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Health and Adult Social Care Overview and Scrutiny Committee

13 October 2026

External Assurance Review of Medway Council

Report from/ Phil Watts, Chief Operating Officer and Section 151 Officer
Lee-Anne Farach, Director of People and Deputy Chief Executive

Author: Teri Reynolds, Principal Democratic Services Officer

Summary

The report provides the outcome of the Chartered Institute of Public Finance and Accountability CIPFA's External Assurance Review of Medway Council and the Council's initial response. This report only covers the elements of the review that relate to Adult Social Care (ASC), which falls within the remit of this Committee.

1. Recommendations

- 1.1. The Committee is asked to note the recommendations made by CIPFA and management's proposed action in response to these recommendations.

2. Budget and policy framework

- 2.1. This Committee is able to scrutinise issues that relate to adult social care and health services within Medway.
- 2.2. In accordance with Sections 30 to 36 of the Local Government Finance Act 1992 the Council set a budget for 2026/27 at its Full Council meeting on 25 February 2026. Cabinet holds responsibility for ensuring that income and expenditure remain within the budget approved by Council.

3. Background

- 3.1. Medway Council was one of a number of local authorities to request Exceptional Financial Support (EFS) for the financial year 2026/27. The Secretary of State granted in principle support in the form of a capitalisation direction of up to £10.126 million, conditional upon an external assurance review being undertaken by CIPFA.
- 3.2. The Ministry of Housing, Communities and Local Government (MHCLG) sought deeper assurances around the Council's financial plans for the

2026/27 financial year and its prospects for achieving longer term financial sustainability. In line with that expectation, the Chartered Institute of Public Finance and Accountability (CIPFA) undertook an assessment of the Council's financial resilience, financial management, governance arrangements, capital programme, debt position, and service delivery. This assessment was undertaken in May 2026 and the findings of that review and recommendations for improvement were published by CIPFA in its report on 18 August 2026.

- 3.3. The Council was granted in principle approval for EFS in 2026/27 of up to £10.126 million, however the final 2026/27 revenue budget only assumed that £9.856 million would be required. The stated ambition of the administration was that 2026/27 would be the final year of EFS, a long-held ambition, since Medway initially applied for EFS for 2024/25.
- 3.4. The 2025/26 outturn represented a net overspend of £9.819 million compared to a net overspend of £5.497 million in 2024/25. However, the Adult Social Care (ASC) overspend against budget was £14.695 million in 2025/26. This overspend was after taking into account measures to mitigate the overspend namely £1.34 million flexible use of capital receipts to fund transformation costs, £235,000 of earmarked reserves that were no longer required for their original purpose and a reduction in the anticipated bad debt provision of £889,000 million. Without these mitigations, the underlying overspend would have been £17.159 million.
- 3.5. CIPFA found that 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 remained a concern, particularly in relation to ASC.
- 3.6. The ASC budget is recognised by CIPFA as the single greatest financial challenge facing the Council. In its 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.

4. CIPFA's recommendations

- 4.1. Detailed below are the recommendations from CIPFA that relate to ASC and therefore fall within the remit of this Committee. The full list of recommendations, purely for Members' information, can be viewed at the report which is attached at Appendix 1.

Key risk	Risk rating	Recommendation (including Timeline)
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	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
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	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	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
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	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	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	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	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

5. Management's Response

- 5.1. *Recommendation 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."*
- 5.2. Management acknowledges the recommendation and has identified a number of factors contributing to forecast variations, including the volatility of demand-led services, the impact of high-cost placements, external funding decisions and opportunities to strengthen financial processes, management information and system controls. Actions are now underway to improve financial grip and assurance. The ASC 'task force' brings together colleagues from the service, the Children and Adults business intelligence team, the Partnership Commissioning team and Finance to ensure that financial forecasts are based on robust data, quality analysis and realistic projections. Dedicated finance resource has been commissioned to work alongside the Assistant Director, Adult Social Care and ASC's Finance Business Partner to strengthen forecasting, challenge assumptions and improve the accuracy and timeliness of financial reporting.

- 5.3. *Recommendation 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.”*
- 5.4. It is agreed that the ASC revenue budget needs to be rebased and additional senior finance support has been brought in to work alongside the Finance Business Partner and the Assistant Director for Adult Social Care to achieve this, however it must be recognised that this cannot be achieved within the Council's current resource envelope, during the immediate term. Our latest iteration of the Medium Term Financial Outlook rebases the ASC revenue budget, however this cannot be achieved without additional exceptional financial support in both 2026/27 and 2027/28, hence the conversations with your team over recent weeks.
- 5.5. *Recommendation 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.”*
- 5.6. The Assistant Director for Adult Social Care has established the Better Lives, Better Value programme as the overarching framework for recovery and transformation. The programme provides a coordinated approach to demand management, cost optimisation, prevention, system flow and financial assurance, supported by strengthened governance and performance oversight. A ‘task force’ has been established, chaired by the Assistant Director for Adult Social Care and comprising colleagues from the service and a range of other disciplines, including finance. It reports directly into the Chief Executive and Director of People and Deputy Chief Executive and is tasked with:
- Improving the quality of financial forecasts and understanding what the data is telling us regarding the current position.
 - Identifying a range of both short and long term management actions to improve practice, improve commissioning and improve service delivery in order to address the projected financial pressures in ASC.
 - Implementing and monitoring delivery of these actions and evaluating the outcomes.
- 5.7. *Recommendation 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.”*
- 5.8. Benchmarking and comparative data is already being used to inform ASC financial planning and service redesign. This includes analysis against unitary authorities, CIPFA nearest neighbours and NHS peers, alongside the recent introduction and development of systems dynamics modelling to improve understanding of demand, cost drivers, capacity constraints and the potential impact of future interventions. These approaches will continue to inform budget planning and support the delivery of a sustainable financial position within the Council's overall resource envelope.

