



# Gravesham Borough Council

Final Auditor's Annual Report  
Year ending 31 March 2025

25 February 2026



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

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# 01 Introduction and context

# Introduction

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

## Opinion on the financial statements

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

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

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

## Auditor's powers

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

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

## Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

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

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

# Local government – context

Local government has remained under significant pressure in 2024/25

## National

### Past



#### Funding Not Meeting Need

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



#### Workforce and Governance Challenges

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

## Local

### Present



#### Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



#### External Audit Backlog

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

### Future



#### Funding Reform

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



#### Reorganisation and Devolution

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

Gravesham Borough Council is a non-metropolitan district council serving approximately 107,000 residents. It operates under a Leader and Cabinet model, which is responsible for developing major policies, strategies, and plans. Formal decisions are made by Full Council and Cabinet, supported by various advisory and scrutiny committees. The Council is made up of 39 councillors, with elections held every four years. Following the May 2023 elections, the Council is composed of several political groups, with the Labour Party being the ruling majority party.

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

# 02 Executive Summary

# Executive Summary

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

## Financial sustainability

The Council has made progress in addressing the significant weakness in financial sustainability we highlighted in prior years but must now see this through over the next 12 months. The ongoing 'Balancing the budget' initiative has been successful in delivering savings and reducing the Council's reliance on reserves. However, the Council continues to make planned drawdowns on its reserves in 2025/26 and there remains a medium-term funding gap of c.£1.9 million to address by 2027/28. The Council must ensure it hands over a sustainable financial position and healthy reserves to the successor authority expected in April 2028 under Local Government Reorganisation (LGR). The Council continues to invest in local capital infrastructure projects. However, it must ensure it learns from past delivery challenges, continues to review the level of ambition in relation to capacity and the LGR and embeds effective programme management arrangements.

## Governance

The Council has a comprehensive governance framework supporting informed decision-making, transparency and effective challenge. The Finance and Audit Committee and governance panel structure provide appropriate levels of oversight from elected councillors. The internal audit and counter fraud service was effective and was able to provide positive assurance on the control framework. The Council also has effective arrangements for budget setting and monitoring, alongside effective procurement and commissioning arrangements. There may be opportunities to further improve budget consultation and engagement. We note that the Council had positive feedback on its ambition and governance arrangements from the Local Government Association (LGA). However, the LGA did highlight the need for greater clarity on the role of the Overview and Scrutiny Committee and how it works alongside the other governance panels.

We have identified a **significant weakness** in your arrangements to produce financial statements and service the audit process. A contributing factor has been resourcing. There have been skills and capacity issues in your finance team that occurred since April 2025, some of which was unforeseen and could not be planned for. Whilst the Council has engaged well with the audit process despite these issues, our work has identified a number of control and process issues that require addressing going forward which we have reported in our audit findings report.

As a result we have issued a **key recommendation (KR2)** to highlight the need for the Council to respond to these issues and develop a robust plan for improvement ahead of preparing the 2025/26 financial statements to enable the Council to service an audit that will be complete by the statutory deadline for 2025/26.

## Improving economy, efficiency and effectiveness

The Council demonstrates a proactive approach to continuous improvement, which has led to several notable successes. This is particularly evident in its sustained focus on housing and infrastructure investment in the lead-up to LGR, including the anticipated completion of the previously delayed 'Charter' housing regeneration programme. While the Council's ambition is commendable, it is essential that the drive to deliver does not compromise organisational capacity or financial sustainability. All current and future capital programmes, along with associated borrowing decisions, must be carefully assessed in the context of LGR and the commitments being made on behalf of the successor Council, expected to be established from April 2028. The Council has established robust governance arrangements to support effective delivery within its strategic partnerships and engages constructively with key stakeholders. This includes participation in the LGR process, ensuring alignment with broader regional objectives.

# Executive Summary – our assessment of value for money arrangements

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

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	<b>R</b> Significant weaknesses identified in relation to the Council’s financial position.	One risk of significant weakness identified due to prior year weaknesses in Financial Sustainability.	<b>R</b> The significant weakness in arrangements identified in prior years have been carried forward. Our key recommendation has been updated to reflect the progress made during the year. No further improvement recommendations made.
Governance	<b>A</b> No significant weaknesses identified, but three improvement recommendations raised.	No risks of significant weakness identified.	<b>R</b> We have raised a new significant weakness and Key Recommendation (KR2) relating to financial reporting.
Improving economy, efficiency and effectiveness	<b>G</b> No significant weaknesses identified, but three improvement recommendations raised.	No risks of significant weakness identified.	<b>G</b> No significant weaknesses in arrangements identified and no improvement recommendations made.

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

# Executive Summary - summary of Value for Money Recommendations for 2024/25

Recommendation	Relates to	Retained / updated from 2023/2024	New in 2024 /2025	Management Actions
KR1	<p>The Council should continue focus on delivery of the ‘Balancing the Budget’ initiative. This includes embedding measures that prioritise structural reform over short-term fixes and rebuilding reserves. It should incorporate the development of a pipeline of multi-year recurrent savings, income generation and service transformation aligned with strategic priorities and compatible with local government reform (LGR).</p>	<p>Financial sustainability (page 24)</p>		<p><b>Actions:</b> The council has delivered £10.1m against its General Fund budget reduction programmes between 2016 and 2026. As a result of this action and following the Local Government Finance Settlement, the council is in a position where it can produce annual balanced budgets over the MTFP period (with no requirement to deliver further savings) and can rebuild its working balance position.</p> <p>The council recognises that strong financial governance is critical in ensuring that it can respond to events and operate within its available resources to provide vital services to residents. The council will therefore refocus attention on particular areas of volatility in its operations, alongside progressing actions already underway to continue to improve the economy, efficiency and effective of its services.</p> <p><b>Responsible Officer:</b> Chief Executive, supported by the Director (Corporate Services and Management Team)</p> <p><b>Due Date:</b> January 2027</p>

