



## **Cabinet Sub Committee**

### **(Medway Norse Ltd Shareholder Board)**

**5 June 2025**

### **Revised Internal Governance Arrangements**

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

Report from/author: Ruth Du-Lieu, Deputy Director of Place & Lead Client Officer Medway Norse Joint Venture

#### **Summary**

In July 2023 the Cabinet agreed to revise its governance arrangements in respect of the Council's three Local Authority Trading Companies (LATCOs). Two of those LATCOs are wholly owned by the Council and thus revising arrangements was less complex.

Medway Norse (MN) is a partnership with the Norse Group (NG) which is wholly owned by Norfolk County Council (NCC) and hence any changes required greater levels of collaboration. In June 2024, the Sub Committee met and agreed the governance arrangements set out in a report dated 6 June 20024.

One year on, following a review of the effectiveness of the governance and reflecting changes that have occurred with the Joint Venture, revised internal governance arrangements have been proposed and are detailed in this report.

#### **1. Recommendations**

- 1.1. That the Cabinet Sub Committee approves the revised internal governance arrangements (internal to the Council), noting that the current Liaison Board led by Medway Norse is replaced by a new Client Liaison Board led by the Council and chaired by elected Members, as set out in Appendix 1 to the report.

#### **2. Suggested reasons for decisions**

- 2.1. The Sub Committee is requested to approve the recommendations above to strengthen still further the corporate governance of the Council's LATCO.

It is recognised that the agreed appointment of the officers to the Board of Directors improved the influence powers on the decision making by Medway Norse. The initial year of the committee also demonstrated that Members needed more control and input as the client. This coupled with the fact that the expected benefits of splitting up the liaison function and creating three separate client groups did not materialise and was better served by a Member led single liaison board.

### 3. Budget and policy framework

- 3.1 The decision is within the Council's budget and policy framework including the Council Plan.

### 4. Background

- 4.1 In July 2023 the Cabinet received a report in respect of the Council's wholly owned trading companies (LATCOs), recommending a number of changes to the governance arrangement for the companies. The Cabinet determined that three Cabinet Sub Committees would be established, one for each LATCO, (Kyndi Ltd, Medway Development Company (MDC) Ltd and Medway Norse Ltd).

- 4.2 The Cabinet also agreed the following:

- 4.2.1. The Cabinet approved the establishment of three shareholder boards (Cabinet sub committees) for each LATCO (inclusive of their subsidiaries (decision No.112/2023).

- 4.2.2 The Cabinet agreed to delegate authority to each shareholder board to exercise decisions that are reserved to the shareholder and to respond to matters raised by the Board of Directors (decision No.114/2023).

- 4.2.3 The Cabinet agreed to delegate authority to the Assistant Director, Legal and Governance, in consultation with the relevant Chairperson for each shareholder board, to take decisions that are required as a matter of urgency (decision No.115/2023).

### 4.3 **Internal Governance.**

- 4.4 The original changes to internal governance succeeded in starting to refocus the relationship between Medway officers / Members and MN's team. The relationship overall operates in a far more commercial setting than it did previously. However, the lack of client function in some areas and the lack of measurable performance indicators has clearly surfaced as a crucial missing part of the improved internal governance arrangements.
- 4.5 The Cabinet has already established this shareholder board as a sub committee of the Cabinet and appointed members to oversee the work of MN. The Cabinet has delegated powers to this sub committee with some matters reserved to the Cabinet.

- 4.6 Oversight of all the Cabinet Sub Committee is provided by the Council's Audit Committee and the Cabinet Members are held to account in relation to their LATCO responsibilities, by the Regeneration, Culture and Environment Overview and Scrutiny Committee.
- 4.7 MN undertakes a number of operational functions for the Council, and these span several council divisions. The original governance changes advocated that three liaison boards were established:
- domestic refuse collection and HWRC.
  - green spaces and street cleansing.
  - facilities management.
- 4.8 However, since the new arrangements were agreed the original liaison board has continued to operate with the client officers and two NEDs attending along with MN managers. The board has received a quarterly update from MN. No elected Members sit on this board.
- 4.9 As part of this review, the proposal is to adopt a hybrid version of this liaison board which will remove the three liaison board idea in favour of keeping one board which will oversee all the MN functions.
- 4.10 This board will be known as the Client Liaison Board and as such will be chaired and led by the lead Cabinet Member for MN, Councillor Curry, supported by the other two Cabinet Sub Committee members - currently Councillors Gurung and Van Dyke. Also represented on this new Client Liaison Board will be the Council's lead client officer and senior client leads for each function, the two NEDs and the MD and senior managers from MN.
- 4.11 To be clear, the original liaison board which was led by Medway Norse will cease and the new Client Liaison Board led by the Council and chaired by elected Members will be implemented.
- 4.12 The Client Liaison Board will;
- discuss operational and performance issues.
  - consist of council officers responsible for identified functions and their MN counterparts.
  - meet bi-monthly, with an agenda and an action log.
  - be supported by a pre-board meeting of only council officers and elected Members
  - develop any proposed changes to deliverables before submitting any proposals to this Cabinet Sub Committee for consideration.
  - not have any decision-making powers that can modify the contractual or financial relationship, but they can resolve day to day issues that may arise.
  - receive updates from MN in the form of a reporting tool similar to the FIT plan (to be developed by the business change team).

#### 4.13 Urgent decisions

- 4.14 The Cabinet delegated power to make decisions required as a matter of urgency to the Council's Monitoring Officer in consultation with the Sub Committee Chairperson (see 4.2.3 above). Since the date of the delegation there has been no requirement to exercise that delegation.

### 5. Options

- 5.1 The establishment of the internal governance structure is a matter for this Cabinet Sub Committee. There is no prescribed format. The establishment of the Client Liaison Board led by the Council not MN, will allow for closer contract management and improved client governance. Regular reporting to this Cabinet Sub Committee allows Members to consider MNs performance across the suite of functions they perform.
- 5.2 The established Non-Executive Directors, who are currently the Director of Place and Chief Finance Officer, are maintained as agreed by this Sub Committee in June 2024 (these positions are not assigned to these job titles but to the current post holders).

### 6. Advice and analysis

- 6.1 For the reasons set out above, the preferred option is recommended.
- 6.2 A Diversity Impact Assessment (DIA) has not been prepared as the changes to the governance documents only impact on operational detail regulating the relationship between the shareholder and company.

### 7. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
The appointment of independent NEDs by the Council weakens its influence.	The Norse Group have greater influence on decision making than the Council.	The appointment of council officers to the aboard maintains a degree of influence.	CIV
		The appointment of alternative officers to the MN Board reduces the possibility of conflicts of interest.	CIV
MN is not held accountable for delivery.	Undocumented contract management leads to poor	The establishment of the Client Liaison Board led by the Council provides a forum to review and challenge performance. This board can take a holistic view of the JV	CIV

	management decisions.		
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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

## 8. Climate change implications

- 8.1 [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.

- 8.2 There are no direct implications arising from this report.

## 9. Financial implications

- 9.1 There are no direct financial implications for the Council arising from this report.

## 10. Legal implications

- 10.1 These are contained within the body of the report. The periodic review and adoption of revised governance frameworks documents following changes to good practice is part of good governance.

### Lead officer contact

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### Appendices

[Appendix 1 - Proposed revised Internal governance structure](#)

### Background papers

[Cabinet - July 2023](#)

[Cabinet Sub Committee \(Medway Norse Ltd Shareholder Board\) - 6 June 2024](#)