Medway COUNCIL
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Cabinet Sub Committee
(Kyndi Ltd Shareholder Board)

5 October 2026

Kyndi Ltd Governance Self-Assessment and Independent Validation

Report from: Phil Watts, Chief Operating Officer

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Summary

This report seeks to provide Members with assurance over the governance arrangements in place at Kyndi Ltd, by presenting the outcomes of the governance self-assessment undertaken by Kyndi Ltd against the Local Partnerships Local Authority Company Review Guidance (2023), and the results of the subsequent independent validation carried out by Internal Audit.

The validation review confirms that Kyndi's governance arrangements are effective and broadly aligned with recognised good practice principles. Strong arrangements were identified in relation to governance structures, strategic planning, Board oversight, financial management, ethical conduct, and performance management. Whilst a small number of governance improvements have been identified, these do not detract from the overall effectiveness of the governance framework currently in place.

1. Recommendations

1.1. The Sub Committee is asked to note the outcome of the self-assessment and Internal Audit validation review.

1.2. The Sub Committee is asked to note the overall conclusion that governance arrangements are broadly effective but require further strengthening in specific areas.

2. Suggested reasons for decisions

2.1. To ensure the Council maintains effective oversight and assurance over its Local Authority Trading Company in line with best practice.

2.2. To strengthen governance arrangements and mitigate risks identified through independent validation.

3. Budget and policy framework

3.1. Medway Council is the sole shareholder of Kyndi Ltd. and its subsidiaries, with the exercise of the shareholder’s 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. The Local Partnerships Local Authority Company Review Guidance (2023) highlights the importance of robust governance arrangements to ensure council-owned companies are effectively managed, accountable, and aligned with council objectives. These arrangements should balance company autonomy with appropriate shareholder oversight.

4.2. In line with this guidance, Medway Council implemented a governance self-assessment process for its trading companies, based on the checklist set out in Section 4 (Entity Governance Arrangements). This covers areas including:

- Board roles and behaviours.
- Business planning.
- Financial Management.
- Risk management.
- Director skills and oversight.

4.3. The self-assessment was completed by Kyndi Ltd and supported by an Assurance Statement signed by the Chair. Internal Audit then undertook an independent validation, reviewing supporting evidence and testing the accuracy of the self-assessment conclusions.

5. Validation Conclusions

5.1. Internal Audit validation concluded that Kyndi's governance arrangements are broadly aligned with good practice, with effective governance structures and processes operating across the majority of key areas reviewed. Evidence was identified of established governance documentation, effective Board and Shareholder oversight, strategic and business planning arrangements, financial reporting, and performance monitoring.

5.2. The validation found that Kyndi has established a clear governance framework, including adopted Articles of Association, a Memorandum of Understanding, Schemes of Delegation, and defined decision-making responsibilities across the Council, Shareholder Board, Kyndi Board, and senior management. Appropriate arrangements are also in place for the recruitment and oversight of Non-Executive Directors, supported by skills assessments and shareholder involvement in appointments.

5.3. Key strengths identified during the review include:

- A well-established governance and accountability framework supported by regular Board and Shareholder Board meetings.
- Active engagement and appropriate challenge from Non-Executive Directors.
- Strategic planning arrangements linked to business objectives, financial forecasts, and performance monitoring.
- Regular financial reporting and external audit arrangements.
- A documented risk management framework, including strategic and operational risk registers.
- Clear organisational values and ethical standards embedded through policies, procedures, and staff induction arrangements.
- An established performance management framework supported by Key Performance Indicators aligned to strategic objectives.

5.4. However, the validation identified a small number of areas where governance arrangements could be further strengthened to ensure full compliance with governing documents and enhance the effectiveness of oversight processes.

5.4.1. Governance documentation

- The Memorandum of Understanding is currently undated and should be updated to include formal approval or adoption details.

5.4.2. Director governance and accountability

- Whilst no concerns were identified regarding director conduct, there is no explicit requirement within governance documentation for Non-Executive Directors to adhere to the Nolan Principles of Public Life.

- Evidence of Board member appraisals could not be consistently demonstrated for previous years and arrangements should be strengthened to ensure completion and appropriate recording.