# Executive Summary - summary of Value for Money Recommendations for 2024/25

Recommendation	Relates to	Retained / updated from 2023/2024	New in 2024 /2025	Management Actions
KR2	The Council must urgently strengthen its arrangements to produce accurate and compliant year-end financial statements and the arrangements to service the audit process. This improvement will be supported by implementing the control recommendations set out in our 2024-25 Audit Findings Report as well as addressing skills and capacity gaps within the finance team.	Governance (page 31)	✓	<p><b>Actions:</b> Action has already been taken to respond to the resourcing, skills and capacity issues that affected the Finance Team during the 2024/25 year-end and audit processes.</p> <p>The council has:</p> <ul style="list-style-type: none"> <li>• Brought in an interim Closedown Project Accountant to lead the 2025/26 closedown process, ensure the delivery of a draft statement of accounts by the statutory deadline, alongside the production of high-quality working papers and supporting evidence as a contribution to ensuring an effective audit process.</li> <li>• Reprocured asset valuations and brought in an external resource to review the completeness and accuracy of its asset register.</li> <li>• Tasked a member of the Finance Team with reviewing the closedown timetable and responding to control recommendations made in the 2024/25 audit before the end of March 2026.</li> </ul> <p><b>Responsible Officer:</b> Director (Corporate Services)</p> <p><b>Due Date:</b> March 2026</p>

# Executive Summary - summary of Value for Money Recommendations for 2024/25

	Recommendation	Relates to	Retained / updated from 2023/2024	New in 2024 /2025	Management Actions
IR1	<p>To strengthen alignment between corporate risk management and the capital programmes Council should:</p> <ul style="list-style-type: none"> <li>Establish a formal portfolio risk management framework that aligns individual project/programme risks with strategic objectives and organisational risk appetite.</li> <li>Ensure that all major capital projects are subject to consistent risk assessment protocols, with clear escalation pathways to senior leadership and governance bodies.</li> <li>Integrate capital programme performance monitoring into regular corporate strategic risk reviews, to further enable intervention or corrective action where slippage is identified.</li> <li>Set future budgets that are based on what is considered realistic and achievable, rather than aspirational. Ambition should instead be incorporated into scenario planning, allowing the Council to respond flexibly and finance any upside opportunities appropriately.</li> </ul>	Financial sustainability (page 23)		✓	<p><b>Actions:</b> New Project Management approach adopted for significant projects, such as the new Leisure Centre.</p> <p>Work is ongoing to ensure realistic financial planning of project cashflows to avoid unrealistic budget setting and to provide an early warning system for reporting where programme slippage does occur.</p> <p>Reporting arrangements being developed to enable ‘dashboard’ reporting to enable wider overview and scrutiny, including measurement of the outputs, outcomes and benefits of projects.</p> <p><b>Responsible Officer:</b> Management Team</p> <p><b>Due Date:</b> October 2026</p>

# Executive Summary - summary of Value for Money Recommendations for 2024/25

	Recommendation	Relates to	Retained / updated from 2023/2024	New in 2024 /2025	Management Actions
IR2	The Council should prioritise its December 2025 governance review to strengthen accountability and oversight following the LGA peer review findings. Clarifying and strengthening the role of the Overview & Scrutiny Committee will help ensure effective challenge and assurance across major projects and decisions.	Governance (page 32)		✓	<p><b>Actions:</b> The governance review has been completed and activity commenced to strengthen arrangements in this area, with proposals being developed for consideration by the Administration and implementation expected from the new municipal year.</p> <p><b>Responsible Officer:</b> Director (Corporate Services)</p> <p><b>Due Date:</b> May 2026</p>

# Grant Thornton Insights – Local Government Reorganisation (LGR)

## National perspectives - devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a 2-tier were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new Unitaries from April 2028.

## Local perspectives - LGR in the Kent region

In February 2024, the 14 councils in the Kent region (including Medway) were informed they would not be included in the Devolution Priority Programme. The move to a Mayoral Strategic Authority model for regional services would be delayed.

Kent councils submitted an interim plan for LGR in March 2025 and are currently developing a full proposal for submission by 28 November 2025. Governance arrangements are in place to manage the process, overseen by the Kent and Medway Joint Chief Officers group. A single external development partner has been appointed to develop options for consultation over the summer and autumn of 2025 and will support the development of the final proposals in November.

Our discussion with councils in the Kent region indicate a good level of collaboration between officers to progress the LGR agenda. Kent has a diverse political landscape, and the political discussion is expected to become more challenging as the proposals crystallise, particularly regarding the specific configuration of the new Unitaries.

# Grant Thornton Insights – Local Government Reorganisation (LGR) (continued)

## Local perspectives - LGR at Gravesham Borough Council

In response to the Government's statutory invitation, the Council contributed to interim proposals in March 2025 as part of the Kent and Medway reorganisation programme. A list of proposals is due by November 2025, including five business cases for a new unitary formation planned to commence in April 2028.

The Council is navigating a complex political and governance landscape, with heightened scrutiny over investment and procurement decisions. These must be assessed through a governance lens to ensure they meet the Best Value Duty for the successor authority.

Local Government Reorganisation (LGR) is a clear strategic priority for Gravesham Borough Council. The Council has actively engaged in regional planning, contributing to the Kent-wide interim plan and supporting the development of a full proposal due by 28 November 2025. Governance arrangements are in place, led by the Kent and Medway Joint Chief Officers group, with an external development partner appointed to support consultation and proposal development.

The Chief Executive is actively involved in the KPMG-led steering group shaping the business case, and strong relationships among Chief Officers are noted as a critical asset for navigating the transition.

Gravesham is recognised by partners as proactive and ambitious, with clear leadership and a reputation for delivery.

The council is preparing for a range of outcomes and the need to provide for the costs of transition, which have been estimated at £1.5m for a district council based on the experience of other areas that have previously gone through LGR.



## Grant Thornton insight

### What the Council is already doing

- Engaged in Regional Planning: Participating in Kent-wide LGR efforts, with a full proposal due by 28 November 2025.
- Governance in Place: Process overseen by the Kent & Medway Joint Chief Officers group; supported by an external development partner.
- Leadership Involvement: Chief Executive actively engaged in the KPMG-led steering group shaping the business case.
- Strong Partnerships: Recognised by peers as proactive and ambitious, with clear leadership and delivery credibility.
- Building back Financial Assurance: The Council has made positive progress in strengthening financial assurance, evidenced by the production of its 2023/24 accounts following several years of unaudited financial statements.

