

Solihull Metropolitan Borough Council

Auditor's Annual Report
Year ending 31 March 2025

October 2025

Final



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

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Solihull Metropolitan Borough Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

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 (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come 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. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including Dedicated Schools Grant deficits. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Solihull Metropolitan Borough Council is a metropolitan borough council serving a population of approximately 216,000 residents in the West Midlands. The Council operates under a Leader and Cabinet model of governance, with the Cabinet responsible for key decisions and the development of major policies, strategies, and plans. The Council's formal decision-making and governance structure includes the Full Council, the Cabinet, and a range of committees that support scrutiny and oversight functions.

The Council comprises 51 councillors, elected by thirds, with elections held in three out of every four years. The most recent elections were held in May 2024, resulting in a Conservative administration with 28 councillors.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R A significant weakness had been identified, but no key recommendations were made. This related to reliance on reserves without robust savings plans and continued high investment in Children's Services.	One risk of significant weakness identified in relation to managing financial risks and maintaining service delivery over the medium term.	R The Council's updated MTFS outlines a £12.843 million cumulative funding to 2027/28. Despite robust financial planning, reliance on reserves and unidentified savings remains. The DSG deficit adds further pressure with a cumulative balance of £28.067m at 31 and DSG management plan mitigations are not having the desired impact in managing the deficit. Two key recommendations have been raised in relation to these financial sustainability challenges.
Governance	G Our work did not identify any areas where we considered that key or improvement recommendations were required.	No risks of significant weaknesses were identified.	G Our work did not identify any areas where we considered that key or improvement recommendations were required.
Improving economy, efficiency and effectiveness	R Children's Services remained rated 'inadequate' by Ofsted. A repeated recommendation was made, along with two others on cyber security and corporate reporting.	One risk of significant weakness identified in relation to the 'inadequate' Ofsted rating of Children's Services.	R Children's Services remain a concern, with the services still rated as 'inadequate' by Ofsted. We note the progress made in monitoring visits but whilst the Council awaits full reinspection the 'inadequate' rating reflects a weakness in safeguarding arrangements. A key recommendation has been raised to accelerate improvement efforts and strengthen monitoring and oversight.

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

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council has embedded financial planning within its strategic framework, supported by strong governance and risk management. The Council continues to take difficult decisions and has secured transformation funding to support long-term sustainability.

However, significant financial pressures remain, particularly in Children's Services, with continued reliance on reserves and Exceptional Financial Support. A key recommendation has been raised and accepted by Management. Further detail is provided on the following pages.



Governance

The Council has embedded arrangements for managing strategic and financial risks, supported by a comprehensive risk register, regular reporting, and effective internal audit. Financial risks are integrated into the MTFs, and governance arrangements remain fit for purpose.

The Council's budget-setting and monitoring processes are structured, inclusive, and aligned with strategic priorities. Treasury management is compliant, and financial responsibilities are clearly defined. Governance structures and ethical standards are strong, with oversight from Cabinet, Audit, and Scrutiny Boards. These arrangements support accountability, transparency, and sound financial management.



Improving economy, efficiency and effectiveness

The Council maintains structured performance monitoring, with quarterly reports to Cabinet aligned to Council Plan priorities. While reporting is effective, real-time dashboards could enhance responsiveness. Data integrity is supported by internal audit, and benchmarking informs improvement.

Children's Services remain a significant concern, with the service rated 'inadequate' by Ofsted. We note the progress that has been made and the Council is awaiting full reinspection by Ofsted. On that basis this reflects a key weakness in safeguarding arrangements.

The Council engages partners to deliver strategic goals. Procurement and contract management are well governed, with no major issues reported in 2024/25.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	We intend to have completed our audit of your financial statements and issued an unqualified audit opinion in November 2025, following the Audit Committee meeting on 10 November 2025. Our findings will be set out in our Audit Finding Reports in detail	
Use of auditor’s powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.	

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

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We will issued an unqualified opinion on the Council's financial statements in November 2025.

