APPENDIX W1: Lewisham Council Capital Strategy 2025-2044

1. Introduction

1.1. A Capital Strategy is a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. It is a requirement of the Prudential Code and provides the policy framework that sets out the principles which guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities within the Council's budgetary and medium-term financial planning process.

1.2. The Prudential Code requires the production of a Capital Strategy approved by full Council each year. Section 15(1) of the Local Government Act 2003 states that in carrying out its capital finance function under the Act (including the power to invest), a local authority shall have regard to guidance issued by the Secretary of State, which includes the Statutory Guidance on Local Government Investments.

1.3. This is reinforced by the Chartered Institute of Public Finance and Accountancy (CIPFA) which published a revised Prudential Code for Capital Finance in Local Authorities (The Code) in 2017. The objectives of the Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

1.4. Capital investment is technically described as: Expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e. items of land, property and plant which have a useful life of more than 1 year. Expenditure outside this definition is defined as revenue expenditure.

1.5. The capital programme is a key output of the capital strategy and encompasses the management of the range of physical assets the Council holds. The investment assets the Council holds are addressed separately in the Treasury Management Strategy. The capital programme therefore reflects budgets and expenditure on the Council's many physical assets such as housing, schools, roads, major infrastructure projects as well as cultural buildings such as the Broadway Theatre, libraries and leisure centres. These assets are held within one of two funds – the General Fund (GF) for the majority of asset types and the Housing Revenue Account (HRA) for social housing stock.

1.6. The Council typically sets its detailed Capital Programme over a three-year period based on secured (e.g. grant) and affordable (e.g. level of borrowing) funding. This is because the nature of the projects and programmes mean that the associated expenditure is incurred over a number of years rather than in a single financial year.

1.7. Financial monitoring of the programme is carried out in a similar way to the revenue budget monitoring and reported to Mayor & Cabinet (M&C) as part of the periodic Financial Forecasts Report and at year end through the Outturn Report. Financial monitoring together with programme / project delivery is managed through a number of boards as set out in section 2 below.

1.8. The objectives of the capital strategy include:

- To provide a framework for the use of capital in line with the CIPFA codes and statutory legislation in the delivery of priorities set out in the corporate plan.
- A mechanism for project prioritisation which ensures alignment with other key Council strategies and the delivery of statutory requirements.
- Set out the governance process for all projects including funding and resource requirements and the overall balance of risk.
- Determine and work within a prudent, affordable and self-sustaining funding policy framework whilst minimising or mitigating the ongoing revenue implications.
- Acknowledge the climate emergency and its impact on capital finance.

1.9. The Capital Strategy is presented to Council as a Policy Framework document, and links with both the Treasury Management Strategy, Medium Term Financial Strategy and the recently approved Asset Management Strategy. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Council priorities and statutory responsibilities. The management of the Capital Strategy is also supported by the Council's approved Financial Regulations as approved by full Council.

2. Capital Strategy and Investment Approach:

2.1. Underlying the Capital Strategy is the recognition that the council's ability to meet capital expenditure priorities are constrained by a significant reduction in financial resources. The Council must therefore rely on internal capital resources including borrowing or, increasingly, external funds, such as grants and seek ways in which all investment decisions, relating to either single schemes or programmes, are financially self-sustaining or generating positive returns.

2.2. The Council's approach to the development of the strategy therefore reflects those projects and programmes which deliver transformational change in service delivery whilst also meeting wider socio-economic needs. A focused and balanced portfolio approach to the capital programme and strategy will ensure an overall net average return reflecting some investments will yield higher returns or outcomes than others and limit exposure more generally.

2.3. A strategic focus on transformational change will ensure the delivery of projects and programmes specifically designed to deliver core Council services with the key objective being arresting growth in service costs through rationalisation, reduction and high levels of efficiency. It also means a focus on place shaping and regeneration that is financially viable and ensuring interventions are designed to maximise the leverage of third-party investment.

2.4. The Council's increased reliance on external forms of investment, namely grants, means that the capital strategy must be clear in its objectives, whilst recognising that the precise nature of any investment must align with those of other external bodies. The significant influence of external investment also requires a regular review of the capital strategy, to ensure alignment and the maximisation of capital deployment securing leverage and additionality.