### What others do well

- Modelling potential outcomes to discuss with Councillors and establish political priorities.
- Making advance preparations for member and public engagement within a tight timeframe.
- Considering the potential cost of transition for the council and how this will be funded.

### The Council should consider the following measures

- Continue to take proactive measures to ensure the organisation is financially viable in preparation of LGR.
- Ensure all key decisions are assessed for Best Value in the context of a successor organisation and have regard to statutory guidance on Best Value Duty.
- Due regard when taking decisions on long-term contracts or asset disposals.
- Review decision-making arrangements to include LGR governance lens.

# Executive summary – auditor’s other responsibilities

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

## Auditor’s responsibility

### 2024/25 outcome

#### Opinion on the Financial Statements

Our work on the Councils financial statements is complete, and we expect to issue our auditor’s report ahead of the backstop deadline in February 2026. The Audit opinion for 2024/25 will be disclaimed. This is due to:

- No assurance over opening balances (due to disclaimers of opinion since 2020/21).
- Incomplete evidence and delays preventing completion of planned procedures.
- Backstop legislation requiring auditors to issue a disclaimer where work cannot be completed by 27 February 2026.

A qualification will also be issued for the 2024/25 General Fund and Financial Instruments Adjustment Account impact relating to historic St George’s transaction (which is consistent with 2023/24)

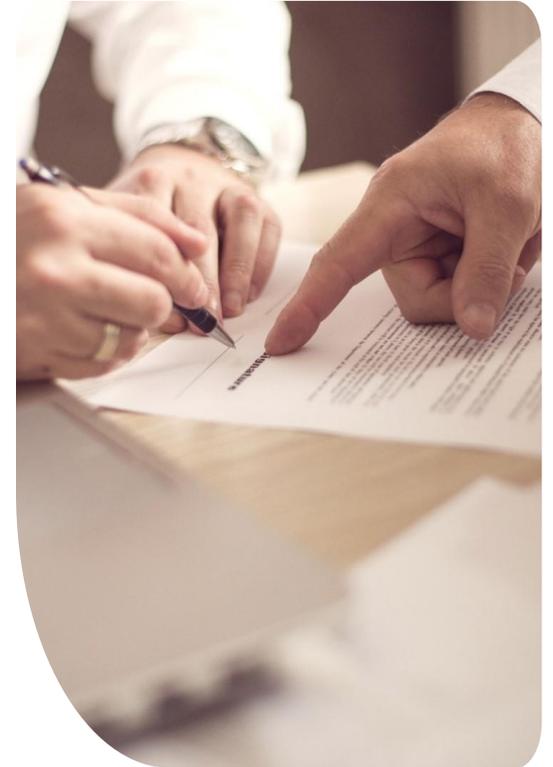
#### Use of auditor’s powers

As of February 2026, we have not made any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

As of February 2026, we have not made an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.

As of February 2026, we have not made an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

As of February 2026, we have not identified issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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

# Opinion on the financial statements

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

## Audit opinion on the financial statements

The Audit opinion for 2024/25 will be disclaimed. This is due to:

- No assurance over opening balances (due to disclaimers of opinion since 2020/21).
- Incomplete evidence and delays preventing completion of planned procedures.
- Backstop legislation requiring auditors to issue a disclaimer where work cannot be completed by 27 February 2026.

A qualification will also be issued for the 2024/25 General Fund and Financial Instruments Adjustment Account impact relating to historic St George's transaction (which is consistent with 2023/24)

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

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

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

# Opinion on the financial statements

## Context of 2024-25

Since the start of 2024, the Council has demonstrated commitment to its year-end financial reporting by clearing its backlog of financial accounts. Since 2024, the Council has produced and published 4 sets of accounts culminating in publishing its draft accounts for 2024-25 only a week after the statutory deadline. This should be considered an important, and successful first step for the Council in regaining assurance. Much has changed since the last time the Council underwent a full audit inspection e.g. new accounting standards, new group arrangements, new auditing standards and a general 'raising of the bar' in terms of audit quality driven by the FRC. Dealing with 5 years of incremental changes in a single year is difficult and in part, explains the quantum of findings we have identified in 2024-25. We are in some sense, identifying 5 years worth of issues in a single audit.

## Findings from the audit of the financial statements

The Council provided draft accounts on 10 July 2025. Though this was after the statutory deadline of 30 June, we understood that it was slightly delayed to ensure the statements went through sufficient internal quality review and to enable the closure of the 2023/24 accounts. The Engagement lead and Manager shared comments with management following review of these financial statements and expected that most of which would have been addressed by a revised set of financial statements. We had agreed with management that these would be received by October 2025. However, the accounts were provided in December 2025 with matters not adequately addressed. These were returned to the Council for further amendments, and the final revised set were received with insufficient time in advance of the backstop date to complete further verification checks that the amendments align with expectations.

As agreed in the Audit Plan, the final accounts field work took place in October to December 2025. Whilst we were able to complete audit testing in some areas of the accounts e.g. collection fund, payroll, pensions and MRP. For the rest of the accounts, including our work on significant risks, we were unable to complete our work as a result of not obtaining sufficient appropriate evidence by the backstop date.

Through our work, we also identified several control and process issues, and we have raised a number of related control recommendations within our Audit Findings Report. As a result of our audit for 2024-25, we have issued a Key Recommendation (KR2) to highlight the need to strengthen arrangements around year-end financial reporting and the arrangements to service the audit.

# Opinion on the financial statements

## Other areas of focus

We have also challenged key judgements and the application of accounting standards in respect of the implementation of IFRS16 and the application of IFRS9 to the Council's financial instruments in respect of the Charter. These matters were not fully resolved by within the 2024/25 audit, and action items are with management to address in advance of 2025/26.

## Looking ahead

Throughout the audit management have demonstrated a commitment to improve, and we have had encouraging discussions in the close down of the 2024-25 audit regarding the improvement they can make and how we as the external auditors can support management in their endeavours.