The full opinion is included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- 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 (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

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

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit Committee on 10 November 2025. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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. Council's 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 (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council reported an outturn position of a £1.661 million surplus for 2024/25. The Council mitigated a projected overspend of £3.942 million through the use Exceptional Financial Support (EFS) which generated at £5.603 million revenue impact and was specifically allocated to support investment in Children’s Services. This enabled the Council to balance the budget while maintaining service delivery. The Council originally forecasted a £3.942 million adverse variance for 2024/25. This was mitigated through the capitalisation of £5.603 million in costs under the Exceptional Financial Support (EFS) framework, specifically to support investment in Children’s Services. Following the application of carry forward and reserve requests totalling £1.213 million, the net favourable variance for Core Council budgets was £448,000. This amount was contributed to the Consolidated Risk Reserve. The overall surplus of £1.661 million reflects this favourable variance along with other adjustments across the Council’s accounts This favourable position was used to strengthen the consolidated risk reserve and reclassify £2.748 million of directorate reserves to support corporate risk management. Despite mitigation efforts, the Council continues to face substantial financial pressures. In 2024/25, Children’s Services overspent by £4.636 million, and the Dedicated Schools Grant (DSG) recorded a £7.328 million in-year deficit, increasing the cumulative DSG deficit to £28.067 million—equivalent to 20.8% of usable reserves. The updated Medium Term Financial Strategy also identifies a projected funding gap of £12.843 million by 2027/28. The DSG deficit is increasing and now exceeds the threshold for material concern. Although the Council is operating under a formal DSG Recovery Plan, the plan does not yet achieve in-year balance and the statutory override is due to expire in 2027/28. These factors present a significant weakness in financial sustainability, and a recommendation will be raised to strengthen oversight, reinforce recovery planning, and prepare for future risk.	R

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)	The Council’s 2025/26 budget, approved by full Council, is balanced and supported by a 4.99% council tax increase (including a 2.99% general increase and a 2% Adult Social Care precept). It includes £12.576 million of new savings and the use of £32.658m of Exceptional Financial Support, £20.938 million which is being used to balance the MTFS position with the remainder used for the transformation fund. Exceptional Financial Support (EFS) was used by the Council to capitalise £15.615m of revenue expenditure in 2024/25, primarily to support investment in Children’s Services. This funding delivered a revenue impact of £5.603m and enabled the Council to mitigate a forecast budget deficit of £7.7 million and balance the budget without immediate service reductions. The Council has also planned for a further £32.658 million of EFS in 2025/26. While this support has provided short-term relief, it does not offer a sustainable solution to the Council’s underlying financial pressures. In order to deliver structural savings, the Council has launched a Mutual Early Resignation Scheme programme in 2025/26. This is ongoing and we will continue to monitor the impact it has in delivered savings, along with the wider impact it has on resources available to the Council. Due to the significance of the financial challenges facing the Council, we have raised a key recommendation.	R

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Council has a structured and organisation-wide savings programme in place to address funding gaps across 2024/25 and 2025/26. In 2024/25, the Council set a savings target of £7.410 million. At Period 9 the Council was reporting a ‘Green’ rating for 94.25% of 24/25 mitigations. An improvement in the forecast outturn between Period 9 and year end indicate that mitigations were successfully delivered in year and key issue facing the Council was increasing pressures across service areas. For 2025/26, £12.576 million of new savings proposals are included in the budget with a further £12.230 million in 2026/27 and £14.493 million in 2027/28. Whilst there remains further savings to be identified in future years this does demonstrate active pipeline planning. Savings proposals are supported by business cases, risk ratings, and designated delivery leads, and are subject to scrutiny through the Corporate Leadership Team and Corporate Delivery Board. Monthly and quarterly reporting to senior officers and Members ensures visibility and accountability, with RAG ratings used to monitor progress and trigger mitigations where needed. Stakeholder engagement, benchmarking, and transformation initiatives underpin the Council’s approach, and there is no evidence to suggest that 2025/26 savings targets are unrealistic.	G
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council demonstrates strong alignment between its financial planning and corporate priorities. The Medium Term Financial Strategy (MTFS) and 2025/26 Budget Report clearly link resource allocation to strategic objectives, with investment decisions supporting key areas such as health and wellbeing, climate action, and inclusive growth. Business cases for new investment are subject to senior-level challenge, and Cabinet and Scrutiny reports provide regular updates on how budget proposals contribute to strategic outcomes. The Council also maintains a structured approach to prioritising discretionary and statutory spend. Discretionary services are assessed for value for money and alignment with corporate goals, while the Reserves Strategy outlines how non-statutory pressures will be managed. Budget consultations and equality impact assessments ensure decisions are informed by stakeholder input and social value.	G

