

Cabinet Sub Committee
(Medway Norse Ltd Shareholder Board)

21 November 2024

Medway Norse Ltd
Financial Monitoring Q2 2024/25

Portfolio Holder: Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration

Report from / author: Phil Watts, Chief Operating Officer (Section 151 Officer)

Summary

This covering report introduces the second quarter's (Q2) financial monitoring for Medway Norse Ltd under new governance arrangements established earlier this year. A summary of the financial forecasts provided by the company is provided.

1. Recommendations

1.1. The Cabinet Sub Committee is asked to note the contents of the report and Appendix 1 to the report.

2. Suggested reasons for decision

2.1. In order to fulfil its role as shareholder, on behalf of the Council, the Sub Committee must be apprised of the financial performance of the Company.

3. Budget and policy framework

3.1. Medway Council and Norse Commercial Services are the joint shareholders of the Medway Norse Ltd joint venture and its subsidiaries, with the exercise of the Council's shareholder powers and responsibilities being an executive function of the Cabinet. Cabinet has delegated these powers and responsibilities to this Cabinet Sub Committee.

4. Background

4.1. At its meeting on 12 March 2013, the Cabinet agreed to establish a joint venture company with Norse Commercial Services Ltd to deliver facilities management services on behalf of the Council. Over the past ten years, waste collection, street cleansing and green spaces were subsequently transferred to the joint venture Company, and it was also awarded contracts for certain SEND transport routes and to deliver services to the Housing Revenue Account.

4.2. The initial partnership agreement was signed for a ten year period, expiring at the end of June 2023. A five year extension has been agreed in principle and a letter

of intent exchanged, however at the time of writing a new contract has not yet been agreed. Services continue to be delivered under implied terms.

5. Key points to note

5.1. The Draft Business Plan for the Company was approved at the Cabinet Sub Committee meeting held on 6 June 2024. This included financial projections for the five financial years 2023 - 2028, against which financial performance is monitored.

5.2. The table below presents the joint venture's forecast outturn for 2024/25 based on the second quarter's monitoring projections.

	2024/25	Forecast Year End 2024/25			Variance to budget
	Budget	Medway Council	Other Income	Total	
	£	£	£	£	£
Income	36,673,913	33,466,242	2,532,534	35,998,776	(675,137)
Direct Costs	(32,401,070)	(29,358,713)	(2,221,700)	(31,580,413)	820,657
Gross Profit	4,272,843	4,107,529	310,834	4,418,363	145,520
Indirect Costs	(2,528,081)	(2,467,871)	(186,754)	(2,654,625)	(126,544)
Norse Overhead	(1,121,771)	(999,000)	(117,814)	(1,116,814)	4,957
Trading Profit	622,991	640,658	6,266	646,924	23,933
Profit Share	(311,496)	(320,329)	(3,133)	(323,462)	(11,967)
Tax	(77,874)	(79,298)	(1,567)	(80,865)	(2,991)
Net Profit	233,622	241,031	1,566	242,597	8,976

5.3. The Strategic Plan projected turnover of £34.6million for 2024/25 and a rebate to the Council of £505,898. However, the latest monitoring is set against a revised budget, predicting an increased turnover of almost £36.7million, but a reduced trading profit and a rebate of just £311,496.

5.4. As at Quarter 2, the Company is forecast to deliver an outturn broadly in line with this revised budget – slightly lower turnover, but a slightly higher trading profit and a rebate to the Council of £323,462.

6. Risk management

6.1. The Company's strategic risk register was reported at the previous meeting and can be found [here](#).

7. Consultation

7.1. The Company's financial performance is reported monthly to the Board, comprising three directors appointed by NCS Ltd and two officers appointed as directors by the Council.

8. Financial implications

8.1. These are laid out in Appendix 1 to the report.

9. Legal implications

9.1. There are no legal implications arising directly from the contents of this report.

10. Conclusions

10.1. Inflationary pressures have continued to impact on the Company's profitability, and this looks set to continue in 2025/26, with the recently announced increases in National Living Wage and National Insurance contributions.

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Appendices

Appendix 1 – Draft Medway Norse Ltd Strategic Plan 23-28

Background papers

None