3. Infrastructure Delivery Plan

3.1. The Council is producing a new Local Plan that will help guide future growth and development in the Borough over a 20-year period, from 2020 to 2040. The Infrastructure Delivery Plan (IDP) forms part of the evidence base for the new Local Plan and seeks to provide details on the key strategic infrastructure requirements over the Plan period. It also supports the London Plan which includes requirements for boroughs to assess the capacity of physical, environmental, and social infrastructure to support growth, and to plan for the necessary infrastructure and improvements to capacity in the Borough's infrastructure delivery plans and programmes.

3.2. The IDP plays an important role in helping the Council and its partners direct investment in line with the spatial strategy for the Borough. It identifies the different types of infrastructure that will be required to support the levels of growth planned within the borough over the long-term.

3.3. The key output from the IDP is the Infrastructure Delivery Schedule (IDS) – a list of the strategic infrastructure requirement that have been identified or committed by infrastructure providers to support the delivery of the Local Plan. While the majority of such infrastructure is not directly provided by the Council, some are and others become part of the Council's portfolio and asset base and therefore require capital investment overtime. The borough IDP is currently being updated and will have links to the capital strategy.

4. Asset Base

4.1. The Council owns a diverse range of land and property assets that make an important and positive contribution to the borough. These are mainly used in the delivery of day-to-day Council services and housing, while others are held for investment or future regeneration opportunities, or as contributors of value to the provision of public services. Altogether, the Council's fixed asset base, made up of property, plant and equipment, is currently estimated to be worth £2.844billion of which £1.475billion are housing assets.

4.2. The property asset base is generally accounted for in two core areas: HRA or housing portfolio and GF or non-housing portfolio. There are approximately 19,800 individually tenanted units within the HRA portfolio and 870 assets in the GF or non-housing portfolio. This is in addition to approximately 2300 garage units across the portfolio.

4.3. The non-housing portfolio includes assets mainly used to deliver the Council's civic functions (offices, libraries, depot, hostels etc), help discharge statutory obligations (e.g., schools), generate revenue income stream (retail units, light industrial sites etc) and help deliver specific corporate objectives. These assets are held and accounted for by the various services and directorates using them.

4.4. In addition to the land and property assets, the Council is also responsible for managing and maintaining 392km of public road network. The Council's responsibilities include ensuring highway assets are compliant, fit for purpose and fulfil their functions in an efficient and sustainable manner.

4.5. The overriding objective of asset management within the council is to achieve a sustainable corporate portfolio of property assets that is appropriate, fit for purpose and affordable. The Council's latest Asset Management Strategy (AMS) 2024-34, builds on the previous Strategic Asset Management Plan 2015-2020. It takes a fresh approach in responding to the key drivers that local authorities are facing, including constrained resources, significant demand for housing, the climate emergency, different operating models emerging from the pandemic and opportunities to deliver growth and regeneration across the borough.

4.6. It sets out the ambition and key initiatives the Council will adopt for the use and management of property in support of the Corporate Strategy. At its core, the AMS has a vision for “A property asset portfolio that maximises opportunities for innovation, collaboration and inclusive growth whilst supporting the high-quality delivery of services to our residents and communities, being financially and environmentally sustainable, underpinning our priority for safe, healthy and resilient communities now and into the future.”

4.7. It notes that to achieve this, the property and land portfolio must be:

- Shaped through innovative thinking and bold decisions,
- Used to unlock strategic priorities such as inclusive growth,
- Sustainable and efficient,
- Modernised, fit for purpose and well managed,
- Cost effective and provide value for money,
- Right sized to deliver a manageable operational estate,
- Commercially managed,
- Flexible and adaptable, responding to the modern and changing world,
- Fully utilised and multi-functional.

4.8. The AMS is based on the key theme of a *sustainable estate* which is underpinned by the following strategic pillars:

- Asset optimisation,
- Regeneration and development,
- Partnership working,
- Corporate approach.