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council demonstrates strong integration between its financial planning and wider strategic and operational frameworks. The Medium Term Financial Strategy (MTFS) is closely aligned with key corporate strategies, including workforce planning, capital investment, ICT infrastructure, and environmental sustainability, ensuring consistency in planning assumptions and resource allocation. The Council’s capital programme is well governed, with clear links to strategic priorities and a structured approach to prioritising investment. Treasury management activities are subject to regular oversight, with reporting to both Cabinet and the Audit Committee, reinforcing transparency and accountability. Importantly, the revenue implications of capital investment decisions are fully costed and incorporated into the MTFS, supporting long-term affordability. There is also a high degree of consistency between budgetary information, outturn reports, and the Council’s financial statements, which reflects the maturity of financial management arrangements and supports effective decision-making.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council has established robust arrangements to identify, monitor, and mitigate financial risks. Throughout 2024/25, regular reporting to Cabinet and Resources and Delivering Value Scrutiny Board provided updates on budget performance, emerging pressures, and reserve use. Specific risks, such as those in Children’s Services were managed through earmarked reserves, budget reallocation, and in-year mitigations. The Council remained within its authorised borrowing limits and prudential indicators, with no liquidity concerns reported. The Council’s financial strategy includes scenario planning and sensitivity analysis, with the 2025/26 MTFS modelling inflation, funding risks, and service demand. The Section 25 Statement confirmed the robustness of assumptions and adequacy of reserves. Mitigation strategies included the use of corporate contingencies, vacancy management, and spending controls. While the Council’s 2025/26 budget is balanced, it includes £2.4 million of planned reserve usage to manage short-term pressures. This reflects a continued reliance on one-off measures to support financial resilience, which, although prudent in the immediate term, underscores the need for a longer-term strategy to reduce dependency on reserves and ensure sustainability	G

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Based upon the evidence we have reviewed, we are not satisfied that the Council has proper arrangements in place to ensure there is an appropriate plan in place to manage the short to medium term financial risks facing the Council which presents a significant weakness in arrangements to deliver financial sustainability. We have therefore raised a key recommendation.

Evidence: The updated Council's Medium Term Financial Strategy (2025/26–2034/35) identifies a £12.843 million funding gap in the period to 2027/28, highlighting sustained financial pressures. While the plan includes prudent assumptions and scenario modelling, there is limited evidence of a fully substantiated savings programme to close the gap. The continued reliance on reserves and one-off measures, alongside only partial implementation of prior external recommendations, raises concerns about the Council's long-term financial resilience.

Impact: The absence of a credible and deliverable long-term savings programme, coupled with continued reliance on reserves and one-off measures, presents a material risk to the Council's financial resilience. Without decisive action, the Council may face increasing difficulty in maintaining service delivery and responding to emerging pressures. The cumulative funding gap of £12.843 million by 2027/28, if left unaddressed, could result in unsustainable financial practices and heighten the risk of a Section 114 notice. We note that the Council has undertaken work on its reserves strategy and has a risk-assessed view of minimum useable reserves. The MTFS assures that this level is maintained but a failure to address the cumulative funding gap presents a risk to the Council's ability to maintain this level of reserves, absorb future shocks and maintain strategic investment.

