The Chartered Institute of
Public Finance & Accountancy

Medway Council

External Assurance Review

May 2026

A Report by:

The Chartered Institute of Public Finance and Accountancy

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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Any questions arising from this submission should be directed to:

John O’Halloran

CIPFA
77 Mansell Street
London
E1 8AN

Tel: +44 (0)20 7543 5600
Email: john.o’halloran@cipfa.org

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1 Executive Summary

1.1 Summary of Findings, Issues, Evidence and Analysis

The council has been given in-principle approval for EFS in 2026-27 of £10.126 million and has budgeted to utilise £9.856 million of this support. In 2024-25 the council utilised £20.239 million of EFS and in 2025-26 the council utilised £28.003 million. In both 2024-25 and 2025-26 these totals include an initial request for EFS and supplementary requests for EFS as the in-year forecast financial position worsened.

At the time of Medway’s submission in respect of the EFS needed in 2026-27 (reviewed in January 2026), the identified need for EFS was £25.9 million, so the planned use of EFS in 2026-27 has significantly reduced.

The stated ambition of the council is that 2026-27 will be the final year of EFS. This is a long-held ambition, since when Medway initially applied for EFS for 2024-25, it was anticipated by the council that EFS would be required for only three years.

The 2025-26 outturn is a net overspend of £9.819 million compared to a net overspend of £5.497 million in 2024-25. However, the Adult Social Care overspend against budget was £14.695 million in 2025-26. In 2024-25 it was £7.142 million and in 2023-24 it was £8.810 million. Children’s Service recorded an overspend of £1.972 million in 2025-26 compared to £2.294 million in 2024-25. An additional pressure, which emerged in quarter 3, is the overspend on Interest and Financing costs and ended up at £5.853 million overspent against budget at outturn.

The overspend on Adult Social Care in 2025-26 of £14.695 million is after taking into account measures taken to mitigate the overspend namely: £1.34 million of flexible capital receipts were utilised to fund transformation costs, £0.235 million of earmarked reserves that were no longer required for their original purpose and a reduction in the anticipated bad debt provision of £0.889 million. Without these mitigations, the underlying overspend was £17.159 million.

We have previously commented in our Assurance Review for MHCLG, undertaken in September 2024, that the council has been making great efforts to achieve a financially sustainable position and to balance spending with funding in the medium-term. There has been some success, the budget gap in 2027-28 is projected to be £8.425 million. We have also previously acknowledged that the council has taken what might be regarded as “politically unattractive” decisions and is both receptive and responsive to the advice given to it to achieve greater financial sustainability.

Overall, financial management and the management of risk in Medway Council is good and the council has responded positively to past recommendations to improve the quality of financial management. However, the quality of in-year budget forecasting remains a concern, particularly in relation to Adult Social Care. The loss of two senior finance staff since October 2025 combined with the need to develop a more strategic approach to finance business partnering is also a concern, especially given the difficulties in recruiting people of suitable calibre.

The Adult Social Care budget is the single great financial challenge facing the council. In our view the budget for 2026-27 is unrealistic and needs to be re-based whilst keeping within the overall resource envelope available to the council.

Our overall assessment, given this challenge, is that the council will struggle to remain within budget in 2026-27 without significant focus and effort, not only in delivering the savings incorporated into the 2026-27 budget but in identifying contingency plans to reduce spending in areas other than Adult Social Care. Without this, there is a very real likelihood that EFS will be required in 2027-28.

1.2 Key Risks and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

Key risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
On the quality of financial management and processes		
1. The quality of forecasting fails to improve, particularly in relation to Adult Social Care, and this reduces the ability of the council to take mitigating actions in a timely manner to avoid an overspend in 2026-27.	**High 9**	1. Identify the root causes of the significant variations in forecasting exhibited in 2025-26 and take swift action to address the people, process and systems issues to improve the quality and accuracy of forecasting in 2026-27. **As soon as possible**
2. There is insufficient senior, strategic capacity within the finance function to support the council in addressing the financial challenges it faces, including the capacity of finance business partners to fulfil their intended role.	**Medium 4**	2. Ensure the positions of Chief Finance Officer (CFO) and Head of Revenue Accounts are filled as soon as possible, provide development training/support (including coaching/mentoring) to finance business partners and budget holders and, if necessary, retain additional capacity/skills to support the finance team at a senior, strategic level. **As soon as possible**
On financial sustainability and risk		
3. The Adult Social Care budget will be significantly overspent, given historical overspends and the disparity between spend in 2025-26 and the unrealistic budget approved in 2026-27.	**High 9**	3. Undertake an exercise to re-base the Adult Social Care budget to a more realistic and achievable target within the overall resource envelope available to the council in 2026-27 utilising bench-marking data. **As soon as possible**
4. Failure in delivering the One Medway Financial Improvement and Transformation Plan (FIT) Plan savings, improving forecasting and budgetary control in Adult Social Care in 2026-27.	**High 6**	4. Establish an Adult Social Care ‘task-force’ building on existing strengths and bringing in additional resource to provide a corporate focus on containing the Adult Social Care budget within a realistic level in 2026-27. **As soon as possible**
5. Failure to deliver the savings/income generation target in 2026-27 compromises the ability of the council to avoid a budget overspend in 2026-27.	**High 6**	5. Closely monitor the achievement of savings/income generation targets in 2026-27 and identify remedial actions where specific targets are not being achieved.

Key risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
		Now and ongoing
6. Medway Council is unable to manage identified budget pressures through its own resources, including reserves, in 2026-27, leading to a request for additional EFS in 2026-27.	**High 6**	6. Continue to review the potential for reclassification of earmarked reserves and consider the introduction of Expenditure Control Panels to provide greater oversight of spending decisions. **As soon as possible**
7. Borrowing to fund EFS will become a burden, reducing flexibility in the use of revenue resource, especially if EFS continues into 2027-28.	**Medium 4**	7. Monitor and report on interest paid and Minimum Revenue Provision (MRP) in relation to borrowing for EFS and as a proportion of the total of interest paid and MRP on external borrowing in quarterly budget monitoring reports so the impact of borrowing to fund EFS is transparent and explicit. This should include projections in the medium-term to understand the trajectory. **Ongoing throughout 2026-27**
8. The council disregards the opportunity to use capital receipts from its successful asset disposal programme to fund EFS and thereby reduce interest and MRP costs, instead utilising these receipts only for Flexible Use of Capital Receipts (FUCR) and in support of the capital programme.	**Medium 4**	8. Review and reconsider the decision to not use capital receipts to fund EFS in 2026-27, reducing interest paid and MRP incurred by borrowing to fund EFS. **30 September 2026**
9. The council is exposed to financial risk related to the repayment of loans made to Medway Development Company (MDC) Land & Property (L&P) loans by the council.	**Medium 4**	9. Give serious consideration to the external auditor's Improvement Recommendation (IR2) in respect of the MDC L&P loans, providing justification for the current practice of treating them as performing loans and not charging MRP in relation to them. **30 September 2026**
10. The council is not compliant with Ministry of Housing, Communities and Local Government (MHCLG) policy by charging EFS related MRP on the annuity method rather than on the equal instalment (straight-line) method, leading to understatement of MRP in relation to EFS in the early years which will create additional pressure on the revenue budget when it is rectified.	**High 6**	10. Confirm with the external auditor and MHCLG acceptability of current council practice regarding the use of the annuity method and if not acceptable, make the necessary adjustments to apply the equal instalment (straight-line method) in the 2025-26 accounts and 2026-27 budget. **As soon as possible**
On service reform, delivery and transformation		

Key risk	Risk rating (see details in Annex 2)	Recommendation (including Timeline)
11. The council fails to utilize benchmarking data in re-basing the Adult Social Care Budget and other budgets within the overall resource envelope.	**High 6**	11. Make use of comparative data in re-basing the Adult Social Care and other budgets to contain a revised budget within the overall resource envelope. **As soon as possible**
12. Practice framework and model is inconsistent between Adult Social Care pathways.	**Medium 4**	12. Resource and implement an Adult Social Care Practice review, to ensure practice framework and model is consistent throughout Adult Social Care pathways, strengthening decision making, practitioner behaviour, and improving outcomes. **30 September 2026**
13. The lack of scenario planning and use of forward-looking business intelligence undermines the precision of financial projections in relation to Adult Social Care both in relation to in-year forecasting and medium-term financial projections.	**High 6**	13. Identify and implement scenario planning and forward-looking business intelligence mechanisms to support identification and sensitivities related to spending need in Adult Social Care. **30 September 2026**
14. Brokerage and commissioning are inconsistent and ineffective in managing market risks.	**High 6**	14. Increase commissioning capacity / capability to further develop Adult Social Care commissioning function, capability, and effectiveness, to ensure active management of costs and delivery of best value. (e.g. embedding escalation actions where providers challenge framework rates, prioritise management information on high cost services, and proactive quality assurance contract management). **As soon as possible**

2. Introduction

2.1 Background

The council formally requested Exceptional Financial Support (EFS) from the Ministry of Housing, Communities and Local Government (MHCLG) for 2026-27 in December 2025.

The council has been given in-principle approval for EFS in 2026-27 of £10.126 million and has budgeted to utilise £9.856 million of this support. In 2024-25 the council utilised £20.239 million of EFS and in 2025-26 the council utilised £28.003 million of a total of £28.469 million agreed in-principle (consisting of an initial £18.484 million and a supplementary £9.985 million).

2.2 Requirement

As a result of receiving Exceptional Financial Support, MHCLG will be seeking some deeper assurance around the plans included in the business case for the 2026-27 financial year. In line with that expectation, CIPFA adopted the approach of looking to provide an assessment of the council’s financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery, with a view to providing recommendations for improvement.

The details of the requirement, the four key themes of the investigation and the approach that was followed are described in Annex 1.

3 Areas Reviewed

3.1 Review Area 1: QUALITY OF FINANCIAL MANAGEMENT AND FINANCIAL PROCESSES

An assessment of the local authority's financial management and management of risk.

Our assessment of financial management and the management of risk in Medway Council is that it is good overall and that the council has responded positively to recommendations to improve the quality of financial management in previous reports. However, we are concerned in relation to the quality of in-year budget forecasting and over the loss of two senior finance staff since October 2025, the Chief Financial Officer (CFO) /Deputy S.151 and the Head of Revenue Accounts, one of two direct reports to the CFO. Whilst an offer has been made to fill the CFO post, it is not clear at the time of writing when this person will be in post. This concern is exacerbated by our impression that finance business partnering is not matured in Medway, meaning there is a lack of strategic finance capability.

a) The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

Key findings and analysis

In our previous Assurance Review for MHCLG, undertaken in September 2024, we commented on the actions the council had taken in relation to improvements in financial management in relation to CIPFA's original report for Medway of January 2024.