## Audit Findings Report

Our work on the Councils financial statements is complete, and we expect to issue our audit findings report ahead of the backstop deadline in February 2026.

# Other reporting requirements

## Annual Governance Statement

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

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

Due the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.



# Use of auditor's powers

## We bring the following matters to your attention:

### Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body. As of February 2026, we have not issued any statutory recommendations to the Council in 2024/25.

### Public Interest Report

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

As of February 2026, we have not issued a report in the Public Interest with regard to arrangements at Gravesham Borough Council for 2024/25.

# **04 Value for Money commentary on arrangements**

# Value for Money – commentary on arrangements

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

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

# Financial sustainability – commentary on arrangements

We considered

how the Council: **Commentary on arrangements**

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council's financial position for 2024/25 was delivered in line with plan although it continues to rely on drawdowns from reserves to balance the budget. The original budget anticipated a £1.95 million drawdown from working balances (reserves) to achieve a balanced budget. Proactive financial management, particularly through the ongoing 'Balancing the Budget' initiative' resulted in an actual drawdown of only £1.02 million. This initiative, pursued across all directorates, has been important in identifying achievable savings and mitigating financial risks. At year-end, the Council holds £5.33 million in working balances (reserves), though projections for 2025/26 indicate a significant further drawdown of £2.81 million, which would reduce reserves below level considered to be prudent by the Council. Again, the Council plans to use the Balancing the budget initiative to reduce this drawdown. The Council has a track record of delivering savings and additional revenue, with £9.22m of activity delivered over the last nine years, and measures implemented since 2022 totaling £4.98m reflected in the MTFP. Further budgetary benefits have been realised through improved treasury management, underspends in temporary accommodation, and strategic capital programme reprofiling, all contributing a more resilient financial outlook. However, continued delivery of savings is essential to maintain financial stability and ensure the Council can respond to future challenges.

We note that the Council has undertaken significant levels of borrowing to fund The Charter and other capital projects, in addition to funding the exit from the previous funding arrangements relating to the St George's shopping centre. While arrangements to manage this position appear to be adequate, and this is reported to Councillors via the Treasury Management monitoring reports, the level of debt (which includes both General Fund and HRA) and associated financing costs are comparatively high and must continue to be closely monitored.

As part of our ongoing audit of the 2024/25 financial statements, we are reviewing the Charter's funding arrangements, which comprise both equity and loan components. Whilst we have not identified weaknesses in arrangements, this position is subject to several contingencies and introduces heightened financial exposure for the Council. The Council currently holds borrowing as a short-term arrangement, with the intention of identifying an opportune moment to secure long-term financing. While this strategy may offer flexibility, it also exposes the Council to increased interest rate risk. As the programme approaches its final delivery stage, it is imperative that the Council continues to maintain robust oversight and governance to mitigate financial exposure. We have provided additional insight at the end of this section to support informed decision-making in this area.

Furthermore, throughout the year we have observed recurring capital slippage across the Council's programme. The original 2024/25 capital budget totalled £65m (with a reported outturn of £22.3m), with key projects including the loan facility to Rosherville Property Development Limited for The Charter, and the construction of a new Leisure Centre at the Cascades site. Like many councils, GBC has been impacted by external factors, including the administration of contractors and delays in funding, which have contributed to its current position. The Council's initial budget reflects a high level of ambition; however, slippage throughout the year often results in a lower final outturn. We recommend that future budgets are based on what is considered realistic and achievable, rather than aspirational. Ambition should instead be incorporated into scenario planning, allowing the Council to respond flexibly and finance any upside opportunities appropriately. This approach will support more accurate forecasting and strengthen financial resilience. In response to these findings, we have issued an improvement recommendation.

A

# Financial sustainability – commentary on arrangements

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

Rating

plans to bridge its funding gaps and identify achievable savings

In our 2023/34 Annual Auditor’s report we noted that building a more sustainable financial platform remained critical priority to ensure long-term recovery and resilience and that the lack of defined pathway to achieve this over the medium-term reflected a significant weakness in arrangements. We continue to be satisfied that the Council’s weakness in financial position has been driven by demand pressures and economic factors rather than there being insufficient financial controls or inadequate financial planning. We also note that significant progress has been made to strengthen arrangements in line with our key recommendation resulting in an improved medium-term outlook.

The Council has established a structured and disciplined approach to developing savings plans through its ‘Balancing the Budget’ programme, which is regularly reviewed by the Corporate Management Team and reported to Cabinet. In 2024/25, the council delivered £1.85m in base budget reductions, reducing the General Fund budget gap from £3.73m in February 2024 to £2.63m by February 2025. Since April 2025, a further £478k of costed initiatives have been implemented and reflected in the Medium Term Financial Plan (MTFP), helping to reduce the projected budget gap in 2027/28 to £1.87m. The Council only factors confirmed savings or income into the MTFP, ensuring realistic financial planning. Monthly monitoring of financial performance and savings delivery supports accountability, with leadership responsibility held at the Corporate Management Team level. This approach helps mitigate risks to financial sustainability and ensures that savings plans are both achievable and aligned with strategic priorities.

However, there remains work to be done. The continued reliance on reserves means that the requirement to close the financial gap is becoming ever more pressing for the Council. At year-end, the Council holds £5.33 million in working balances (reserves), though projections for 2025/26 indicate a significant further drawdown of £2.81 million, which would reduce reserves below level recommended by the finance team, although not below the £2m minimum level. Earmarked reserves have decreased by £770k, bringing the total to £13.99m. These reserves continue to play a vital role in supporting both operational delivery and strategic priorities. However, the ongoing trend of depletion both in useable and earmarked reserves highlights the need for careful monitoring and sustainable planning to ensure long-term financial resilience. Without further significant savings, the planned drawdown of reserves in 2025/26 could reduce working balances to a level that will severely reduce the scope for drawdowns or to manage unplanned pressures, without exposing the Council to unacceptable risk. As a result, the significant weakness we identified in prior years carries forward into 2024/25 while the Council develops plans to close the financial gap in 2026/27 and 2027/28. We have therefore carried forward the key recommendation regarding the Council’s financial sustainability.

