

**CAPITAL STRATEGY 2026-30****Introduction**

This strategy sets out the County Council's approach to compiling the capital programme, its priorities, availability of funding and financial management.

The County Council's capital programme is derived primarily from the Strategic Plan. It aligns with departmental commissioning and service plans to ensure a prioritised, joined up use of resources to maximise outcomes for all Leicestershire service users, citizens and other stakeholders.

This strategy links to the Medium Term Financial Strategy, the Investing in Leicestershire Fund (liLP) Strategy and the Treasury Management Strategy. The liLP Strategy sets out the Council's approach to non Treasury Management investments made to support the Council's objectives through property and infrastructure assets that will have an element of financial return, for example supporting economic development. The level of funding available for the IILP is determined by the Capital Strategy.

The overall approach to developing the capital programme is based upon the following key principles;

- To invest in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services.
- No discretionary Capital schemes will be added to the programme unless fully funded by external sources.
- Capital schemes will only be added to the programme once a Business Case has been completed.
- To invest in projects that generate a positive revenue return (spend to save), Minimum return on investment for new schemes: 7% return (c.10 year payback)
- Passport Government capital grants received for key priorities for highways and education to those departments.
- No new forward funding of section 106 contributions.
- Maximise external sources of income including capital receipts, section 106 housing developer contributions and bids to external funding agencies.
- No investment in capital schemes primarily for financial return where borrowing is required anywhere within the capital programme (in line with the Prudential Code).
- In exceptional circumstances limited prudential borrowing will be considered where needed to fund essential investment in service delivery.
- Thorough risk appraisal of new schemes, with adequate contingencies held.

The 4 year capital programme 2026-30 totals £501m. External funding from capital grants, section 106 agreements and third party contributions totals £320m. Without this funding being available schemes of any significant size would not be affordable by the Council.

The balance of funding required is £181m to be funded from one off revenue reserves, capital receipts and a capital funding gap of £75m - to be financed by prudential borrowing at a cost to the Council's revenue budget of around £6m p.a. over the next 40 years. This is a significant commitment to the Council given its wider financial pressures.

**Funding Sources**

The approach to funding is:

**External Funding**

- Central Government Grants – passport grants to the relevant departments, even when not ring fenced.
- External Grants - maximise bids for funding from external sources including providing matched funding where appropriate to do so, subject to approval of fulfilment conditions and any contingent liabilities.
- External Contributions – maximise section 106 developer claims / contributions to cover the full capital costs.

**Discretionary Programme**

- Capital Receipts – maximise individual receipts and use to fund the discretionary capital programme.
- Earmarked Capital Receipts – only to be used in situations where this is an unavoidable requirement of an external party, for example, there is a requirement to gain DfE approval for the disposal of education assets, with the related receipts to be earmarked to education assets. These will be reviewed on a case by case basis to ensure the requirement is met and to consider options for substitution of discretionary funding where appropriate.
- Revenue underspends and surplus earmarked funds – review opportunities as they arise to contribute to the discretionary capital programme.
- Prudential borrowing (internal or external borrowing) – only to be used after all other available funding. Before prudential borrowing will be considered all opportunities to maximise bids for external funding, and agreement from other partners, particularly Central Government, for additional funding, will be taken. Internal borrowing (from the Council's cash balances) will be prioritised over external borrowing.
- Leasing – due to the County Council's ability to access relatively inexpensive funding, rental / lease proposals need to be appraised to ensure additional benefits justify the financing cost over outright purchase.

**Other**

- Renewal reserves – held to make an annual contribution reflecting the life and replacement cost of the asset and to avoid annual variations in replacement cost. Use when the service is externally funded (commercial, partnerships, specific grants) or small scale asset owned by an individual service. Larger more significant assets will be funded through the discretionary capital programme.
- Building Maintenance – funded through the (revenue) Central Maintenance Fund (CMF). Significant lifecycle replacements to be funded through the discretionary capital programme.
- Business Rates Pool – retained levy surpluses to contribute to larger infrastructure capital projects.