Key recommendation 1

KR1: The Council has taken steps to respond to the 2023/24 recommendation, including strengthening its reserves strategy, refining savings plans, and improving financial oversight. However, progress has not been at the pace or scale required to fully address the underlying structural pressures. The updated Medium Term Financial Strategy still identifies a £12.843 million cumulative funding gap by 2027/28, and reliance on one-off measures remains high. As such, we continue to assess this as a significant weakness in financial sustainability.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Based upon the evidence we have reviewed, we are not satisfied that the Council has proper arrangements in place to ensure there is an appropriate plan in place to manage the short to medium term financial risks associated with the Dedicated Schools Grant (DSG) deficit. This presents a significant weakness in arrangements to deliver financial sustainability. We have therefore raised a key recommendation.

Evidence: The Council's DSG deficit increased to £28.067 million as at 31 March 2025, exceeding 20% of usable reserves and forecast to rise further. A formal DSG Recovery Plan is in place, but it does not yet achieve in-year balance. The Medium Term Financial Strategy identifies a £12.843 million funding gap by 2027/28. Mitigations such as the DBV programme and CAIPE initiative are underway but not yet fully embedded. The Council has also established a DSG oversight group at officer level and held informal Cabinet/Corporate Leadership Team meetings on the issue to illustrate mitigating activity. However, the scale and trajectory of the deficit presents a material risk to financial sustainability.

Impact: The increasing DSG deficit, now exceeding 20% of usable reserves, presents a material risk to the Council's financial resilience. Without a credible and deliverable recovery strategy, the Council may face escalating financial pressure, reduced flexibility to absorb future shocks, and potential service delivery risks. The expiry of the statutory override in 2027/28 further heightens the urgency for contingency planning and strengthened oversight.

Key recommendation 2

KR2: The Council should strengthen its oversight of the Dedicated Schools Grant (DSG) deficit by ensuring quarterly reporting to the Audit Committee on progress against the recovery plan. It should continue proactive engagement with the Department for Education and Schools Forum to refine its strategy, and develop contingency plans in case the statutory override is not extended beyond 2027/28. This will support financial resilience and ensure sustained focus on mitigating a deficit that now exceeds 20% of usable reserves.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has embedded and well-governed arrangements for risk management, internal audit, and assurance. Strategic and financial risks are identified, assessed, and monitored through a structured corporate risk register, with clear ownership, mitigation plans, and regular reporting to senior officers and Members. Internal Audit operates independently and in compliance with PSIAS, delivering a risk-based audit plan and providing assurance on governance and internal controls. The Council’s Annual Governance Statement confirms that arrangements remain fit for purpose, with areas for improvement clearly identified. Counter-fraud measures, whistleblowing policies, and triangulated assurance sources further strengthen the Council’s control environment. Scenario planning and sensitivity analysis are integrated into financial planning. While no new risks or control weaknesses were identified during the 2024/25 external audit planning phase, it should be noted that Internal Audit coverage relates specifically to 2024/25.	G
approaches and carries out its annual budget setting process	The Council has a well-structured and inclusive annual budget-setting process, underpinned by strong financial planning and governance. The 2025/26 budget was developed through coordinated engagement with service leads, use of consistent templates, and cross-departmental challenge. Proposals were informed by prior trends, in-year monitoring, and scenario planning, with clear alignment to the Medium Term Financial Strategy. Cabinet and Scrutiny oversight, public consultation, and equality impact assessments ensured transparency and accountability. The Section 25 Statement confirmed the robustness of assumptions and adequacy of engagement. In-year budget monitoring indicated that actual performance stayed broadly in line with planned expectations, with no significant overspends or variances requiring corrective action. There remains the fact that the Council are facing significant financial challenges, as evidenced in the financial sustainability significant weakness we have raised. However, the governance arrangements in place for setting the budget remain appropriate.	G