R

# Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>Gravesham Borough Council has well-established arrangements to plan its finances in a way that supports the sustainable delivery of services aligned with both strategic and statutory priorities. The Council’s Medium Term Financial Plan (MTFP) is closely integrated with its Corporate Plan (2023–2027), ensuring that financial decisions reflect the needs and aspirations of the community. The budget proposals for 2025/26 were developed in response to growing service demands and include initiatives such as the Cleaner, Safer Streets campaign, investment in waste and recycling services, town centre regeneration, skills and employment programmes, and the ‘Visit Gravesham’ campaign. The Council is also progressing projects to improve leisure facilities, deliver affordable and independent living housing, and prepare for the Renters (Reform) Bill. Environmental sustainability is also a priority. Financial planning is underpinned by the ‘Balancing the Budget’ programme, which delivered £1.85m in savings during 2024/25, with a further £478k of costed initiatives implemented since April 2025. These efforts have reduced the projected budget gap for 2027/28 to £1.87m. The Council only includes confirmed savings in its MTFP, ensuring realistic and sustainable financial forecasting. Monthly monitoring and reporting to Cabinet and Management Board reinforce accountability, while targeted reductions in discretionary spend—such as the cessation of black sack provision and revised Council Tax assumptions—demonstrate a commitment to long-term financial resilience.</p>	<p>G</p>

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

# Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The Council ensures its financial planning is consistent with other strategic and operational plans through a comprehensive and integrated framework. The Medium-Term Financial Strategy (MTFS) underpins the Council’s Medium Term Financial Plan (MTFP) and HRA Business Plan, aligning financial forecasts with service delivery, capital investment, and policy priorities. These plans are regularly reviewed and updated to reflect changing conditions and in-year decisions. Gravesham also works collaboratively with external partners to deliver shared outcomes, such as employment and skills development, housing delivery, and climate action. Its financial strategy is designed to be agile and responsive, enabling alignment with workforce planning, capital programmes, and statutory responsibilities, while maintaining a prudent approach to borrowing and investment in line with CIPFA codes and MHCLG guidance.</p>	<p>G</p>
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>The Council has put in place a structured and proactive approach to identifying and managing risks to financial resilience. It maintains strong budgetary controls, requiring financial decisions and recruitment activity to be reviewed by the Management Team, and regularly monitors financial performance through quarterly reports. The Council uses scenario planning and sensitivity analysis to assess financial pressures and test key assumptions, helping it prepare for a range of outcomes. Its Medium-Term Financial Strategy calls for accelerated action to reduce reliance on reserves, while the Capital Strategy embeds risk management throughout the investment process. As noted above, the rate of consumption of working balances (reserves) remains a concern in 2024/25 with further drawdowns planned for 2025/26, contributing to the significant risk on financial sustainability we raised in the prior year and now carry forward here. It is important that the Council’s plans to rebuild reserves over the medium term are realised.</p>	<p>R</p>

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

# Financial sustainability (continued)

## Significant weakness identified in relation to financial sustainability

**Key Finding:** In our 2023/34 Annual Auditor's report we noted that building a more sustainable financial platform remained critical priority to ensure long-term recovery and resilience and that the lack of defined pathway to achieve this over the medium-term reflected a significant weakness in arrangements. We continue to be satisfied that the Council's weakness in financial position has been driven by demand pressures and economic factors rather than there being insufficient financial controls or inadequate financial planning. We also note that significant progress has been made to strengthen arrangements in line with our key recommendation resulting in an improved medium-term outlook.

**Evidence:** The Council has established a structured and disciplined approach to developing savings plans through its 'Balancing the Budget' programme, which is regularly reviewed by the Corporate Management Team and reported to Cabinet. In 2024/25, the council delivered £1.85m in base budget reductions, reducing the General Fund budget gap from £3.73m in February 2024 to £2.63m by February 2025. Since April 2025, a further £478k of costed initiatives have been implemented and reflected in the Medium-Term Financial Plan (MTFP), helping to reduce the projected budget gap in 2027/28 to £1.87m. The Council only factors confirmed savings or income into the MTFP, ensuring realistic financial planning. Monthly monitoring of financial performance and savings delivery supports accountability, with leadership responsibility held at the Corporate Management Team level. This approach helps mitigate risks to financial sustainability and ensures that savings plans are both achievable and aligned with strategic priorities. It is clear from our conversation with key stakeholders that the core management team knows the importance of the balancing the budget exercise. Although good work has been done, in year, the Council must push forward this initiative to improve its financial sustainability.

**Impact:** If the Council cannot effectively manage demand to reduce costs, and deliver all planned savings, reserve levels will reduce to a level that puts the medium-term financial sustainability of the Council at risk and placing financial pressure on the new successor Council under LGR. It is essential the Council shifts away from relying on reserves to fund business-as-usual activities. Instead, it must establish a more sustainable financial strategy that ensures reserves are preserved for unforeseen needs, safeguarding long-term stability. We will review this in detail within our 2025/26 audit.

## Key recommendation 1

**KR1:** The Council should continue focus on delivery of the 'Balancing the Budget' initiative. This includes embedding measures that prioritise structural reform over short-term fixes and rebuilding reserves. It should incorporate the development of a pipeline of multi-year recurrent savings, income generation and service transformation aligned with strategic priorities and compatible with local government reform (LGR).

# Financial sustainability (continued)

## Area for Improvement identified: Capital programme risk-management

**Key Finding:** During our engagement with the Council, we have observed notable slippage in the delivery of the capital programme. This issue has been particularly pronounced in relation to two major projects - the Charter housing development and the Cascades Leisure Centre. Like many councils, GBC has been impacted by external factors, including the administration of contractors and delays in funding, which have contributed to its current position. The Council's initial budget reflects a high level of ambition; however, slippage throughout the year often results in a lower final outturn. We recommend that future budgets are based on what is considered realistic and achievable, rather than aspirational. Ambition should instead be incorporated into scenario planning, allowing the Council to respond flexibly and finance any upside opportunities appropriately.

