

MAIDSTONE BOROUGH COUNCIL
CAPITAL STRATEGY

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1. INTRODUCTION

- 1.1 CIPFA's Prudential Code, which governs the Council's capital investment and borrowing, introduced a new requirement in 2019/20 for a Capital Strategy. The intention was to ensure that councils provide a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with a description of how associated risk is managed and the implications for future financial sustainability.
- 1.2 Accordingly, the Capital Strategy articulates in a single place a number of strategies and policies that the Council already addresses elsewhere: it is an overarching document linking the Strategic Plan, the Medium Term Financial Strategy, the Treasury Management Strategy and the Asset Management Plan.

2. CAPITAL EXPENDITURE AND LINKS TO OTHER CORPORATE STRATEGIES

Strategic Plan

- 2.1 Capital expenditure at Maidstone Borough Council plays a vital part in the Council's Strategic Plan, since long term investment is required to deliver many of the objectives of the plan.
- 2.2 The current Strategic Plan originated in a detailed process of discussion and development over the period June – October 2018 and was approved by Council on 12 December 2018. It sets out four objectives, as follows:
- Embracing Growth and Enabling Infrastructure
 - Homes and Communities
 - A Thriving Place
 - Safe, Clean and Green.

The ways in which capital expenditure can support these priorities are described below.

Embracing Growth and Enabling Infrastructure

The Council has a vital role in leading and shaping our borough as it grows. This means being proactive in policy and master planning for key sites in the borough, and where appropriate, investing directly ourselves.

Separate objectives, set out below, address specifically the development of new housing, and other investments intended to make Maidstone a thriving place. As a first step, in order to enable these developments to take place, investment in infrastructure will be needed. In general, infrastructure schemes are funded from the benefits gained from the development. To address any potential funding gap, the Council will enable infrastructure spending, to the extent that it meets our strategic priorities.

Accordingly, £3.6 million has been set aside within the current capital programme to contribute towards provision of local infrastructure, and to indicate our intention to invest to unlock development and attract matching funding.

Homes and Communities

The Strategic Plan seeks to make Maidstone a place where people love to live and can afford to live. This means a range of different types of homes, including affordable housing.

The Council plans to develop new housing, providing a mixture of tenures, under the Housing Development and Regeneration Investment Plan agreed by Policy and Resources Committee in July 2017. Developments are under way at Brunswick Street and Union Street. Lenworth House was acquired in 2018/19 and further acquisitions are envisaged. Private sector rented accommodation will be managed by the Council's subsidiary, Maidstone Property Holdings Limited. The Council is seeking partnerships to enable further development to take place.

In total, £35.6 million has been provided in the capital programme for the Housing Development and Regeneration Investment Plan. This will be supplemented by grants, eg from Homes England, where additional resources are needed in order to ensure the financial viability of developments.

We aim, and are required by law, to address homelessness and rough sleeping. The Council has invested in temporary accommodation for homeless families, thereby ensuring a good standard of accommodation and providing a more cost-effective solution than is offered by the private sector. In 2018/19 we acquired 17 homes for use as temporary accommodation and we plan to buy a further 10 units in 2019/20, for which £3.2 million has been provided in the capital programme.

The Council also works with Kent County Council Social Services to deliver adaptations and facilities to enable disabled people to remain at home. This work forms part of the capital programme, although it is funded directly by central government grant. £4 million has been provided in the capital programme for Disabled Facilities Grants.

A Thriving Place

The Strategic Plan seeks to make Maidstone a borough that is open for business, attractive for visitors and is an enjoyable and prosperous place to live for our residents. This can be achieved through investment in the County town and rural service centres.

There are a number of ways in which the Council will take the lead, including working with partners and through direct investment ourselves. The Council has a successful track record of acquiring property as part of its Commercial Investment Strategy. These acquisitions both generate a financial return that supports the objective of making the Council financially resilient and self-sufficient, and contribute to making Maidstone a thriving place. We will continue to seek good quality investment opportunities.