In their Interim Auditor's Annual Report, dated 26 February 2026, the external auditor stated:

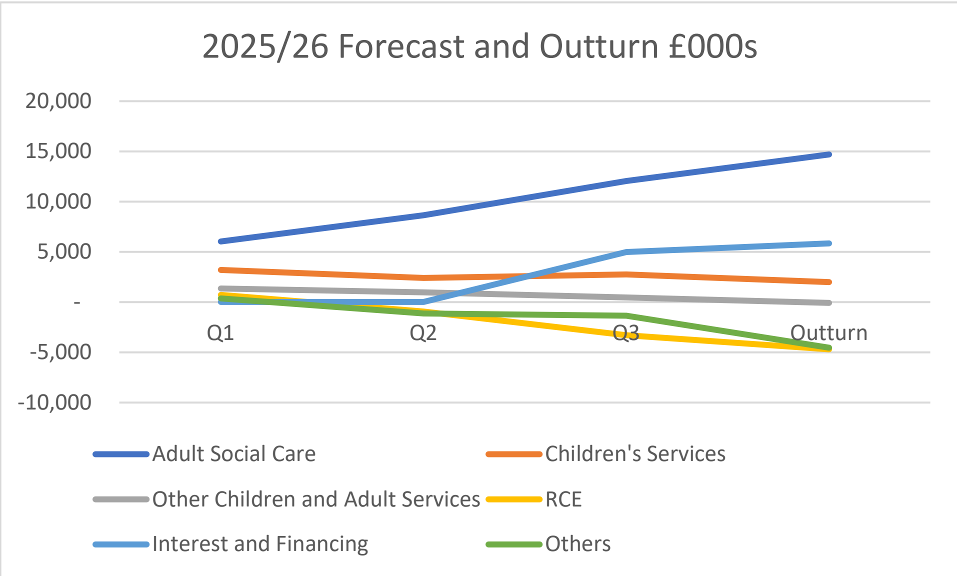
> *"There are well established robust arrangements to ensure effective financial management and reporting. Budgetary control is governed by the Council's Constitution and Financial Rules, with Cabinet oversight and regular monitoring reports (e.g., Revenue Budget Monitoring and Capital Outturn Reports). These reports provide detailed financial performance analysis and are used to inform statutory reporting, including the Statement of Accounts. The One Medway Financial Improvement and Transformation (FIT) Plan tracks savings delivery and is reviewed monthly by the Corporate Management Team, with real-time updates via SharePoint and Teams. Treasury management is subject to regular reporting and scrutiny by both the Audit Committee and Full Council, ensuring compliance and risk mitigation. Governance responsibilities are clearly defined, with the Chief Finance Officer and Monitoring Officer ensuring legal and financial compliance".*

Interviewees reported to us that the improvements introduced in recent years, including the FIT Plan, which has now entered its third year, is making a difference to the quality and effectiveness of financial management in the council.

The FIT Plan, which was approved by the Cabinet on 30 April 2024 and is now in its third year, is monitored by Corporate Management Team (CMT) as a core agenda item, with members of CMT having responsibility for savings and actions assigned to them. FIT Plan monitoring is focused on tracking savings. Quarterly budget and FIT Plan monitoring reports are considered by the Cabinet on the same agenda.

However, the quality of forecasting remains problematic. Given the council's financial situation and the desire to end the reliance on EFS to set a balanced budget, the importance of high quality forecasting is paramount. It is only with a clear sense of the direction of travel against the budget that the council can make the decisions necessary to curb overspending or take other mitigating actions.

The graph below illustrates the direction of travel for Q1, Q2 and Q3 forecasts and Outturn (Q4) in 2025-26



This shows an increasing forecast overspend in Adult Social Care over 2025-26, from £6.038 million in Q1 to £14.695 million at outturn. It also shows a failure to forecast the overspend on Interest and Financing which emerged in Q3 and ended up at £5.853 million at outturn. Underspends elsewhere meant the overall overspend against the budget requirement was contained to £13.169 million (reduced to a net overspend of £9.819 million though additional funding including the use of reserves).

The Chief Operating Officer (COO) held a workshop for finance staff on 30 March 2026. This did identify improvements that can be made in systems and processes. In our view, the council should focus on systems and processes that support improved forecasting in Medway; for example, greater systems integration, driving down the proportion of purchases that do not have a Purchase Order (PO) and the forward-looking use of 'business intelligence', including local demographic data, to provide insight into in-year forecasting and in projecting spend in the medium-term.

Medway has four Overview and Scrutiny Committees:

- Business Support and Digital
- Children and Young People
- Health and Adult Social Care
- Regeneration, Culture and Environment

In addition, there is a Kent and Medway NHS Joint Overview and Scrutiny Committee administered by Kent County Council.

Based on the evidence reviewed and discussions with the Chair of the Audit Committee and others, the Audit Committee and the Overview and Scrutiny Committees operate effectively.

The council complies with local government accounting codes and international financial reporting standards. A disclaimer of audit opinion was made in relation to the 2024-25 Statement of Accounts.

Risks and Recommendations

Key risk	Risk rating	Recommendation
1. The quality of forecasting fails to improve, particularly in relation to Adult Social Care, and this imperils the ability of the council to take mitigating actions in a timely manner to avoid an overspend in 2026-27.	**High 9**	1. Identify the root causes of the significant variations in forecasting exhibited in 2025-26 and take swift action to address the people, process and systems issues to improve the quality and accuracy of forecasting in 2026-27.

b) The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

Key findings and analysis

In our previous Assurance Review for MHCLG, undertaken in September 2024, we stated *"Our impression of the council's finance function, having worked with Medway since late 2023, is that it is strong. The Chief Operating Officer (COO), who is the S.151 Officer, and the Chief Finance Officer (CFO) have a firm grasp of the financial challenges facing the council and have responded positively to suggestions for improvements in financial management".* This followed a budget increase in 2024-25 which resulted in an additional seven posts.

Since October 2025, the CFO (Deputy S.151) post has been vacant despite efforts by the council to fill the vacancy. This is a pivotal role and the previous incumbent was highly regarded within the council by members and officers alike. We understand that an offer was recently made to a suitable candidate and has been accepted. In addition, the Head of Revenue Accounts recently left the council (in April 2026) and this is another significant loss, being one of two senior accountancy posts that report to the CFO. Medway had previously struggled to recruit someone of suitable calibre to the CFO post.

Three Finance Business Partner roles report to the Head of Revenue Accounts. Our impression is that there is a lack of consistency and positioning of finance business partnering in Medway. Finance business partners should act as strategic liaisons between finance and service/operational teams, requiring a blend of strong business acumen, financial expertise, and relationship-driven communication skills. Key skills include data storytelling, challenging assumptions, influencing stakeholders, and using technology to drive performance rather than just reporting numbers. This includes questioning the status quo and influencing senior leadership and cultivating trust within services to ensure financial advice is sought and adopted. They should be an integral and important member of Directorate Management Teams and be seen to add value across a range of activities in addition to budget monitoring and forecasting.

However, it is not uncommon in local government for principal accountants to be ‘rebadged’ as finance business partners and to continue to operate as such without developing into the more strategic mindset required of such a role. Our impression is that finance business partnering is not operating on a consistent and strategic level in Medway and, with the current CFO and Head of Revenue Accounts vacancies, there is currently a lack of senior, strategic finance capacity. As part of this review, the need to strengthen the strategic finance offer to support Medway in addressing the multiple challenges the council is facing (including local government reorganisation) was raised with the COO, who responded positively as consideration was already being given to this.

In our previous Assurance Review for MHCLG, undertaken in September 2024, in relation to the introduction of a more robust, monthly forecasting process to provide improved ‘in-flight’ financial management information we stated: “This has been embraced by budget holders, who have taken greater ownership”. However, as we have commented on above, the quality of forecasting in Medway is problematic.

No formal, externally provided training has been provided to either finance business partners to support their development in that role or to budget holders.

Risks and Recommendations

Key risk	Risk rating	Recommendation
2. There is insufficient senior, strategic capacity within the finance function to support the council in addressing the financial challenges it faces, including the capacity of finance business partners to fulfil their intended role.	**Medium 4**	2. Ensure the positions of CFO and Head of Revenue Accounts are filled as soon as possible, provide development training/support (including coaching/mentoring) to finance business partners and budget holders and, if necessary, retain additional capacity/skills to support the finance team at a senior, strategic level.

c) The local authority’s approach to financial risk management including identification, management and treatment of risk.

Key findings and analysis

In our previous Assurance Review for MHCLG, undertaken in September 2024, we stated: “*To ensure it remains up to date and continues to reflect the council’s approach to risk management, the council produces an annual risk strategy. The Audit Committee is responsible for providing independent assurance on the adequacy of the risk management* *framework and the associated control environment, including consideration of the council's approach to risk management"*.

In the Interim Auditor's Annual Report, dated 26 February 2026, the external auditor stated: *"The Council has a comprehensive framework in place to monitor and assess risk and gain assurance over internal controls. Risks are identified, scored, and recorded in a structured register, with regular reporting to the Audit Committee and Cabinet. Internal Audit provides assurance through a risk-based audit plan, despite recent resource constraints, and has maintained focus on strategic priorities".*

The One Medway Council Plan Performance Monitoring Report and Strategic Risk Summary report to Cabinet on 18 November 2025 states *"Risk management is recognised by the council as an integral part of good governance"*. The Cabinet is responsible for ensuring the effective operation of risk management in the council. The Overview and Scrutiny Committees scrutinise the relevant part of the Risk Register for that Committee and Cabinet review the register on a quarterly basis.

Cabinet approved the 'Medway Council Risk Strategy 2026-27' on 10 February 2026, following review by the Audit Committee on 27 January 2026.

Key financial reports include a section on risk management with a risk rating of the specific risk for likelihood and impact (critical, major, moderate or minor impact as defined in the annual risk strategy) together with actions to avoid or mitigate the risk.

Medway has a strong and effective approach to the management of risk.

Risks and Recommendations

Key risk	Risk rating	Recommendation
None identified.		None identified.

3.2 Review Area 2: FINANCIAL SUSTAINABILITY AND RISK

An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (including the sustainability, value for money and risk exposure of the local authority in this space). The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

Despite recurrent asks for EFS, including supplementary requests for EFS in both 2024-25 and 2025-26, the council has a long-held ambition that 2026-27 will be the final year of EFS. Whilst great effort has been made since the first year of EFS in 2024-25 to move toward a position of financial sustainability, this is proving illusive. Overspending in Adult Social Care is the greatest challenge to achieving this long-held ambition. The budget gap in 2027-28 is projected to be £8.425 million so the council's ambition does seem to be in touching distance. However, we are of the opinion that the Adult Social Care budget in 2026-27 is simply unrealistic and that it needs to be re-based. If this cannot be done within the overall resource envelope, the council will struggle to remain within budget in 2026-27 without significant focus and effort and that there is a likelihood that EFS will be required in 2027-28.