**Evidence:** Through discussions with key stakeholders, it has become evident that the Council would benefit from a more integrated and strategic approach to capital programme portfolio risk management. Specifically, there is a need to ensure that project-level risks—such as those associated with The Charter and St George's developments — are systematically captured, assessed, and escalated within the Council's overarching strategic risk framework.

At present, the fragmentation between project delivery teams and strategic oversight functions may be contributing to a lack of visibility and responsiveness to emerging risks.

**Impact:** The Council has experienced significant slippage in its capital programmes over the past few years. This provides an opportunity to demonstrate learning to better manage delays, cost overruns, and delivery challenges across its capital portfolio.

## Improvement Recommendation 1

**IR1:** In order to strengthen alignment between corporate risk management and capital programme risk management Council should:

- Establish a formal portfolio risk management framework that aligns individual project/programme risks with strategic objectives and organisational risk appetite.
- Ensure that all major capital projects are subject to consistent risk assessment protocols, with clear escalation pathways to senior leadership and governance bodies.
- Integrate capital programme performance monitoring into regular corporate strategic risk reviews, to further enable intervention or corrective action where slippage is identified.
- Set future budgets that are based on what is considered realistic and achievable, rather than aspirational. Ambition should instead be incorporated into scenario planning, allowing the Council to respond flexibly and finance any upside opportunities appropriately.

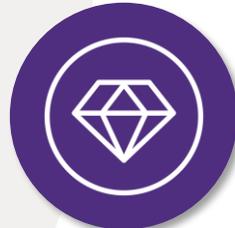
# Grant Thornton insights – learning from others

The Council has a number of capital programme investments in the pipeline which reflect a level of ambition to deliver infrastructure that will benefit constituents and to strengthen financial sustainability in the longer term.



## What the Council is already doing

- The Council maintains a level of ambition in its capital programme to address local priorities and improve its financial sustainability in the longer term.
- It has shown consideration of the financial and other implications for these programmes for a successor body under LGR.
- There has been a willingness to learn from previous programmes, such as the St. Georges centre refurbishment highlighting the importance of effective governance.



## What others do well

- Many Councils have reconsidered their risk appetite in regard to capital investments in the wake of a number of notable failures in the sector and in the context of LGR.
- There is much greater emphasis on transparency in the way that complex financial arrangements are reported and monitored.



## The Council should consider:

- Making sure that governance arrangements in place for the Charter programme are effective as it moves into the delivery phase in 2026.
- Councillors to receive appropriate assurance on the benefit realisation of investments such as the Charter the St. Georges shopping centre investment.
- Continue to review the viability of future programmes and the potential impact of slippage, including consideration of management capacity and focus in the context of LGR as plans for this solidify.

# Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has established comprehensive arrangements to monitor and assess risk and ensure effective internal controls. These include an annually updated Risk Management Strategy, a Corporate Risk Register reviewed biannually, and oversight by the Finance &amp; Audit Committee. Governance is supported by a Code of Corporate Governance aligned with CIPFA-SOLACE principles, and internal audit provides assurance that controls are effective, with no significant weaknesses identified in 2024/25. The Council also maintains a proactive approach to fraud prevention through its Counter-Fraud &amp; Corruption Strategy, supported by a dedicated Audit &amp; Counter Fraud Shared Service, regular fraud risk assessments, and a whistleblowing policy. Investigative activity during the year resulted in substantial financial savings, demonstrating effective control and accountability across the organisation.</p>	<p>G</p>
<p>How the body approaches and carries out its annual budget setting process</p>	<p>The Council demonstrates a well-structured and strategically aligned approach to its annual budget-setting process. The Budget Book for 2025–26, approved by Full Council on 25 February 2025, presents both revenue and capital budgets that reflect a clear consideration of financial trends over recent years, current performance, and emerging pressures. The budget is closely tied to the Council’s Corporate Plan 2023–2027 and the Medium-Term Financial Strategy (MTFS) 2023/24–2027/28, ensuring that financial decisions support the delivery of key priorities.</p>	<p>G</p>

# Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The Council has established effective processes and systems to ensure sound budgetary control and the delivery of accurate, timely management information. The Medium-Term Financial Strategy and supporting financial plans provide a clear framework for managing revenue and capital budgets over the medium and long term, while the annual budget book sets out approved spending aligned with corporate priorities. Statutory financial reporting is supported through scheduled treasury strategy reports to Full Council, including pre-year planning, mid-year updates, and post-year reviews.</p> <p>During the 2024/25 financial statement audit, the Council’s arrangements to rebuild assurance post-backstop were noted to require improvement to ensure that the Council is able to fulfil its statutory financial reporting obligations. This includes strengthening the Councils year-end statement of accounts preparation, addressing skills and capacity gaps within the finance team, and ensuring that Councils financial statements are supported by sufficiently evidenced working papers that meet current auditing standards. This matter is deemed to reflect a significant weakness, and we have raised a new Key Recommendation (KR2) to highlight the need for urgent and sustained improvement ahead of preparing the 2025/26 financial statements.</p> <p>Details of the individual control issues are set out in our Audit Findings Report.</p>	<p>R</p>

# Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council has established governance arrangements that support informed decision-making, transparency, and effective challenge. Decisions made by the Cabinet are recorded and made publicly available, with oversight provided by the Overview Scrutiny Committee, which meets regularly and has access to the Cabinet’s forward plan to anticipate and scrutinise upcoming decisions. The Council also operates cross-party Cabinet Committees, chaired by Portfolio Holders, to engage wider elected Councillors in policy development. Independent assurance is provided by the Finance &amp; Audit Committee, which reviews internal and external audit reports, monitors financial performance, and scrutinises risk management arrangements. The Committee receives support from officers and external auditors, enabling it to challenge effectively and ensure accountability. Annual reports and meeting minutes demonstrate robust discussion and constructive scrutiny across a wide range of financial and governance topics. A recent LGA Corporate Peer Challenge recommended reviewing the respective roles of the Overview Scrutiny Committee and Cabinet Committees to improve clarity, impact, and organisational capacity. It is important that the Council develops and strengthens the Overview and Scrutiny Committee in line with the LGA’s recommendations and we have raised an improvement recommendation to highlight this.</p>	<p>A</p>
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Council has arrangements in place to ensure compliance with legislative and regulatory requirements, with no significant changes since the last review. The 2024–25 Annual Governance Statement confirms that the council’s governance framework remains fit for purpose, with no major concerns identified. The Council continues to uphold high standards of conduct through structured processes for declarations of interest, gifts and hospitality, and conflicts of interest. Procurement and commissioning activities are carried out transparently and in accordance with established procedures, ensuring accountability and compliance. These arrangements are supported by regular monitoring and reporting, enabling the council to take corrective action where necessary.</p>	<p>G</p>

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

# Governance (continued)

## Area for Improvement identified: Strengthening governance and member oversight

**Key Finding:** The Council is undertaking a governance review in December 2025 to strengthen accountability and oversight.

