieved a lot in this space with its response to net zero and climate change and is rated as one of the nation's highest performing local councils when it comes to having a strong and robust climate action plan in place, ranking 5th out of 409 local authorities in the UK, and 2nd amongst single tier local authorities from the first assessment made by Climate Emergency UK.

Managing risks to financial resilience

Council members have been involved with risk management through the Budget Strategy Group and have considered assumptions made in this regard through the MTFS and on the Corporate Risk Register. These have been informed by an assessment routine which considers both service specific risks and the risks for each major project. Each directorate has responsibility for a risk register specific to their area with service specific governance leads presenting to the Directorate Leadership Team each month.

For each year of the MTFS cycle, the Council routinely applies a pay award provision with any additional in-year cost funded through the Budget Strategy Reserve being approved after reporting to the Budget Strategy Group, All Members' Seminar and Resources and Delivering Value Scrutiny Board.

For 2022/23, the pay award agreed between local government employers and trade unions elevated the increase to 5.45% which translated into there being a £2.89 million under-provision. We also observed that the provision for future years assumed standard inflationary rates apply with 2% increases being budgeted for. Given inflation is currently running at close to c.5% and is not expected to reduce to 2% for some time, all considered this assumption now appears unrealistic and should be revisited. That said, we do appreciate that the budget reports were reliant on OBR forecasts for what had been modelled.

Adult Social Care

Councils are facing key challenges including:

- The lack of transparency in future funding.
- Increasing demand (and complexity of that demand) across all care cohorts (older persons, learning disability and mental health).
- Increasing prices charged by care providers (due to wider inflationary pressures, difficulties in recruiting care staff and the impacts of the Government's recent Fair Cost of Care Exercise); and .
- Lack of capacity to transform its services to meet the increasing challenges ahead.

As a result, Adult Social Care at the Council is one of the highest risk areas of performance. That risk has only increased further from 2021/22.

At the end of 2022/23, a small overspend against budget in the Adult Social Care directorate was balanced through use of £0.028million of directorate reserves. For the Public Health directorate, this reported a favorable variance of £0.305 million, part of which was carried forward and part contributed to reserves. Meeting care needs of the Council's service users have increased both in terms of numbers of service users and the average weekly cost of each care package. The year-on-year increase in budgets fairly represent these trends to accommodate this.

The additional costs associated with this increased demand have primarily been provided for through an uplift in council tax rather than being offset with planned savings in this directorate. Savings targets set for 2022/23 for all directorates were not substantial in terms of £ value.

Financial sustainability (continued)

However, delivery of savings in Adult Social Care is increasingly challenging for all Tier 1 councils whilst managing increasing demand and inflationary pressures. In the short to medium term, if this trend continues alongside demand and inflationary pressures, it would pose a significant risk to the overall financial sustainability of the Council.

The result is the future of Adult Social Care into 2023-24 and beyond is challenging. Beyond the issues noted above, the Council is having to grapple with continuing pressures in the Health system which impacts social care including discharging pressures from acute wards into residential and nursing care homes.

The continuing trend of more placements/packages combined with higher unit costs per placement/package that the Council has faced in recent years is unlikely to reduce in either the short or medium term.

This is all due to wider demographic trends in the Council's area (an ageing population living longer with more complex health and social care needs), an increasing proportion of the Council's younger adults population presenting with complex mental health conditions and/or learning disability needs (many of whom are transitioning from Children's services) and care provider markets facing their own financial pressures due to wider inflationary pressures and workforce shortages resulting in material fee uplifts for the Council.

Medium to long term financial planning in Adult Social Care has also been constrained by wider sectoral uncertainty. This includes the delays to some Social Care Reforms (in particular, Charging Reform), the new Care Quality Commission (CQC) assurance framework for Adult Social Care and the rollout of Integrated Care Systems. The financial sustainability of demand led services, in particular Adult Social Care, continues to be identified by the Council as a key priority area of focus.

For 2023/24 the ASC precept applied to residents' council tax bills was increased by 2%, generating total precept income of £16.207million (£2.561million more than in 2022/23) to support the net budget for ASC of £66.740million.

Despite this additional investment, the Council is projecting there to be an overspend of nearly £3.3million in Adult Social Care for 2023/24. This is after mitigations totaling £3.8million taking effect, but before planned use of and transfer to reserves and any further mitigating actions in-year.

Ongoing pressures to Adult Social Care is being driven by several factors including:

- Lower attrition rate in service users exiting care (i.e., the Council is providing, or funding, care to service users for longer now on average).
- The outcomes of annual reviews of service user needs (a statutory requirement) resulting in material increases. Again, this is the result of many factors, but they include backlogs in knee and hip replacement surgeries, people discharged from hospital with higher needs than historically, and higher rates of carer breakdown post COVID pandemic.
- Whilst the number of young people transitioning from Children's services to Adult Social Care has remained steady, the average cost of each package has increased materially due to wider inflationary pressures and a shortage of value-for-money placements.
- Care market inflationary pressures above budgeted increases.

These are all structural pressures resulting in the current forecast overspend in Adult Social Care. They are unlikely to reduce or stabilise materially in the short to medium term for the reasons previously noted in this report.

The directorate does have several mitigating plans to better manage these pressures in the future and have introduced their new 5-year workforce strategy for 2022 – 2027 called 'Great Care, Great Careers' with focus being on recruiting, developing and retaining a skilled workforce with three themes to the strategy being:

- Being Valued
- Recruitment Support
- Transport Solutions

However, it is unlikely that these plans would either fully mitigate the current forecast spend in 2023/24 nor meet the financial challenges going forward if demand and inflationary pressures in care markets continue their current trajectory.

Financial sustainability (continued)

Childrens Social Care

Councils are facing key challenges including:

- An increase in the number of Children-in-Care (CiC or otherwise known as Looked After Children (LAC)). This is the result of wider societal challenges including increasing deprivation, domestic violence, substance misuse and mental health needs.
- Changing CiC placement mix to more expensive ones such as Independent Fostering Arrangements (IFA's) and external residential placements due to a net reduction in in-house foster carers and increase in young people's challenging behaviors.
- Significant increases in the weekly costs of external residential placements for CiC: and
- Increasing costs in Special Educational Needs and Disabilities (SEND) service delivery, including SEN Transport.

As a result, Childrens Social Care is one of the highest risk areas of performance for most councils. That risk is particularly acute in the Council given the Ofsted inspection in November 2022 which rated the service as Inadequate and the appointment of a Children's Commissioner, Sir Alan Wood.

At the end of 2022/23, budget overspends were part funded by complete utilisation of the available £2.5m Children's Services Risk Reserve during the year. This left a net overspend of £5.781 million, which was funded from reserves. After a year-end realignment of the 2022/23 service line budgets there was no overspend in the Children and Education Services directorate reported and this led to a net favourable variance of £0.074 million which is being carried forward to meet future commitments.

Over £25million of extra funding has also been committed to Children's Social Care over the next three years partly in response to the Ofsted inspection and to deliver all the required improvements in the service noted in the report. This is on top of a 82.6% increase in spend in Children's Social Care since 2017/18 which has resulted in the Council being one of the highest spenders – on a per child population basis – in England.

This significant increase in spend has been primarily driven by an increase in CiC placements. Over the period March 2020 through to December 2022, the Council reported the number of CiC placements had increased from 391 to 515 (for comparison purposes, this is a very high increase in a national context) with 20 of these most expensive placements now costing on average £344k per year (£6.6k per week).

As a result, for 2023/24, the Council provided significant additional gross investment to the Directorate resulting in a net budget of £49.774 million. Despite this additional investment, the Council is currently projecting an overspend of £5.574 million in Childrens Social Care for 2023/24.

Given the current Ofsted rating, the substantial improvement work required as a result, the current forecast material budget overspend in 2023/24, the £25m of extra funding being provided to the Directorate over the next 3 years, Children's Social Care is posing an increasing risk to the overall financial sustainability of the Council.

Unless the Council can both deliver all the improvements needed to Children's Social Care from a value-for-money perspective whilst at the same time effectively and appropriately managing demand (especially CiC placements) in the short-to-medium term, this increasing risk may escalate to become a significant weakness to the overall Council's financial sustainability.