**Capital Requirements**Children's and Family Services

| Demand  | £    | Funding                               |
|---|------|---------------------------------------|
| Meet demand for new school places.                              | High | Central Government grants             |
| Meet increasing demand for SEN places                           | High | Developer contributions (section 106) |
| Children's Accommodation Strategy                               | High | Discretionary programme and grants    |
| Maintenance and renewal for:<br>Maintained school estate        | High | Central Government grants             |
| Children's social care (minimal demand as commissioned service) | Low  | Invest to save                        |

Adults and Communities

| Demand  | £          | Funding  |
|---|------------|--|
| Adult Accommodation Strategy  | High       | Discretionary programme                                  |
| Heritage and Learning Collections Hub                                       | Mid        | Discretionary programme                                  |
| Disabled Facilities Grant   | Mid        | Central Government grants                                |
| Maintenance and renewal for:<br>Libraries & Heritage<br>Community Libraries | Low<br>Low | Discretionary programme<br>Support external funding bids |
| Adult Social Care (minimal demand from commissioned service)                | Low        | Invest to save   |

Public Health

| Demand   | £   | Funding        |
|--|-----|----------------|
| Public Health (minimal demand from commissioned service) | Low | Invest to save |

Environment and Transport

| Demand   | £                  | Funding   |
|--|--------------------|---|
| Maintenance of the highway infrastructure (using asset management principles)                  | High               | Central Government grants/<br>Discretionary programme   |
| Highways Depot Improvements  | High               | Discretionary programme   |
| Property Flood Risk Alleviation  | High               | Discretionary programme   |
| Improvement to the highway infrastructure<br>Major schemes<br>Minor Schemes<br>Advanced Design | High<br>Mid<br>Mid | External Funding<br>Central Government grants<br>Central Government grants<br>Discretionary programme |
| County Council vehicle replacement programme   | Mid                | Discretionary programme   |
| Maintenance and renewal of waste management infrastructure                                     | Mid                | Discretionary programme   |

**Chief Executives**

| Demand                 | £   | Funding                                 |
|------------------------|-----|---|
| Case Management System | Low | Discretionary programme, invest to save |
| Economic Development   | Low | Discretionary programme, invest to save |

**Corporate Resources**

| Demand  | £   | Funding                                 |
|---|-----|---|
| ICT Infrastructure<br>Renew and expand<br>Major ICT upgrades and replacements<br>End user devices | Mid | Discretionary programme, invest to save |
| Property Estate*<br>Regulatory compliance<br>Expansion and replacement                            | Mid | Discretionary programme, invest to save |
| Climate Change<br>Environmental Improvements  | Mid | Invest to save                          |

\* maintenance of current properties funded from central maintenance fund (revenue budget)

**Corporate Programme**

| Demand                                | £    | Funding                                 |
|---------------------------------------|------|---|
| Investing in Leicestershire Programme | High | Invest to save                          |
| Major Schemes Portfolio Risk          | Mid  | Discretionary programme                 |
| Future Developments                   | Mid  | Discretionary programme, invest to save |

**External Funding**

To ensure that funding is at the required level the following approach will be taken.

**Children and Family Services**

Preference for housing developers to directly build schools as part of developments. Maximise Department for Education capital grant through up to date capacity assessments and school place data. Submit bids, where appropriate to do so, for additional DfE capital funding when available. Take opportunities to lobby the DfE for additional funding.

**Adults and Communities**

Work with district councils and other partners to ensure that the Disabled Facilities Grant is at an appropriate level and how it is spent to reduce the costs of adult social care. Take opportunities to lobby the Department of Health for Social Care infrastructure grants.

**Environment and Transport**

Maintain Highways Infrastructure Asset Management Planning Level 3. Invest in advance design and business case development work focused on government and growth priorities to access capital grants and developer funding.

**Section 106 Contributions / Forward Funding**

Maximise section 106 contributions through recovery of the total costs of required developments and regular review of key assumptions used.

In addition to section 106, Community Infrastructure Levy (CIL) can be used to fund strategic infrastructure such as highways and schools. CIL is a charge that is applied to new development based on floor space. Although CIL is not currently in use in Leicestershire, the County Council is working with Charnwood Borough Council on implementing a CIL scheme to fund highways infrastructure improvements. Subject to consultation and examination, Charnwood will be implementing CIL in the financial year 2026/27. Where evidence shows that there are significant cumulative impacts associated with planned development on the County Council's areas of responsibility, the County Council will support the development of further CIL schemes across the County.

The County Council has previously forward funded investment in infrastructure projects to enable new schools and roads to be built and unlock growth in Leicestershire before funding, mainly from section 106 developer contributions, is received. This allowed a more co-ordinated approach to infrastructure development. In previous years £20m has been forward funded in the capital programme. Of this total, £9.5m has already been repaid and £5.5m is estimated to be repaid between 2025/26 and 2029/30. The balance of £5m is estimated to be repaid after 2030. When the expected developer contributions are received, they will be earmarked to the capital programme, to reduce the dependency on internal cash balances in the future.