> ***a) The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.***

Key findings and analysis

The 2025-26 outturn is a net overspend of £9.819 million compared to a net overspend of £5.497million in 2024-25.

In our initial report, commissioned by Medway Council and dated January 2024, we stated: "The most significant financial challenge and hence threat to Medway's financial sustainability arises in relation to Children and Adult Services (Directorate)".

More specifically, Adult Social Care is the key overspending service in Medway. The 2025-26 overspend against budget was £14.695 million. In 2024-25 it was £7.142 million and in 2023-24 it was £8.810 million. Children's Service recorded an overspend of £1.972 million in 2025-26 compared to £2.294 million in 2024-25.

The overspend on Adult Social Care in 2025-26 of £14.695m is after taking into account measures taken to mitigate the overspend namely: £1.34 million of flexible capital receipts were utilised to fund transformation costs, £0.235 million of earmarked reserves that were no longer required for their original purpose and a reduction in the anticipated bad debt provision of £0.889 million. Without these mitigations, the underlying overspend was £17.159 million.

In our previous Assurance Review for MHCLG, undertaken in September 2023, we stated: "Paradoxically, Medway is not a high spending local authority on these service areas.

CIPFA's benchmarking data indicates that Medway Council spends less per capita on both Adult Social Care and Children's Services than other similar authorities, even taking into account the significant investment in Children's Services since the service was assessed by Ofsted as 'inadequate' in 2019".

This has not changed. In Review Area 3: Service Delivery, Reform and Transformation, we identify that, compared to nearest neighbours, unit costs in Medway for Adult Social Care and Children's Social Care are close to the average.

Demand and market inflation are key drivers. The Capital and Revenue Outturn Report to CMT on 13 May 2026 states: "At the point of building the budget for 2025-26 185,308 weeks of service provision were expected to be delivered to an ongoing cohort of 3,556 clients. Across the financial year 196,820 weeks of service provision have been provided, with a remaining cohort of 3,628 ongoing clients continuing into 2026-27. This is an increase in service delivery of 6.2%. We have also seen increases in the average weekly cost of around 7% in areas of residential, nursing and supported living packages, contributing to the overspend seen in the service provision".

In 2026-27 the Adult Social Care budget is £114.458 million (113.539 million in 2025-26), incorporating £5.889 million of savings in the FIT Plan refresh for 2026-27. The spend in 2025-26 was £128.234 million, which is £13.776 million more than the budget in 2026-27. Even if Adult Social Care is able to deliver the £5.889 million FIT Plan savings, it appears entirely unrealistic to imagine that Adult Social Care will be able to spend £13.776 million less in 2026-27 than was spent in 2025-26 and remain in budget (the gap is even greater if the mitigations put in place in 2025-26 are taken into account).

We discuss Adult Social Care in more detail in Review Area 3: Service Delivery, Reform and Transformation. Based on our work with Medway since late 2023, we have come to the conclusion that the Adult Social Care budget is simply inadequate and needs to be re-based. A similar approach was taken with Children's Services following the 'inadequate' Ofsted assessment in 2019.

Given the financial position of the council, to remain within the 2026-27 resource envelope, any re-basing of the Adult Social Care budget would need to be 'net-zero', which would mean reducing spend in other areas outside of Adult Social Care, such as culture, environmental and regulatory services, if the council is to meet its ambition of 2026-27 being the final year of EFS and thereby avoid asking for supplementary EFS in 2026-27 or seeking EFS in 2027-28.

In 2025-26 there were a number of significant underspends and the unit cost data, set out in Review Area 3: Service Delivery, Reform and Transformation, indicates that Medway has higher unit costs than its 'nearest neighbours' in a number of services. In fact, Medway's unit cost for culture and related services and for environmental and regulatory services are the highest relative to the comparator group. In highways and transport and in planning and development unit costs are also higher than average compared to nearest neighbours.
The Medium Term Financial Projections included in Appendix 9: Medium Term Financial Projections to the Capital and Revenue Budget 2026-27 on 25 February 2026 to Full Council, identify the overall budget gap in 2027-28 to be £8.425 million. This has come down dramatically since the Medium Term Financial Outlook (MTFO) was produced in August 2025 when it stood at £45.085 million. This is why the ambition of 2026-27 being the final year of EFS is, from the council leadership's perspective, almost tangible, it seems within reach. Medway has made efforts to achieve financial sustainability and be able to

set a balanced budget without EFS in 2027-28. With the continued overspending in Adult Social Care based on what appears to be an unrealistic budget, this ambition seems remote.

During the course of this assurance review, the need for a co-ordinated Adult Social Care ‘task force’ was raised. This would build on existing strengths, including the work led by the Head of Adult Social Care Transformation and Improvement and the work of the Interim Lead Commissioner for Adult Social Care, but would bring in additional focus resource encompassing strategic finance input and other required skills to support; for example, improved forecasting and budgetary control.

Risks and Recommendations

Key risk	Risk rating	Recommendation
3. The Adult Social Care budget will be significantly overspent, given historical overspends and the disparity between spend in 2025-26 and the unrealistic budget approved in 2026-27.	**High 9**	3. Undertake an exercise to re-base the Adult Social Care budget to a more realistic and achievable target within the overall resource envelope available to the council in 2026-27 utilising bench-marking data.
4. Failure in delivering FIT Plan savings, improving forecasting and budgetary control in Adult Social Care in 2026-27.	**High 6**	4. Establish an Adult Social Care ‘task-force’ building on existing strengths and bringing in additional resource to provide a corporate focus on containing the Adult Social Care budget within a realistic level in 2026-27.

b) An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back

Key findings and analysis

The One Medway Financial Improvement and Transformation (FIT) Plan is a comprehensive and detailed plan to transform and achieve savings across the council. A great deal of effort and focus went into developing the FIT Plan in 2024 and a similar level of effort and focus is going into delivering it. The FIT Plan encompasses service focused efficiencies, cost reductions, income generation and transformational change to constrain spend together with initiatives in relation to corporate property and procurement.

The Medway 2.0 Delivery Plan (improving the customer experience), which is an integral part of the FIT Plan, directly supports the delivery of the FIT Plan’s targets by providing dedicated service design and improvement capability, which will enable services to streamline and improve their operations, in particular customer-facing activity.

The Fit Plan is now in its third year; the 2026-27 refresh having been approved by Cabinet on 7 April 2026 and has proven successful. In 2025-26, the second year of operation and subject to finalisation, the combined savings and income generation target amounted to £28.817 million. As at 15 April 2026, £26.112 million (90.6%) of this had been achieved.

However, Adult Social Care underperformed, achieving only £.3.084 million (53.6%) of targeted savings of £5.752 million.

In 2024-25, the Financial Improvement and Transformation (FIT) Plan Monitoring – Round 4 and Full-Year Outturn 2024-25 reported to cabinet on 3 June identified that of the £32.970 million target, £28.667 million (86.9%) was achieved. FIT Plan savings in Adult Social Care in 2024-25 amounted to £6.812 million (81.6 %) of a £8.347 million target.

The total of the combination of savings and income generation incorporated into the 2026-27 budget is £24.424 million which demonstrates the council's focus on identifying year-on-year savings.

Medway Council has demonstrated a good record of achieving the budgeted savings and income generation targets in 2024-25 and 2025-26. There is significant target of savings and income generation in 2026-27, the achievement of which is fundamental to the council maintaining control of the overall budget and avoiding an overspend.

Risks and Recommendations

Key risk	Risk rating	Recommendation
5. Failure to deliver the savings/income generation target in 2026-27 compromises the ability of the council to avoid a budget overspend in 2026-27.	**High 6**	5. Closely monitor the achievement of savings/income generation targets in 2026-27 and identify remedial actions where specific targets are not being achieved.

c) An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

Key findings and analysis

Medway Council has over a number of years undertaken reviews of earmarked reserves and declassified earmarked reserves. The Capital and Revenue Outturn Report to CMT on 13 May 2026 states: "In order to bring the outturn position for 2025-26 within the amount of EFS agreed in-principle for 2025-26, the Council will use a total of £3.793million of the available reserves; taking the balance to £10.012 million". This has been achieved through the declassification of earmarked reserves which are transferred to the General Fund balance. Use of this additional amount in the General Fund balance thereby maintains the General Fund balance marginally above £10 million. In 2023-24 the council funded an overspend of £6.706 million at outturn from a similar review and declassification of earmarked reserves.

£10 million is the minimum General Fund balance considered prudent by the S.151 Officer. The report to CMT, in fact, states: "[the] council's longer-term strategy is to increase the General Fund balance to around 5% of the net budget requirement, however continued reliance on exceptional financial support means it has not been possible to budget for an increase in reserves for 2026-27"

There is no planned use of reserves in the 2026-27 revenue budget and no budgeted use of reserves in subsequent years (as set out in the Appendix 9: Medium Term Financial Projections to the Capital and Revenue Budget 2026-27 on 25 February 2026 to full Council).

Medway has demonstrated a preparedness to review and declassify earmarked reserves and this remains an option though it seems unlikely to yield significant sums, though any marginal contribution to reducing the need to use/seek a capitalisation direction is worthwhile. The General Fund balance is low at 2% of the 2026-27 Budget Requirement of £523.752 million identified in the Capital and Revenue Budget 2026-27 report. Any reduction in the General Fund balance would present a significant risk to the council.

Other than reserves, the actions available to the council to minimise the need to use/seek a capitalisation direction are limited. In 2026-27 the main action is to maintain budgetary control with the objective of coming in on budget in March 2027 which also means full delivery of the savings incorporated into the budget and reflected in the FIT plan. Strict budgetary control is therefore a necessity.

One option the council could consider is the introduction of Expenditure Control Panels, which have been used in other councils, especially pursuant to a S.114 notice. These can provide oversight of all spending decisions above, for example, £500 at Directorate level, with more senior panels providing oversight for spending decisions above £25,000. The decision-making process can be supported by 'essential spend criteria' which provide justification for decisions made. In addition, exceptions can be identified, in relation to care packages for example which may already be subject to an internal review process.

Looking forward to 2027-28, which will be Medway Council's final year prior to local government reorganisation, there is an ambition within the council that EFS will be no longer required. This will depend on the outcome of 2026-27 and will require the council to continue into 2027-28 with a focus on financial sustainability using the levers at its disposal including rises in Council Tax, ongoing delivery of savings, increases in fees and charges and, where appropriate, the use of earmarked reserves where this can be justified.

Risks and Recommendations

Key risk	Risk rating	Recommendation
6. Medway Council is unable to manage identified budget pressures through its own resources, including reserves, in 2026-27, leading to a request for additional EFS in 2026-27.	**High 6**	6. Continue to review the potential for reclassification of earmarked reserves and consider the introduction of Expenditure Control Panels to provide greater oversight of spending decisions.

d) An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach.