Financial governance

Annual budget setting

The Council operates a three-year rolling budget cycle and the MTFS reporting up to the end of 2023/24 was initially approved by Full Council in February 2021. As part of the rolling budgeting approach, the budgets for 2022/23 and 2023/24 were both reviewed and updated prior to approval at Full Council sessions in February 2022 and February 2023. The MTFS follows a logical structure by first considering objectives, then assessing drivers for demand spread across the service lines but also from a more regional and economical perspective. It then touches on the resourcing / funding available followed by a full rounded risk management assessment response with these assumptions being the backbone for the 2022/23 budget preparation. All managers with financial budget responsibilities are given financial management training to ensure all expenditure is evidenced, validated, and justified.

The MTFS provides a level of financial planning analysis with assessment on what is realistic and what is achievable whilst considering a range of scenarios to address where there may be too much perceived uncertainty. This alongside supporting strategies are approved by the full council and cabinet between late February and early March each year.

For 2022/23, the approved revenue budget increased by 8.1% to £163.967 million compared to 2021/22 (£151.372 million). The budget was to be funded from retained business rates of £44.181 million and council tax income of £119.786 million catering for both discretionary and statutory spending. Council tax funded some 73% of the net revenue budget in 2022/23 having experienced a sustained period of growth in the council tax base in recent years. It is assumed that this will continue, albeit at a slower rate indicatively at 0.5%. The 2023/24 budget represented an increase of c20% over the 2022/23 budget, largely as a result of an increase in retained business rate income of nearly £28million with the majority of the rest of the increase coming from council tax income.

One of the most prominent pressures to the budget had been to accommodate the priority strengthening and improvement work needed for the Children's Social Care following the Joint Targeted Area Inspection (JTAI), the Ofsted inspection and to address the recommendations from the Children's Commissioner appointed.

The approved substantial investment is split between service and non-payroll cost and there will now be additional funding of £25 million spread over the next three years with; £8.9 million committed in 2023/24 and 2024/25, and £7.4 million budgeted for in 2025/26. This uplift reflects the investment needed and is set to continue for the next few years to resolve and restructure this area accordingly.

Another pressure for the Council is supporting a workforce of near 3,900 which cost £215.5 million* inclusive of employee benefit expenses in 2022/23. With pay awards exceeding what had been provisioned for, there is potential for over-reliance on use of budget strategy reserves available. For 2023/24, the Council has continued to operate its long-standing cross-party approach to budget setting as it has done for many years with the Budget Strategy Group, with this still being informed by the MTFS with the most up to date financial position and run rates** conveyed.

The budget process for assessing savings has been consistent over the last few years with pressures and savings schemes initially assessed by Departmental Leadership Teams (DLTs) and cabinet members before inclusion within the MTFS and being reported to the Budget Strategy Group. The MTFS is then scrutinised and approved by the Cabinet but there are also layers of consultation to help refine this process before there is full final approval and a savings plan is accepted. The Aligning Resources to Our Priorities (ARTOP) board has a role in monitoring and effective delivery of savings agreed.

It is worth noting that this Council has an increasingly transparent approach by publishing forward plans of decisions being considered at least three months away and they have introduced a webcast for all Council, Cabinet, Scrutiny Boards and other Committee meetings where persons can also subscribe to updates via email.

**for avoidance of doubt, the £215.5 million is the full employee cost to the Council and this straddles both revenue and capital budget areas.*

***Run rates refers to current financial information as a predictor of future performance. A run rate assumes that current conditions and trends will continue.*

Financial governance

Budgetary control (cont'd)

Solihull Council has a proven record for delivering balanced budgets, but in recent years this is often achieved with use of reserves to balance and relieve cost pressures. To address this in part the Council have built up a Budget Strategy Reserve to smooth short-term fluctuations while structural changes are made, and this protects against non-delivery of targeted savings as well as managing any shortfalls against grant or business rates projections.

For the 2022/23 budget, the plan was to increase the Budget Strategy Reserve from £5million to £7.5million. To do so, there have been windfall sums on growth arising from a pilot Business Rates Retention scheme which has been in place since 2017 that had not been part of the core income. For 2022/23, £8.6million of windfall sums utilised were derived from monies received from the prior financial year to help deliver a balanced budget.

Originally HM Treasury had indicated that the Business Rates Retention scheme arrangement for the West Midlands would continue for an additional year and potentially longer than that. This is why the Council has up until now prudently assumed that it would not treat any windfall sums as core income for the year in which it was received. More recently there has been official confirmation that this will be extended for 10 years enabling the Council to be more confident in treating this as core income moving forward to support the overall budget position.

The Council currently produces a cash flow on annual basis rather than a rolling basis. The latest cashflow forecast managed by the Council therefore only reports up to the end of the financial year for 2023/24. The Council is of the view that there is limited benefit in moving to a rolling basis given:

- the cash flows have historically been fairly consistent year on year,
- the Council's investment portfolio is currently kept short with no maturities past the 31st March 2024., and
- actuals are reviewed in compiling future cash flow iterations or to revise shorter term versions which are maintained on a day-to-day basis.

This approach is not in line with practices we see in the majority of our clients and whilst the profile or payments and receipts might be fairly uniform and predictable we do not believe this is a robust approach to forecasting and reporting a minimum of 12 months out is advisable. The Council currently produces a cash flow on an annual basis and the latest cashflow we have seen reports up until 31 March 2025.

Local Taxation

Local government revenue spending is generally funded from three main sources being council tax, Revenue Support Grant (RSG) and a share of business rates income. We note that Solihull Council does not receive RSG*. For 2022/23, the Council's share of the retained business rates income and expenditure increased by £25.771 million compared to 2021/22. For context, we note that this increase in 2022/23 was largely due to a reduction in the reliefs awarded by central government, which were particularly high in 2021/22 following the Covid-19 pandemic, resulting in the Council retaining a higher share of business rates income in 2022/23.

This Council has some added assurance in the form of the windfall from business rates retention available to councils in the pilot for the West Midlands. As with other councils it has also opted to increase Council Tax rates to what is allowed noting that 'Council tax remains the most significant source of income for Solihull, funding 66% of the net revenue budget in 2023/24.'

Additional to the standard council tax, the Council can apply a 2% increase to the adult social care precept. The maximum increase which can be applied has been forecasted to occur each year up until 2025/26. This is aligned with expectations from figures published in the Autumn 2022 Statement.

Note:

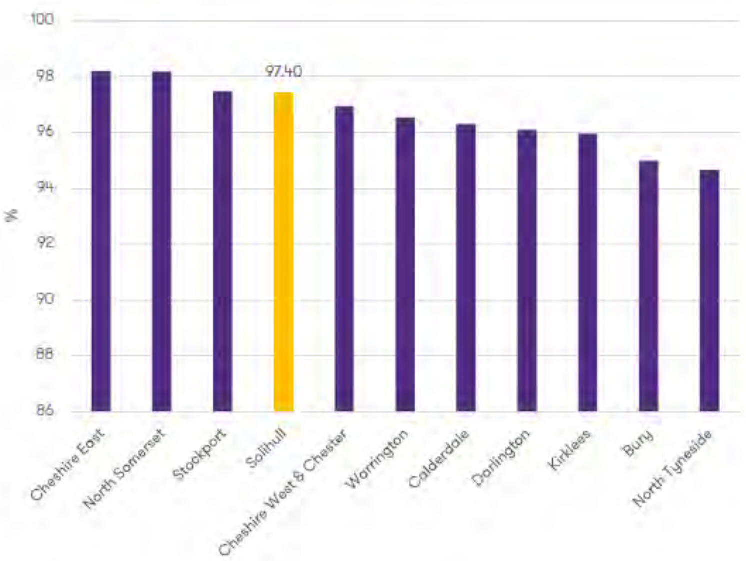
** As Local Authorities in the West Midlands retain an increased proportion of growth in business rates, Solihull Metropolitan Borough Council foregoes the revenue support grant.*

Financial governance (continued)

Local taxation

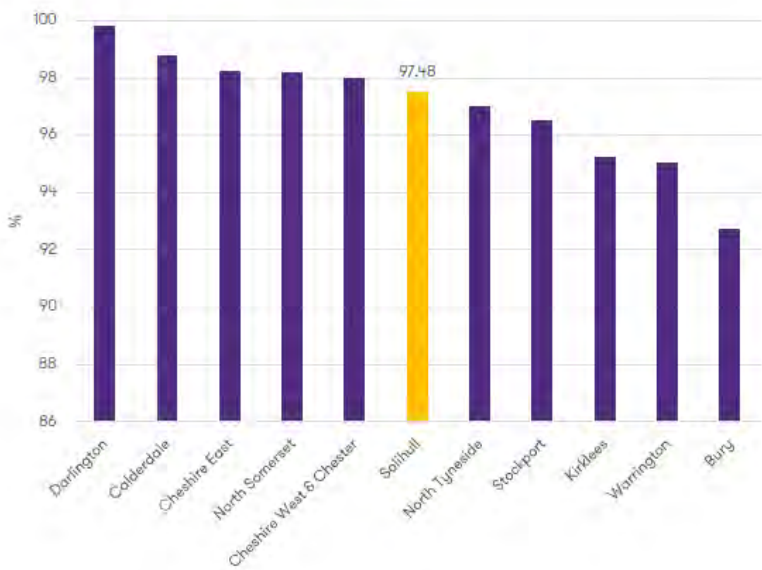
Council tax

The bar chart below shows the 2022/23 council tax collection rate of Solihull and its near neighbours. Solihull has the fourth highest council tax collection rate at 97.4%, which would be considered high compared to the near neighbour group.