Where appropriate, we will seek to achieve the necessary scale of investment by identifying joint venture partners. The amount available for direct investment by Maidstone Council is governed by the overall size of the capital programme, but we will adopt a flexible approach within this constraint in order to take advantage of investment opportunities that meet our criteria.

Specific projects that will contribute to a Thriving Place include Maidstone East, where the Council is working in partnership with Kent County Council to redevelop a key site next to the railway station, and the Kent Medical Campus, where the Council has secured external funding to match the Council's own funds to provide £10.5 million in total to create an Innovation Centre for growing businesses in the life science, healthcare and med-tech sectors.

The Council has already made a significant investment in improving the public realm in the Town Centre. The current capital programme includes a further investment of £1.5 million, including partner contributions, in the bus station to improve its efficiency and attractiveness to customers.

Safe, Clean and Green

The Council seeks to protect and where possible enhance our environment and to make sure our parks, green spaces, streets and public areas are of a high quality.

Recent investment has included a programme of developments in our flagship local park, Mote Park. An Adventure Zone opened in May 2019 and plans are under way for the construction of a new Visitor Centre. Mote Park Lake is effectively a reservoir, and we are required to reduce the risk of the lake overtopping the dam at its western end. The necessary work is due to take place in Summer 2020 and current estimates are that the total scheme cost will be around £2 million.

The floods of winter 2013/14 highlighted the risks faced by the borough generally. Maidstone Borough Council is part of the Medway Flood Partnership, which includes the Environment Agency and Kent County Council. The Partnership plans to spend at least £19 million over the next five years in the Medway catchment area, of which Maidstone is contributing £1 million.

Medium Term Financial Strategy

- 2.3 The overall context for the MTFS is one where the Council is increasingly dependent on locally-generated resources, whether from Council Tax or a range of other income streams, including parking income, planning fees and the Council's property portfolio. The MTFS supports the Council's need to become financially self-sufficient.
- 2.4 In drawing up the capital programme, there is therefore a focus on schemes that both meet strategic priorities and are self-funding. Specifically:
 - the Commercial Investment Strategy builds on the Council's existing commercial investment property portfolio and assumes that we will continue to expand the portfolio, subject to opportunities arising that generate the required rate of return.
 - the Housing Development and Regeneration Investment Plan provides for the Council to develop housing ourselves, thereby addressing the need for new homes in the borough and generating long term revenue returns through developing homes for market rent.
- 2.5 In general, the capital programme is reviewed and developed so that investment is focused on strategic priorities. The capital programme, as set out in the current MTFS 2019/20 to 2023/24, with updates to reflect slippage from 2018/19 and recent investment decisions of Policy and Resources Committee, is shown below.

Table 1: Capital Programme 2019/20 to 2023/24

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	Total £000
Brunswick Street - Net Cost	3,441	-100				3,341
Union Street - Net Cost	2,085	-1,843				242
Indicative Schemes	4,124	5,426	3,750	3,750		17,050
Housing Delivery Partnership			3,750	3,750	7,500	15,000
<i>Sub-total Housing Development and Regeneration</i>	<i>9,650</i>	<i>3,483</i>	<i>7,500</i>	<i>7,500</i>	<i>7,500</i>	<i>35,633</i>
Disabled Facilities Grants	1,570	800	800	800	800	4,770
Temporary Accommodation	3,236					3,236
Housing Incentives	1,040	175	175	175	175	1,740
Gypsy Site Improvement Works	42					42
CCTV Upgrade and Relocation	150					150
Commercial Waste	180					180
Street Scene Investment	147	25				172
Flood Action Plan	1,000	63				1,063
Communities, Housing & Environment Total	17,015	4,546	8,475	8,475	8,475	46,986
Improvements to Play Areas	422					422
Crematorium and Cemetery Projects	140	130				270
Mote Park Improvements	374					374
Mote Park Visitor Centre	2,122					2,122
Mote Park Lake - Dam Works	267	1,650	100			2,017
Other Parks Improvements	100					100
Museum Development Plan	11	125	200	64		401
Economic Regeneration & Leisure Total	3,437	1,905	300	64		5,706
High Street Regeneration	547					547
Asset Management / Corporate Property	1,417	467	175	175	175	2,409
Feasibility Studies	113	50	50	50	50	313
Infrastructure Delivery	1,200	600	600	600	600	3,600
Software / PC Replacement	124	287				411
Digital Projects	20	20	20	20	20	100
Acquisition of Commercial Assets	24,850	2,500	2,500	2,500	2,500	34,850
Kent Medical Campus-Innovation Centre	649	8,250	1,500			10,399
Maidstone East	520					520
Policy & Resources Total	29,440	12,174	4,845	3,345	3,345	53,149
Mall Bus Station Redevelopment	1,540					1,540
Bridges Gyratory Scheme	121					121
Strategic Planning & Infrastructure Total	1,661					1,661
Sub-Total	51,553	18,625	13,620	11,884	11,820	107,502
Section 106 Contributions / CIL	201	280	63	754	60	1,358
TOTAL	51,754	18,905	13,683	12,638	11,880	108,860