Key findings and analysis

2026-27 is the third year of EFS for Medway Council. In 2024-25, EFS utilised was £20.239 million with a cap of £23.171 million. In 2025-26 EFS utilised was £28.003 million with a cap of £28.469 million (made up of an initial £18.484 million EFS and a supplementary request for £9.985 million). EFS approved in-principle for 2026-27 is £10.126 million though the council's budget identifies utilising £9.856 million of EFS. In total, therefore, the expected use of EFS over the three year period 2024-25 to 2026-27 amounts to £58.098 million.

As was stated in our review of Medway's EFS submission for 2026-27 in January 2026: "Medway Council has not utilised capital receipts to fund EFS in the past and there are no current plans to do so".

All of the council's utilisation of EFS is, consequently, funded from borrowing which does add to revenue costs in the form of both Minimum Revenue Provision (MRP) and interest on borrowing. The table below demonstrates the impact.

EFS Year	EFS £000s	EFS Interest £000s	Total Interest £000s	% EFS vs. Total %	EFS MRP £000s	Total MRP £000s	%EFS vs. Total %
2024/25	20,239	455	21,265	2.14%	-	5,792	
2025/26	28,003	1,555	28,614	5.43%	556	6,311	8.81%
2026/27 (Est)	9,856	2,442	34,506	7.08%	1,363	8,126	16.77%

The proportion of MRP related to EFS is expected to be 16.77% of total MRP in 2026-27. MRP for EFS borrowing is calculated over a relatively short period of twenty years. This will have a major impact on MRP as it 'kicks in' since MRP does not commence until the financial year following the borrowing for EFS. Hence, the 2026-27 EFS MRP value of £1.363 million is in respect of 2024-25 and 2025-26 but does not include any MRP in relation to EFS in 2026-27.

The proportion of interest paid on borrowing related to EFS is rising in relation to total interest paid on borrowing and is expected to reach 7.08% in 2026-27.

The total expected cost of interest and MRP in relation to borrowing for EFS in 2026-27 is £3.805 million which is 8.93% of the total cost of interest and MRP (£42.632 million).

The council considers the MRP and interest payable in relation to borrowing to fund EFS to be sustainable. However, interest and financing has emerged as a budget pressure in 2025-26 due to a disparity between assumed interest rates in setting the budget and actual interest rates which were higher. This disparity has been taken account of in the 2026-27 budget and will be reflected in financial projections in the medium-term.

If Medway manages to achieve its ambition of 2026-27 being the last financial year in which EFS is required, the burden placed on the general fund of borrowing to fund EFS appears manageable and sustainable though, given MRP is provided over twenty years, this will form a significant proportion of total MRP.

Borrowing for EFS is likely to remain sustainable if EFS is requested for 2027-28 but if the need for EFS extends beyond that, then interest and MRP in relation to EFS borrowing will become an increasing burden on the general fund and become less sustainable.

Risks and Recommendations

Key risk	Risk rating	Recommendation
7. Borrowing to fund EFS will become a burden, reducing flexibility in the use of revenue resource, especially if EFS continues into 2027-28.	**Medium 4**	7. Monitor and report on interest paid and MRP in relation to borrowing for EFS and as a proportion of the total of interest paid and MRP on external borrowing in quarterly budget monitoring reports so the impact of borrowing to fund EFS is transparent and explicit. This should include projections in the medium-term to understand the trajectory.

e) An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

Key findings and analysis

In our initial report, commissioned by Medway Council and dated January 2024, CIPFA stated: "Surplus assets, those no longer held for operational purposes, have been identified but a comprehensive programme of divestment has not yet been determined which might include other assets beyond those defined as "surplus" that are attractive to the market where their sale could contribute to Medway's longer-term financial sustainability".

Medway's 'Property Asset Management Strategy - 1 November 2024 – 31 March 2029', which was approved by the Cabinet on 29 October 2024, has the generation of capital receipts as a core element of the strategy, stating: "Following the recommendations contained in the Chartered Institute of Public Finance's (CIPFA) report January 2024, the priority is to generate revenue savings and capital receipts for the Council by disposing of properties". It also states: "The aim is to generate revenue savings and capital receipts for the Council, whilst avoiding future capital spend on properties, for example on required maintenance. Thereby releasing properties, which can then be disposed, providing opportunities for either the Council, private and public sectors to deliver alternative uses / development, including much needed housing".

At the same time new governance arrangements were put in place. The Cabinet with the Portfolio Holder for Business Support have overall responsibility for all property asset management matters in the council. A new Corporate Landlord Board (CLB) was established to consider "all matters of property management relating to acquisition, investment, maintenance of and divestment of Council property", ensuring the property portfolio aligns with the Council's One Medway Council Plan 2024-2028.

A review of non-operational properties was undertaken and initially considered by CMT on 7 August 2024 before consideration by the Cabinet. This identified, as is set out in the strategy, the potential disposal of thirty properties with a then current asset value of £34.273 million. An additional nineteen other non-operational properties with a combined value of over £0.6 million were also identified which did not need Cabinet approval for disposal.

The following table sets out capital receipts received and their application, as reported to us by the council as part of this review, since the Property Asset Management Strategy was launched in late 2024.

EFS year	Capital Receipts £000s	Flexible Use of Capital Receipts £000s	Capital Programme £000s	Unapplied £000s
2025/26	18,534	2,783	2,014	13,737
2026/27	19,922	10,292	1,485	8,145
Total	**38,456**	**13,075**	**3,499**	**21,882**

The values for 2026-27 are estimated values. If these turn out to be correct, the council will have surpassed the target for capital receipts identified in the Property Asset Management Strategy of £34.873 million by £3.583 million.

However, as has been stated in the previous sub-section, Medway has chosen not to apply capital receipts to fund EFS, relying on borrowing. Instead, Medway has utilised capital receipts as part of their Flexible Use of Capital Receipts (FUCR) Strategy to fund the up-front revenue costs of service reform, transformation, and efficiency projects. This flexibility is currently extended through to 2030. There has also been a modest use of capital receipts to fund the capital programme.

£21.882 million of capital receipts generated from the disposal of assets as a consequence of the Property Asset Management Strategy will remain available for use. The council will need to determine whether this is further applied through FUCR, used to fund the capital programme or used to fund current or future EFS related capitalisation directions, thereby avoiding the costs associated with borrowing.

Risks and Recommendations

Key risk	Risk rating	Recommendation
8. The council disregards the opportunity to use capital receipts from its successful asset disposal programme to fund EFS and thereby reduce interest and MRP costs, instead utilising these receipts only for FUCR and in support of the capital programme.	**Medium 4**	8. Review and reconsider the decision to not use capital receipts to fund EFS in 2026-27, reducing interest paid and MRP incurred by borrowing to fund EFS.

f) A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regards to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

Key findings and analysis

In our previous Assurance Review for MHCLG, undertaken in September 2024, we stated in relation to council loans to Medway Development Company (MDC): "We have discussed treatment of these loans in respect of MRP with the S.151 Officer and are content that the proposed treatment of these loans complies with MRP guidance and advice on the distinction between 'performing' and 'non-performing' loans. In this context, 'performing' loans are where principal repayments are being received and 'non-performing' loans are where there is the anticipation of a future receipt but there actually isn't one due anytime soon".

In their Interim Auditor's Annual Report, dated 26 February 2026, the external auditor identified that in respect to these loans to funded through prudential borrowing "the Council aren't charging Minimum Revenue Provision (MRP), classifying them as performing loans. This approach assumes repayment through housing sales and rental income, but market changes have shifted the business model, creating uncertainty around repayment timelines and sustainability". They also stated: "Failure to secure timely repayment or restructure these loans could significantly worsen the Council's financial position, already under strain from overspends and savings delivery risks and impact financial sustainability".

As a consequence, the external auditor made an Improvement Recommendation (IR2) which we set out below:

IR2: Implement a robust risk mitigation approach regarding loans to MDC, including:

- Review and stress testing: Conduct a detailed financial resilience review of MDC's business plan, including sensitivity analysis on rental income and asset values.

- Introduce MRP or alternative provision: Consider applying MRP or creating an earmarked reserve to cover potential non-repayment risk to mitigate exposure if MDC cannot meet repayment obligations.

- Governance and Monitoring: Establish enhanced oversight with regular reporting to Cabinet on loan performance, repayment schedules, and risk indicators.

The table below sets out the breakdown of external borrowing as at 31 March 2026.

Borrowing Analysis as at 31 March 2026	
Loan Category	**£'000**
MDC L&P Loans	52,443
MDC PRS Loans	100,321
Kyndi Loans	651
Exceptional Financial Support	47,687
Loans for Capital Spend	507,433
Total External Borrowing	**708,535**

Loans to MDC total 152.764 million (21.6% of external borrowing at 31 March 2026).

The information provided to us by Medway with regards to the loans made to subsidiaries in relation to loan principal repayment agreements is set out below.

MDC L&P (Land & Property) Loans – the legal agreement does not set out a specific repayment schedule but instead details that the loans taken out must be repaid in full by 31 March 2036. Since 12 March 2021 and as at 31 March 2026, a total sum of £136.127 million has been loaned to MDC for building assets, incurring cumulative interest of £21.64 million. Repayments totalling £105.324 million have been received. Whilst the legal agreement does not stipulate specific repayment requirements other than an end date for the loans to be repaid, approximately 77% of the original loans (excluding cumulative interest) have been repaid as at 31 March 2026.

MDC PRS (Private Rented Sector) Loans – at the time the loans are taken out, a fifty year repayment schedule is provided as part of the legal agreement, which is based upon an annuity calculation with the interest rate being revised on each anniversary using the 1 year PWLB maturity certainty rate plus 0.5%.

Kyndi Loan – This loan for £2.5 million was provided in April 2021 and monthly repayments of the principal are received each month with the loan due to be fully repaid in April 2028. The loan agreement allows the borrower to make additional repayments.

The key uncertainty, therefore, is in relation to the MDC L&P loans. There has been a history of principal repayment but given the nature of the business, which is to develop and build properties for sale, this has not been on a regular schedule in the same way as with the loans to MDC PRS or to Kyndi.

Given the sums repaid to the council by MDS in relation to the MDC L&P loans since 2021, they have performed, so not charging MRP historically has been a supportable position. However, the external auditor is right to point out that there is “uncertainty around repayment timelines” and that this presents a financial risk to the council.

During the course of our work, we have become aware that Medway intends to use the annuity method for charging MRP on borrowing related to EFS over twenty years. 2025-26 will be the first year of MRP associated with borrowing for EFS, in relation to EFS in 2024-25. However, MRP in 2026-27 will apply to EFS in 2024-25 and 2025-26. It is our understanding that MHCLG policy is to use the equal instalment (straight-line) method over twenty years. The annuity method reduces the impact of MRP in the early years, loading MRP onto later, years which is an advantage to the revenue budget in those early years.