Non-domestic rates

Non-domestic rates of collection in 2022/23 for Solihull and its near neighbours can be seen in the bar chart below. Solihull has the sixth highest non-domestic collection rate compared to the group at 97.48%. This would be considered average in comparison to the near neighbour group.



The charts to the right show that Solihull has one of the higher collection rates for Council tax but is slightly lower than the median average for collection of non-domestic rates when comparing to other similar sized Metropolitan Districts.

This data has been obtained from unaudited financial statements for 2022-23.

Source – Grant Thornton – Insight Pack

Improvement recommendations

Improvement Recommendation 1	The Council should ensure that in the light of ongoing economic volatility and uncertainty over the future of government finances, that it regularly reviews the level of useable reserves available to manage future financial risks. As part of this, the Council should look to remove the use of general reserves in future years of the MTFS and instead identify additional saving opportunities. The Council should also consider the need to replenish reserves to further strengthen financial resilience in the context of the significant reduction in available reserves in 2022/23 and planned for 2023/24.
Improvement opportunity identified	Directorate areas might not be exploring savings and efficiency opportunities vigorously as they have had the ongoing flexibility to bridge budget gaps by use of reserves. Planning a more challenging savings target in both quantum and scale would encourage the Council to progress a more mature savings program.
Summary findings	The Council is currently forecasting planned use of reserves which will see the balance reduce to £36.678million by the end of March 2026 having previously held £103.4million at the end of 2021/22. Since 2021, the Council has drawn upon over half of its reserves to achieve a year-on-year balanced position. We also note that in addition to the opening balance recorded above Covid reserves of £40.5million, of which £27million relating to business rates, were budgeted for use in 2022/23 and this managed use of reserves is appropriate.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council will consider this recommendation as part of the work that it will be doing to address the funding gaps that it has for 2025/26 and 2026/27 ahead of the start of the new budget planning cycle for the next three years MTFS. Reserves forecasts are and will continue be reviewed and updated regularly (at least quarterly) in line with the quarterly reporting to Cabinet portfolio holders and Cabinet as well as the regular reporting to Directorate Leadership Teams and Corporate Leadership Teams.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2	The presentation of new savings could be clearer to distinguish between what has been targeted and how much has been delivered to date. The value of new savings sought should be reported on a consistent basis throughout excluding sums (non-recurrent or under-delivery of savings) being reversed from the prior year.
Improvement opportunity identified	The savings value in each financial year reported on the MTFS should show this split between recurrent and non-recurrent opportunities. It should also be clear what savings were identified in the last financial year and what are fresh new opportunities being worked on by each directorate. Reversal of one-off savings or under-delivery of savings from previous years should not cloud or confuse new savings being sought. A more sophisticated high-level dashboard view specifically for savings would provide a lot more clarity on what is being targeted, what has been achieved to date, and what the enduring impact is intended to be. From this a success scorecard could be established for each area to demonstrate what has been achievable but also to help improve knowledge share on the approach to identifying and implementation of viable savings.
Summary findings	The savings reported are sometimes disclosed as the in-year target and sometimes net of one-off savings being reversed from the prior year. There is limited clarity on the value of savings achieved on a discrete financial year basis or what proportion of the budgeted savings are recurrent versus non-recurrent.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council will take account of these comments in the reporting of savings targets delivery from 2024/25 onwards. We are satisfied that previous years reporting of savings and mitigations has been transparent and links back to the original presentation of the savings as part of the MTFS. Clearly if the amount of savings being required becomes a greater proportion of the Councils financial presentation, then the reporting on the delivery of savings will be proportionate to that, as it was in previous years, namely prior to 2019/20 when savings targets and delivery was more substantial.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3	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 opportunity identified	The cashflow forecast should be extended to ensure the Council is consistently forecasting more than 12 months beyond the current position with an indication of the balance/s belonging to other group companies. This reporting could also be linked back to a dashboard view for forecasting the replenishment or draw down of reserves over the same term.
Summary findings	Whilst we understand that a forecast covering the 2024/25 financial year was produced near the end of 2023, this was for that set period and the forecast being used for cash management during 2022/23 only extended up until 31 March 2023. The profile of payments and receipts might be fairly uniform and predictable, but this is not a robust approach to forecasting and reporting a minimum of 12 months out on a rolling basis is advisable.
Criteria impacted	Financial sustainability; Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council have accepted this recommendation and will re-present the cashflow forecast on a rolling 12-month basis for future periods. We wish to clarify that the 2024/25 forecast was produced in September 2023, at which point the whole of the 2023/24 forecast was available plus the whole of 2024/25.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management

The Council, overall, has implemented effective measures to monitor and evaluate risk at both Directorate and Corporate levels. The Corporate Leadership Team assumes accountability for overseeing the Risk Management Policy and monitoring arrangements. Furthermore, the Audit and Risk Committee receives quarterly reports on risk management. Additionally, the Cabinet receives reports on risk management, which includes an annual update on the Council's corporate risk register.

The annual risk management update for 2022/23 was presented in June 2023. The audit report has identified 14 primary corporate risks as of the report date. Compared to the previous year, the total number of corporate risks had increased due to the identification of additional risks in relation to Children's Services and the Council's capacity to attract and retain staff. The risk of keeping residents safe in high-rise buildings remained an identified risk. Furthermore, a new risk was added to recognise the Council's responsibility as a landlord and regulator under the Building Safety Act 2022.

It is noted that there are several risks that have been on the risk register for over 5 years and remain in place. Although progress is being reported against the risks and mitigating actions are proposed, it is observed that there are instances where the risks are becoming a reality and are / have evolved into live issues. Our view is that developing a process that distinguishes or flags which risks are also on an issues register, which is supported by an action plan to deal with these live issues is an improvement area. Further follow up with the Council's Risk Manager verified that the ASC directorate are using a process to record issues which are kept separate from risks. It was also clarified that whilst there are long-standing risks present on the register, e.g. Information security and MTFS pressures, the Council are assured these risks are valid and are being actively managed, with regular reviews by the Risk Owner, and oversight and scrutiny by CLT and DLT's.

Internal controls

The internal audit function is performed by the Council's employees, who possess sufficient resources and are effective in their roles. The internal audit team provides quarterly reports to the Audit Committee, which includes a summary report and more detailed reports when necessary.

Detailed reports are presented whenever an unacceptable outcome or score is identified, usually classified as levels 4 or 5 on a scale of one to five. In addition, the Audit Committee receives an annual Internal Audit report, which summarises the work for the year and offers an opinion on the level of control. Per the internal audit report for 2022/23, the Council received five Level 4 or Level 5 ratings with Level 5 meaning no assurance has been given. These were in:

- Warning Markers (Level 5)
- Bereavement Services (Level 5)
- St Alphege School (Level 5)
- Hays Agency Contract (draft Level 4)
- Haslucks Green School (Level 4)

A follow up is due for each of these in the last quarter of 2023/24. To address some of this, from the risk register it is apparent that there is a general need for there to be more focus on; joining up corporate processes, increasing the regularity of management reviews and uplifting the guidance available to improve buy-in to support compliance and common ways of operating.

In the previous year three areas were issued with a Level 4 or Level 5 assurance score. With delays in implementation of recommendations, resource availability or timing of reviews a follow up did not happen by the end of 2022/23:

- Music Service (Level 5)
- Children's Liquid Logic (Level 4)
- Catering (Level 4)

At the time of writing this report the follow up review of the Music Service is in draft, LiquidLogic has been finalised and Catering is in progress. We recognise that the Council has a real time system for monitoring progress against recommendations that senior management and internal audit can monitor and updates to Members are provided in monitoring reports to the Audit Committee.