Treasury Management Strategy

- 2.6 The Treasury Management Strategy sets out how the Council manages its investments and cash flows, including banking, money market and capital market transactions, and how optimum performance is assured whilst managing the risks associated with these activities.
- 2.7 The specific aspects of the Treasury Management Strategy that are relevant here are how it addresses the Council's capital expenditure plans and how borrowing needs are met. Capital expenditure is funded from the New Homes Bonus, internal resources, borrowing and third party contributions such as Section 106 or CIL payments on new developments. To date, the Council has relied primarily on New Homes Bonus and internal resources, but it is envisaged that this will change owing to the reduction in New Homes Bonus payments and the scale of the capital programme.
- 2.8 The current local authority funding regime does not set cash limits for borrowing. However, borrowing must be sustainable in terms of the Council's ability to fund interest payments and ultimately repayment of capital.
- 2.9 Further details are set out in Section 4.

Asset Management Plan

- 2.10 The longer term maintenance of the Council's capital assets is addressed by the Council's Asset Management Plan. The Asset Management Plan ensures that the Council's assets, as a resource, support the delivery of the Council's objectives by:-
- Providing a suitable standard of accommodation for services including those shared with other authorities
 - Maintaining commercial investment assets and ensuring that they deliver the required rate of return
 - Providing an asset management service to the property holding company
 - Meeting the needs of the local community by maintaining assets in parks and open spaces and other community assets
 - Safeguarding local heritage through ownership and preservation of historic and scheduled ancient monuments.

The current capital programme includes a provision of £2.4 million for Corporate Property Improvements, based on the requirements of the Asset Management Plan.

- 2.11 The Asset Management Plan is currently under review. An updated Plan is due to be considered by Policy and Resources Committee in late 2019.

3. GOVERNANCE FRAMEWORK

Background

- 3.1 Capital expenditure proposals are developed in response to the Council's strategic priorities, as described in the previous section. Individual schemes are incorporated in the capital programme, which is included within the Council's Medium Term Financial Strategy.
- 3.2 The MTFS states that capital schemes will be reviewed and developed so that investment is focused on strategic priorities. The MTFS is updated on an annual basis, as part of the annual budget cycle.
- 3.3 Subsequent to preparation of the MTFS and its approval by Council each year, capital estimates form part of the annual budget that is submitted to Council for approval.

Developing capital expenditure proposals

- 3.4 The development of capital expenditure proposals follows certain core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:
 - (i) Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
 - (ii) Self-funding schemes focused on Strategic Plan priority outcomes;
 - (iii) Other schemes focused on Strategic Plan priority outcomes; and
 - (iv) Other priority schemes which will attract significant external funding.
- 3.5 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:
 - (a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.
 - b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must first be prepared.
- 3.6 Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed, they may still be included within the programme if they fall within one of the four categories set out above.

