Internal Audit & Counter Fraud Shared Service
Medway Council & Gravesham Borough Council

# Local Authority Trading Company Self-Assessment Validation: Medway Development Company Ltd

Final Internal Audit Report

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## 1 Introduction

1.1 Medway Council have a Joint Venture partnership with Medway Norse Limited, whereby Medway Norse undertake services such as building maintenance, catering and waste management for the Council.

1.2 Medway Norse is responsible for establishing its own appropriate governance and internal control arrangements, but it is good practice for local authorities to regularly review the governance arrangements of their Local Authority Trading Company (LATCo)/Joint Venture partnerships to ensure their effectiveness and appropriateness.

1.3 Medway Council has determined that assurance will be sought over the effectiveness and appropriateness of these governance arrangements, by asking the companies to complete a self-assessment, which is then validated by the council's Internal Audit Team.

1.4 Medway Norse provided their completed self-assessment, including an Annual Assurance Statement signed by the Partnership Director and Board Chair, confirming that the self-assessment had been approved by the Board on 03 March 2025. A selection of supporting evidence documents was then gathered and used to validate the information provided in the self-assessment. The results of this validation work have been outlined below, separated according to each section of the self-assessment.

1.5 It should be noted that there have been changes to the services provided through Medway Norse since this process commenced, so the findings represent the situation at a point in time.

## 2 Company Operation

2.1 Medway Norse have confirmed the organisation operates in accordance with their Articles of Association, which were adopted on 31 May 2013, and a copy of these Articles has been seen. It was explained that there is a record of the essential functions and other matters which are reserved for Board decision and cannot be delegated within the company overarching contract, and they are registered with Companies House for Company 085 and 086.

2.2 We were advised that the operating model of the company is discussed within six-monthly strategic joint meetings, and that there is a Business Plan in place, which is discussed further in section 8.

2.3 On 06 June 2024, Medway Norse submitted a report on governance arrangements to the Cabinet Sub-Committee Shareholder Board, hereafter referred to as the 'Shareholder Board', along with visual representations of the Norse Group Partnership Governance Model, and the Internal Governance Structure for Medway Norse. A further report was submitted to the Shareholder Board on 11 August 2025 with revised governance arrangements, Internal Governance Structure for Medway Norse, and Shareholder Board Terms of Reference. These documents contain some details around decisions delegated to the Shareholder Board.

2.4 Supporting evidence of meeting minutes and the overarching contract/scheme of delegation were not supplied during the validation process.

## 3 Roles and Behaviours of Company Directors

3.1 The Norse Group has a Code of Behaviour that all Medway Norse staff are contractually required to comply with. This document provides guidance on responsibilities, gifts and hospitality, bribery, and conflicts of interest. A review of the Code found no reference to the Nolan Principles, although Medway Norse have advised that there has been no indication that Directors fail to act in accordance with these principles.

3.2 Conflicts of interest are addressed within the Articles of Association, and the Norse Group also maintains a 'Duties of a Company Director' guide. This guide outlines expectations relating to general duties, administration, board meetings, confidentiality, constitution, expenses, personal conflicts, public sector ownership, and tax.

3.3 During the validation process, evidence was provided of completed declarations of interest for two Medway Norse Board members: the Director of Operations and the Board Chair, who also holds a Director role within Medway Council.

3.4 Medway Norse confirmed that they do not maintain a gifts and hospitality register. However, section 5.3 of the Code of Behaviour requires that any gift received must be declared to HR on a personal/pecuniary interest form within 24 hours.

3.5 It was advised that IMS external audits demonstrate a positive management focus on continuous improvement and growth. Records of Board meetings were also stated to show Director involvement and judgement, and the annual management review was said to evidence diligence.

3.6 As Board meeting minutes were not provided during the validation process, we were unable to confirm whether potential or known conflicts of interest are routinely discussed at Board meetings. In addition, external audit reports were not supplied, preventing independent verification of the reported conclusions regarding diligence.

## 4 Board Composition, Skills and Development

4.1 Medway Norse confirmed that the Norse Group–nominated Directors are periodically appointed from Senior Executives who hold responsibility for the joint venture business. Medway Council nominates its own Directors to sit on the Medway Norse Board.

4.2 Medway Norse advised that the Board comprises individuals with a range of skills and professional backgrounds. They reported that Directors have undertaken personal training, an induction process, and have access to legal counsel. A formal Director training programme was also said to be in development for implementation at the time of the validation.