Forward funding presents a significant financial commitment and risk for the Council. An increased reliance on developer contributions through section 106 agreements means that it may take many years for investment to be repaid. Historic agreements may not be sufficient for the actual cost of infrastructure in the high inflation environment that is currently being experienced. The drivers of inflation are having a particularly profound impact upon construction schemes. Risks could be further compounded in the event of an economic slowdown, which could delay the housing development required before section 106 contributions are to be paid. The Council's medium and longer term financial strategies are only sustainable if this funding is recovered.

The Council's approach to managing existing capital projects will therefore be:

- The funding provided by the Council is in accordance with the Council's funding strategies. The Council's medium and longer term financial strategies are only sustainable if this funding is recovered. Existing schemes are the Melton Mowbray Distributor Road North and East sections and the A511 Major Road Network (subject to business case).
- Where the Council seeks contributions from multiple developers in Area Strategies (jointly agreed strategies for specific areas), it will collect the full costs associated with highways, schools and some community infrastructure.
- The Council will ensure that delivery costs are reviewed regularly, and that inflation is applied to any cost estimates from the date that the Area Strategy is developed, not from when the relevant s106 agreement is completed.
- The justification, costs and methodology for assessing contributions will be updated and added to the Council's website as appropriate.

In order to address the significant challenge of funding infrastructure to support growth the Council's approach to managing future capital projects will be:

- The presumption that approved developments will cover the costs of all necessary infrastructure, set out by planning condition.
- Where this cannot be achieved as a result of cumulative development, the Council will collate contributions.
- However, the Council will not fund the delivery of schemes until sufficient contributions are secured.
- Where funding gaps exist, developers and local planning authorities will seek contributions from third parties (including funding organisations, i.e. relevant Government departments).
- The Council will lead and support as necessary such requests where appropriate, for example funding bids to the DfT, DfE and Homes England. External funding would be required for any match funding or significant bid development costs.
- It is recognised that if the Council prioritises education contributions and delivery of additional school places due to its statutory duty, it may at times be necessary to delay delivery of highway infrastructure, meaning that the Council could in principle accept a deterioration in conditions before infrastructure is delivered. In addition, in prioritising the delivery of education infrastructure, the Council may accept a permanent deterioration in conditions if it is not financially viable to deliver the highways and transport mitigation. However, this will not apply to infrastructure and improvements required to address severe safety impacts arising from development.
- Where the Council considers that the overall viability of the plan or development will not allow sufficient mitigation of its impacts in line with local and national policies and prospect of external third-party funding is low, it may object to its adoption/approval.

Whilst this approach significantly reduces the financial risk faced by the County Council, in the shorter term, it does not remove it entirely. Until such time as Government policy reflects and addresses the challenges faced by local authorities in meeting housing needs whilst ensuring infrastructure is available and appropriate district councils, as planning authorities, are in the best position to manage the developer contribution risk. It is therefore necessary for the district councils to work with the County Council to ensure Local Plans include policies that balance the need to support delivery of growth without exposing the County Council to further financial risk. District councils also need to work with the County Council to direct more funding towards priority infrastructure.

### **Discretionary Funding**

The 4 year discretionary capital programme totals £181m. Funding is from the sale of Council capital assets (capital receipts), MTFS revenue contributions and earmarked reserves. Discretionary funding also includes prudential borrowing, which is unsupported by central government with the costs of financing the borrowing undertaken falling on the County Council's revenue budget. A total of £75m of prudential borrowing is included in the 2026-30 capital programme.

#### **Capital receipts**

The generation of capital receipts is a key priority for the County Council. The draft capital programme includes an estimate of £23m across the four years to 2029/30. Strategic Property Services are responsible for identifying additional capital receipts and maximising

the sale value of surplus assets. Property Services will seek opportunities to maximise the value of surplus land, for instance by obtaining planning permission. The targets for new capital receipts to fund the capital programme, are:

|              | <b>General<br/>£m</b> | <b>Earmarked<br/>£m</b> | <b>Total<br/>£m</b> |
|--------------|-----------------------|-------------------------|---------------------|
| 2026/27      | 3.1                   | 0                       | <b>3.1</b>          |
| 2027/28      | 9.4                   | 0.8                     | <b>10.2</b>         |
| 2028/29      | 3.6                   | 2.7                     | <b>6.3</b>          |
| 2029/30      | 3.4                   | 0                       | <b>3.4</b>          |
| <b>Total</b> | <b>19.6</b>           | <b>3.5</b>              | <b>23.1</b>         |

The estimates include potential land sales that are subject to planning permission. In these cases the value of the site is significantly increased when planning permission is approved. However, this also comes with a significant amount of uncertainty and potential for delays.