- 3.7 If, following all considerations, there are a number of approved schemes that cannot be accommodated within the current programme, a prioritised list of schemes that can be added to the programme as future resources permit will be created and approved by Policy and Resources Committee, thus allowing officers to focus funding efforts on delivering schemes that are next in priority order.
- 3.8 The MTFs requires the Council to identify actual funding before commencement of schemes. Accordingly, while schemes may be prioritised for the programme, ultimately commencement of any individual scheme can only occur once all the necessary resources have been identified and secured.
- 3.9 The MTFs principles require that the Council will maximise the resources available to finance capital expenditure, in line with the requirements of the Prudential Code, through:
- a) The use of external grants and contributions, subject to maintaining a focus on the priority outcomes of its own strategies;
 - b) Opportunities to obtain receipts from asset sales as identified in the Asset Management Plan and approved for sale by Policy and Resources Committee;
 - c) The approval of prudential borrowing when the following criteria also apply to the schemes funded by this method:
 - i. they are commercial in nature;
 - ii. the outcome returns a financial benefit at least equal to the cost incurred by borrowing to fund the schemes;
 - iii. after covering the cost of funding, a further financial or non-financial benefit accrues to the Council that directly or indirectly supports the objectives of the strategic plan or the medium term financial strategy.
 - d) The use of New Homes Bonus for capital purposes in line with the Council's strategic plan priorities;
 - e) The implementation of a community infrastructure levy (CIL) and the management of its use, along with other developer contributions (S106), to deliver the objectives of the infrastructure delivery plan.
- 3.10 Service managers submit proposals to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Each Committee appraises the proposals based on a comparison with corporate priorities. Policy & Resources Committee recommends the capital programme which is then presented to Council in March each year.
- 3.11 Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections is considered by the relevant service committee.

- 3.12 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). Further details are set out in section 4 of the Capital Strategy.

Performance Monitoring

- 3.13 The Council has a corporate project management framework that applies to most of the projects included within the capital programme. This provides for designation of a project manager and sponsor, and includes a mechanism for progress on corporate projects to be reported quarterly to a Corporate Projects Board.
- 3.14 Financial monitoring of capital projects is addressed by the Council's Financial Procedure Rules. Individual Member Service Committees receive quarterly reports on capital expenditure for the services for which they are responsible.

Capitalisation

- 3.15 Accounting principles govern what counts as capital expenditure. Broadly, it must yield benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets which are charged directly to service revenue accounts.
- 3.16 The Council has adopted a minimum threshold of £10,000 for capitalisation.

Asset Disposals

- 3.17 The Council's policy for asset disposals is set out in a policy adopted by Policy and Resources Committee at its meeting on 25th July 2017.
- 3.18 The policy distinguishes between the following categories.
- Operational Property held and used by the Council for the direct delivery of services for which it has either a statutory or discretionary responsibility. Assets may be disposed of if they have reached the end of their economic or useful life.
 - Investment Property held by the Council for revenue generation purposes, which should be assessed by its potential for improved rates of return by either better asset management, or disposal and re-investment of the receipt.
 - Community assets such as open space. The Council will not usually dispose of areas of parks or other areas which are classed as public open space.
- 3.19 Certain schemes within the capital programme are partially funded through sale of some of the completed asset(s) to partner organisations. In this case, the capital scheme value is shown net of these receipts in the capital programme, as the receipt is ringfenced for this purpose.

4. FINANCING THE CAPITAL PROGRAMME

- 4.1 Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, which offers rates that are usually more competitive than those available in the commercial sector. Maidstone Borough Council has so far not borrowed to fund its capital programme, instead relying primarily on New Homes Bonus to fund the capital programme. Borrowing is however likely to be required in future.