Risks and Recommendations

Key risk	Risk rating	Recommendation
9. The council is exposed to financial risk related to the repayment of loans made to MDC L&P loans by the council.	**Medium 4**	9. Give serious consideration to the external auditor's Improvement Recommendation (IR2) in respect of the MDC L&P loans, providing justification for the current practice of treating them as performing loans and not charging MRP in relation to them.
10. The council is not compliant with MHCLG policy by charging EFS related MRP on the annuity method rather than on the equal instalment (straight-line) method, leading to understatement of MRP in relation to EFS in the early years which will create additional pressure on the revenue budget when it is rectified.	**High 6**	10. Confirm with the external auditor and MHCLG acceptability of current council practice regarding the use of the annuity method and if not acceptable, make the necessary adjustments to apply the equal instalment (straight-line method) in the 2025-26 accounts and 2026-27 budget.

3.3 Review Area 3: SERVICE REFORM, DELIVERY AND TRANSFORMATION

An examination of high cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice.

We have focused on Adult Social Care, since avoiding an overspend in 2026-27 is the greatest financial challenge to the council. However, as we have pointed out previously, Medway is not a high-spending council on Adult Social Care in terms of unit costs, which are close to the average compared to nearest neighbours, and we consider the Adult Social Care budget to be unrealistic. Having said that, Adult Social Care in Medway is on a transformational journey. There have been some successes but there are, undoubtedly, further improvements that can be made in the way the service is delivered to fully embrace best practice, including in relation to brokerage and commissioning to manage market risks.

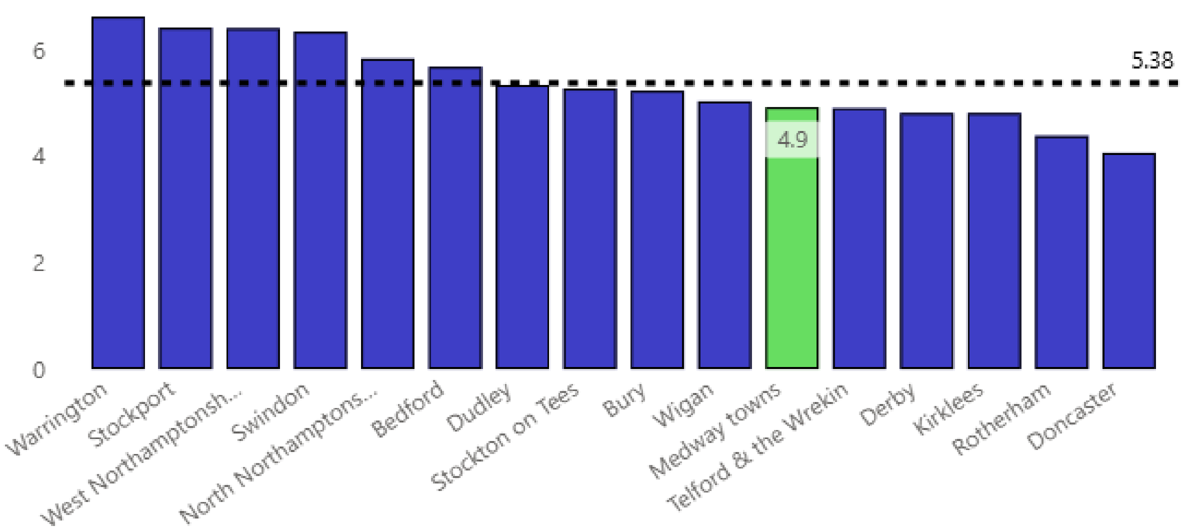
a) The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

Key findings and analysis

Medway has an average size population (293,000 in 2024) in comparison to its nearest neighbours, its statistically most similar authorities have been identified using CIPFA's Nearest Neighbours model based on socio-economic, geographic and demographic characteristics.

Medway has a slightly lower Index of Multiple Deprivation (IMD) score than both its nearest neighbours and England, indicating relatively higher levels of deprivation overall, but not at the extreme end.

IMD: average decile

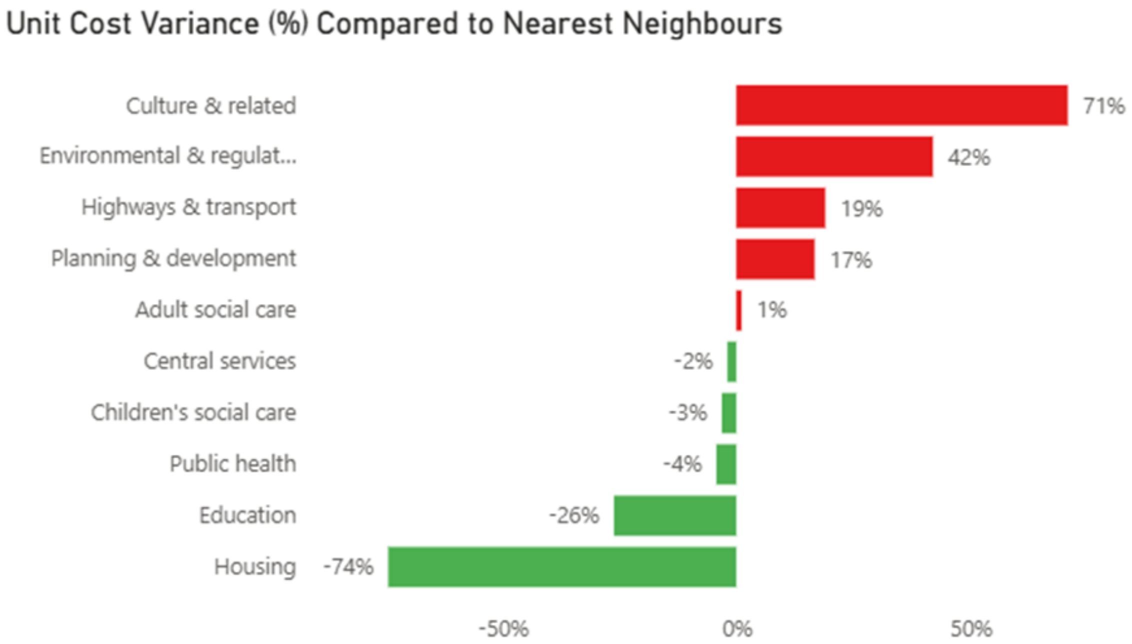


The IMD also identifies that Medway is more deprived compared to its nearest neighbours and England in relation to a number of key measures:

- Barriers to housing and services
- Education, skills and training
- Crime

Taken together, these indicate higher underlying demand pressures, especially in relation to services such as social care.

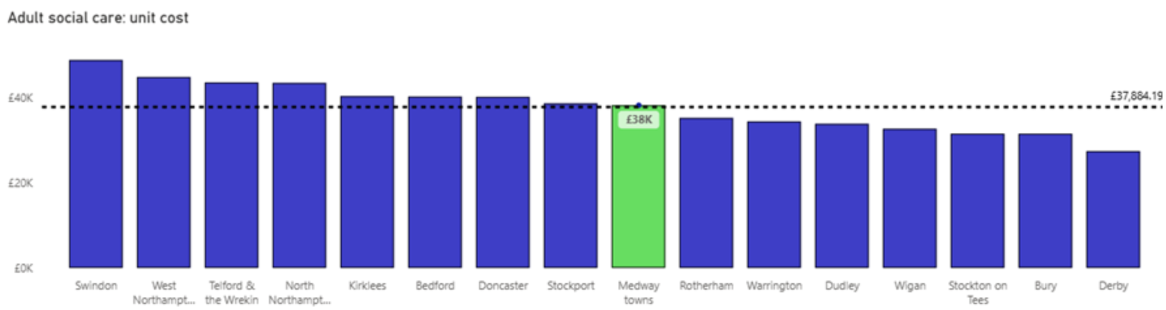
The diagram below illustrates unit cost variances between Medway and its nearest neighbours.



This analysis is based on 2024-25 Revenue Outturn returns (excluding COVID-19 lines), which are the most up to date values available. This does not reflect movements that may have occurred in 2025-26.

In relation to Adult Social Care, which has been identified to have incurred the largest overspend in 2025-26 (£14.695 million) and is most at risk of overspending in 2026/27, this data shows that unit costs are in line with nearest neighbours.

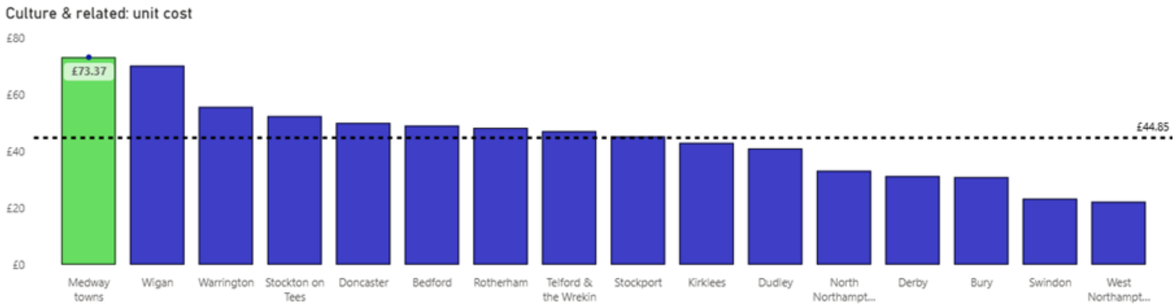
This is further illustrated in the graph below:



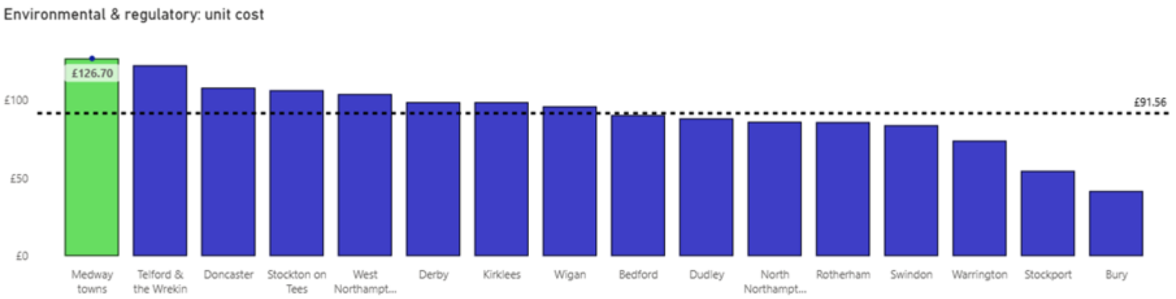
In our review of Medway's EFS submission in January 2026 we stated: "In 2024-25 Medway Council spent less per hour (£20) on external homecare than nearest neighbour (£23) councils and less on the weekly unit costs of adult nursing care (18-64 & 65+) and working age adult residential care (18-64). The weekly unit costs of residential care for older adults (65+) was 16% higher than the nearest neighbour average."