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council operates a robust and well-structured annual budget-setting process, with strong engagement from senior leadership, directorates, and elected members. The 2025/26 budget was developed through integrated service and financial planning, supported by consistent templates, scenario modelling, and public consultation. The process is clearly aligned with the Medium Term Financial Strategy and subject to multi-level scrutiny. Treasury management is compliant with the CIPFA Code, with no breaches reported in 2024/25. Monthly financial monitoring and challenge sessions ensure accountability, while budget holders are supported by finance business partners and held responsible for delivery. The finance team is stable and well-resourced, with no concerns raised regarding capacity or statutory reporting. Variances are well-explained and linked to external pressures, not internal weaknesses, reflecting a mature and accountable financial management culture.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council maintains strong governance structures, with an up-to-date Constitution and clear decision-making processes. Cabinet decisions are well-documented, supported by detailed reports, and subject to appropriate challenge, with no evidence of unlawful or high-risk decisions. Overview and Scrutiny operates effectively, selecting items based on strategic risk and providing constructive oversight. The Audit Committee is independently chaired and demonstrates consistent challenge and follow-up on key risks. Shared service arrangements are governed through formal structures, ensuring accountability and transparency. The Council's governance culture reflects openness, respect, and adherence to public life principles, with no signs of poor tone or suppressed debate.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council maintains strong arrangements to ensure compliance with legislation, ethical standards, and procurement regulations. Codes of Conduct for Members and Officers are regularly reviewed and supported by mandatory training, with oversight from the Monitoring Officer and Standards Committee. No significant governance or compliance failures were identified in 2024/25, and the Annual Governance Statement confirmed adherence to statutory codes and frameworks. Procurement is well-managed through updated policies, a centralised team, and oversight of waivers by senior officers and the Audit Committee. No material breaches or systemic issues were reported, reflecting a sound and transparent control environment.	G

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of financial planning and performance management, but could challenge itself to go further, based on the best arrangements we see across the sector



What the Council is already doing

- The Council aligns its financial planning with strategic priorities, using its MTFS and budget reports to guide investment in health, climate, and inclusive growth, ensuring resources support long-term corporate objectives.
- The Council maintains a comprehensive risk register and independent internal audit function, with regular reporting to Members. These arrangements underpin transparency, accountability, and informed decision-making across financial, operational, and strategic areas.



What others do well

- The most effective financial planning arrangements we see include development of best case, worst case and likely case scenarios, alongside effective sensitivity analysis on key cost, demand and income assumptions.
- The incorporation of both financial and non-financial information as part of performance reporting, including data from council owned companies and key partnerships, with effective risk rating and mitigating actions.



The Council could consider

- Expanding the minutes of key member meetings to fully capture challenge, discussion and debate and who led this, to show members' contributions; the outcome of each item
- Better signposting of agenda items so that it is clear how the members' time should be prioritised, to focus on the items that need a decision or where more challenge is required.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered
how the Council: **Commentary on arrangements**

Rating

uses financial and performance information to assess performance to identify areas for improvement	The Council demonstrates a structured and consistent approach to monitoring operational, workforce, and financial performance through quarterly Cabinet reporting, with integrated revenue and capital updates and clear service-level variance explanations. While no real-time performance dashboard was identified, existing reporting is timely and comprehensive, with no unresolved performance issues. Internal audit provides assurance on data integrity, and financial data quality is supported through detailed variance analysis. Though a standalone Data Quality Policy is not evident, there are no flagged concerns or limited assurance findings. The Council actively engages in benchmarking through subscribed tools and regional networks, using external data to inform performance evaluation. Current performance challenges, such as service overspends, are being managed with clear mitigations and do not indicate systemic control failures. Development of a real-time dashboard could further strengthen dynamic performance oversight, as such, an improvement recommendation has been issued.	A
evaluates the services it provides to assess performance and identify areas for improvement	The Council continues to face challenges in its children’s services, which remain rated as inadequate as of April 2025 despite sustained efforts to improve. The ‘inadequate’ rating remains in place as the Council awaits a full Ofsted assessment, expected in 2025. The Council has been subject to regular Ofsted monitoring visits throughout 2024 and 2025, which have informed a comprehensive Children’s Services Improvement Plan focused on leadership, workforce, and quality of practice. While Ofsted has acknowledged progress in areas such as leadership visibility, safeguarding, and multi-agency collaboration, some issues were reported in monitoring visits during 2024/25. The most recent Ofsted monitoring visit in April 2025 identified significant progress in these areas and is indicative of the progress made by the Council. The plan is embedded within the Council’s corporate performance framework, with regular Cabinet oversight. External scrutiny from the CQC and auditors continues, but the most intensive focus remains on children’s services. The Council has continued to make improvements in Children’s Services following the ‘inadequate’ rating at the last full Ofsted inspection and we recognise this in our work. However, at the point of our review the Council remains rated as ‘inadequate’ whilst it awaits full reinspection in 2025. This inadequate status reflects a material weakness in safeguarding arrangements and underpins the key recommendation. We will continue to review this and await the findings of the upcoming Ofsted full assessment.	R