Governance (continued)

In these cases, management had not implemented the recommendations within the timeframes so, in Internal Audit's view, there was little value in sending in auditors to confirm what was already known and the assurance level would remain unchanged. Whilst we understand the reasons for the delays in following up these reports the responding to risks by management in a timely manner and reporting of this, so as to inform and update the annual report for the following year, would improve governance. Where there have been delays to implementing recommendations, a summary review would serve well to ensure momentum is gathered going forward by the area where assurance is lacking. We have noted this but determined no recommendations in this area are required at this time.

Audit Committee effectiveness

The Audit Committee's objective is to offer impartial assurance regarding the sufficiency of the risk management framework and associated control environment, as well as to conduct impartial scrutiny of the Authority's financial and non-financial performance, to the extent that it impacts the Authority's risk exposure and weakens the control environment. The Committee is authorised to make recommendations to the Governance Committee or full Council; however, it has no direct decision-making authority. The Constitution and responsibility for the Council's Code of Conduct for Councillors and promoting the highest standards of ethical conduct, falls to the Governance Committee.

The Audit Committee performs the scrutiny function in this arrangement and comprises of elected and independent members, with an independent member serving as the Chairperson. Grant Thornton attends these meetings to observe if officers are being appropriately scrutinised, particularly in instances where internal audit reports highlight areas that fail to meet the necessary standards or when new risks are added to the Corporate Risk Register. Attendance at Audit Committees throughout 2022/23 did not highlight any governance issues.

As previously mentioned, the Internal Audit team report quarterly to the Audit Committee. The Internal Audit opinion per the annual report for 2022/23 is moderate assurance.

For 2022/23 there were three reviews that had no assurance and three reviews with limited or no assurance from the previous year that still require review. The Council follows up on such areas to ensure progress is being assessed and monitored.

Council decision making and oversight

The Council's decision-making process is regulated by the Constitution. The Constitution was last reviewed in 2015.

To ensure appropriate challenge, relevant information is provided to decision-makers before major decisions are made, and the Council has a forward plan that outlines the key decisions scheduled to be made.

The Directors or Cabinet Members are acknowledged as decision-makers in line with the relevant committee's authority delegations. Before Cabinet meetings, the relevant author prepares reports, which are then approved by the directorate head.

This permits the head of service/directorate to provide all necessary information and subject it to review and scrutiny prior to its submission to Cabinet/Scrutiny. The Cabinet members are then informed about the report's contents, and a decision is made accordingly.

	2022/23	2021/22
Annual Governance Statement (significant control deficiencies)	None	None
Head of Internal Audit opinion	Moderate Assurance	Moderate Assurance

The Council's performance against key governance metrics is set out in the table above.

Governance (continued)

Monitoring and ensuring appropriate standards

The Council has an internal legal team that provides professional guidance whenever necessary. This guarantees that monitoring is in place to comply with legislation and regulatory standards. The Code of Conduct includes regulations and regulatory standards that are communicated to staff. During the year, no significant non-compliance issues with the body's constitution or regulatory standards were identified. The Code of Conduct includes provisions for procuring or commissioning services by the Council.

The Annual Governance Statement emphasises the ethical framework that is supported by the Code of Conduct for Councillors, Code of Employee Conduct, Resolution Policy, Whistleblowing Policy, Anti-Money Laundering Policy, Counter Fraud and Corruption Strategy, and Prevention of Bribery Policy. These policies are backed by processes that permit reporting, investigation, and action on any violations.

The Council has set guidance for gifts and hospitality for members and staff. This is also true for declarations of interest. As of August 2023, all declarations of interest, gifts and hospitality were recorded in an online database.

It is noted that; i) the Constitution for the Council as published on its website stated that it was last amended in 2015, ii) the Whistleblowing Policy was updated and approved by the Governance Committee in January 2023 with previous version being from 2018., and iii) the latest revised Code of Employee Conduct was approved by the Governance Committee in November 2022.

As the public landscape is ever changing and major events such as the Covid-19 pandemic have occurred in this time frame, it is recommended that reviews of such key documents and arrangements are done more frequently than they are currently. This is to ensure that they are both current and effective.

It is also noted that not all external posts held by staff were recorded in the register and it is advised that the Council ensure there are frequent reminders circulated to staff to ensure that declarations are kept up to date.

Climate Change and Net Zero

Solihull has a Net Zero Action Plan to reach the Council's net zero target by 2030 and the Borough's 2041 target, as well as a commitment to net zero targets in its Economic Strategy. Climate Emergency UK conducted a nationwide assessment of local authority climate action in 2021. The Council was rated as one of the highest-performing councils with a strong and robust climate action plan. SMBC ranked 5th out of 409 local authorities in the UK and was 2nd amongst single tier local authorities. The Council prepared an evidence pack to support their submission to the 2023 Climate Emergency Scorecard process, which includes the embedding of net zero in the Council Plan, Annual Report, and Draft Economic Strategy. The Council convenes a monthly CPH Climate Change and Planning Decision Session, which is responsible for various climate change strategies, including but not limited to:

- Climate Change Prospectus & Net Zero
- Energy Strategy & framework
- Air Quality Strategy
- Delivery of Retrofit/decarbonisation of housing stock
- Landscape & Biodiversity

Improvement recommendations

Improvement Recommendation 4	To reduce the possibility of the Corporate Risks, and particularly progress in reducing risk, being misinterpreted more context should be given about: • how risks are being logged • how risks are being resolved. • recognition of which risks are a current issue. • how risks are being tracked. • which risks are controllable, and which are not.
Improvement opportunity identified	The Council should consider introducing a risk management flowchart to demonstrate that all areas are adhering to an effective approach with a common understanding of what the lifecycle of a risk is. This would help promote knowledge share across the Council teams and ensure actions necessary are being taken with progress monitored against a standardised reporting structure. An impact-likelihood matrix dashboard such as a constellation chart visual on risk would also be useful for assessing the spread of risk by directorate and whether these are controllable or non-controllable risks.
Summary findings	We noted that there are several risks that have been on the risk register for over 5 years and remain in place. Although progress is being reported against the risks and mitigating actions are proposed, it is observed that there are instances where the risks are becoming a reality and are / have evolved into live issues. Children Services is the clear area of concern and without having the right context, incorrect and perhaps unfair conclusions could be made regarding recent progress and the way this has continued to be managed. There are also some risks regarding delivery ambitions which are not necessarily controllable as success is purely dependent on central funding. Longstanding risks on the risk register are presented with causes and potential consequences of the risk. Mitigating actions are stated along with action progress. However, it is observed that some risks are not necessarily risks, but rather situations that have materialised and are now real time issues. Further follow up with the Council's Risk Manager has clarified that the RM Framework and Policy is currently under review which will make changes to the risk scoring methodology to improve the granularity in the risk scales, this will also be linked to a revised risk appetite setting.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council will consider this recommendation as part of the planned review of the Risk Management Framework and Policy. In terms of some risks being on the risk register for over 5 years, we wish to clarify that the Council are assured these risks are valid and are being actively managed, with regular reviews by the Risk Owner, and oversight and scrutiny by the Corporate Leadership Team and Directorate Leadership Teams. An issues log already exists in the Adult Social Care Directorate which is kept separate from risks. We will look at introducing this in other parts of the organisation as part of the review of the Risk Management Framework and Policy.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 5	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 upon.
Improvement opportunity identified	It is recommended that the Council works towards reviewing key policies and legal documents that influence and guide the ways of working and expectations set upon all members of staff both ethically and legally on an annual basis. Although, it is common practice that updates may only occur when notable changes are needed, it is better practice as part of the version control process to indicate to readers the next pre-planned review date for a document. This is increasingly pertinent with the changing nature of work post the pandemic and the increasing need for updating ways of working with the increasing reliance on digital. It is also recommended that the Council increase the frequency of reminders to staff to update registers related to interests, gifts, and hospitality.
Summary findings	We reviewed key policies and documents such as the Constitution, Code of Conduct and Whistleblowing policy. These appeared to be versions which had been not updated for several years. It is noted that; i) the Constitution for the Council as published on its website stated that it was last amended in 2015, ii) the Whistleblowing Policy was updated and approved by the Governance Committee in January 2023 with the previous version being from 2018., and iii) the latest revised Code of Employee Conduct was approved by the Governance Committee in November 2022. It was observed that some external posts held by staff were not registered in the record, and it is recommended that the Council frequently remind staff to update their declarations to ensure accuracy.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council will consider this recommendation as part of its annual governance process.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness

We considered how the Council:

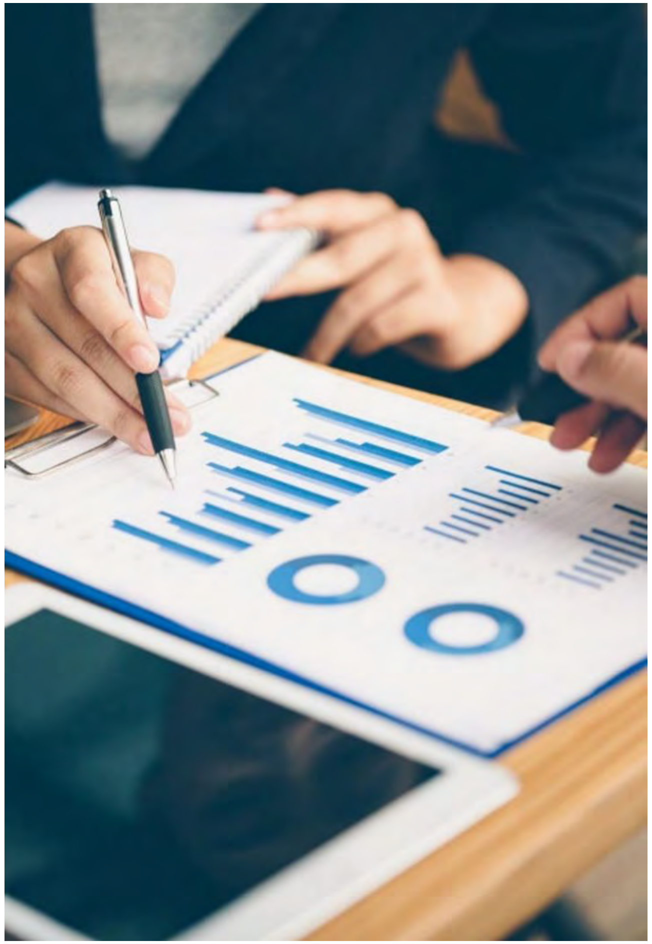
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Council plan

The Council has a plan for 2020-25 which has People & Communities, Economy and Environment as the three key themes at the heart of the Council Plan. For 2022/23 it is noted that along with existing challenges, there have been a number of achievements, including:

- People & Communities: Solihull has received £1million in funding from Central Government to establish a Family Hub offer before March 2024. To tailor the Family Hub Offer to the local requirements, the Council conducted ten focus groups, involving 68 adults and 30 children/young people.
- Economy: Solihull's visitor economy has experienced a significant increase of £315million compared to the previous year, resulting in a total of £1.1billion. Additionally, the current productivity in Solihull is 56% higher than the average in the UK.
- Environment: as part of Planting Our Future, the Council have successfully planted 75,000 trees. Additionally, the Council has achieved a significant reduction of 70% in carbon emissions during 2021/22, compared to the levels in 2009/10.

The Council have produced an update for the plan for 2023/24 which considers the changing demographics in the borough and to ensure that it is responding to the current challenges being faced. It is noted that the Council has given those who have an interest in the Plan, and are impacted by its outcomes, the opportunity to reach out to a representative at the Council to share their views and suggestions, hence increasing stakeholder engagement.



Improving economy, efficiency and effectiveness (continued)

Performance management

The Council's Performance Management framework has been reviewed, and changes have been agreed by the Corporate Leadership Team (CLT) to strengthen the "line of sight" between corporate/directorate priorities, teams, and individual employees, ensuring everyone understands their contribution to achieving Council priorities.

Changes implemented include:

- Directorate oversight documents now include an assessment of performance in respect of the Directorate's key performance indicators, reviewed by CLT monthly.
- Changes to the CLT scorecard have been made to eliminate duplication and strip out elements covered in Directorate Oversights.

It is noted that these changes should help strengthen performance management within the Council, with clearer links between individual employees and the Council's overall priorities. It also indicates that the move towards a more consistent look and feel in performance reporting could help ensure consistency and ease of reporting.

Performance reporting to elected members varies across different directorates, with different reports presented to different groups on a varying schedule. Current reporting by directorates is as follows:

- Adult Social Care reports the Adult Social Care Outcomes Framework and locally identified performance measures quarterly to the Cabinet Portfolio Holder (CPH).
- Children's Services reports a 'Measures that Matter' scorecard to the Children's Services and Skills Scrutiny Board on a monthly basis.
- Economy & Infrastructure members receive performance updates through a variety of routes, including scrutiny of Economy and Infrastructure deliverables in the Council Plan, CPH briefings, and three partner contract boards.
- Public Health reports a quarterly performance scorecard focusing on Key Performance Indicators for Public Health commissioned services to relevant CPHs.
- Resources reports financial and debt collection monitoring to the CPH, as well as a range of corporate performance information, such as the Council Plan, complaints and compliments, sickness absence, workforce metrics, ICT capital programme delivery, and the Asset Management plan to the Resources and Delivering Value Scrutiny Board.

Although Director Oversight Reports are reporting on key focus areas and actions, there is still some work to be conducted in directorates producing streamlined KPI reports to their relevant boards. We are aware that Officers are exploring achieving a more consistent look and feel in performance reporting across the Council, with recommendations to be considered by the Corporate Leadership Team in January 2024. However, as this is yet to reach an implementation phase, the recommendation from last year still stands.

Partnership working

The Solihull Council plan is delivered in such a way which demonstrates it is proud to have partnership working as one of its main focal points embedded into its strategy. This is split into two key sections being for i) Health & Care and ii) Regional interests. These engagements are helping promote transparency and further collaboration with progress reported to relevant boards across the Council ensuring action plans are being readily shared. For the Health & Care partnerships, Birmingham and Solihull Clinical Commissioning Group transitioned to the Birmingham and Solihull Integrated Care System (ICS). The ICS delivers a joined-up partnership service to the Birmingham and Solihull region and to help facilitate this initially an inception framework was presented which detailed the priorities for the first year of the ICS with its partners. The Health & Wellbeing Board oversee the progress of the ICS and provide regular updates.

A multi-agency forum known as the Solihull Place Committee is the designated local delivery vehicle for helping through improvements for the ICS. It is a formal sub-committee of the Integrated Care Board (ICB) chaired by the Council's Chief Executive and has delegated responsibility for the following functions:

i. Commissioning powers for community services
ii. Creating and overseeing a local outcomes framework
iii. Responsibility for the distribution of the Fairer Futures Fund
iv. Responsibility for agreeing service changes

Priorities are around integration and improvements to community services for prevention and early intervention, mental health (all age), and health inequality reduction. This is helping the region with establishing its own Community & Wellbeing hub at Kingshurst and delivering a Primary Care Strategy. We note that for this committee, £4million has recently successfully been delegated here through the Fairer Futures Fund.

Other board partnerships in place include the Health and Wellbeing Board, Safer Solihull (Community Safety Partnership) and Children Services and the Safeguarding Children Partnership. These are there to improve health and wellbeing of the local population, protect the local communities from crime and to help people feel safer, and ensure children, young people and families are kept safe.

Improving economy, efficiency and effectiveness (continued)

Children's Services

As noted in last year's report, the Council underwent a Joint Targeted Area Inspection (JTAI) of its Children's Services in February 2022, with the main headlines from the report being:

- Delays in initial assessments of children in need of help and protection in Solihull are causing a significant number of children to remain in situations of unassessed and unknown risk.
- Weaknesses in the joint strategic governance of the Multi-Agency Safeguarding Hub (MASH) have resulted in a lack of a unified response to the structure and resourcing of the MASH.
- The Local Safeguarding Children Partnership (LSCP) in Solihull lacks a clear understanding of the impact of the MASH's practice on the lived experience of children and families in need of protection and help.

The Council responded by increasing funding by £6million in 2022/23 and producing a Statement of Action to address the JTAI's findings. The 'Improving Outcomes for Children in Solihull' Board was also established to scrutinise the Improvement Plan. However, a review by the Department for Education (DfE) between June 2022 and September 2022 found that the progress was insufficient. Consequently, in November 2022, a Statutory Direction was issued to the Council, and a commissioner was appointed to support improvement and report to the DfE by January 2023 on the Council's capacity to improve.