**Evidence:** A recent LGA Corporate Peer Challenge recommended reviewing the respective roles of the Overview Scrutiny Committee and Cabinet Committees to improve clarity, impact, and organisational capacity. It is important that the Council develops and strengthens the Overview and Scrutiny Committee in line with the LGA's recommendations and we have raised an improvement recommendation to highlight this. The review aims to strengthen accountability and organisational capacity by revising the Terms of Reference for Cabinet Committees and the Finance & Audit Committee and redirecting appropriate matters of business to Overview & Scrutiny.

**Impact:** Given the Council's ambitious agenda, significant capital programme and comparatively high levels of borrowing and financing costs, effective scrutiny is essential to ensure robust oversight of business cases and project delivery – particularly for developments such as The Charter Project and Cascades Leisure Centre. This is especially important in the context of Local Government Reform where incomplete capital programmes and liabilities will need to be taken on by a successor Council.

## Improvement Recommendation 2

**IR2:** The Council should prioritise its December 2025 governance review to strengthen accountability and oversight following the LGA peer review findings. Clarifying and strengthening the role of the Overview & Scrutiny Committee will help ensure effective challenge and assurance across major projects and decisions.

# Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of strengthening budget engagement and consultation, but could challenge itself to go further, based on the best arrangements we see across the sector.



## What the Council is already doing

- The Council continues to make informed decisions that are supported by appropriate evidence, debate and scrutiny.
- Politically led with a ‘can-do’ attitude, creating energy and ambition across the Council.
- There is evidence of effective leadership by the Executive and positive financial culture and “tone from the top” and that Councillors and officers have clarity on their roles and responsibilities.



## What others do well

- Conduct structured public consultations on budget proposals to enhance transparency and accountability.
- Use digital platforms and surveys to gather community feedback on priorities.
- Publish clear summaries of consultation outcomes and how they influence final decisions.



## The Council could

- Clarify and prioritise strategic objectives to avoid dilution of focus.
- Support officers in understanding where to direct effort amid limited resources.
- While the Council’s ambition to deliver infrastructure for its residents is notable, it is essential that this continues to have reference to organisational capacity and the need to maintain financial sustainability.
- Prepare for increased demands during the LGR process by streamlining priorities.

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Council uses a structured approach to financial and performance information to assess service delivery and identify areas for improvement. The Council’s Performance Management Framework (2023–2027) ensures that performance is monitored and evaluated across strategic and operational levels, with quarterly and annual reporting to senior leadership and Cabinet. Performance data is linked to corporate objectives through a ‘golden thread’ that connects departmental and individual officer activities to the Council’s broader vision. While benchmarking is used to assess service performance, there is limited evidence of the use of third-party financial benchmarking tools. The Council also demonstrates a commitment to learning through partnerships and external reviews, such as the LGA peer challenge, and continues to refine its data protection and procurement policies to support transparency, compliance, and value for money.</p> <p>Temporary Accommodation was previously identified as a significant cost driver. In 2024/25, the Council reported a £78k favourable variance, primarily due to increased Housing Benefit recovery and reduced expenditure through effective homelessness prevention. This demonstrates how the Council is using data-driven insights to target and deliver financial improvements.</p>	<p>G</p>
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Council is proactive in looking for opportunities to improve resulting in some notable successes, for example:</p> <ul style="list-style-type: none"> <li>• Cut fleet emissions to 2% via HVO-powered vehicles and expanded commercial vehicle servicing offer.</li> <li>• Upgraded 1,000-home pipeline including additions to the council's housing stock and enabling delivery of other tenure types (through vehicles such as RPD and GCIP), planning approved for Milton Place.</li> <li>• Rolled out glass collection early, simplified recycling and reduced waste complaints by 15%.</li> <li>• Secured brownfield site development funding for regeneration.</li> <li>• Innovation in tackling homelessness and rough sleeping in the borough.</li> </ul> <p>A comprehensive LGA Corporate Peer Challenge in 2024/25, highlighted the Council’s strong ambition, positive organisational culture, and commitment to improving outcomes for residents. The review praised the Council’s proactive ethos and strategic focus on health and social value, while also offering targeted recommendations to enhance governance, prioritisation, budget robustness, and oversight of housing functions. In response, the Council developed a clear Peer Challenge Action Plan with assigned responsibilities and timelines, demonstrating accountability and a constructive approach to external feedback. Continued implementation and monitoring of these actions will be key to driving service improvement and effective performance evaluation in 2025/26.</p>	<p>G</p>

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, to assess whether it is meeting its objectives</p>	<p>The Council has robust arrangements in place to ensure it delivers effectively within its significant partnerships and engages meaningfully with identified stakeholders. The Council maintains a comprehensive and annually reviewed partnership register, categorising partnerships based on strategic importance and resource commitment.</p> <p>Oversight is provided through the "Working in Partnership Framework," with regular performance reviews and updates presented to Cabinet Committees. Shared service arrangements, such as those with Medway Council, are monitored through detailed annual reports that assess progress against objectives and track responses to previous recommendations. The Council also conducts ongoing risk assessments and maintains strong communication channels through its Communications and Engagement Strategy, ensuring transparency, collaboration, and alignment with strategic goals.</p> <p>Local Government Reorganisation (LGR) is clearly a strategic priority for the Council. The Chief executive is actively involved in the KPMG-led steering group, which is developing the business case for the proposed new model. It was noted that relationships among Chief Officers are strong, which will be critical in navigating the transition. The Council must ensure robust forward planning for LGR, maintain active engagement in the ongoing discussions, and foster a collective ambition across the organisation to leave a strong and lasting legacy for GBC.</p>	<p>G</p>