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

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council demonstrates active engagement with a range of stakeholders and partners in the development and delivery of strategic priorities, including collaboration with public sector bodies, private developers, and third-sector organisations. Evidence from Cabinet minutes and strategic documents highlights joint working across areas such as economic development, regeneration, health, and climate action. While there is no formal partnership register or dedicated dashboard, partnership activity is embedded within mainstream governance processes, with Cabinet oversight proportionate to risk and resource levels. Performance and financial reports reference partner-led programmes and track delivery outputs, and risks are escalated through corporate reporting where relevant. This indicates that partnership working is integrated into the Council’s strategic and operational delivery, though there may be scope to formalise oversight mechanisms further through formal partnership register or detailed protocols. We do note that are pockets of this around the role of the Health and Wellbeing Board overseeing Better Care Fund plans and the Solihull Outcomes dashboard.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council has established robust arrangements for managing commissioned services and procurement, supported by a dedicated monthly Procurement Board that oversees contract compliance, risk assessments, and supplier performance. Evidence from Board minutes and Cabinet reports confirms active monitoring of procurement pipelines, contract variations, and waiver activity, with fraud mitigation embedded in governance processes. While not all contracts include KPIs, performance tracking is proportionate to contract value and complexity. The Council has not entered into new large-scale commercial ventures in 2024/25, but significant procurements are subject to financial and legal scrutiny through formal governance channels. The capital programme is closely monitored, with slippage and re-profiling transparently reported and linked to strategic objectives. Engagement with national and regional procurement frameworks supports efficiency, and no material inefficiencies or disputes were identified in the reviewed documentation. While some slippage and re-profiling occurred within the capital programme, these were transparently reported and aligned with strategic priorities. No significant delays or concerns were identified during our review.	G

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: performance management

Key Finding: The Council does not currently operate a real-time performance dashboard, relying instead on quarterly reporting for monitoring operational, workforce, and financial performance.

Evidence: Cabinet minutes and performance reports confirm structured quarterly monitoring, but no documentation reviewed indicated the existence of a dynamic or real-time dashboard.

Impact: The absence of real-time performance tracking may limit the Council's ability to respond swiftly to emerging issues, reducing agility in performance management and operational decision-making.

Improvement Recommendation 1

IR1: The Council should -

- explore the development and implementation of a real-time performance dashboard to complement its existing quarterly reporting. This would enhance its ability to monitor key operational, workforce, and financial metrics dynamically, support timely interventions, and strengthen overall performance management.

Grant Thornton insight

Strengthening Contract Management and Procurement

Our national report on procurement and contract management sets out lessons learned from our VfM audits. Key findings include:

- Align contracts with priorities and the procurement strategy and include relevant performance indicators so that the corporate plan and procurement strategy can be measured and monitored.
- Maintain high level controls over the whole life of a contract, including supplier health checks and internal management resilience checks.
- Consider how contract management arrangements can protect against and identify potential fraud.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to improving economy, efficiency and effectiveness

Key Finding: Children's services is rated as inadequate by Ofsted as of April 2025 as the Council awaits full inspection. Monitoring inspections by Ofsted during 2024/25 identified some issues despite significant improvements. The most recent monitoring visit in April 2025 demonstrated significant progress in addressing issues identified in the initial inspection in 2022.