4.9. Asset management is an important part of the council’s business management arrangements and is crucial to the delivery of efficient and effective services. The strategy also sets out the requirement for the continued capital investment in its estate to ensure that the revenue income emanating from its property is protected and durable for future years.

5. Governance Arrangements

5.1. To ensure that available resources are allocated optimally and deliver value for money, the Capital Programme is managed through a number of related boards as follows:

- The Regeneration and Capital Board has overall oversight of the Capital Programme strategy.
- The Regeneration & Capital Programme Delivery Board (RCPDB) reviews and agrees project initiation documents (PIDs) and delivery of existing projects

picking up on any project/programme slippage. This board primarily focusses on GF projects which includes those housing schemes within the GF such as those relating to temporary accommodation and land assembly.

- The Officer New Homes Programme Board (ONHPB) focuses on housing projects and has overall oversight of the Building for Lewisham programme.
- The Childrens and Young People Capital Strategy Board has oversight of schools and other CYP programmes and projects together with their related funding.

5.2. Programmes and projects follow a number of standard processes and documentation.

5.3. For GF projects a Project Initiation Document (PID) must be completed that sets out the details of the project and this needs to be approved at the RCPDB before a budget or expenditure code is allocated.

5.4. Where necessary a report must be prepared for M&C to agree the project, budgets, financing or any fundamental changes to scope and budgets.

5.5. ONHPB provide oversight for housing projects that are delivered by the Strategic Housing Team on behalf of the Housing Directorate. Where necessary reports are prepared for M&C to agree projects, budgets and financing.

5.6. Once the project is agreed a regular highlight report is required to update the RCB, RCPDB or ONHPB on progress. At the completion of a project a closure report is completed for consideration by RCPDB or ONHPB.

5.7. Approvals for Capital spend follow the delegations as set out in the Council's constitution.

6. Funding

6.1. There are a number of sources of funding that the Council uses to finance its Capital Strategy and programme in any given MTFS period. The core sources of funding are summarised below.

6.1.1. Capital Receipts:

Capital Receipts in the form of proceeds derived from the sale of Council assets. In most cases receipts derived from disposals are pooled to support the overall capital programme except where the asset is an HRA land or property where the whole receipt is not available to support the capital programme as a percentage must to be paid over to the MHCLG. In addition, there is funding from corporate provisions and reserves where corporate funding has been specifically earmarked for certain projects such as highways and footways. The allocation of corporate funds to capital from revenue reduces the available annual revenue budget for services.

6.1.2. Prudential Borrowing:

Some projects and programmes require funding from prudential borrowing. Such projects are usually required to demonstrate plans that are sustainable, affordable, and prudent as well show a positive payback of the required borrowing and interest costs over a certain period. In the case of housing schemes this is usually from rents over a 40-year period. The Public Works Loans Board (PWLB) remains the

Council's preferred source of long-term borrowing given the transparency and control that its facilities.

6.1.3. Developers Contribution (S106, CIL):

S106 agreements are made with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary infrastructure to support it. These contributions are site specific and can be 'pooled' into larger sums to fund projects where appropriate. All contributions received are 'ring-fenced' for the purpose as set out in the relevant S106 agreement. These contributions often cover all types of infrastructure including transport, affordable housing, play areas, open spaces, playing fields, public realm and public art. However, since the inception of Community Infrastructure Levy (CIL), the planning obligations sought within S106 agreements have been scaled back to deal with only site-specific requirements, as required by the CIL Regulations.

The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 - 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.

6.1.4. Community Infrastructure Levy (CIL):

CIL contributions are determined by set rates as detailed within the Council's CIL Charging Schedule and based on the amount of floor space being created by a development. It does not replace s106 and is not site specific, therefore geographically flexible and can be used to fund a wide range of infrastructure that is needed as a result of a new development. This includes flood defence, open space, recreation and sport, roads and transport facilities, education, and health facilities. Unlike s106, CIL does not fund affordable housing.

6.1.5. HRA Reserves:

These are the balances ringfenced to the HRA generated from its operations since inception. They are held to fund 1) existing stock maintenance and improvement works and 2) redevelopment and investment in new homes.