Financing Requirement

All capital expenditure must be financed, either from external sources (government grants, including New Homes Bonus, and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and other long term liabilities). The planned financing of the expenditure set out in Table 1 is as follows:

Table 2: Capital Financing

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	Total £000
External sources	6,901	9,179	3,253	2,782	860	22,975
Own resources	15,185	1,082	1,277	1,485	1,682	20,712
Debt	29,667	8,644	9,153	8,371	9,338	65,173
TOTAL	51,754	18,905	13,683	12,638	11,880	108,860

- 4.2 Where capital expenditure is funded by borrowing, the cost is reflected in the Council's revenue account by a Minimum Revenue Provision (MRP). This provision allocates the cost over the asset's perceived useful life, which could typically be fifty years. Alternatively, proceeds from selling capital assets (capital receipts) may be used to fund capital expenditure, although currently no capital receipts are assumed.

Table 3: Replacement of debt finance

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	Total £000
MRP	185	1,082	1,277	1,485	1,682	5,712
Capital receipts	0	0	0	0	0	0
TOTAL	185	1,082	1,277	1,485	1,682	5,712

- 4.3 The Council's Minimum Revenue Provision statement is included within the Treasury Management Strategy.
- 4.4 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £44.146m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000
Brought forward	12,031	56,177	64,291	72,928	80,761
Capital Expenditure	51,754	18,905	13,683	12,638	11,880
External funding	-6,901	-9,179	-3,253	-2,782	-860
Own resources	-521	-530	-517	-537	-568
MRP	-185	-1,082	-1,277	-1,485	-1,682
TOTAL CFR	56,177	64,291	72,928	80,761	89,531

Borrowing Strategy

- 4.5 The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, so the Council will seek to strike a balance between cheap short-term loans (currently available at around 1%) and long-term fixed rate loans where the future cost is known but higher (currently 2% - 3%).
- 4.6 Projected levels of the Council’s total outstanding debt (which comprises borrowing and other long-term liabilities) are shown below, compared with the capital financing requirement.

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.3.19 actual £000	31.3.20 forecast £000	31.3.21 budget £000	31.3.22 budget £000	31.3.23 budget £000	31.3.24 budget £000
Debt (excl. PFI & leases)	0	29,667	38,312	47,465	55,836	65,173
Capital Financing Requirement	12,031	56,177	64,291	72,928	80,761	89,531

- 4.7 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 5, the Council expects to comply with this in the medium term.
- 4.8 Liability benchmark: To compare the Council’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances will be fully utilised to fund the capital programme. The Liability Benchmark is currently £4m above the net borrowing requirement, representing the balance of working capital used for short term purposes and the use of investment income.

Table 6: Borrowing and the Liability Benchmark

	31.3.19 actual £000	31.3.20 forecast £000	31.3.21 budget £000	31.3.22 budget £000	31.3.23 budget £000	31.3.24 budget £000
Outstanding borrowing	0	25,667	34,312	43,465	51,836	61,173
Liability benchmark	4,000	29,667	38,312	47,465	55,836	65,173

- 4.9 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt

	2019/20 limit £000	2020/21 limit £000	2021/22 limit £000	2022/23 limit £000	2023/24 limit £000
Authorised limit – borrowing	43,853	53,579	64,009	73,865	84,885
Authorised limit – PFI and leases	3,057	2,527	2,010	1,473	905
Authorised limit – total external debt	46,910	56,106	66,019	75,338	85,790
Operational boundary – borrowing	33,853	43,579	54,009	63,865	74,885
Operational boundary – PFI and leases	3,057	2,527	2,010	1,473	905
Operational boundary – total external debt	36,910	46,106	56,019	65,338	75,790

- 4.10 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 4.11 The Council’s policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term

investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments

	31.3.2019 actual £000	31.3.2020 forecast £000	31.3.2021 budget £000	31.3.2022 budget £000	31.3.2023 budget £000
Short-term investments	15,014	4,000	4,000	4,000	4,000
Longer-term investments	0	2,000	2,000	2,000	2,000
TOTAL	15,014	6,000	6,000	6,000	6,000

- 4.12 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and Business Improvement and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are included within the budget monitoring reports which are presented to the council Policy & Resources Committee with the half yearly and annual reviews which are scrutinised by Audit, Governance and Standards Committee then recommending to Full council. The Audit, Governance and Standards Committee is responsible for scrutinising treasury management decisions.