Evidence: Ofsted monitoring visits throughout 2024 and 2025, including the most recent in April 2025, confirm that while progress has been made in leadership and safeguarding, there remain some issues. The Council is rated as 'inadequate' as it awaits a full Ofsted assessment in 2025. Action has taken to address the issues, including implementing a comprehensive Children's Services Improvement Plan, enhancing leadership capacity, and maintaining strategic oversight through regular Cabinet updates, demonstrating continued progress in addressing the challenges.

Impact: Whilst significant progress has been made on issues identified in the 2022 full inspection the Council is awaiting a full reinspection and the 'inadequate' rating is still in place. This signals a material weakness in safeguarding arrangements and poses significant risks to the wellbeing of children and young people in Solihull. Strengthened monitoring and reporting are essential to ensure accountability and accelerate progress, and the Council's ongoing actions demonstrate commitment to improvement. We will continue to monitor this and will await the outcome of the expected full Ofsted assessment in 2025. Until the 'inadequate' assessment has been reassessed by Ofsted we consider there to remain a significant weakness in the Council's arrangements for securing value for money.

Key recommendation 3

KR2: The Council should 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. This includes effective monitoring and reporting on progress to members and all associated risks on a regular basis.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1	The Council should: The Council should reaffirm and build upon the 2023/24 recommendations by urgently identifying and implementing a credible programme of long-term savings that are deliverable and supported by robust governance. It should also develop a clear strategy for reducing reliance on reserves and one-off measures. This will strengthen the Council's ability to manage financial risks and maintain service delivery over the medium term.	Financial sustainability (pages 18-21)	Actions: The Council has already set out in the 2025 to 2028 MTFS a reserves strategy that commits to the maintenance of a minimum level of risk assessed reserves (£13.5m) and currently holds useable reserves in excess of this, which is an improved position for the Council. There is a recognition that the future years gaps in the revenue budget do pose a threat to this position though and the Corporate Delivery Board, working with Cabinet, is focused on both ensuring the delivery of agreed transformation to support the achievement of MTFS savings, and the identification of further savings, budget mitigations and challenge around emerging spending pressures in order to address future MTFS gaps through the financial sustainability workstream. There will be a key focus through the transformation programme on driving service efficiency, prevention and demand management initiatives, exploitation of digital and AI solutions and the continued work on rationalising and commercialising our asset base where possible. The MTFS refresh also includes difficult conversations around Council Tax levels in the context of the risks posed by the Fair Funding Review Council Tax equalisation funding formula proposals. The Section 151 officer has clearly articulated to the organisation that one-off EFS is not a sustainable funding option due to the associated on-going borrowing costs adding to revenue pressures and impact on borrowing headroom, so this cannot continue to be relied on as a key part of the MTFS. Responsible Officer: Andrew Felton – Section 151 Officer Due Date: February Council for MTFS refresh and on-going for CBD work
KR2	The Council should: strengthen its oversight of the DSG deficit by ensuring quarterly reporting to the Audit Committee on progress against the recovery plan. It should continue its proactive engagement to refine its strategy and contingency plans.	Financial sustainability (pages 18-21)	Actions: We have a DSG management plan (which is subject to DfE sign-off) which includes agreed mitigations to address the deficit in the context of rising demand. Implementation of mitigations is overseen by the DSG oversight group through the Children's Directorate Management Team which includes the Director of Resources (S151) for this item. The council needs to be clear that there is not a 'recovery plan' to bring the DSG back into balance, this is simply undeliverable without Central Government intervention in the system. Education services refresh the DSG management plan annually and there are additional options being considered for inclusion to potentially address some of the additional deficit, but again, this will not fully mitigate the deficit. Responsible Officer: Rasheed Pendry – Director of Children's Services Due Date: Progress on the DSG management plan will be reported regularly to the Children's Services & Education Scrutiny Board around performance and delivery as per Scrutiny's remit - Audit Committee will also be kept informed from a risk perspective, as is their remit. The DSG management plan refresh is due by 31st December 2025. The update of the DSG Management Plan is also reported annually to Cabinet for sign-off.