- 5.9. *Recommendation 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.”*
- 5.10. Management acknowledges the recommendation and is committed to continuous improvement in practice quality and consistency. However, whilst the CQC assessment identified opportunities to improve consistency in residents experience of assessment, care planning and reviews, it also recognised the Council’s established strengths-based practice model, quality assurance arrangements and practice development activity. The CIPFA recommendation, therefore, is not fully reflected in findings from the CQC assessment, internal audit activity or existing quality assurance processes, which do not indicate a fundamentally inconsistent practice framework across ASC pathways. Nevertheless, ongoing work through the Better Lives, Better Value programme will continue to strengthen practice, decision making, management oversight and outcomes for residents. Funding has been approved under flexible use of capital receipts to commission a market-leading consultancy to conduct the recommended practice review.
- 5.11. *Recommendation 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.”*
- 5.12. Both the Draft Budget and Final Budget proposals will be accompanied by medium term financial projections presented in terms of an expected case, best case and worst case scenario, applying sensitivity analysis to the most volatile areas of spend – Adult Social Care, Children’s Services, Temporary Accommodation and Interest and Financing. Public Health’s ASC Business Intelligence team is strengthening its use of demand modelling, benchmarking information and performance intelligence to support scenario and financial planning. This includes enhanced data analysis, demand drivers, capacity constraints, system flow and the potential impact of future interventions. These approaches will support more informed scenario planning and financial decision making.
- 5.13. *Recommendation 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).”*
- 5.14. Management recognises opportunities to strengthen the link between the ASC brokerage team, Adults Partnership Commissioning and operational services to ensure market oversight, provider engagement and placement activity are fully aligned. Brokerage improvement activity is already underway supported by an independent commissioner, and an independent review of commissioning arrangements is being commissioned to identify opportunities

to strengthen commissioning capacity, clarify roles and responsibilities, and improve the effectiveness of the end-to-end pathway from strategic commissioning through to placement delivery and market management.

6. Risk management

6.1 The main risks to this programme are set out below.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Failure to implement improvement actions	The actions identified in response to the CIPFA recommendations are not delivered within the required timescales, reducing the Council's ability to demonstrate improvement and achieve a sustainable Adult Social Care operating model.	Maintain oversight through the ASC Task Force and Better Lives, Better Value Programme, with clear accountability, milestone monitoring and regular reporting to senior leadership.	B2
Insufficient capacity and resources to deliver the improvement programme	The scale and pace of change required to implement the CIPFA recommendations may be affected by competing corporate priorities, workforce capacity constraints, or limited access to specialist expertise. This could result in delays to delivering key improvement activities and reduce the pace at which benefits are realised.	Maintain dedicated programme governance through the ASC Task Force and Better Lives, Better Value Programme, ensure clear accountability for delivery, prioritise critical improvement actions, monitor progress against agreed milestones, and utilise additional internal or external specialist support where required.	B2
Expected benefits are not realised	The implementation of the recommendations does not achieve the anticipated improvements in financial control, forecasting accuracy, commissioning effectiveness or service delivery outcomes.	Establish clear success measures, monitor performance and financial outcomes, regularly review progress, and take corrective action where benefits are not being achieved.	B2
Resistance to organisational and practice change	Changes to processes, governance, commissioning arrangements or practice approaches are not	Deliver structured change management, staff engagement, communication, training and quality assurance	C2

Risk	Description	Action to avoid or mitigate risk	Risk rating
	consistently embedded across Adult Social Care, limiting the effectiveness and sustainability of improvements.	activity to support consistent implementation across all service areas.	

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	1 Critical 2 Major 3 Moderate 4 Minor

9. Climate change implications

- 9.1. There are no direct Climate change or air quality implications arising from this report.

10. Local Government Reorganisation (LGR) implications

- 10.1. Following the announcement of the pause on 7 September 2026, officers will monitor the ongoing situation and will consider any relevant impacts as they arise.

11. Financial implications

- 11.1. These are set out within the body of the report.

12. Legal implications

- 12.1. The Council has to set a balanced budget each year with the responsibility for ensuring effective budgetary controls being a matter for Cabinet.
- 12.2. The Council must deliver its statutory duties for Adult Social Care within the constraints of the budget. This creates significant challenges for officers particular as the cost and demand for placements and services is continuing to increase. This was recognised by CIPFA in identifying the pressures on Adult Social Care as one of the most significant challenges facing the authority.

Lead officer contact

Teri Reynolds, Principal Democratic Services Officer
E: teri.reynolds@medway.gov.uk T: (01634) 332104

Appendices

Appendix 1 – CIPFA's External Assurance Review of Medway Council full report

Background papers

There are none.