### Revenue Funding

The capital programme includes a total of £83m from one-off revenue funding of capital. These have arisen from:

- Prior year underspends – cannot be relied upon going forward.
- Released MTFS risk contingency
- Earmarked reserves no longer required

Given the Councils financial situation there have been no on-going revenue contributions to the capital programme for a number of years.

### Other

For invest to save schemes, a discount rate of 7% will be used, including inflation as part of the net present value assessment in the business case. Only projects that show a positive return using these rates will be considered for inclusion in the capital programme, unless there is an overriding policy objective that justifies a lower rate with the Director of Corporate Resources agreement.

### Funding from Internal Balances

A total of £75m is required to fund the programme and enable investment in schools and highway infrastructure to be made. After 2029, and by 2040 it is anticipated that the remaining £5m of forward funding will be repaid through the associated section 106 developer contributions.

Due to the strength of the County Council's balance sheet, it is possible to use internal cash balances to fund the capital programme on a temporary basis instead of raising new loans. Levels of cash balances held by the Council are currently around £400m, comprising the amounts held for reserves, provisions, minimum revenue provision (MRP) set aside for the repayment of debt, and working capital of the Council. The cost of raising external loans is estimated to exceed the cost of interest lost on cash balances by 2% to 3%.

The overall cost of using internal balances to fund £75m of investment is dependent on what happens to interest and borrowing rates over the medium to long term. Current forecasts show the cost of externally borrowing would be around £6m per annum for the next 40 years, in interest and repayment of principal - minimum revenue provision (MRP). Internal borrowing would still require MRP setting aside but net interest savings could amount to £2m per annum. But because of the uncertainty on interest rates, this position will be kept under review as part of the treasury management strategy.

The County Council's estimated amount of actual external debt as at March 2026 is £146m. This is not assumed to increase during the MTFS. The relative interest rates and cash balances will be kept under review to ensure that this is the right approach.

### **Affordability**

The impact of the discretionary programme on the revenue budget, and forecast at the end of the MTFS is (excluding leases):

| <b>£m</b>                     | <b>2026/27</b> | <b>2029/30</b> |
|-------------------------------|----------------|----------------|
| Revenue                       | 0.0            | 0.0            |
| MRP                           | 4.2            | 5.0            |
| Interest                      | 6.3            | 8.6            |
| <b>On-going revenue total</b> | <b>10.5</b>    | <b>13.6</b>    |
| % Revenue budget              | 1.7%           | 1.7%           |
| Voluntary MRP                 | 0.0            | 0.0            |
| One-off revenue/reserves      | 51.1           | 0.1            |
| <b>One-off revenue</b>        | <b>51.1</b>    | <b>0.1</b>     |
| <b>Total</b>                  | <b>61.6</b>    | <b>13.7</b>    |
| % Revenue budget              | 9.8%           | 1.7%           |

To ensure the discretionary programme remains affordable the following approach is taken to manage the MRP and interest charges:

- No new external borrowing to finance capital expenditure unless a scenario arises where external borrowing is more favourable than using internal borrowing. The balance between internal and external borrowing will be managed proactively, with the intention of minimising long-term financing costs.
- Temporarily use internal balances from the overall council cash balances in advance of their designated use.
- Review opportunities to repay debt.
- Revised MRP strategy in 2025/26 to use Annuity rates that reflect the time value of money, to be more commensurate with the return received from the actual use of the assets. This reduces the MRP in the earlier years and increases it in the later years. It should be noted that this does not reduce the amount to be set aside but delays the period over which it is to be paid.

### **Capital Financing Requirement (CFR)**

The CFR is the measure of the Council's historic need to borrow for capital purposes. As at 31<sup>st</sup> March 2026 the CFR is forecast to be £193m compared with actual debt of £146m.



The difference of £47m is an under-borrowed position using the balance of Council investments to delay the need to take out new external debt. The forecast annual cost of borrowing in 2026/27 is £12m rising to £13.4m by 2029/30. The financing costs (external interest and MRP) are met from the revenue budget.