Key recommendations raised in 2024/25 (cont'd)

Recommendation	Relates to	Management Actions
KR3 The Council should: 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. This includes effective monitoring and reporting on progress to members and all associated risks on a regular basis.	Improving economy, efficiency and effectiveness (pages 26-29)	Actions: Regular reporting is already in place through the strategic quartet meetings with the appointed Commissioner, through regular updates to CLT and reports to scrutiny. Solihull have had the most LGA reviews to inform progress in children's social care, focused on children we care for, we have intensive support from our improvement partner, Birmingham Children's Trust, we have a refreshed and robust QA framework and all the existing monitoring and reporting that is required when on an improvement journey. We anticipate the formal re-inspection before Christmas 2025, which will ultimately provide a final judgement on the improvement journey we have continued to focus on and drive. Responsible Officer: Rasheed Pendry – Director of Children's Services Due Date: Ongoing

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The council should explore the development and implementation of a real-time performance dashboard to complement its existing quarterly reporting. This would enhance its ability to monitor key operational, workforce, and financial metrics dynamically, support timely interventions, and strengthen overall performance management.	Improvement economy, efficiency and effectiveness (pages 26-29)	Actions: PowerBI and Oracle Dashboards are used across the Council to present Corporate, Directorate and Service information. Examples include (but not limited to) Corporate Top 40 KPI's, Directorate KPI's, Children's Services Looked After Children, Care Experience, Domestic Abuse, Staff Absence and Budget Positions. Responsible Officer: Paul Langham (Assistant Director for Business Systems) Due Date: Already completed

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	We recommend that the Council continues and accelerates its current package of activities to address the significant structural budget deficit and reach a sustainable financial position in the medium-term. The Council must identify substantiated ongoing, long-term savings proposals to reduce its reliance on short term measures such as one-off savings or use of reserves. These savings proposals must be deliverable and subject to a robust governance structure. This will support careful management of the financial position over the immediate term. The Council should consider planning for the replenishment of these reserves, which may be achievable in three to five years.	2023/24	The Council continues to face substantial financial pressures and was in receipt of Exceptional Financial Support during 2024/25. Steps have been taken by the Council to begin to address the requirements for structural savings, for example the MERS scheme. However, the progress has not mitigated the risks identified sufficiently for this key recommendation to be addressed.	Limited progress made	Key recommendation remains in place for 2024/25 with regards to the Council's arrangements for securing value for money in relation to financial sustainability. Further information provided on page 19 of this report.

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	The Council must continue to progress, at pace over the coming months, the improvements required to Children's Services noted in Ofsted's recent inspection reports and by the Department for Education (DfE) appointed Commissioner, Sir Alan Wood. This includes effective monitoring and reporting on progress to members – and all associated risks – on a regular basis.	2023/24	The Council has made progress in addressing challenges around leadership and safeguarding. At the point of our review, Children's Services at Solihull continue to be rated as 'Inadequate' by Ofsted as a full inspection is expected in 2025.	Partially implemented	A key recommendation remains in place for 2024/25 as further progress is needed. Further information on the recommendation can be found on page 27 of this report.

07 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 Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

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

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	We recommend that the Council maintains cyber security as a priority during its period of financial constraint. The Council should consider ringfencing a specific budget for cyber security investment and resource in light of increasing threat in this area.	2023/24	The management response to this recommendation highlighted the difficulty of ringfencing specific budgets for Cyber Security but acknowledged the need to closely consider it in financial decision making. From our review of committee papers we can see that cyber security risks are considered by the authority.	Whilst the recommendation has not been implemented in full we are comfortable that no further recommendation is required.	No further action required. We will continue to monitor this in future years.
IR2	We recommend that improvements to central corporate reporting are reflected more widely across directorates, through development of PowerBi dashboards and training to ensure general visibility of standardised reporting and management information.	2023/24	The Council accepted this recommendation and indicated that a plan was already in place to extend the use of PowerBI across all service areas. Our review has indicated that this has been actioned but there are further improvements that could be made around performance reporting.	Whilst this improvement recommendation has been addressed we have raised a further recommendation with regards to real-time performance dashboards.	Improvement recommendation raised with regards to real-time performance dashboards.



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