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

# Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council has made significant strides in strengthening its governance and assurance frameworks, particularly in relation to commissioned and procured services. Through a structured decision-making process and an updated procurement strategy, it has embedded transparency, accountability, and a focus on social value into its operations. High-profile projects such as The Charter and the Battery Energy Storage System exemplify the Council’s commitment to robust financial oversight and performance monitoring.</p> <p>In 2024/25, the Council laid strong foundations for future delivery. Key achievements include securing £17m in Levelling Up funding for The Cascades Project, appointing Curo Construction to progress The Charter Project, and initiating the revitalisation of St George’s Shopping Centre through flexible leasing, improved facilities, and diversified uses. These initiatives reflect a shift toward innovation, sustainability, and community-focused regeneration.</p> <p>While the Council’s ambition is commendable, it is essential that the drive to deliver does not compromise organisational capacity or financial sustainability. As the Council moves into 2025/26, it must maintain momentum and continue to take proactive steps to deliver its capital and regeneration programmes. With the upcoming contract review of managing agents for the St Georges shopping centre in May 2026, this period presents a critical opportunity to reassess delivery models, enhance accountability, and align management with evolving community priorities. The Council has laid strong foundations over the past year, securing Levelling Up funding for The Cascades Project, appointing a new contractor to progress The Charter, and reimagining St George’s Shopping Centre through flexible leasing, enhanced facilities, and diversified uses.</p>	<p>G</p>
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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# **05 Follow up of previous Key recommendations**

# Follow up of 2023/24 Key recommendations

Prior Recommendation	Raised	Progress	Current status	Further action
<p>The Councillors and senior officers of GBC must continue to recognise the severity of the Council’s medium term financial outlook and the need to take prompt, effective and far-reaching action to restore a sustainable financial position in the medium term. The Council should take the following steps to help this process:</p> <ol style="list-style-type: none"> <li>1. Review the arrangements for setting saving schemes and monitoring these throughout the financial year to build a greater element of contingency and allowance for slippage. This should include the clear separation of recurrent and one-off savings (e.g. holding staff vacancies) within the savings programme.</li> <li>2. Ensure corporate and councillor oversight and challenge of proposed savings is robust, with responsible managers held to account, to make sure savings are credible, accurately valued, have realistic timing and phasing of delivery, and have been properly assessed for quality impact and risk.</li> <li>3. Ensure corporate and councillor monitoring of savings delivery is sufficiently regular and robust to drive delivery in line with plan and help to develop mitigating actions as soon as possible when delays or risks are met.</li> <li>4. Demonstrate a realistic plan for replenishment of reserves where one-off use is expected to cover budget gaps, to ensure medium term financial plans, demonstrate a realistic prospect of financial sustainability.</li> <li>5. Focus financial planning on reducing reliance on one-off measures over the medium term and consider opportunities to review service delivery, particularly regarding the analysis and prioritisation of statutory vs discretionary spend and modern ways of working (such as early intervention).</li> <li>6. Ensure that savings plans for future years of the MTFS are developed and discussed with Councillors as soon as possible to ensure that delivery activities can be started as close to the beginning of the financial year as possible. This should include consideration of savings headroom to allow for slippage.</li> </ol>	2023/24	Yes	Partially implemented – Key recommendation superseded by new KR 1	<p>The Council has established a structured and disciplined approach to developing savings plans through its ‘Balancing the Budget’ programme, which is regularly reviewed by the Corporate Management Team and reported to Cabinet. In 2024/25, the council delivered £1.85m in base budget reductions, reducing the General Fund budget gap from £3.73m in February 2024 to £2.63m by February 2025. Since April 2025, a further £478k of costed initiatives have been implemented and reflected in the Medium-Term Financial Plan (MTFP), helping to reduce the projected budget gap in 2027/28 to £1.87m. The Council only factors confirmed savings or income into the MTFP, ensuring realistic financial planning. Monthly monitoring of financial performance and savings delivery supports accountability, with leadership responsibility held at the Corporate Management Team level. This approach helps mitigate risks to financial sustainability and ensures that savings plans are both achievable and aligned with strategic priorities. It is clear from our conversation with key stakeholders that the core management team knows the importance of the balancing the budget exercise. Although good work has been done, there is a still work to progress for the Council to be fully financially stable.</p> <p>However, there remains work to be done. The continued reliance on reserves means that the requirement to close the financial gap is becoming ever more pressing for the Council. Without further significant savings, the planned drawdown of reserves in 2025/26 could reduce working balances to a level that will severely reduce the scope for further drawdowns or to manage unplanned pressures, without exposing the Council to unacceptable risk. As a result, the significant weakness we identified in prior years carries forward into 2024/25 while the Council develops plans to close the financial gap in 2026/27 and 2027/28.</p>

# 06 Appendices

# Appendix A: Responsibilities of the Council

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

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

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

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

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

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



# Appendix B: Value for Money Auditor responsibilities

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

## Phase 1 – Planning and initial risk assessment

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

## Phase 2 – Additional risk-based procedures and evaluation

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

## Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

## Information that informs our ongoing risk assessment

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

# Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	<p><b>Improvement recommendation 1:</b></p> <p>It is important that councillors continue to monitor the financial position of The Charter development to ensure that it is implemented effectively and within budget and that any modifications to the original business case are reasonable and affordable. This will include regular updates on the dialogue with Reef via the Rosherville development company to ensure that the ongoing challenges in delivering the programme are addressed</p>	2023/24	<p>Updates on the Charter have been provided privately to the Leader and through the Rosherville Shareholder Advisory Board. A specific report setting out the financial position of The Charter was reported to both Cabinet and the Overview Scrutiny Committee in September 2025 as a Part B report accessible to all Councillors. At the meeting a representative from Reef &amp; Partners was also in attendance to deliver a presentation to Councillors in attendance and to answer questions.</p>	<p>Partially implemented and superseded by IR1 and further suggestions raised as insights.</p>	No



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