The planned use of internal cash balances to fund the four-year capital programme will add £75m to the CFR. Together with reductions made by MRP, the CFR is forecast to be £250m by the end of the MTFS (31 March 2030). Assuming no new external borrowing is undertaken in this period, actual debt will be £144m at that time, resulting in an under-borrowed position of £107m. This can be managed as forecast investment balances exceed this total and that interest charges for new debt is forecast to continue to be higher than the interest that can be earned on cash balances.

The detailed approach to this is covered in the Treasury Management Strategy, approved by the County Council annually in February.

### **Financial Management of the Capital Programme**

#### **Prioritising the Programme**

The approach to compiling the capital programme is through a combination of service requirements developed by each relevant department, statutory requirements and asset management planning.

For land and building assets, Strategic Property, in conjunction with service areas, develops all the estate strategies, asset management plans and property elements of the corporate capital and revenue programmes. They seek to ensure that the Council is making full use of all assets, and any under-performing or surplus assets are identified and dealt with by either their disposal or investment to improve their usage. Outcomes from condition survey information together with on-going reviews of the property portfolio feed into the capital programme and revenue budget. The Corporate Asset Management Plan, which promotes the rationalisation of property assets, reducing running costs and cost-effective procurement of property and property services is reported annually to the Cabinet.

The Council operates the Investing in Leicestershire Programme (liLP) which invests in assets to achieve both economic development and investment returns. A copy of the liLP strategy is attached to the MTFS report. The liLP operates through the Investing in Leicestershire Fund Strategy with a view to:

- Supporting the objectives of the Council's MTFS, Corporate Asset Management Plan, Strategic Plan, its Economic Growth Plan and the County-wide Local Industrial Strategy.
- Supporting growth in the county and its economic area of influence and ensure there is a more diverse range of properties and land assets available to meet the aims of economic development.
- Maximising returns on Council owned property assets.
- Supporting the delivery of front-line services through increased income generation from existing investments, or through capital investments that will reduce operating costs.
- Maintaining a diverse portfolio of energy efficient and sustainable direct property and other investment assets which support economic growth and environmental

sustainability

- Support the Council's strategic objectives by working with partners to maintain momentum in the development of strategic sites and renewing existing employment sites and premises where there is demand thereby addressing areas of market failure.
- Contributing towards the development and implementation of the Council's Net Zero Carbon ambitions by reducing demand for energy and increasing the generation and use of renewable energy.
- Channelling new investment into schemes that:
  - Maximise the potential to address economic and social market failure;
  - Improve property assets for a direct strategic/policy purpose
  - Enhance the value and marketability of property assets enabling capital receipts to be used to support improved service delivery
  - Manage investment risk by investing in diverse sectors.
  - Support the Council in maximizing the benefit from its financial assets in a risk aware way (not including standard treasury management activity).

A total of £43m has been included in the 2026-30 capital programme. This will bring the total held to £260m (based on historic cost). Annual income returns are currently around £9m, excluding capital growth, contributing ongoing net income for the Council. Appraisal for new investments include external due diligence performed before each purchase.

The Corporate capital programme also includes additional funding of £38m for the future developments fund, and £25m as a capital programme portfolio risk contingency. The future developments fund is held to contribute towards schemes that have been identified but are not sufficiently detailed for inclusion in the capital programme at this time. There is a long list of projects that may require funding over the next 4 years. These include investment in infrastructure for schools and roads arising from increases in population, investment in health and social care service user accommodation, highways match funding of capital bids, and investment in a new archives, collections and learning centre. The list of future developments is continually refreshed. Bids against the fund will be managed through prioritisation and where possible the identification of alternative funding sources. This approach forms part of the wider strategy to ensure that the capital programme is deliverable, affordable and the risks are understood, in line with CIPFA's requirements.

The capital programme risk portfolio is there to cover adverse impacts that would potentially affect all schemes, such as exceptional excess inflation and the uncertainty of continuing current levels of government grants for highways and schools. The schemes for which a portfolio risk allocation is more likely to be needed are those which are highly complex and difficult to predict costs or external funding and are likely to span many years. Individual schemes are expected to maintain a risk register and appropriate risk contingency for known risks. The contingency should be set at the 50% likelihood level, unless agreed by the Director of Corporate Resources.