6.1.6. Right To Buy Receipts:

These are capital receipts received from the sale of council housing. The calculation and application of the receipts are subject to relatively complex rules set by government. An element of the receipt is held unconditionally and can be used to fund HRA and GF capital expenditure, an element of the receipt is paid to government and an element of the receipt can be held by the Council to replace housing stock on a one for one basis – these are known as "one for one receipts". One for one receipt from sale of council housing must be spent within five years and can only fund to 50% of the cost of a new home. A Government initiated review of Right to Buy policy is likely to reduce the level of capital receipt available to the Council in future.

6.1.7. Revenue Contributions and Reserves:

An element of the Council's annual revenue budget can be set aside to fund the capital programme (Direct Revenue Financing). However, with increasing GF revenue pressures these amounts available are reducing. In some cases, the council also utilises other resources and cash it holds in reserves and as working capital which is usually termed internal borrowing.

6.1.8. Capital Grants:

These are sums of money given to the council, usually from central government bodies, that are predominantly for a specific purpose detailed in the grant agreement. These include Department of Education (DfE) schools condition funding and funding from the Greater London Authority (GLA) and Transport for London (TfL).

7. Current Capital Programme

7.1. The Council's Capital strategy and priorities drive the current Capital Programme set out in this section of the report. The programme for 2024/25 to 2027/28 builds on the existing programme and its delivery for the MTFS period.

7.2. Current MTFS programme profile: Table 1 below sets out a summarised version of the current programme. A more detailed breakdown of projects and programmes is included under the capital programme section of the budget report for 2025/26 and is attached as Appendix 1.

Table 1: The current programme budget for the GF and HRA

Current Capital Programme:	2025/26: (£m)	2026/27: (£m)	2027/28: (£m)	2028/29: (£m)	Total: (£m)
GF:					
Corporate Resources	0.4	0.0	0.0	0.0	0.4
Children and Young People	9.5	2.3	0.5	0.0	12.2
Place	30.4	13.1	2.6	0.7	46.8
Housing	64.1	4.5	1.5	7.8	77.9
Total GF:	**104.3**	**19.8**	**4.6**	**8.5**	**137.3**
HRA	117.3	97.5	63.2	6.1	284.1
Total HRA:	**117.3**	**97.5**	**63.2**	**6.1**	**284.1**
Total:	**221.6**	**117.3**	**67.8**	**14.6**	**421.4**

8. Capital Programme – Capital Strategy Period

8.1. The table below shows a summary of the current best estimate for the Capital Programme over the capital strategy period to 2044. This is because the below table includes pipeline schemes as well as schemes using anticipated, but not yet confirmed, funding such as the Schools Minor Works Programme and the Highways & Bridges – TfL schemes.

Table 2: Capital Strategy Programme 2025 - 2044

	2025/ 2026: (£m)	2026/ 2027: (£m)	2027/ 2028: (£m)	2028/ 2029: (£m)	2029/ 2034: (£m)	2035/ 2039: (£m)	2040/ 2044: (£m)	Total Budget: (£m)
COR	0.4	0.5	0.0	0.0	0.0	0.0	0.0	**0.9**
CYP	13.4	9.8	6.6	7.0	38.0	20.0	20.0	**114.8**
PLA	38.0	20.8	14.8	12.0	77.9	123.4	49.2	**336.1**
HOU	64.1	4.5	1.5	7.8	0.0	0.0	0.0	**77.9**
Total GF:	115.8	35.1	22.9	26.8	115.9	143.4	69.2	**529.6**
Total HRA:	143.4	147.0	119.2	127.9	2.5	2.5	2.5	**544.9**
Total:	**259.2**	**182.1**	**142.1**	**154.7**	**118.4**	**145.9**	**71.7**	**1074.5**

COR: Corporate Resources, CYP: Children and Young People, PLA: Place, HOU: Housing (GF)

8.2. The following is summary of the strategy programme for each directorate area over the strategy period.

8.2.1. Corporate Resources

Corporate Resources acts as the guardian of the Council’s finances, providing financial management, advice and support as well as delivering resident-focused finance services and driving efficiencies across the organisation. It is also responsible for providing high-quality digital, information and communication technologies which enable us to deliver services more effectively.