4.3 Medway Norse stated that individual performance reviews are conducted before or after Board meetings. They also indicated that Medway Council is responsible for undertaking the Chair's performance review, as the Chair is appointed by the Council.

4.4 No supporting evidence was provided to validate the composition of the Medway Norse Board, details of Directors' backgrounds, training records, or performance review documentation.

## 5 Role of the Board Chair

5.1 Medway Norse reported that no action has been taken against the company or the Board. They indicated that this suggests a positive alignment between Board conduct and the Nolan Principles.

5.2 Medway Norse confirmed that the Chair contributes to the development of Board strategy, approves meeting agendas, and facilitates contribution and inclusion during Board activities. They advised that the Chair's ability to fully oversee company activities is dependent on the information provided to the Board through management reviews and IMS external audits.

5.3 No supporting evidence, such as Board meeting minutes, Board agendas, or IMS external audit reports, was provided to validate these statements.

5.4 Medway Norse stated that the Chair promotes the effective and efficient use of resources and supports the delivery of high standards of integrity and propriety in company operations, in conjunction with operational teams. They reported that this is demonstrated through performance against key performance indicators (KPIs). A performance report for Quarter 4, including KPI comparisons, was presented to the Shareholder Board on 05 June 2025. The report showed a total of 60 KPIs, of which 41 (68%) had been met and 19 (32%) had not. Of the unmet KPIs, nine were rated ‘amber’ and ten ‘red’.

## 6 Roles and Behaviours of the Board

6.1 Medway Norse confirmed that the Board meets quarterly and discusses significant company matters, including items subject to the management of change process, review of the risk register, performance, budget monitoring, and business planning. They stated that a formal Board report is circulated in advance of each meeting and that minutes are recorded and distributed. However, no Board meeting agendas or minutes were provided to validate this.

6.2 Medway Norse have developed both a strategic risk register and an operational risk register. These can be evidenced as being presented to the Shareholder Board periodically, alongside performance and financial monitoring reports.

6.3 Medway Norse advised that the Board promotes the five-year Business Plan, which incorporates commercial growth. However, no evidence of an approved Business Plan was provided. Further detail on this is set out in Section 8.

6.4 It was confirmed that budget control, monitoring, and reporting are undertaken using a digital finance platform, ‘Sharpalite,’ which is monitored by both Medway Norse and Norse Group with support from an accountant.

6.5 Medway Norse stated that the organisation adopts Norse Group policies, covering values, behaviours, standards, and codes of conduct. Staff are informed of these policies and expected to operate within them. As per paragraph 3.1, the Code of Behaviour was reviewed and references the following policies and procedures:

- Dignity at work,
- Relationships at work,
- Dress code,
- Drug and alcohol,
- Disciplinary,
- Capability,
- Smoking,
- Volunteering,
- Expenses,
- Whistleblowing.

## 7 Role of Executive and Non-Executive Directors

7.1 Medway Norse stated that Executive Directors’ implementation of the Board’s plans is evidenced through liaison reports, main Board reports, and action logs.

7.2 They further advised that Non-Executive Directors’ activities, including questioning and evaluating strategy, and monitoring and scrutinising performance, are evidenced through Board minutes. However, supporting evidence such as liaison reports, Board reports, action logs, and Board minutes, was not provided to validate these statements.

7.3 Medway Norse confirmed that Non-Executive Directors have full access to accounts information and are provided with additional information upon request.

7.4 No information was supplied regarding the process for determining Executive Directors' remuneration or for the appointment and removal of senior management.

## 8 Business Planning

8.1 Medway Norse confirmed that they have a five-year Business Plan, which was presented to Medway Council in November 2024. They advised that business planning is undertaken annually, with further analysis completed at departmental level, and that the Norse Group Business Development Team provides market trend data. However, no evidence of the Business Plan or its approval by the Medway Norse Board was supplied.

8.2 A review of Shareholder Board minutes found that a draft Medway Norse Business Plan for 2023–28 was presented to the Shareholder Board for discussion on 06 June 2024. The Shareholder Board determined that the document required review and redrafting due to new governance arrangements. A further draft Business Plan for 2023–28 was presented to the Shareholder Board on 21 November 2024, at which point it was noted that the Business Plan remained under development.

8.3 The Shareholder Board meeting on 04 March 2025 recorded that the Business Plan continued to be in development. A subsequent report presented to the Shareholder Board on 05 June 2025 stated 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."

