

**Cabinet Sub Committee
(Medway Norse Ltd Shareholder Board)**

4 March 2025

**Progress Update – Business Plan & KPIs
2023 - 2028**

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

Report from/author: Ruth Du-Lieu, Deputy Director Place & Norse Client Lead

Summary

This report seeks to update the Cabinet Sub Committee on the progress relating to the development of a business plan and the associated Key Performance Indicators (KPIs) for the Joint Venture. At this stage these documents are still being developed, and a project is being progressed.

1. Recommendations

- 1.1. That the Cabinet Sub Committee note the progress made on the Medway Norse Improvement Project as set out within the report and the Appendix 1 (to follow in a supplementary agenda) to the report and provide any direction as appropriate.

2. Suggested reasons for decision(s)

- 2.1. As a shareholder, the Cabinet Sub Committee needs a strategy and business plan in place in order to be confident in delivery.

3. Budget and policy framework

- 3.1. The decision is within the Council's policy and budget framework including the Council Plan. The receipt of regular reports to shareholder board and the opportunity to hold to account the Chief Executive and the Chair of the Board of Directors in respect of the company's performance aids and enhances transparency and accountability of the Council's Local Authority Trading Companies (LATCOs).

4. Background

- 4.1 At the first meeting of Medway Norse shareholder board (Cabinet Sub Committee) on the 6 June 2024, the client advised that there was work to be

done by the Council, to set a strategy for Medway Norse. This was to be a collaborative exercise between the Administration and the Corporate Management Team. This would then facilitate the development of the draft Business Plan and the establishment of KPIs. The Cabinet Sub Committee accepted this to be the case and directed the Client to progress as appropriate. The Cabinet Sub Committee asked to see a draft Business Plan at the October 2024 meeting.

- 4.2 The draft Business Plan, which exists but is hitherto unpublished and unadopted, was thought not to be fit for purpose. Political leadership and policy changes that were a result of the new Administration taking power in May 2023 had led to the Council reviewing the governance and the strategic direction of all three LATCOs. Therefore, although the operational functions and company board for the Joint Venture had continued largely unaffected, the strategic planning and governance by the Council has and is still going through a period of transformation.
- 4.3 At the time of the initial meeting of the Cabinet Sub Committee it was anticipated that the work required for the Council to establish a strategy and then work with Medway Norse to agree a Business Plan and KPIs would be completed by this meeting of the next Cabinet Sub Committee. However, that work is still underway, and it has been recognised that setting the strategy is a larger piece of work than first anticipated. This work is in hand and being led by the Client team.
- 4.4 At the [8 October 2024](#) meeting of the Cabinet Sub Committee the broad scope for an improvement project was agreed along with the outcomes/ outputs and governance.
- 4.5. In November 2024, discussions began with Medway Norse over the budget uplift for 2025/26. As touched on at the October meeting, a budget gap had been identified. This was because the Joint Venture's proposed uplift, which reflected revised assumptions around the impact of National Living Wage and National Insurance Contributions, is £2.237m in excess of our 2025/26 budget assumptions and the Draft Budget agreed at Cabinet did not factor this pressure in. Notwithstanding the impact of increases to the National Living Wage and the changes to the employers National Insurance rate and thresholds, the £2.698million uplift represented an increase of over 9% on the 2024/25 budget and was unaffordable. There was, via the project, urgent work required to identify service changes that would be effective from April 2025.
- 4.6. Working collaboratively, Council officers working with Medway Norse agreed a series of actions which have completely closed off the budget gap previously identified. These have now been approved by the Leader and portfolio holder and have been included in the 25/26 budget that will be presented to full Council 27 February 2025.

5. Client Officer observations and recommendations

- 5.1. An interim review of services has now been carried out and changes identified to reduce spend in 25/26 as per This is to broach the budget gap that has been identified as detailed in 4.5 and 4.6 of this report. The Portfolio holder and chair was part of the discussions to finalise these changes.
- 5.2. Stage 2 of the project will begin once a resource has been identified to plan and manage the governance of the project. Discussions are ongoing with the Director of Place on how this will be funded.
- 5.3. Stage 3 – Running concurrently with stage 2, the project will look to create a Medway Nurse Strategy document which will set out the plans for delivering services via the Joint Venture. That will then inform financial strategy and allow Medway Nurse to create a Business Plan for the next 5 years.

6. Risk management

- 6.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Insufficient oversight of LATCO activity and performance	The company's objectives and performance do not align with the council's aspirations	Shareholders boards have been established to received regular reports for the LATCO and provide steer to the company Chief executive and Chair of the board of Directors on their expectations	CIV
Council exposure to unknown risks	The company's activities expose the council financial and or risk	Regular reporting to the shareholder board on activity and risks	CIII
		A scheme of delegation ensure more significant decisions are taken at more senior levels within the company/ council.	CIV
The Joint Venture contract		Progress the revised contract at pace	CI

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remains ultra vires	MN decide to pull out of the arrangement	Maintain communications between Council and NCS / MN to progress revised contract	CI

For risk rating, please refer to the following table

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

7. Climate change implications

- 7.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers, and has set a target for Medway to become carbon neutral by 2050.
- 7.2. There are no direct implications arising from this report or the draft business plan, any that do arise are contained within the individual reports from the LATCO.

8. Financial implications

- 8.1. No financial implications directly arising from this report.

9. Legal implications

- 9.1. The shareholders own the business, however the day to day management of the business is the responsibility of the Chief Executive and the Board of Directors. The shareholders' responsibility derives from the Articles of Association (which set out the company's purpose and governance framework) and the Memorandum of Understanding sets out the operational decision making framework.

- 9.2. As a shareholder, the Cabinet Sub Committee is entitled to receive regular reports from the Board of Directors on the company's activities, its performance, outlook over the next quarter and beyond. The shareholders need to be confident that the company's Chief Executive and the Board of Directors can deliver on the approved business plan and to be informed if there are any material changes to the business plan or divergences from expected returns.
- 9.3. This reports details above (paragraph 4.1) that in June 2024 it was recognised that work needed to be undertaken to draft a Business Plan and the establishment of KPIs, with the Cabinet Sub Committee requesting to see a draft Business Plan at the October 2024 meeting. Further, in paragraph 4.2 above it was recognised (not clear by whom though) that the draft business plan was not fit for purpose. Since the original request for a business plan, 8 months have passed, and no plan has been shared with this Cabinet Sub Committee.
- 9.4. The Sub Committee's terms of reference contained within the constitution state at paragraph 3.2 that
- “The Shareholder Boards are responsible for ensuring that the companies are providing high quality services, value for money and are fit for purpose. “*
- 9.5. In the absence of information, the shareholder board cannot satisfy itself, nor perform the responsibility delegated to it by the Cabinet as aforesaid.
- 9.6. The shareholder board, need to establish the reasons for the
- impediment to the flow of information,
 - the non-performance of its directions and
- seek assurances that meaningful information will be shared with them, so that it can fulfil its obligations to the Cabinet and be satisfied that the joint venture is providing high quality services, value for money and are fit for purpose. The absence of such information raises serious questions, answers to which the shareholder board is entitled to receive.

Lead officer contact.

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Appendices

Appendix 1 - Update from Medway Norse against Business Plan activities (to follow)

Background Papers

None