The Corporate Resources directorate element of the capital programme incorporates two small projects over the strategy period, with an estimated budget of £0.9M. The first is the completion of the ongoing ICT tech refresh programme and the second is a new invest to save project within the Passenger Services group which proposes to purchase a number of mini-vans to support the service delivery and enable the service achieve savings by moving away from the current delivery model where the mini-vans are hired from a third party at significant cost to the service.

8.2.2. Adult Social Care and Health

The Adult Social Care and Health directorate aims to improve local health and wellbeing by providing services to residents in need of care and addressing health inequalities in the borough.

Currently, the ASC directorate has a number of key workstreams in train, for example, Progression And Next Steps (PANS) – a crucial component of our "Enabling Lewisham" approach with people with a learning disability supported to live more independently and with less restrictive care – and a number of other ‘invest to save initiatives’, with reasonable returns which will require some capital investment to deliver. There is also exploratory transformational work to review the current directly provided adult day offer being operated from Mulberry Day Centre and Ladywell Day Centre. The delivery of a successful outcome will require some capital investment both in both the medium and long term but that is yet to be quantified.

Levels of need within the Adult Social Care system have increased and that trajectory is set to continue. Care placements, particularly those out of Borough and commissioned in the private sector are a significant driver of the Council's budget pressures. Over the strategy period, opportunities will continue to be reviewed to deploy capital or Council assets to deliver solutions with mitigate and reduce these cost pressures.

8.2.3. Children and Young People (CYP)

The Children and Young People directorate works in partnership with other public sector and voluntary organisations to provide education and a wide range of services for children, young people and families, including the most vulnerable in the borough, which help them to stay safe, make a positive contribution and achieve their full potential.

The CYP element of the capital programme is split into the three divisions within the directorate: Education Service; Children Social Care and Families, Quality and Commissioning, and is summarised below.

- *Education Service* – The Education Service's programme comprises the two key programme areas of school places planning and school minor works capital programme. The 'places planning programme' is a focused programme of works to expand school places across Special Education Needs and Disabilities (SEND) estate of the Council's school's estate. An expansion of the Watergate School in Bellingham is underway, and proposals are at an early stage for a further expansion of the portfolio in light of the growing need across SEND more generally but focusing on Social Emotional and Mental Health (SEMH) education.

  A further element of work within the school places planning portfolio is the work to address the accommodation need across alternative provision (AP) or the Pupil Referral Unit (PRU). At present, this need is met, Abbey Manor College at their two sites in Broad Oak Campus - Falmouth Close and John Evelyn Campus – Ladywell. The existing sites are old and were not built for their current use and this inadequacy affects the teaching and learning environment negatively limiting the effectiveness of education delivery and support. There is, therefore, an urgent need to develop a site to deliver high-quality facilities that support the educational and emotional needs of students, as well as provide a supportive environment for educators and staff. The estimated cost, incorporated in the programme for a new facility is £11m.

  School Minor Capital Works Programme (SMCWP) is the other key programme area within the Education Estate portfolio. This programme uses ring-fenced annual grant funding from the Department of Education (DfE) to support the delivery of capital works across the retained community school's estate across the borough. The average annual grant of approximately £4M (included in the programme), is used to fund building fabric and M&E works across the estate. However, an aging estate coupled with the growing need to decarbonise the portfolio is posing a challenge to managing the estate. The estimated cost to fully decarbonise 53 schools across the council's school sites and education facilities is approximately £135M and is currently unfunded. The approach thus far has been to secure grant funding through the Public Sector Decarbonisation Scheme (PSDS) with match funding support drawn from the above SMCWP budget, putting it under further pressure in addressing other building condition related matters. In addition to the above, Education Service division under guidance from DfE also proposes works to remove RAAC from Myatt Garden school in 2026/27 as part of a government programme.