The appointment was made due to several persisting issues in Solihull, including serious practice concerns with evidence of unknown and unassessed risk, unallocated cases peaking at over 400 cases in August 2022, a fragile workforce with insufficient social care workers, unreliable recording systems and poor risk oversight. In addition, there were capacity concerns across the service and the local safeguarding children's partnership's business unit, actions still to be addressed which were sustained from the JTAI, and an advisor appointed to support improvement struggling to get engagement from the Council.

Ofsted conducted an inspection of the Council's children's services in November 2022, with it concluding that services to children and families in Solihull are inadequate across all three judgement areas. The inspection report stated that it had identified serious and widespread failings across all service areas.

The Ofsted inspection report found that there are significant delays in children achieving the security of permanence, sometimes for several years, due to a lack of understanding and focus, and the service for care leavers has declined significantly since 2019. Insufficient management oversight and scrutiny leads to children experiencing significant drift and delay before action is taken to make them safer, and leadership and partnership arrangements have not demonstrated an ability to develop a shared vision and strategy to make the required changes. The instability in the workforce has had a significant impact, resulting in frequent changes of workers, inconsistent planning and drift and delay for children, and a significant number of cases remain unallocated or are held on duty or with managers, leading to some children being put at risk. This inspection report was considered a complete and true representation of the quality of practice by the DfE appointed commissioner.

Following the publication of the Ofsted report, the Council was required to develop and share an action plan with Ofsted that addresses the recommendations and findings from the report. The plan was shared in May 2023 with four key pillars of improvement identified:

1. Partnerships - ensuring that partners contribution to the safeguarding of children is effective.
2. Leadership and Governance – ensuring it is appropriately exercised to support the safeguarding of children in line with statutory requirements.
3. Workforce – ensuring it is equipped and supported to provide best practice towards safeguarding children and families.
4. Quality of Practice – ensuring children and families are supported by analytical, reflective, and clear assessments and plans.

The Local Government Association (LGA) also carried out a Children's Services Resources & Efficiency Peer Challenge in November 2022. The feedback report stated nine key recommendations for improvement as identified by the peer team. These ranged from improving the usage and accessibility of data and intelligence to improvements in recruitment, change, leadership, commissioning and business cases. It is noted that the Council accepted the training and development offer from the LGA (which came at no cost to the Council), which looks to improve and build effective scrutiny of children's services.

It is noted that the Council developed a position statement which considered the recommendations, and what has been done since the peer challenge. This factors in the Ofsted Improvement Plan and considers what will remain business as usual to identify any other gaps. Oversight of work conducted, and progress is also being provided.

Improving economy, efficiency and effectiveness (continued)

Children's Services (cont.)

As previously stated, a Commissioner was appointed to undertake a review of children's services in Solihull. This work was conducted by Sir Alan Wood between 31 October 2022 and 31 January 2023 and the report was published in March 2023. The Commissioner's report concluded that Solihull's lead safeguarding partners (LSP) had not sufficiently overseen the effectiveness of services to safeguard and protect children. Independent scrutiny had been ineffective, and Solihull had suffered from a lack of effective leadership for a considerable period. The pandemic had a significant impact, but Solihull did not function effectively; the weaknesses in service quality deepened and led to the 2023 judgement of inadequacy.

The Commissioner made recommendations for the DfE, the Solihull Local Safeguarding Children's Partnership (who have implemented or are in the process of implementing all of the recommendations) and the Council. The recommendations to the Council include:

- The development of a three-year plan for improvement in children's social care.
- Developing a three-year financial and staffing plan for children's social care.
- Urgently improve capacity at a senior level in children's social care and consider whether the Assistant Director for Education should report to another senior officer.
- Implement a new comprehensive model of early help with support from the regional partner, resume implementation of the Leeds Family Valued programme at a time agreed upon by the regional partner and Commissioner.
- Urgently consider the role and organisation of the Independent Reviewing Officers.
- Refocus the Council's new strategy of Corporate Parenting to prioritise children's needs in all Council policy.
- Increase efforts to ensure full implementation of Liquid Logic.

It was noted by the Commissioner that the Council has invested substantial resources in children's services to try to drive improvement, but the lack of stability in the workforce is a key contributor to service failures. The Council has worked to demonstrate commitment to improvement, with two priorities being addressed: improving the quality and practice of social work and building a wide-ranging early needs service.

Following the publication of the report, the Council has taken steps to tackle the recommendations which have been reported to the Children's Services, Education & Skills Scrutiny Board. Further steps taken by the Council include:

- £25million additional investment was provided for Children's Services across the three years 2023/24 to 2025/26.
- Oversight of the Children's Improvement Plan being undertaken by the Strategic Quartet, which is made up of the Leader of the Council, Cabinet member for Children's Services, Chief Executive, and the Director of Children's Services.
- Children's Commissioner attending meetings for Oversight of the Children's Improvement Plan.
- Oversight of partnership activity being carried out by the Solihull Safeguarding Children Partnership.
- The Delegated Safeguarding Partners (DSPs - Director of Children's Services, Deputy Chief Executive of the Birmingham & Solihull JCB, and the Solihull Police Chief Superintendent) leading the Partnership meetings and partnership activity.
- The DSPs reporting up to meetings of the Lead Safeguarding Partners (LSPs - Council Chief Executive, Chief Executive of the ICB and Assistant Chief Constable of West Midlands Police).
- The LSPs reporting up to meetings of Political/Board Leaders (Leader of the Council, Chair of the ICB, West Midlands Police & Crime Commissioner).

All the above represents a new governance structure, implemented in early 2023 to reflect the roles and responsibilities of the three lead safeguarding agencies. This links directly to the Commissioner's finding that the merging of the JTAI, Improvement and National Panel action plans which was to be overseen by the Improving Outcomes for Children in Solihull board (which was formed in February 2022 and was reported on in last year's VfM report), had little impact on practice. The Chief Executive closed-down this Board which held its last meeting in February 2023 and the Commissioner supported this decision.

It is also noted that as of November 2023, the Council has a new Director of Children's Services, with extensive experience as acting as a DCS.

Improving economy, efficiency and effectiveness (continued)

Children's Services (cont.)

In addition, the Commissioner also identified the requirement for a regional partner to be aligned to the Council. This was to provide support and guidance to help with the implementation of Solihull's improvement plan. As of July 2023, the Council has been working with Birmingham Children's Trust as its regional partner after the partnership had been approved by the Council's Cabinet in June 2023. This will be for a period of three-years, with a review at the end of the second year.

With the Council now focussed on the Children's Improvement Plan, it is observed that reporting to the Children's Services, Education & Skills Scrutiny Board has improved for KPIs, in the form of a scorecard: 'Measures that Matter'. This reporting has been well received by the board and has been improving with input provided by Councillors through each session. An Action Tracker is also reported to this board as of March 2023, which gives further insight into the high-level actions being taken against recommendations. This is reported each board.

The last Measures that Matter update was in July 2023, with 12 key areas provided status updates for. Within this, it is noted that two areas have been identified as having performance headed in the wrong direction and outside of target/comparators and 2 further areas have performance maintained close to the target/comparators but not better.

In August 2023, the Council have had an Ofsted monitoring visits. This visit found that improvements have been made in practice at the front door since the last inspection, with an integrated front door being developed and the co-location of partners in the multi-agency safeguarding hub (MASH). The family support service and child assessment teams also work alongside the MASH team to improve information-sharing and working, resulting in a more responsive service for children's protection.

This progress is positive, but there is a need for a faster pace of improvement, particularly in developing early help services to prevent needs from escalating and requiring statutory intervention. The corporate leadership of Solihull is committed to improving children's services, and key appointments in the senior leadership team have resulted in a more proactive culture. However, children's services senior leaders need to focus more clearly on implementing improvements for sustainable progress.

A subsequent Ofsted monitoring visit in November 2023 found that social work practice for children in need or under protection plans has slowly improved, but from a low base, and only in recent months. Many children have experienced changes in social worker and a lack of management oversight, resulting in delays and inconsistency in social work practice that negatively impacts children and families.

Ofsted found that the corporate leadership is committed to supporting children's services and focusing on improvements, with the help of the regional improvement partner. However, progress needs to accelerate, with greater involvement from staff to ensure everyone understands what needs to improve for the benefit of children and families in Solihull.