Revenue Budget Implications

- 4.13 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Financing costs (£000)	-220	243	868	1,120	1,373
Proportion of net revenue stream	-1.1%	1.2%	4.7%	6.2%	7.2%

- 4.14 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend beyond 5 years into the future. The Director of Finance and Business Improvement is satisfied that the proposed capital programme is prudent, affordable and sustainable.

5. OTHER LONG TERM LIABILITIES

- 5.1 This section deals with other long term liabilities to which the Council has committed itself in order to secure capital investment. The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.
- 5.2 The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council are then repaying this loan over a 15 year term, by equal monthly instalments. The principal element of this loan is reflected on the Council's Balance Sheet, and will be written down annually by the amount of principal repaid. Interest paid on the loan is charged to revenue.

Investments for Service Purposes

- 5.3 The Council can make investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, Charities and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to provide value for money to the tax payer.
- 5.4 Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and Business Improvement and relevant committee (where appropriate), and must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.

6. COMMERCIAL ACTIVITIES

- 6.1 The Council originally developed a Commercialisation Strategy in 2014, in response to the withdrawal of Revenue Support Grant and the freedoms and flexibilities offered to local authorities through the Localism Act. A review of the Strategy in November 2016 indicated that it had been successful in promoting a more business-like approach to the Council's revenue generating activities, but new initiatives had met with varying degrees of success.
- 6.2 It was decided by Policy and Resources Committee, on the basis of this review, to refocus the strategy on housing and regeneration, which provided the opportunity both to generate a financial return for the Council and to support its strategic priorities. As a result, a Housing Development and Regeneration Plan, to which reference has already been made here, was developed and adopted in July 2017. Similarly, the Council's Commercial Property Investment Strategy is intended to support the local economy and regeneration objectives, as well as to generate a financial return.
- 6.3 Accordingly, none of the Council's capital investment is undertaken for purely commercial purposes.

7. KNOWLEDGE AND SKILLS

- 7.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Director of Finance and Business improvement is a qualified accountant with over 15 years' experience in local government, the Corporate Property Manager and the team are experienced in Property Management and the Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury), and ACCA.
- 7.2 The Council currently employs Link Asset Services as treasury management advisers and a number of property consultants including Harrisons Property Surveyors Limited and Sibley Pares Limited. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 7.3 The Council carries out consultation as part of the development of the MTFS in order to establish the wider community's priorities for budget spending. In addition, consultation is carried out each year on the detailed budget proposals with individual Service Committees about budget proposals relating to the services within their areas of responsibility.

8. RISK MANAGEMENT

8.1 The capital programme forms an increasingly important part of the Council's strategy for delivering its overall priorities. Accordingly, it is of fundamental importance that the associated risks are managed actively. The Council has a comprehensive risk management framework, through which risk in relation to capital investment is managed at all levels.

Corporate

8.2 Corporate risks are identified and reported on a quarterly basis to the Corporate Leadership Team and twice a year to the Policy and Resources Committee. Risks are owned by named Directors and controls developed to mitigate risk. Risks at this level may be generic, relating to a number of capital projects, although it is possible that a single capital project could pose a corporate risk.

Financial

8.3 A Budget risk register seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.

8.4 Typically, risks in this area would relate to funding of the capital programme and over/underspending on individual capital projects.

8.5 For all risks shown on the Budget Risk Register, appropriate controls have been identified and their effectiveness is monitored on a regular basis.

Service

8.6 Individual service areas maintain risk registers, with identified risk owners and details of controls to mitigate risk.

Project

8.7 The Council's project management framework requires managers to maintain risk registers at a project level.

Document History

Date	Description	Details of changes
28.06.19	First draft to Corporate Leadership Team	
23.07.19	Draft submitted to Policy and Resources Committee	Incorporates references to Maidstone Property Holdings, CIL and financial self-sufficiency as requested by CLT.
30.07.19	Draft submitted to Audit Governance and Standards Committee	Para 4.2 amended to provide clearer explanation of Minimum Revenue Provision.