- *Children Social Care (CSC)* – The CSC division is proposing as part of the capital strategy, a pilot of the development or repurposing of a number of school premises officer's houses to help meet the care needs of young people in the borough. The pilot is likely to expand further and could include the use of other housing types over the strategy period however, the current budget estimate of approximately £0.6m over covers the pilot using former school premises officer's houses.
- *Families, Quality and Commissioning (FQC)* – The focus of the FQC element over the strategy period is to bring investment to a number of adventure play grounds (APGs) and youth club building across the borough. The majority of APGs and youth buildings are in bad condition, therefore require significant investment and in some cases complete replacement. The need for investment supports the council's recent move to bring the delivery of youth services back in-house. The service estimates a capital requirement of approximately £3.6M over the strategy period.

8.2.4. Place

The Place directorate is focused on strategic place-making, with responsibility for coordinating development and growth in order to create thriving neighbourhoods, maximise housing supply and promote economic opportunities for residents and businesses. The directorate also plays a key role in delivering a safer, cleaner and greener Lewisham.

The directorate's element of the capital strategy is therefore split into a combination of service area projects and programmes and key strategic or corporate programmes such as the following:

- *Parks and Leisure* – The Parks and Leisure service programme proposes a mixture of enhancements and replacement of parks and leisure services facilities across the borough based on an analysis of need and risk due to disrepair. In all, work is proposed to at least 34 parks and open spaced across the borough at a cost of approximately £25M over the strategy period.
- *Highways and Transport* – The highways and transport programme, comprises two key programme areas primarily based on the funding source, that is, internal (LBL) or externally (TfL) funded. The internally funded projects and programmes are focused on annual maintenance and improvements to the council's footways and highways network including bridges, whilst the externally funded project, mainly through Transport for London (TfL) are focused on projects such as school streets and neighbourhoods as well as cycle and bus priority networks. Altogether, investment in the region of £113m is proposed over the strategy period with the majority funded by the council.
- *Waste Services* – The waste services programme over the strategy period focusses on the replacement and electrification of the current fleet 128 vehicles and the core infrastructure (including an electrical substation) needed to support the operation of the new fleet at an estimated cost of £83M. This

assumes that the current base of operation will remain at Wearside Service Depot.

- *Corporate Estate Maintenance Programme (CEMP):*
    - The CEMP is an ongoing programme of work to deliver essential maintenance in the Council's corporate estate. To date, the programme has largely been reactive relying on historic condition survey data to respond to challenges across the corporate estate through small packages of work across the portfolio.
    - A new condition survey in 2025/26 will provide a more accurate and detailed technical picture of the condition and highlight estate wide opportunities for investment (e.g. LED lighting), thermal management considerations, potential decarbonisation and associated fabric works as well as exploring opportunities for renewable storage where appropriate. It will also provide more robust and comprehensive data on base construction to meet insurance requirements and heating replacement to meet the net zero ambition. The survey will ensure that the programme from or 2026 forwards will be more proactive with a key focus on decarbonisation and transformation to meet service need.
- *Catford Regeneration Programme:*
    - The Catford Town Centre Framework was adopted in July 2021 and sets out the Council's aspiration for growth and regeneration for the town centre. The realignment of the A205 south circular is central to those plans.
    - The Framework set out indicative heights, massing and uses for sites across the town centre, including the council's own landholdings (Laurence House, Civic Suite, Old Town Hall, Milford Towers, Holbeach Road car park and Catford shopping centre). The Framework indicates the potential for the delivery of 2,700 new homes across the town centre.
    - Indicative phasing was also included, which set out that the Civic Suite and Laurence House sites would be delivered following the early deliverables of Thomas Lane Yard, the former Catford Constitutional Club and the realignment of the south circular. This would be followed by the shopping centre, Milford Towers and Holbeach Road car park.
    - Following the adoption of the Framework in 2021 the council recognised that a detailed delivery strategy was required to assist the council to achieve the Framework aspirations.
    - An assessment on the phasing found the phasing contained in the Framework was still the most appropriate. Following from the early deliverables (which are delivered directly by the council) Phase 2, 3A and 3B consist of Laurence House and the Civic Centre, with Phase 4, 5 and 6 consisting of Catford Centre and Milford Towers. The expected programme to deliver the entire ambition is 15 to 20 years.
    - The delivery strategy indicates a significant capital cost to the Council of participating in development, depending on the form of delivery structure and the extent of control desired by the Council. The central

assumption in the strategy indicates a net investment by the Council of over £14m to enable the delivery of phase 1 sites and a net investment of over £27m to enable the development of phase 2 sites.