Considering the report from Sir Alan Wood, the findings from Ofsted and the peer review from the LGA, it is clear there are still pervasive issues that exists in children's services at the Council. It is noted that the Council is taking steps to work on recommendations provided and show progress against plans developed and has also acted on the improvement recommendation from 2021/22 of complying with the requirements of the Statutory Direction, ensuring that it engaged with the Commissioner and made the required investments to embed the agreed Improvement Plan, along with regularly monitoring and reporting on the progress made.

In their latest communication to the Council in December 2023 the Department for Education (DfE) noted that:

- The Statutory Direction will remain in place but they were in a position to report positively back to the Minister on progress being made.
- The Commissioner would stay in place for the next 12 months and DfE would seek a formal review after the regional partner has been in place for two years.

With the considerable journey that still lies ahead for Children's Services, and Ofsted reporting in both monitoring visits that greater pace is still required to implement improvements, it remains our opinion that there was still a significant weakness at the end of 2022/23 as there was continued concern that the Council was not structured in a way that could improve upon the rate of progress expected.

This is further highlighted by areas such as the implementation of Liquid Logic being identified as an area of improvement by the Commissioner and an area of no assurance by Internal Audit (as mentioned in the Governance section, but no formal follow up being conducted by Internal Audit by year-end of 2022/23). That said, encouragingly Ofsted's latest visit during 2024 reports early signs of social work practice improvements embedding with the work of a regional improvement partner providing capacity to the local authority to progress with the necessary improvement plans operationally and strategically. This certainly validates our recommendation that the Council continues to engage with the Commissioner and its regional partner, BCT, to ensure quicker progress is achieved moving forward.

Improving economy, efficiency and effectiveness (continued)

Procurement and contract management

The Council has a well-established procurement function that supports the overall business structure. The Council has published its Procurement Strategy on its website, which outlines its procurement vision, leadership and responsibility, and rules and best practices. This strategy is supported by the Council's Social Value Policy, which was first published in 2015 and refreshed at the end of 2021. The core question considered in the policy is the allocation of scarce resources and whether £1 spent on service delivery can also produce a wider benefit to the community. It is also noted that the Council has worked upon the recommendation from last year that the Council should develop a procurement strategy document over a time period that captures all procurement information relevant to the Council and updates on reforms. The Council is currently in the process of drafting a longer-term Procurement Strategy and it is to be approved at the Procurement Board in December 2023.

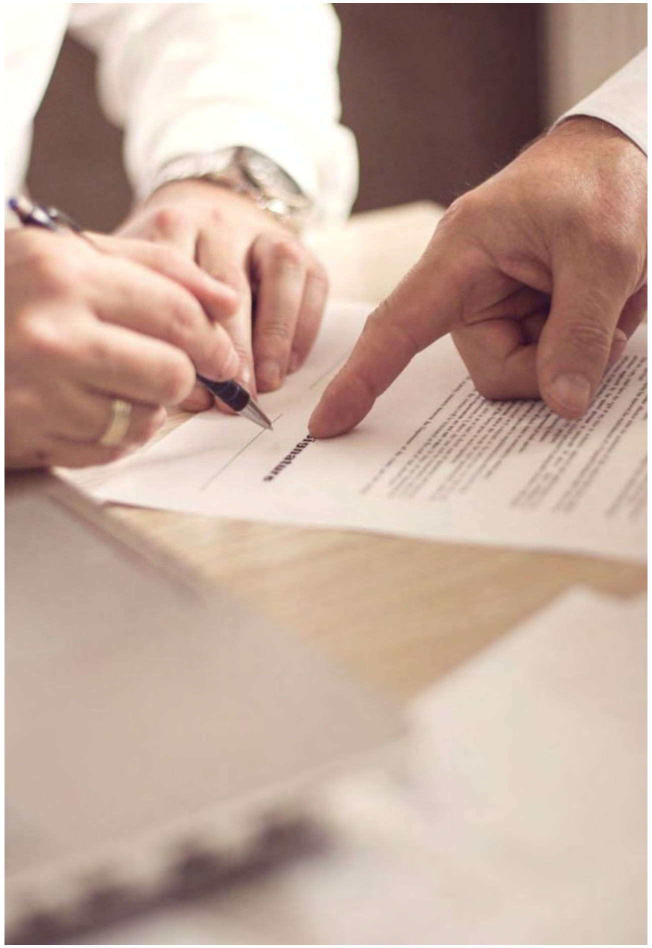
The Council is working on improving visibility of contracts below £50,000, which are currently recorded by directorates but not always included in the council's registers. The arrangement for contracts over £50,000 is no different from last year, but the system upgrade has improved compliance and governance. The Council recently moved to Oracle Cloud to upgrade financial, Human Resources and Payroll systems from Oracle e-Business suite to Oracle Cloud which is a fully integrated Finance (including Accounts receivable, Payable and General ledger), HR and Payroll system.

Whilst this is well recognised as being a complex and challenging piece of work, the Council has been successful in moving this forward and started to reap the rewards of the implementation and configuration of Oracle Cloud and can now focus on improving data management and processes.

The move to Oracle Cloud has not affected contract management, which remains stable during the period. The Council is looking at opportunities to link the intelligence received from the system to the development of more efficient and effective ways of working.

Each directorate is responsible for the management of its contracts, and a contract management toolkit is available on the intranet, with procurement responsible for the corporate contract management approach.

We recommend that the Council undertake an exercise to consolidate all contracts into one contract register. As directorates can self-serve for contracts below £50,000, it is important that these contracts are also included in the contract register.



Improving economy, efficiency and effectiveness (continued)

Solihull Metropolitan Borough Council companies

Under the equity method, Joint Venture interests are consolidated into the Group balance sheet of the Statement of Accounts published by the Council. The Council finance staff provide accounting services to these subsidiaries to help report the consolidated view.

The Council also has a minority interest in the following:

- Birmingham Airport Holdings Ltd (3.75% equity)
- Coventry and Solihull Waste Disposal Company Ltd (33% equity)
- Sherborne Recycling Ltd (14.6% equity, plus a £3.4m loan to fund construction costs)

All of these are valued as investments in the Council's accounts at their fair value. With respect to The Coventry and Solihull Waste Disposal Company Ltd (CSWDC), £4.1million (2021/22: £4.6million) of dividend income was receivable. Also, an independent valuation was commissioned by the Council and as of 31 March 2023 the fair value of the respective shareholding was increased from £29million to £36million as reflected on the Council's Balance sheet.

Previously on Medium Term Financial Strategy (MTFS) Update for 30 September 2023 and forecast Outturn Position for 2023/24, a reduction of near £1million of dividend income was envisaged for CSWDC primarily due to a recent unforeseen failure of one of the electricity generators. The latest monthly forecast now suggests dividend levels will be per plan with no reduction.

In the previous financial year on 09 April 2021, Mell Square Limited (previously named I.M. Properties (MELL SQUARE 1) Limited was acquired along with two other investment acquisitions. This entity owns the long lease to the Mell Square shopping centre, and it was agreed that any net surplus income from this Company be contributed to a reserve. The intention here is that this would help mitigate against any future loss of rental income.

Subsequently the Council now consolidates results to include the following entities:

- Solihull Community Housing Ltd (100% equity)
- The Urban Growth Company Ltd (UGC)
- Mell Square Ltd

