

Cabinet Sub Committee
(Medway Norse Ltd Shareholder Board)

5 June 2025

Quarterly progress update on Joint Venture

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

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

Summary

This report seeks to update the committee on progress, performance, risk, budget and contract status relating to the operation of joint venture between March 2025 and May 2025.

1. Recommendations

1.1. That the Cabinet Sub Committee:

1.1.1. Notes the contents of this report and provides any direction they feel is necessary.

1.1.2. Notes that the business plan for 2025/26 will not now be progressed, and a business plan will be developed to take effect 2026 to 2030.

2. Suggested reasons for decision(s)

2.1 The Sub Committee is requested to consider the recommendations above and note, no action required unless they wish to provide direction on any aspects.

3. Budget and policy framework

3.1. The decision is within the Council's budget and policy framework including the Council Plan. The receipt of regular reports to the Sub-Committee 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 6 June 2024, the client advised the Cabinet Sub Committee that there was work to be done by the Council to set a strategy for Medway Norse.
- 4.2. This was to be a collaborative exercise between the Administration and the Corporate Management Team and would then facilitate the development of the draft Business Plan and the establishment of Key Performance Indicators (KPIs).
- 4.3. The Sub Committee accepted this to be the case and directed the Client to progress as appropriate. The Sub Committee asked to see a draft Business Plan at the October 2024 meeting.
- 4.4. The draft Business Plan, which exists but is hitherto unpublished and unadopted, was thought not to be fit for purpose.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.
- 4.5. Therefore, although the operational functions and company board for the Joint Venture have continued largely unaffected, the strategic planning and governance by the Council has, and is still going through a period of transformation.
- 4.6. At the time of the initial meeting of the Sub Committee it was anticipated that the work required 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 Sub Committee.
- 4.7. However, at that point in time, work continued as it was recognised that setting the strategy was a larger piece of work than first anticipated. This was accepted by the committee.
- 4.8. At the October 2024 meeting of the Sub Committee the broad scope for an improvement project was agreed along with the outcomes/ outputs and governance.
- 4.9. 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 JV'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.
- 4.10. 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.

- 4.11. Working collaboratively, Council officers working with Medway Norse agreeing 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 were included in the 2025/26 budget that was presented to full Council 27 February 2025.

5. Contract update

- 5.1. Work has been ongoing to update the contractual relationship between Medway Council and Norse Group. This followed the core contract expiring and the Council issuing a letter of intent stating the Council intended to extend the contract. This was to ensure key services continued to be provided by Medway Norse whilst discussions were had around governance, budget, strategy etc. However, in 2023, the Council decided to begin a full review of the terms of the joint venture, the governance and the strategic approach.
- 5.2. Led by Legal Services, the objective was to review the existing Service Level Agreements (SLAs) for the joint venture so that new schedules could be written which would then form part of a new contract for Medway Norse with revised terms and conditions. This would still see Medway Council and Norse Group being shareholders of Medway Norse but would ensure the Council had measurable outputs and outcomes and could effectively client the joint venture.
- 5.3. To complement the work to revise the contract, the Council agreed to review the functions and processes within the joint venture to ensure they were effective and efficient. This was endorsed by this Sub Committee in June 2024.
- 5.4. The work to create the schedules was completed and agreed with Norse Group in 2024. However, the Council was unable to agree with Norse Group the entire suite of terms and conditions the Council intended to contract by.
- 5.5. As a result, the decision was taken to issue them with an updated Letter of Intent so that the service provision could be maintained and the Council had assurance that the joint venture could continue operating during this period of reflection and change.
- 5.6. The Letter of Intent followed a detailed piece of work to establish a strategic road map for the joint venture. This included exploring the effect of removing some functions from the joint venture to test if they could be delivered more effectively in other ways. To facilitate this exercise the Council and Norse group have agreed that during 2025/26 they will work collaboratively to review the services or functions in scope so that a recommendation can be made to Members in September around if any services or functions should be decommissioned from April 2026 and what effect this may have on the joint

venture and the remaining services and functions. This piece of work means that there will not be a business plan drafted for 2025/6.

- 5.7. The Letter of Intent also made it clear that services not in scope for consideration for decommissioning would be subject to an extension of up to five years from April 2026. This will be supported by a business plan for 2026 to 2030.
- 5.8. The Business Change team are working closely with Norse Group to manage via project management the review of services and functions as well as planning the review of operational and business processes for those services and functions that are not being considered for decommissioning. Once fully planned out this will for the Medway Norse Improvement Programme previously reported to this committee.
- 5.9. Quarterly update from Medway Norse
- 5.10. The update from Medway Norse on performance, risk, health and safety and budget is contained in the Appendices A and B to the report.
- 5.11. The changes to the internal governance of the joint venture have been set out in a separate report to this Sub Committee. For the next meeting in September 2025, these changes will have been embedded, and reporting will have been streamlined so that shareholders receive a summary of the previous quarter's outputs from Medway Norse and from the Norse Board.

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	The company's activities expose the council	Regular reporting to the shareholder board on activity and risks	CIII

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unknown risks	financial and or risk	A scheme of delegation ensure more significant decisions are taken at more senior levels within the company/ council.	CIV
The JV contract remains ultra vires	MN decide to pull out of the arrangement	Progress the revised contract at pace	CI
		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

- 6.2. The joint venture's risk register, comprising the ten highest scoring residual risks is included at Appendix C to the report. Mitigating action is set out clearly and monitored regularly.

7. Consultation

- 7.1. The financial monitoring and risk register are regularly reviewed by the company's board, comprising three directors appointed by NCS Ltd. and two officers appointed as directors by the Council.

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 any that do arise are contained within the individual reports from the LATCO.

9. Financial implications

9.1. The joint venture's financial report is included at Appendix B to the report and reports net profit, after paying the Council's rebate, of £519,200.

10. Legal implications

10.1. 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.

10.2. As a shareholder, the 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.

Lead officer contact.

Ruth Du-Lieu, Deputy Director of Place, ruth.dulieu@medway.gov.uk

Appendices

Appendix A - Medway Norse Performance Update

Appendix B - Medway Norse Financial Report

Appendix C - Medway Norse Risk Register

Background Papers

None