## 9 Financial Management

9.1 Medway Norse confirmed that the bank accounts they hold are separate from those of Medway Council and are subject to annual audit. External audit reports for Medway Norse's financial statements for the years ending 31 March 2023 and 31 March 2024 were provided.

9.2 It was advised that Medway Norse has adopted all Norse Group financial policies; however, these policies have not been reviewed within the last five years. A management-of-change process is in place, through which the financial implications of decisions are assessed.

9.3 Medway Norse stated that charge rates are set within service level agreements (SLAs) or contracts and applied appropriately. One SLA example was provided. Standard payment terms were reported as 30 days in arrears of invoice, with monthly review carried out locally and by the Norse Group.

9.4 Medway Norse confirmed that expenditure is authorised in advance through the digital supplier authorisation platform 'QMS', the digital order authorisation platform 'Compleat', and via a capital expenditure procedure. They believe these arrangements provide appropriate segregation of duties.

9.5 It was explained that all income is recorded in the digital finance platform 'Sharpalite' and monitored by both Medway Norse and Norse Group, with support from a dedicated accountant. As set out in paragraph 9.1, financial statements are also subject to annual external audit.

9.6 Medway Norse advised that assets are recorded by individual departments and captured in a central asset register. Damage is mitigated through the use of method statements detailing safe and effective task procedures. Theft is mitigated, where possible, through secure storage such as shipping containers and secure depots with security guards and CCTV. Vehicles are also alarmed and fitted with trackers.

9.7 A review of Shareholder Board minutes confirmed that financial monitoring reports were presented on 21 November 2024, 04 March 2025, and 05 June 2025. No supporting evidence was provided to validate the bank mandate, financial policies and procedures, or asset registers.

## 10 Risk Management

10.1 Medway Norse confirmed that the Board has agreed a risk-management approach that is proportionate to the company's operating model. The Board holds overall responsibility for ensuring appropriate risk-management arrangements are in place and for regularly reviewing risks and their associated controls. Medway Norse advised that the Group SHEQ Policy, Group SHEQ Department, RAMS and COSHH assessments, and compliance with ISO 9001, ISO 14001, and ISO 45001 provide evidence of this. However, no documentary evidence was submitted to enable validation.

10.2 As outlined in paragraph 6.2, Medway Norse has developed both strategic and operational risk registers. The strategic risk register was reviewed by the Shareholder Board on 06 June 2024 and 08 October 2024. The operational risk register was reviewed by the Shareholder Board on 05 June 2025.

## 11 Ethical Conduct

11.1 Information related to ethical conduct is referenced in paragraphs 3.1, 3.2 and 6.5.

11.2 Medway Norse confirmed that Non-Executive Directors are not required to comply with Norse Group policies.

11.3 It was advised that the powers and responsibilities of employees, along with relevant professional standards, are set out within Medway Norse operational documents and relevant legislation recorded via the central register. These documents were not supplied for validation.

11.4 Medway Norse follows the Norse Group Whistleblowing Policy and Procedure. Review of this policy shows that employees are encouraged to raise relevant concerns and are provided with a mechanism to report these concerns.

## 12 Performance Management

12.1 Medway Norse confirmed that resource planning, deployment, and monitoring are undertaken by individual departments, with oversight provided by Local Supervisors, Managers, and Directors. Resources are reviewed through monthly KPI monitoring. KPI monitoring was discussed in paragraph 5.4. As the existence of an approved Business Plan cannot be verified, it is not possible to confirm whether the KPIs are aligned with the objectives of that Business Plan.

12.2 Medway Norse advised that all departments have operational documents that set out processes and responsibilities, including measures required to achieve key objectives. They further stated that Directors and Managers have formal performance reviews recorded on the digital platform 'Learning Hive', while Supervisors and General Assistants receive informal reviews.

12.3 No supporting evidence was provided to validate the operational documents or performance reviews referenced above.

## 13 Conclusion & Suggested Actions

13.1 In validating Medway Norse's self-assessment, the narrative responses provided indicate an intention to align with recognised good-practice governance standards. However, insufficient supporting evidence was supplied across multiple areas of the self-assessment, which has limited the extent to which Internal Audit can independently verify these assertion. As a result, only limited assurance can be provided.

13.2 Given the constraints caused by the absence of documentary evidence, it is not possible to form a reliable view on the effectiveness of the governance arrangements described, nor to offer detailed or targeted recommendations.