There are variations of lower and higher costs within the overall unit cost illustrated above but this confirms the comment made in our previous Assurance Review for MHCLG, undertaken in September 2024, that paradoxically Medway is not a high spending local authority on Adult Social Care based on CIPFA's benchmarking data despite the budget pressures and resulting overspends encountered each financial year.

In contrast, based on this data, unit costs in relation to culture and related services and in relation to environmental and regulatory services, Medway's unit costs are significantly higher than the nearest neighbours' average.



In fact, Medway's unit cost for culture and related services is the highest relative to the comparator group.



The same is true in relation to environmental and regulatory services unit costs. In 2025-26 the underspend on Regeneration, Culture and Environment (RCE) was £4.7 million.

The RCE underspend in 2024-25 was £1.368 million whilst the overspend on Adult Social Care was £7.42 million. We have previously drawn attention to this seeming anomaly. Average units costs and overspends in Adult Social Care together with high unit costs and underspends in RCE.

This reinforces our recommendation that there is a need to re-base the Adult Social Care budget as a matter of urgency, within the council's overall resource envelope, to support the achievement of financial sustainability and as a means to providing a realistic budget target for Adult Social Care to be held accountable to.

Risks and Recommendations

Key risk	Risk rating	Recommendation
11. The council fails to utilize benchmarking data in re-basing the Adult Social Care Budget and other budgets within the overall resource envelope.	**High 6**	11. Make use of benchmarking data in re-basing the Adult Social Care and other budgets to contain a revised budget within the overall resource envelope.

b) *Assessment of the extent to which the council's service delivery model in areas of high demand / financial pressure, particularly in adult social care, reflect current best practice and guidance on service effectiveness and efficiency.*

Key findings and analysis

As is the case in many local authorities, Adult Social Care operates in a challenging environment with sustained growth in demand and complexity, market cost inflation, and significant exposure to system pressures at key interfaces (particularly hospital discharge and NHS funding boundaries).

Officers described provider fees, especially supported living, as the dominant driver of financial pressure, with Mental Health and Learning and Disability services a persistent area of overspend.

These pressures are recurrent and sustainability depends on maintaining strong grip on high-cost pathways, optimising market positioning, and sustaining transformation activity capable of reducing care intensity and maximising prevention.

Reablement and front-door prevention were identified as areas with historic delivery challenges. Reablement has historically been primarily hospital-referral driven and externally delivered (by Medway Community Health), with a trial currently exploring community/front-door reablement. Financial benefits are expected but should be treated as emerging rather than fully embedded at scale with the potential for future savings.

Hospital discharge and health funding boundaries remain major system dependencies. Leadership described strong NHS Continuing Healthcare (CHC) review performance, but Medway is facing greater challenge with new packages entering as fully local authority funded. These factors can undermine savings by increasing entry costs and reducing opportunities for timely stepdown.

Workforce stabilisation has improved through significant recruitment and retention activities. Nevertheless, capacity remains a risk due to the resource needed for ongoing targeted reviews and the requirement for experienced practitioners.

In Section c) below, we discuss the Adult Social Care Transformation programme, which includes savings incorporated into the FIT Plan. Many of these are focused on addressing the pressures on service delivery and the consequent financial pressures caused by the challenging environment for Adult Social Care in Medway set out above. These involve new approaches to service delivery and greater emphasis on key components of effective and efficient delivery that will contribute towards relieving some of the financial pressure on Adult Social Care.

The transformational activities in Adult Social Care represent an adoption of current best practice and demonstrate a positive response to the comments made in our previous Assurance Review for MHCLG, undertaken in September 2024, in relation to Adult Social Care including "until the plans are adequately developed there are not sufficient milestones to track progress effectively".

However, Peopletoo have identified a need to resource and implement an Adult Social Care Practice review, to ensure the practice framework and model is consistent throughout Adult Social Care pathways, strengthening decision making, practitioner behaviour, and improving outcomes.

More broadly, the council has been pragmatic in terms of service delivery models in pursuit of financial sustainability. In our previous Assurance Review for MHCLG, undertaken in September 2024, we stated: "In conclusion, the council is actively working to improve efficiency in those key areas that are underperforming or inefficient".

Naturally there are aspects of service delivery where council policy does not conform to current common practice (rather than current best practice) though this is not an indicator of effectiveness or efficiency but simply reflects policy decisions taken by the council. For example, current policy in relation to the retention of weekly waste collection and not charging for the first sack of green waste (there is a charge for further sacks) remains unchanged, though this is likely to change with the implementation of local government reorganisation.

Risks and Recommendations

Key risk	Risk rating	Recommendation
12. Practice framework and model is inconsistent between Adult Social Care pathways.	**Medium 4**	12. Resource and implement an Adult Social Care Practice review, to ensure practice framework and model is consistent throughout Adult Social Care pathways, strengthening decision making, practitioner behaviour, and improving outcomes.

c) Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

Key findings and analysis

The Adult Social Care Transformation and Improvement Programme is substantial, comprising a wide portfolio of projects with dedicated programme capacity and defined, established, and mature governance and reporting.

Interview evidence suggests real, tangible activity sat behind the programme, including new processes, expanded review activity, strengthened front-door approaches, and specialist interventions.

Programme governance appears mature. The Assistant Director for Adult Social Care chairs the Adult Social Care Programme Board and acts as Senior Responsible Owner (SRO).. Delivery is led through the transformation function, led by the Head of Adult Social Care Transformation and Improvement, supported by a programme team; each project has an SRO at Head of Service level. This creates clear ownership pathways and escalation routes, with board level sign off of closures and material changes to programmes of work.

Officers described strong and ongoing finance validation, with strong buy in and good partnership working with colleagues in finance. A key weakness historically was that Adult Social Care savings lines within the FIT Plan were not validated until late in the year, leading to uncertainty over the achievement of savings and under-delivery of savings included in the FIT plan in 2024-25 and 2025-26

Current practice includes detailed, robust savings trackers with finance validation, aligned decision-making, and rapid escalation where required. This demonstrates strong practice and reduces the risk to savings delivery.

Learning from previous under-delivery against targets was noted, particularly in reablement and front-door operating models where leadership change and operational instability reduced the pace of delivery. These lessons have informed the current emphasis on clearer ownership, earlier validation, and more realistic selection of savings lines based on demonstrated delivery mechanisms.

Key savings areas that led to an adverse budget variance in 2025-26 were explored to identify the following challenges and areas of under delivery:

- **Reablement**: £1 million target, £0 delivered in 2025-26. Following the pilot for a new way of working, a change in management led to disagreement in strategic direction. A new, different way of working was then developed and new management is in place and are now on track to deliver this delayed £1 million target.
- **Targeted Reviews**: £1.2 million target, £0.907 million delivered in 2025-26. Recruitment into the team was slower than anticipated, which led to delays and under delivery of savings. The team now have the required resourcing and can therefore deliver anticipated savings targets.
- **Assistive Technology**: £0.800 million target, £0.014 million delivered in 2025-26. Assistive technology reported an under-delivered cost saving in 2025-26 due to the delivery of cost avoidance instead of cost reduction. As such, a low level of cost savings were achieved

The total Adult Social Care savings target for 2026-27 set out in the FIT Plan is £5.889 million. These are a combination of savings including savings related to brokerage, commissioning, the initial referral stage (front door) and assistive technology. Direct payment reclaims, whilst not transformational in nature, over performed against target in both 2024-25 and 2025-26.

The £2.48 million Targeted Reviews saving is the largest single savings line within the Adult Social Care element of the FIT Plan 2026-27 refresh, representing 42% of the total. It therefore represents a key assurance focus.

Targeted Reviews operate as a dedicated function focusing on high-cost packages and placements, ensuring care is appropriate, proportionate and aligned to Care Act eligibility. Delivery routes include reduction of care intensity, step-down to less restrictive models, and resolution of funding responsibility (including CHC).

Leadership expressed high confidence in the maturity of the targeted review function, describing clear touchpoints and rapid escalation routes. The primary risks to delivering the full £2.48 million are:

- Maintaining the required review capacity, and achieving the required review throughput capacity
- Provider resistance and changes in the market
- Limited alternative housing options
- Sustainability of changes following reviews

In 2024-25, 99% of the £1.9 million target was achieved. In 2025-26 this reduced to 76% achieved of the £1.2 million target. This suggests the potential for diminishing returns and that achievement of the 2026-27 saving target in relation to Targeted Reviews of £2.48 million needs to be kept under close review. If this project under delivers, this will generate pressure in the budget as mitigations are limited.

Adult Social Care also records cost avoidance 'savings' which are not savings against the budget but relate to pressures that would add to the overall budget pressure if not secured.

In their Interim Auditor's Annual Report, dated 26 February 2026, the external auditor made an Improvement Recommendation (IR1) that: "The council should enhance its scenario planning framework by developing multiple scenarios beyond EFS assumptions and reporting results to Cabinet and Audit Committee as part of the MTFO and annual budget-setting process to support proactive risk management". More specifically IR1 recommends scenario planning should incorporate "demand volatility in Adult Social Care and Children's Services".

Interviewees expressed the need for more visible and robust scenario planning in Adult Social Care. This should build on the activity already undertaken within the service regarding service planning assumptions, how this feeds into the business cases for savings targets included in the FIT Plan and in spending projections included in the MTFO. It would also support better quality forecasting and forecast of the profile of spending.

Risks and Recommendations

Key risk	Risk rating	Recommendation
13. The lack of scenario planning and use of forward-looking business intelligence undermines the precision of financial projections in relation to Adult Social Care both in relation to in-year forecasting and medium-term financial projections.	**High 6**	13. Identify and implement scenario planning and forward-looking business intelligence mechanisms to support identification and sensitivities related to spending need in Adult Social Care.

d) A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

Key findings and analysis

There is a clear alignment between Medway's strategic priorities, set out on the One Medway Council Plan 2024-2028, service plans and the Financial Improvement and Transformation Plan (FIT Plan) that is focused on long term financial sustainability.

Full Council in May 2024 approved the 'One Medway Council Plan 2024-2028' that sets out Medway's vision and priorities for the next four years. The five priorities are: delivering quality social care and community services; benefiting from good education, quality jobs and a growing economy; enjoying clean, green, safe, and connected communities; improving health and wellbeing services for all; and, living in good quality, affordable homes.