5.4.3. Financial governance

- Certain financial controls and procedures could not be fully validated due to the absence of supporting documentation.

- External Audit identified a control weakness relating to invoice and payment approval arrangements, and implementation of the associated recommendations should be monitored to completion.

- Future appointments of external auditors should be presented to the Shareholder Board in accordance with the company's governance requirements.

5.4.4. Risk management

- Whilst a risk register is maintained and regularly reported to the Shareholder Board, some fields are not consistently completed, reducing visibility of ownership and risk movement.

- Review of the risk register, and other key governance documents is not always clearly evidenced within Board minutes and supporting records.

5.5. A total of six actions have been recommended to strengthen governance arrangements further and ensure continued alignment with Local Partnerships good practice guidance. These actions focus on governance documentation, director accountability, financial governance, and risk management oversight.

5.6. This overall assessment provides reasonable assurance that Kyndi has effective governance arrangements in place, while recognising a number of opportunities to further strengthen compliance, transparency, and governance maturity.

6. Progress against Internal Audit recommended actions

6.1. Kyndi has provided the following updates in relation to the recommended actions identified:

- Update the Memorandum of Understanding to include a formal date of approval or adoption. This action has been completed.

- Ensure that the requirement for directors to act in accordance with the Nolan Principles is formally documented. This action has been completed and formally recorded at the last Board meeting.

- Ensure that Board member performance appraisals are completed consistently and that outcomes are recorded as appropriate. This action is due to be completed Q3.

- Implement all recommendations raised by external audit. This action is in progress and the last external audit recommendation will be completed Q3.

- Update the risk register to ensure all fields are fully completed and maintained. This action has been completed.

- Ensure that review of the risk register and other key governance documents is clearly evidenced within meeting minutes. This action is competed, with the documents reviewed at the last two board meetings and made a fixed agenda item for all future board meetings.

7. Risk management

7.1. The company maintains its risk register. The risks detailed in the table below are based upon the findings being reported to the Sub Committee.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Governance documentation not maintained	Governance documents that are incomplete or not formally maintained could reduce clarity over roles, responsibilities and decision-making arrangements.	Update governance documentation to ensure all key documents are complete, current and formally approved.	C2
Weaknesses in governance oversight	Failure to consistently evidence Board appraisals, risk review activity and governance oversight could reduce transparency and accountability.	Implement the recommendations arising from the validation review and ensure appropriate records are maintained.	C2
Financial control weaknesses	Failure to address external audit recommendations could increase the risk of financial control weaknesses or non-compliance with delegated authority arrangements.	Monitor implementation of external audit recommendations and strengthen financial governance arrangements.	B2
Risk management effectiveness	Incomplete risk register information or insufficient evidence of review could limit the Board's ability to monitor and respond to emerging risks.	Ensure risk registers are fully maintained and periodic review is clearly evidenced in Board reporting and minutes.	C2
Reputational risk	Weak governance arrangements in a council-owned company could adversely affect stakeholder confidence and the reputation of both Kyndi and the Council.	Maintain regular shareholder oversight and implement governance improvements identified through the validation process.	C2

For risk rating, please refer to the following table:

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	1 Critical 2 Major 3 Moderate 4 Minor

8. Consultation

8.1. The validation process included engagement with MDC management and review of documentation and evidence supporting the self-assessment.

9. Climate change implications

9.1. There are no direct climate change implications to this report.

10. Local Government Reorganisation (LGR) implications

10.1. There are no LGR implications linked to this report. Following the announcement of the pause on 7 September 2026, officers will monitor the ongoing situation and will consider any relevant impacts as they arise.

11. Financial implications

11.1. There are no direct financial implications arising from this report. However, improved governance arrangements contribute to better financial oversight and value for money from the Council's investment in its companies.

12. Legal implications

12.1. There are no legal implications arising directly from the contents of this report.

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Appendices

Appendix 1 - Governance Self-Assessment (Kyndi Ltd)

Appendix 2 - Internal Audit Validation Report – Kyndi Ltd Governance Self-Assessment (2025–26)

Background papers

Local Partnerships: Local Authority Company Review Guidance (2023)