

Cabinet Sub Committee

(Medway Norse Ltd Shareholder Board)

11 August 2025

Revised Internal Governance Arrangements

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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 2024. One year on, following a review of the effectiveness of the governance and in reflection of changes that have occurred with the Joint Venture, revised internal governance arrangements were proposed at the 5 June 2025 meeting. Although agreed in principle, the Sub Committee requested some further changes before a final review at an extraordinary meeting convened solely to confirm the governance arrangements. This report sets out the new governance arrangements in full.

1. Recommendations

1.1 That the Cabinet Sub Committee:

- 1.1.1. Approves the revised internal governance arrangements (internal to the Council) as set out in this report.**
- 1.1.2. Agrees to delegate authority to the Assistant Director Legal and Governance and the Chief Operating Officer, in consultation with the Sub Committee Chairperson, the approach to and appointment of a Council replacement Non-Executive Director (NED) to the vacancy on the Medway Norse Ltd. Board.**

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.
- 2.2 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 Sub 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 policy and budget 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 several 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 Additionally, the Cabinet also agreed the following:
 - 4.2.1. The Cabinet approved the establishment of three shareholder boards (Cabinet sub committees) for each LATCO (including their subsidiaries (decision No.112/2023).
 - 4.2.2 The Cabinet agreed to delegate authority to the Assistant Director, Legal and Governance, in consultation with the Leader of the Council, to finalise the terms of reference for each shareholder board and review and, where necessary, amend the articles of association for each LATCO, to improve transparency, accountability, oversight and refine matters reserved for shareholder approval (decision no. 113/2023).
 - 4.2.3 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).
 - 4.2.4 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 was 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 a shareholder board as a Sub Committee of the Cabinet and appointed members to oversee the work of MN, the terms of reference for which are set out in Appendix 2 to this report. The Cabinet has delegated some powers to each Sub Committee with some matters reserved to the Cabinet. Oversight of the Sub Committee is provided by the Council's Audit Committee and Regeneration, Culture and Environment Overview and Scrutiny Committee.
- 4.6 The differing reporting requirements of the Cabinet Sub-committee (Shareholder Board) and the Client Liaison Board are as follows:
- The Cabinet Sub-Committee should be asked to agree the joint venture's annual Business Plan, receive quarterly monitoring against the business plan and consider any other matters reserved to the shareholder, in accordance with the articles.
 - The Client Liaison Board will exercise oversight of the service contracts / SLAs between the Council client and Medway Norse. It should not concern itself with the joint venture's external business and should focus on ensuring that Medway Norse delivers services to the Council in line with agreed service levels. This is also the forum for negotiations in respect of annual uplifts and changes to service levels.
- 4.7 MN undertakes several 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 Council has failed to implement the three-board system, finding it unwieldy and difficult to maintain in terms of resourcing and information sharing. The original liaison board has continued to operate with the client officers and two NEDs representing Medway Council 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, at the June 2025 meeting the following changes were proposed and in principle agreed: *"the proposal is to adopt a hybrid version of the liaison board which will see the removal of the three-board idea in favour*

of keeping one board which will oversee all the MN functions. The main difference is that this board will become the Client Liaison Board and as such will be chaired and led by the lead Member for MN Cllr Curry supported by the other two Sub Committee Members Cllr Gurung and Cllr Van Dyke. Also represented on the board will be the Council's lead client officer, and senior client leads for each function, the two NEDs and the Managing Director for Medway Norse Ltd. To be clear, the original liaison board which was led by Medway Norse will be deleted and the new Client Liaison Board led by the Council and chaired by elected Members will be implemented". The terms of reference for the Client Liaison Board were set out in paragraph 4.9 of the report dated 5 June 2025. This report recommends that the Sub Committee approve the proposals for revised internal governance noted above. Appendix 1 sets out this for clarity purposes.

- 4.10 To support the smooth operation of the Medway Norse Cabinet Sub Committee, the Client Liaison Board and the Medway Norse Ltd. Board meeting (company board), the Sub Committee meeting on 5 June 2025 discussed aligning the timing of meetings around the date of the quarterly Medway Norse Ltd Board meeting, specifically that all three meetings take place within 48 hours of each other so that it would be easier for all parties to attend in person as required and decisions could be made and implemented straight away (subject to the call-in provisions for any decisions made by the Cabinet Sub Committee).
- 4.11 The current Non-Executive Director (NED) Katey Durkin has recorded her intention to resign from the Medway Norse Ltd. Board. There will need to be a replacement NED appointed to sit alongside Adam Bryan, therefore, in order to expedite this decision, it is proposed that the Sub Committee delegate such decision making and the appointment of a NED to the Assistant Director Legal and Governance and the Chief Operating Officer, in consultation with the Sub Committee Chairperson.
- 4.12 **Urgent decisions**
- 4.13 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. Since the date of the delegation there has been no requirement to exercise that delegation.
5. **Advice and analysis**
 - 5.1 The establishment of the internal governance structure is a matter for the Sub Committee. There is no prescribed format. The establishment of the Client Liaison Board led by the Council, not MN, will support closer collaboration and facilitate contract management and improved client governance.
 - 5.2 The established NED, Adam Bryan, Director of Place is maintained as agreed in June 2024.

- 5.3 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.

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
The appointment of independent NEDs by the Council weakens its influence.	The NG 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 management decisions.	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

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. Consultation

- 7.1 A copy of this report has been shared with the Sub Committee Chairperson, AD Legal and Governance, Chief Operating Officer and Director of Place.

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 and parcel of good governance.

Lead officer contact

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Appendices

Appendix 1 – Proposed revised Internal governance structure
Appendix 2 – Cabinet Sub Committees terms of reference

Background papers

None