The FIT Plan is now in its third year; the 2026-27 refresh having been approved by Cabinet on 7 April 2026. The FIT Plan brings together savings across service areas and is updated in real-time via SharePoint. Aligned with Medway's strategic priorities, key corporate strategies and delivery plans, the FIT Plan is the main vehicle for driving toward financial sustainability. Monitoring of the FIT Plan is a core agenda item for the Corporate Management Team (CMT) with members of CMT having responsibility for savings and actions assigned to them. FIT Plan monitoring is focused on tracking savings. Quarterly budget and FIT Plan monitoring reports are considered by the Cabinet on the same agenda.

Focusing on Adult Social Care, the refreshed Adult Social Care Strategy 2026-2028 was considered by Cabinet on 10 March 2026 and had previously been considered by the Health and Adult Social Care Overview and Scrutiny Committee on 15 January 2026. The refresh has been developed in response to increasing demand, rising complexity of need, and financial pressures.

The report to Cabinet states: "The refreshed Adult Social Care Strategy reflects a shift from reactive care to proactive, strengths-based approaches, and is designed to meet statutory duties while aligning with wider system ambitions."

The report to Cabinet also states: "Delivery will be driven through the Adult Social Care Transformation and Improvement Programme, including the CQC Improvement Plan. Oversight will be provided by the Adult Social Care Improvement Programme Board, ensuring strategic alignment, accountability, and progress monitoring across all workstreams. Implementation will follow a phased approach, structured around short, medium, and long-term priorities. This allows for targeted action in the immediate term, while building capacity and embedding sustainable change over the life of the strategy".

The refreshed Adult Social Care Strategy 2026-2028 recognises 'financial pressures' as a key risk, citing the risk of continued growth in demand exceeding available resources, and underlines the fragility by assigning a risk rating of B1 (highly likely with a catastrophic impact). Suggested mitigations are forecasting, transformation planning, and prioritisation of early help. We have commented above on the importance of better quality forecasting, particularly in Adult Social Care, in supporting Medway to achieve financially sustainability. Transformational delivery is fundamental to this, with robust transformation planning an essential foundation.

However, in the view of Peopletoo: "ASC demonstrates strong governance, clear accountability, and robust savings validation. Transformation activity appears tangible, with mature mechanisms (targeted reviews, brokerage improvements, workforce stabilisation) supporting delivery. However, the service remains financially fragile due to structural pressures largely outside its direct control, in particular supported living and Mental Health and Learning Disabilities (MH/LD) placement costs, provider fee inflation, and unresolved health funding responsibilities".

Given the combination of ASC budget overspends and the under-delivery of savings in the FIT Plan, the principal risk to sustainability is that demand growth and market inflation will outpace deliverable savings, even where programmes are well-managed.

Based on the evidence available to us, service plans are focused on Medway's strategic priorities and in combination with other strategies and plans on resolving the challenge of financial sustainability. In our view, financial management and sustainability are embedded within service area practice and cultures but the achievement of financial sustainability is not without challenge, particularly in relation to Adult Social Care without a re-basing of the Adult Social Care budget and the consequent impact on other budgets to contain spending within the council's overall budget envelope.

Historic overspends have been concentrated in Mental Health and Learning and Disability placements and supported living, with high costs for new packages and perceived shortfalls in health funding contributions (including CHC and joint funding).

There have been significant improvements across a number of areas:

- Targeted reviews (mature delivery over multiple years);
- Brokerage and negotiation capability (including structured training);
- Workforce stabilisation (locum to permanent conversion and recruitment);
- Increased use of specialist roles and intensive support models.

These improvements suggest the service has strengthened its ability to deliver both savings and quality improvement, even though structural pressures remain. Better quality forecasting and scenario planning would further strengthen the response to financial pressures in the delivery of Adult Social Care.

Risks and Recommendations

Key risk	Risk rating	Recommendation
No additional risks not already identified but see risk 3 above.		No additional recommendations not already identified but see recommendation 3 above.

e) A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Key findings and analysis

The council has a flexible and pragmatic approach to provision (in-house vs. external) in response to market conditions and best value. In our previous Assurance Review for MHCLG, undertaken in September 2024, we referred to the council's plan to invest £42 million to purchase some 150 properties to provide temporary accommodation, thereby reducing reliance on the private rented sector which is costly and can be volatile.

The Cabinet approved a five-year extension with a possible further two-year extension to the Medway Norse contract on April 7 2026. We have in previous reports expressed concern about the absence of a formal agreement with Medway Norse, which is a joint venture between Medway Council and the Norse Group. The report to Cabinet states: "Agreement of this contract will enable the Council to continue to meet its statutory obligations and will strengthen the joint venture securing the continuity of frontline services and SEND transport".

In the meantime, the council has undertaken a strategic review of the Medway Norse contract. In April 2025, Medway Norse was served with formal notice of the council's intention to remove all corporate facilities management (FM) services from the contract effective April 2026. This decision has the stated aim of "gaining greater cost control and performance management through a new hybrid delivery model". Medway Norse will continue to provide FM services and honour existing contracts outside of the council. Some aspects of greenspaces will also be removed from the joint venture, specifically the management of Country Parks, Allotments and Arboriculture effective April 2026. These will all be managed by the council directly.

However, the strategic review of Medway Norse found that functions like waste and environment, Household Waste & Recycling Centres (HWRC) services, green space maintenance and SEND transport perform well and would continue to benefit from being delivered by Medway Norse and these will continue to be provided by the joint venture.

Focusing on adult social care, Peopletoo identified market management as a risk. The market for Adult Social Care presents a variety of challenges. Market cost inflation, provider resistance to targeted reviews and changes in the market all add to the challenge of budgetary control and the achievement of related savings targets in the FIT Plan. There have also been closures of residential care homes in Medway, demonstrating the financial fragility of some private sector providers.

The council's response to this has been varied. On 13 November, Full Council agreed to build and operate a care home. The care home will provide a 40-bed residential/nursing unit for older people living with dementia and a 40-bed enablement/respite unit to support people to move home from hospital and to provide respite for carers. There are also plans to construct residential units on same site for older people. The total investment in this new care home is £44 million. This decision has been taken in the context of the duties placed on local authorities under the Care Act to promote the efficient and effective operation of the market for residents who require social care. It is viewed both as a market disruptor and as a means to providing care that is under-provided by the market, reducing waiting times for residents in the community and patients discharging from the acute hospital or mental health setting.

Focusing on adult social care market management, brokerage and commissioning, in the view of Peopletoo, market management is a risk. Brokerage capability has improved significantly, with the team undertaking negotiation training and demonstrating strong use of frameworks in most services (notably homecare). However, leadership have identified gaps in commissioning approaches, including an inconsistent challenge where providers seek to move away from contract rates.

Fee uplifts are applied proportionately on a case-by-case basis, to actively manage the market and differentiate between framework and spot purchasing arrangements. This approach can protect value for money, but it depends on strong commissioning capacity and market intelligence.

As may be expected for a smaller council in the South East, continued provider cost escalation and weakened local authority purchasing power remain high-impact risks to financial sustainability.

A review focused on commissioner and brokerage services is being undertaken by the Interim Lead Commissioner for Adult Social Care. A draft report is expected in the near future.

Our overall conclusion is that Medway Council is aware of the alternative approaches to service delivery and the need to consider a broad range of options. The balance between these options and has identified areas where improvements are required, such as in relation to Adult Social Care commissioning.

Risks and Recommendations

Key risk	Risk rating	Recommendation
14. Brokerage and commissioning are inconsistent and ineffective in managing market risks.	**High 6**	14. Increase commissioning capacity/ capability to further develop ASC commissioning function, capability, and effectiveness, to ensure active management of costs and delivery of best value. (e.g. embedding escalation actions where providers challenge framework rates, prioritise management information on high-cost services, and pro-active quality assurance contract management).

f) Additional points for service specific issues in this authority as required

Key findings and analysis

None identified.

Risks and Recommendations

Key risk	Risk rating	Recommendation
None identified.		None identified.

3.4 Review Area 4: GOVERNANCE, CULTURE AND LEADERSHIP

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement.

Our overall assessment of governance, culture and leadership in Medway Council remains extremely positive. There is clear focus on the challenges facing the council with strong alignment between strategic priorities, strategies and plans. The council benefits from stable political and senior officer leadership. The council is also open and responsive to external challenge and constructive criticism though it has to be recognised that local government reorganisation creates additional pressure on capacity.

a) The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

Key findings and analysis

There continue to be robust and clear governance arrangements in Medway, which have stayed consistent since the last Assurance Review undertaken for MHCLG, dated January 2025. In summary, these governance arrangements include:

- The council meeting is where all 59 councillors discuss and decide the council's policy framework and budget. The council meets approximately six times a year.

- The Cabinet is responsible for proposing the policy framework and budget to Full Council and for taking in-year decisions on resources and priorities. The Cabinet then delivers and implements the budget and policies decided by Full Council.

- The council's Overview and Scrutiny Committees play a key role in developing and reviewing policy and holding the Cabinet to account through a facility to call-in Cabinet decisions for review or undertaking pre-decision scrutiny.

- There are also a number of regulatory committees that deal with the functions of the council that cannot be dealt with by the Cabinet such as the Audit Committee, which undertakes independent scrutiny of the Authority's financial and non-financial performance and oversees the financial reporting process.

- Three 'Shareholder Boards', which are Cabinet Sub-Committees, were established in 2024 to provide oversight of Medway's two local authority controlled companies (Medway Development Company Ltd and Kyndi Ltd) and of the joint venture with Norse (Medway Norse Ltd).

There is a clear scheme of delegation. At its meeting on 13 May 2026, Full Council considered both Cabinet responsibilities and the Employee Delegation Scheme, which includes departmental delegations, proposed by the Leader for 2026-27.

As we have commented on previous occasions, the quality of reports to the council and to committees is very good. Based on our discussions, this is a view shared by Members.

In their Interim Auditor's Annual Report, dated 26 February 2026, the external auditor states: "Medway Council has robust arrangements in place to ensure decisions are properly informed, evidence-based, and transparent. Cabinet meeting papers include comprehensive background information, financial and legal implications, risk assessments, and options appraisals. The Forward Plan promotes transparency and allows for scrutiny. Overview and Scrutiny Committees (OSCs) provide independent challenge, policy review, and pre-decision scrutiny, with the ability to "call-in" decisions. The Audit Committee offers independent assurance on risk management and financial oversight and has demonstrated its ability to challenge effectively. Governance is further supported by the Annual Governance Statement and the Code of Corporate Governance, which align with CIPFA/SOLACE principles and ensure timely, accurate information flows to decision-makers".

In our view, based on the evidence provided and the discussions we have had, the council's governance model is effective and the governance arrangements in place are understood by people at all levels of the council we have interacted with.