With respect to the Urban Growth Company, this has a collaborative ambition with the West Midlands Combined Authority (WMCA) which is matching via a loan arrangement a £50million grant secured during 2021/22 from central government from the UK Central Investment Programme (UKC). In total the programmes being delivered for the UK Central Infrastructure and Interchange comprise of £1.99billion of investment, supported by the WMCA and other partners. This investment is focused on geographical areas of North Solihull, Solihull Town Centre, Blythe Valley, A34 Corridor, and the Hub. The Hub is effectively the economic powerhouse of UK Central offering a central and globally connected location for business expansion thanks to this being home to key long established stakeholders including the NEC, Birmingham International Airport, Birmingham International Stations, Jaguar Land Rover and Birmingham Business Park. There has recently been a decision to bring the roles and responsibilities of the UGC back in-house. This is happening during 2023/24 and is currently on track.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should comply with the requirements of the Statutory Direction issued by the Department of Education in November 2022. The Council should also ensure that it engages with the Commissioner and makes the investments required to embed the agreed Improvement Plan and regularly monitor and report against the progress being made.	Key	December 2022	New governance structure in place and reflects responsibilities of three lead safeguarding agencies. Budget approved for £25million additional investment up to 2025/26 (Feb 2023). Strategic Quartet now oversees Children's Improvement Plan. Improvement Partner appointed (01 July 2023). New Director of Children's Services appointed - Nov 2023.	Only partly	Structural changes made for improvements needed but insufficient evidence of progress to downgrade this from significant weakness to an improvement action only.
2	It is recommended that as part of the improvement activities underway monitored by the Improving Outcomes for Children in Solihull Board that the actions are completed are monitored with KPIs to ensure they are maintaining satisfactory progress.	Improvement	December 2022	Dashboards to track progress against KPIs in place primarily for both CSC and partnership activity. These are reviewed and challenged particularly through revised governance arrangements which reflects the responsibilities of three lead safeguarding agencies for these areas.	Yes	No
3	It is recommended that the Council should create a streamlined format for performance reporting. This should include all KPIs, progress to date, progress direction of travel, link to corporate objectives and risk registers.	Improvement	December 2022	Council's Performance Management framework has been reviewed with changes agreed by Corporate Leadership Team in May 2023. Directorate oversight documents are also reviewed by CLT which now includes an assessment of the Directorate KPIs. Changes to CLT scorecard have been made to eliminate duplication by removing what is already covered in Directorate Oversights. Further streamlining and alignment recommendations will be considered by the Corporate Leadership Team in January 2024.	Only partly	Yes
4	It is recommended that the Council performs an exercise to ensure all contracts that the Council has are consolidated onto the new contract register. This should be reviewed regularly.	Improvement	December 2022	Process changes made - requires all agreements awarded of £50K or more since April 2023 are logged on central contracts register. Newly implemented core accounting system (Oracle) provides extra visibility in support of this.	Yes	No
5	It is recommended that the Council should develop a procurement strategy document over a time period that captures all procurement information relevant to the Council and updates on reforms.	Improvement	December 2022	Longer-term Procurement strategy re-evaluated to accommodate 'Responsible Procurement Policy' framework and the digital strategy. An up-to-date draft expected to be presented at Procurement Board in December 2023.	WIP	No

Opinion on the financial statements

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 2023 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 2022/23
- 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.

Audit opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 1 March 2024.

The full opinion is included in the Council's Statement of Accounts for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Opinion on the financial statements

Timescale for the audit of the financial statements

We issued the audit plan in July 2023, and this was presented to the Audit Committee (AC) on the 24 July. In order to issue the audit plan, we completed an interim planning visit in April 2023, and agreed fieldwork dates for the year end audit.

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error were:

- Management over-ride of controls
- Valuation of land and buildings and investment properties
- Valuation of the pension fund net liability
- Data migration to the new ledger system

The Authority provided draft accounts by the end of May, in line with the statutory timetable and ahead of many councils in the sector who are still struggling with backlogs.

Our audit work was substantially completed both on site and remotely during July-September with finalisation occurring in October-December 2023. Finalisation was delayed primarily as we awaited completion of one of the Council's subsidiary company audits and finalisation of the West Midlands Pension Fund audit in order to gain assurances upon the Council's net pension liability.

Findings from the audit of the financial statements

We designed testing to address the risks identified in our audit plan.

We did not identify any adjustments to the financial statements that resulted in amendments to the Council's Comprehensive Income and Expenditure Statement. We reported a management adjustment in relation to an updated actuary report received in June 2023 which reflected the latest movements in other experience, and the return on assets items in the net pension liability. This moved the net pension liability in the draft accounts Balance Sheet from £13.194m to £22.369m. These have been audited and we are satisfied that the amendments to the accounts are reasonable.

We have not identified any adjustments that impact on the Authority's reported financial position. However, there are two immaterial unadjusted misstatements with a net impact on the Council's balonce sheet of £1.38m in respect of:

- A continuing potential £1.064m overstatement of the value of the Civic Suite, and
- A potential £2.444m overstatement of the Council's net pension liability on the basis af an updated actuary report received in September 2023 and differences in asset valuations reported by the auditor of West Midlands Pension Fund.

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

At the end of May 2022, the Council moved from their previous finance system to Oracle Cloud. This required migration of data for the first months of the financial year from one system to another. We identified a risk that the data migrated between systems is not accurate or complete, and that the operation of a new ledger system during the financial statements closedown and preparation process may lead to an increased number of errors or delays. We utilise our own IT experts and undertook extended testing. Whilst some minor improvement recommendations were identified we were satisfied that the Council had managed the migration well.

More detailed findings are set out in our Audit Findings Report. An interim report was presented to the Council's Audit Committee on 25 September 2023 and the final version can be requested from the Council.

Other reporting requirements

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Authority's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Specific, detailed, work is not required as the Authority does not exceed the threshold. We submitted our summary Assurance Statement to the National Audit Office on 1 March 2024.

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.

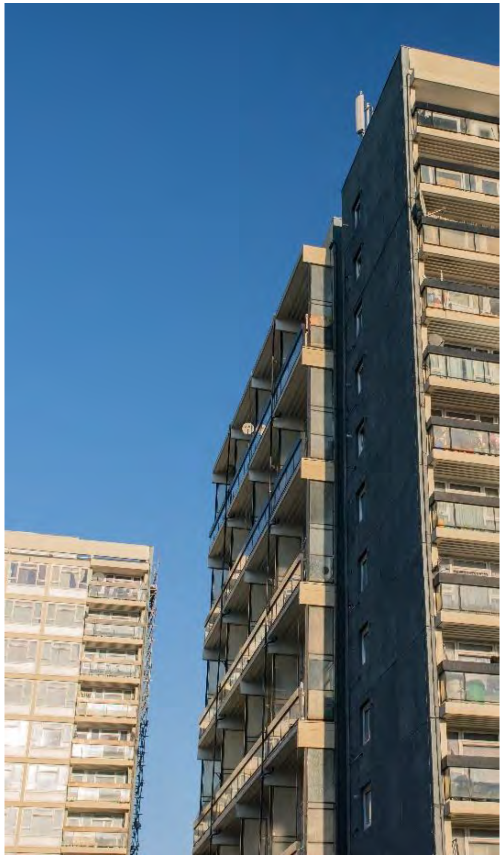
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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:
An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	8
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	21, 22, 23, 27, 28, 36

Appendix C: Sources of evidence

Staff involved

- Paul Johnson, Chief Executive & S.151 Officer
- Andy Felton, Director of Resources & S.151 Officer
- Julie Cooper, Head of Financial Operations
- Mary Morrissey, Director Economy and Infrastructure
- Jenny Wood, Director Adult Social Care
- Beate Wagner, Director of Children's Services (previously Council's Independent Scrutineer)
- Amanda McGivern, Head of ICT & Info Governance
- Samantha Gilbert, Assistant Director Finance & Property Services
- Charlotte Kings, Head of Procurement
- Mark Wills, Health, Safety and Risk Manager
- Deborah Merry, Head of Legal and Democratic Services

Documents Reviewed

- Annual-Report 2022-23
- Draft-Statement-Accounts-2022-23
- Medium-Term-Financial-Strategy-2023-24-2025-26
- Revenue-Strategy-2023-24-2025-26
- Statement-Accounts-22-23-Audit-Committee
- Corporate-Capital-Strategy-2023-24-2032-33
- Solihull-Council-Plan - 2023-24 Update
- Internal Audit - 2022-23 report
- AGS 2022-23
- Treasury-Management-Strategy-2023-24-2032-34
- Solihull-Council-Plan-on-a-page 2020-25 - updated June 2023
- Risk-Management-Policy - Aug 2023
- Corporate Risk Register - Council-Website-Risks-Sept-23
- Solihull Committees
- https://www.gov.uk > publications (Authorities with increased business rates retention arrangements)

Meetings Observed

- Audit Committees

Appendix D:
Key acronymous and abbreviations

The following acronyms and abbreviations have been used within this report

AGS – annual governance statement

AFR – audit findings report

ARTOP - Aligning Resources to Our Priorities board

DfE - Department for Education

HS2 - High Speed 2

ICS - Integrated Care System

JTAI - Joint Targeted Area Inspection

KPIs - Key performance indicators

LCS - Liquid Logic System

MASH - Multi-Agency Safeguarding Hub

MTFS - Medium-term financial strategy

NEC - National Exhibition Centre

RSG – Revenue Support Grant

SMBC - Solihull Metropolitan Borough Council (Solihull Council)

WMCA - West Midlands Combined Authority

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