Through the budget monitoring process, risks would be identified which would point to the need to utilise a proportion of the portfolio risk allocation. To access the fund there would need to be based on clear evidence that such a scenario has arisen. A full appraisal of the scheme's cost and funding would be required to ensure that delivery is still likely to be within the scheme budget and reduced risk portfolio contingency. Decisions on when money from the portfolio risk allocation is transferred to a specific project are taken by the Director of Corporate Resources following consultation with the Cabinet Lead Member for Resources.

For highways and associated infrastructure needs, the Council's key transport policy document is the Local Transport Plan. This provides the long term strategy within which the Council manages and maintains its network. In light of the continuing financial challenge the Council's priority is only to add to the highway network where this will help to enable new housing and jobs. Furthermore, additions will normally be considered only in circumstances where specific external funding can be secured to achieve this. It is recognised that by prioritising education contributions and delivery of additional school places due to its statutory duty, it may at times be necessary to delay delivery of highway infrastructure, meaning that the Council could in principle accept a deterioration in conditions and congestion before infrastructure is delivered. However, this will not apply to infrastructure and improvements required to address severe safety impacts arising from developments.

Further improvements to the highway network will require continued pursuit of external resources such as Government grants and developer funding. In order to maximise the impact of funding that can be secured for improvements, the County Council is doing more to define the roles of the various elements of the road network so that it is able to target investment where it will be of most benefit, particularly in terms of supporting economic prosperity and growth.

Bids for funding from the discretionary programme require the completion of a capital appraisal form for each project. The forms collate detailed information on the proposed project including justification against strategic outcomes, service objectives, statutory requirements and/or asset management planning, timelines, detailed costings including revenue consequences of the capital investment, and risks to delivery. All bids for land and building projects are also supplemented by a Strategic Property scoping and assessment form. Bids are then prioritised and assessed against the discretionary funding available. The revenue costs and savings associated with approved capital projects are included in the revenue budget.

Where schemes have not yet been fully developed these are included as future developments in the capital programme. As schemes are developed they are assessed against the available resources and included in the capital programme as appropriate.

### Financial Management of Delivery

The key risks to the delivery of the capital programme are overspending against the approved budget, delays in the delivery of projects/programmes thereby delaying the expected benefits and potential increased costs, and delays in or non-receipt of external contributions towards the cost of the scheme.

To ensure that capital spending and the delivery of this strategy is effectively managed:

- Programmes being reviewed in light of the most up to date information around funding available and latest priorities.
- All schemes within the programme being monitored regularly, usually monthly.
- Financial progress being reported on a regular basis throughout the year and at year end to the Cabinet and Scrutiny Commission to update them on progress and any significant variations in costs.
- Projects part or wholly funded by external contributions being separately monitored to ensure compliance with any funding conditions applicable.

- All projects are assigned a project manager appropriate to the scale of the scheme.
- The procurement of projects within the capital programme following the Council's approved contract procedure rules and procurement legislation.

The County Council confirms that it complies with paragraphs 51 to 53 of the prudential code 2021. Extracts of the relevant paragraphs are included as an annex to this strategy.

### **Annex 1 – Prudential Code 2021**

The Council confirms that it complies with paragraphs 51 to 53 of the prudential code 2021 as below.

51. **The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment:**
  - **In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.**
  - **It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.**
52. The UK government's rules for access to PWLB lending at the date of this publication require (May 2022) statutory chief finance officers to certify that their local authority's capital spending plans do not include the acquisition of assets primarily for yield, reflecting a view that local authority borrowing powers are granted to finance direct investment in local service delivery (including housing, regeneration and local infrastructure) and for cash flow management, rather than to add debt leverage to return-seeking investment activity. Since:
  - access to the PWLB is important to ensure local authorities' liquidity in the long term, and
  - leveraged investment always increases downside risks, local authorities must not borrow to fund acquisitions where obtaining financial returns is the primary aim.
53. Authorities with existing commercial investments (including property) are not required by this Code to sell these investments. Such authorities may carry out prudent active management and rebalancing of their portfolios. However, authorities that have an expected need to borrow should review options for exiting their financial investments for commercial purposes and summarise the review in their annual treasury management or investment strategies. The reviews should evaluate whether to meet expected borrowing needs by taking new borrowing or by repaying investments, based on a financial appraisal that takes account of financial implications and risk reduction benefits. Authorities with commercial land and property may also invest in maximising its value, including repair, renewal and updating of the properties.