

Cabinet Sub Committee
(Medway Norse Ltd Shareholder Board)

4 March 2025

Financial Monitoring Quarter 3 2024/25

Portfolio Holder: Councillor 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 third quarter's financial monitoring for Medway Norse Ltd. A summary of the financial forecasts provided by the Company is provided in the Exempt Appendix to the report (to follow in a supplementary agenda).

1. Recommendations

1.1. The Cabinet Sub Committee is asked to note the contents of the report and the Exempt 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 appraised 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 Shareholder Subcommittee 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. Comments will be provided to accompany the Exempt Appendix when it is circulated.

6. Risk management

- 6.1. The Company's strategic risk register appears elsewhere on this agenda.

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 set out in the Exempt Appendix 1 to the 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 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. The Cabinet 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."

- 9.4. As at the time of writing (24 Feb 1400), no relevant information has been shared that may be included in the Appendix. In the absence of such information the shareholder board cannot satisfy itself, nor perform the responsibility delegated to it by the Cabinet as aforesaid.
- 9.5. 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.

10. Conclusions

10.1. This will be completed once the Appendix is circulated.

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Appendices

Exempt Appendix 1 – Medway Norse Ltd. Financial Monitoring for Q3 (to follow)

Background papers

None