

Cabinet Sub-committee (Medway Development Company Ltd Shareholder Board)

30 May 2024

Review of the Company's Risk Register

Report from / author: Phil Watts, Chief Operating Officer (Section 151 Officer)

Summary

This covering report introduces the strategic risk register for MDC Ltd. The risk register itself is attached as an exempt appendix.

1. Recommendations

- 1.1. The sub-committee is asked to note the contents of the report and its exempt appendix.

2. Suggested reasons for decision

- 2.1. In order to fulfil its role as shareholder, on behalf of the Council, the sub-committee must be regularly updated regarding the risks affecting the company and its activity and the action being undertaken to manage those risks.

3. Budget and policy framework

- 3.1. Medway Council is the sole shareholder of MDC 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. At its meeting on 5 September 2017, the Cabinet agreed the business case for the establishment of a 100% Council owned housing company to develop local authority owned sites on a commercial basis.
- 4.2. The company was incorporated in October 2017 and has now completed its fifth full year of trading.

5. Key points to note

- 5.1. The attached risk register has been prepared by the company in accordance with the approach and scoring methodology adopted by the Council.

- 5.2. The risk register is comprehensive, including closed risks and those being managed under 'business as usual', in addition to those which require further management action.
- 5.3. The sub-committee is asked to note three risks, which appear to be increasing in spite of management action:
- Risk 1, Market Fluctuations – current economic conditions mean that there is a great deal of uncertainty in the market, however the company has developed a range of disposal options to respond to this uncertainty. In addition to units for sale, other options include private rental, the Government's first homes scheme and the company is currently exploring the potential of shared ownership.
 - Risk 3, Unsuccessful Marketing – Whilst this is identified as an increasing risk, the company appears to be managing it well, hence the low score. Garrison Point is 99% sold and as described above, a combination of disposal routes is being employed for Chatham Waterfront.
 - Risk 11, Availability of mortgage markets – High interest rates and the reduction in mortgage products for first time buyers and shared ownership has affected demand for units for sale, however people still need to live somewhere and it is anticipated that the switch to private rental will successfully manage this risk.

6. Risk management

- 6.1. Risk 11, Availability of mortgage markets – High interest rates and the reduction in mortgage products for first time buyers and shared ownership has affected demand for units for sale, however people still need to live somewhere and it is anticipated that the switch to private rental will manage this risk.

7. Consultation

- 7.1. The risk register is regularly reviewed by the Board, comprising four non-executive directors who all have experience and expertise in the housing development field.

8. Financial implications

- 8.1. There are no financial implications arising directly from the contents of this report.

9. Legal implications

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

10. Conclusions

- 10.1. The company takes risk management seriously and maintains a comprehensive strategic risk register, as well as detailed risk registers for individual schemes. The scoring reflects management action, and this appears to be successful in managing the risks identified.

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Appendices

Exempt Appendix – Medway Development Company Ltd. Strategic Risk Register

Background papers

None