Risks and Recommendations

Key risk	Risk rating	Recommendation
None identified.		None identified.

b) The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

Key findings and analysis

The council approved the One Medway Council Plan 2024-28 on 15 May 2024. This sets out the vision, ambitions and priorities that are used to track performance against the council's key priorities and sub-priorities. The One Medway Council Plan identifies five strategic priorities:

- Delivering quality social care and community services
- Benefiting from good education, quality jobs and a growing economy
- Enjoying clean, green, safe and connected communities
- Improving health and wellbeing for all

- Living in good quality and affordable homes

Under each of these five interconnected strategic priorities are sub-priorities accompanied by indicators to track progress. The One Medway Council Plan acts as the primary framework for setting the direction and vision of the Council over the medium term, supported by several key corporate strategies, such as the Children and Young People Strategy, Adult Social Care Strategy, People Strategy, Housing Strategy, Economic Strategy, Local Transport Plan, Corporate Parenting Strategy, Homelessness Prevention Strategy and the Joint Health and Wellbeing Strategy.

The One Medway Council Plan provides alignment for directorate and service plans and is supported by key performance indicators (KPIs). A fundamental review of KPIs took place during the development of the One Medway Council Plan 2024-28. The most recent refresh of KPIs was considered by the Cabinet on 10 February 2026.

The One Medway Council Plan is developed alongside the budget setting process, to ensure the financial implications are considered during the development of the priorities and measures. Financial sustainability is a key principle within the One Medway Council Plan

The One Medway Finance and Transformation Plan (FIT Plan) is a comprehensive and detailed plan to transform and achieve savings across the council aligned with the strategic priorities, key corporate strategies and council strategies and delivery plans. It is a key focus for the council. The FIT Plan is now in its third year (2026-27), having been approved by the Cabinet on 30 April 2024, in response to entering into EFS and CIPFA's original Financial Resilience review dated January 2024. Cabinet approved the FIT Plan refresh for 2026-27 on 7 April 2026.

In their Interim Auditor's Annual Report, dated 26 February 2026, the external auditor states: "The Council has developed and integrated a suite of strategic plans—including the Medium Term Financial Outlook (MTFO), Capital Strategy, Treasury Management Strategy, Property Asset Management Strategy, and the Financial Improvement and Transformation (FIT) Plan—which collectively underpin its financial planning framework. A structured financial planning framework "which supports the sustainable delivery of services aligned to statutory and strategic priorities", according to the external auditor.

Since our initial involvement with Medway Council in late 2023, we have good insight into the journey the council has been on and the difficult decisions that have been made. Based on the evidence provided to us and the discussions we have had as part of this current review, in our view the One Medway Council Plan together with the supporting strategies and plans, including the FIT Plan, provide are a clear, outcome orientated, measurable and performance driven strategic direction both in principle and, through operational implementation, in practice.

Risks and Recommendations

Key risk	Risk rating	Recommendation
None identified.		None identified.

c) A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

Key findings and analysis

In the MHCLG Assurance Review published in January 2025, we commented that, since the new administration came to power in May 2023, we had witnessed the journey that the leadership had been on in accepting and addressing the financial challenges facing Medway Council and the need to make difficult, politically unattractive decisions.

Leadership in Medway is stable, whether that be the leader who is also Finance Portfolio holder, other members of the Cabinet, the opposition Leader or senior officers. There is clearly a high level of cooperation, trust and respect even between the administration and the opposition despite any political differences.

We had also previously commented in earlier review published in January 2025: "During this review and through our previous work with the council, our impression is of a strong leadership at both Member and Officer level, which encourages collaboration and challenge in achieving the council's vision based around a common agenda and common values. This is supported by our discussions with Members and officers". Our discussion with Members and Officers for this review, many of whom we have spoken with on multiple occasions previously, did nothing to alter that impression.

The Leader is determined that 2026-27 will be the final year of EFS. Whilst it is yet to be seen whether this ambition will be achieved or not, leadership of the council is focused on an end to EFS in Medway prior to local government reorganisation.

Risks and Recommendations

Key risk	Risk rating	Recommendation
None identified.		None identified.

d) A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Key findings and analysis

In our previous Assurance Review for MHCLG, undertaken in September 2024, we commented: “The (CIPFA) Financial Resilience Review report in January 2024 did comment on a number of matters in relation to culture. Our impression is that these issues have been addressed and that there is a good working culture in Medway. The new administration has encouraged greater transparency; there is a greater organisational recognition of the real pressures faced by services such as Adult Social Care together with greater recognition and acceptance of the financial challenge facing the council”.

As was the case when we last undertook an Assurance Review on behalf of MHCLG, , members and officers we have interacted with as part of this review are engaged, knowledgeable, receptive and responsive. There is an impression that people working for Medway are genuinely dedicated and care about the future of the council. There has been no evidence of poor working relationships or personal agendas in our dealings with the council. Officer and member roles are clear.

As we commented in our previous Assurance Review, in January 2025: “The council has embraced the stark messages set out in the January 2024 Financial Resilience Review, clearly acknowledging the scale of the challenge. There is a demonstrable openness to constructive criticism”. As has been our experience with Medway over the last two and a half years, during this review we have not encountered any defensiveness even when difficult issues were raised.

The development of the FIT Plan and the One Medway Council Plan together with other initiatives such as Medway 2.0 (which supports the delivery of the FIT Plan’s targets by providing dedicated service design and improvement capability) demonstrate, in our view, the capacity to identify changes that need to be made and to implement them. There is more to do, which the council recognises, and there will remain some potential changes in service delivery that the council will find more difficult to commit to, but the council is focused and determined on ending the reliance on EFS.

The council has shown a willingness to seek advice and support, valuing external challenge and constructive criticism when it is considered this can add value in helping the council transform and move toward a financially sustainable future.

Risks and Recommendations

Key risk	Risk rating	Recommendation
None identified.		None identified.

Annex

A1 Required Analysis and Method

Areas for Investigation

1. Quality of financial management and financial processes

An assessment of the local authority's financial management and management of risk., covering:

a. The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

b. The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

c. The local authority's approach to financial risk management including identification, management and treatment of risk.

2. Financial sustainability and risk

An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). Specific factors have included:

a. The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

b. An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.

c. An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

d. An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach,

e. An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

f. A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regard to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

3. Service delivery, reform, and transformation

An examination of high-cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice. The specific factors examined have included:

a. The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

b. Assessment of the extent to which the council's service delivery model particularly in areas of high demand / financial pressure, particularly in adult social care, reflect current best practice and guidance on service effectiveness and efficiency.

c. Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

d. A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

e. A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Additional points for service specific issues in this authority have also been examined, as required.

4. Governance, culture, and leadership

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement. Factors that have been investigated include:

a. The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

b. The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in ‘name only’.

c. A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

d. A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority’s capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority’s ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

Methodology

In our approach, we were mindful of the four broad areas for review, and the specific areas of focus, as set out above.

The approach taken comprised the following elements:

Desktop analysis

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed a significant number of documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Annex 3. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

Specialised inputs

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the Revenue Account (RA) and Revenue Outturn (RO) forms. Service performance data has been extracted from a wider range of sources including the council’s own surveys of residents and staff, and work undertaken by LG Futures.

Interviews

The bulk of the fieldwork comprised of interviews. These provided the invaluable triangulation of our analysis. Council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. Council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Annex 4.

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

CIPFA's review team consisted of an experienced finance consultant and relevant technical expertise.

CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

Report Structure

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

The information and data within this report are accurate as at the time of the initial data gathering and interviews that took place in April and May 2026, and unless otherwise stated reflect the position at that time.

A2 Risk Assessment – Method

		Impact		
		Critical:3	Moderate:2	Marginal:1
Likelihood	Probable:3	High - 9	High - 6	Medium - 3
	Occasional:2	High - 6	Medium - 4	Low - 2
	Improbable:1	Medium - 3	Low - 2	Low - 1

Likelihood:
- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50
- Probable – most likely will happen.

Impact:
- Marginal – some minor, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – notable financial and operational impact/ losses / costs operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major operating impact/ financial losses / costs requiring subsequent intervention by MHCLG or other 3rd parties, reaches national press interest, major political embarrassment for members.

A3 Documents Reviewed

Medway Document List

- Adult Social Care Strategy (Refresh) 2026 - 2028
- Annual Governance Statement 2024-25
- Care for Medway Feasibility Study Outcomes Build and Operate a Care Home
- Executive Responsibilities and Employee Scheme of Delegation Executive and Non-Executive
- Financial Improvement and Transformation (FIT) Plan Monitoring – Round 4 and Full-Year Outturn 2024-25
- Financial Improvement and Transformation (FIT) Plan Monitoring – Round 3
- Financial Improvement and Transformation (FIT) Plan Monitoring – Round 2
- Interim Auditor’s Annual Report Year ending 31 March 2025
- Medium Term Financial Outlook 2025-2030
- Medway Financial Improvement and Transformation Plan 2024-28
- Medway Norse Contract Extension Procurement
- One Medway Council Plan 2024-28
- One Medway Financial Improvement and Transformation Plan 2025-26 Q1 Update
- One Medway Financial Improvement and Transformation Plan 2025-26 Q2 Update
- One Medway Financial Improvement and Transformation Plan 2025-26 Q3 Update
- One Medway Financial Improvement and Transformation Plan 2025-26 Q3 Update
- One Medway Financial Improvement and Transformation Plan Year 2 Refresh 2025-26
- One Medway Financial Improvement and Transformation Plan Year 3 Refresh 2026-27
- Revenue and Capital Budget 2025-26
- Revenue and Capital Budget 2026-27
- Revenue and Capital Budget Monitoring 2025-26 R1
- Revenue and Capital Budget Monitoring 2025-26 R2
- Revenue and Capital Budget Monitoring 2025-26 R3
- Revenue and Capital Outturn and Annual Debt Write Off Report 2024-25
- Revenue and Capital Outturn and Annual Debt Write Off Report 2025-26
- Risk Strategy 2026-27
- Treasury Management Outturn Annual Report 2024-25
- Treasury Management Report 2025-26: Quarter 3
- Treasury Management Strategy 2026-27

A4 Staff Interviewed

- Director of Place
- Assistant Director Legal and Governance (Monitoring Officer)
- Chair of RCE O&S Committee
- Leader of the Opposition (Conservative Group)
- Chair of Scrutiny Committee BSD O &SC
- Chair of Audit Committee
- Chair of Children and Young People O&SC
- Leader of the Council and Finance Lead Member
- Head of Revenue Accounts
- Finance Business Partner for Adults Social Care
- Finance Systems & Information Manager
- Assistant Director of Adult Social Care
- Head of Internal Audit and Counter Fraud
- Director of People & Deputy Chief Executive - (Children & Adults)
- Head of Service - Learning and Development
- Grant Thornton
- Chief Information Officer
- Chief Operating Officer/s151 Officer
- Chief Executive
- Deputy Director of Place
- Interim Lead Commissioner Adult Social Care
- Head of ASC Transformation and Improvement
- Deputy Leader/Portfolio Holder for Adult Social Care
- Head of Democratic Services

77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600
CIPFA.org