- *Town Centre Regeneration:*
  - Lewisham town centre is benefitting from a £24m Council led improvement programme, which forms part of the current Capital Programme, which will see transformational improvements to the library, market and high street public realm. The investment will stimulate further local economic growth and provide new jobs and a higher quality town centre environment.
  - The Council has ambitions for healthy and thriving local and district town centres across the Borough and will strive to ensure these places are attractive and vibrant – where local businesses are growing, local and visitor spend is captured and the night economy enhanced. Over the course of the period, funding opportunities for investment in these places will be prioritised in funding bids and maximising impact through the application of s106 and CIL.
- *Bakerloo Line:*
  - The proposed extension of the Bakerloo Line would see Lewisham connected to the London Underground network and is key to enabling the delivery of 27,000 new homes across the borough's various opportunity areas. The first phase of the extension would see new London Underground stations at New Cross Gate and Lewisham, considerably increasing public transport capacity and connectivity in these areas. Stations and works sites have been safeguarded by the Department for Transport and the Bakerloo Line extension team at Transport for London has been retained, progressing work on line alignment and station designs. The business case for a second phase extension of the Bakerloo line beyond Lewisham and along the existing National Rail line towards Hayes remains the strongest option for further extension. This would see Ladywell, Catford Bridge and Lower Sydenham stations integrated into the tube network, helping support development in the south of the borough. Delivery of the extension is contingent on funding external to the Council, however funding secured from planning gain is expected to make a contribution to the delivery cost.

8.2.5. Housing

8.2.5.1. Temporary Accommodation (GF)

The Housing Acquisition Programme (HAP) has a budget of up to £105 million to July 2026, to purchase and refurbish up to 300 homes, to be used for those who qualify for Temporary Accommodation. Its focus is on delivering high quality housing whilst making savings or cost avoidance through the reducing the Council reliance on short term and nightly paid accommodation. By January 2025 the Council will have purchased 100 homes using a mixture of General Fund borrowing supplemented, by GLA and MHCLG grant funding.

8.2.5.2. HRA – Housing Stock and Investment

Since its launch in 2018, the Building for Lewisham (BfL) programme as delivered circa 1,240, starts and, within that, nearly 350 new homes completions, either through direct delivery or partner schemes. The current approved programme has over 1,000 new homes in pre-construction or in pipeline.

However, due to ongoing volatility with the construction sector and budget pressures, despite the Council achieving higher GLA Affordable Housing Programme grant rates, it is increasingly difficult to maintain the programme's viability benchmark of a -£10m NPV; and has been made even more difficult by the predicted fall in Right-to-Buy receipts following the Autumn Budget 2024.

Mitigation against cost inflation and market contraction has been focused on closer public private partnership working –, the Council has begun procurement for an Investment Partner with whom it will deliver its major new build schemes such as Thomas Lane Yard and Achilles.

The Council is also managing programme viability by increasing its delivery of shared ownership homes and, where feasible and viable to do so, acquiring homes through land-led development agreements. It is also exploring other routes such as section 106 acquisitions.

As a further mitigation, the Council has been actively advocating for grant rates and flexibilities that reflect the cost of construction, the financial pressures that local authorities are under and the difficulties with other sources of cross subsidy – such as RTB receipts and sales. There is expectation that additional funding, at higher grant rates and with the ability to combine RTB receipts with AHP grant, will be announced this year by government as part of their housing building commitment. Therefore, the Council continues to progress its pipeline schemes to ensure its readiness, and give confidence in its ability to deliver, to secure grant allocation the required to make the programme viable.

9. Climate Change and Net Zero Carbon Ambition

9.1. London Councils Climate Programme Implementation Plan (2023) identified a cost of £49bn to retrofit all of London's 3.8 million properties to EPC B. Nationally the Office for Budget Responsibility has estimated it will cost the UK £1.4tn by 2050 to eliminate all domestically produced greenhouse gases, or 0.6% of GDP per year (£417b by 2050) once the financial benefits to households are factored in.

9.2. Local authorities have limited capacity to meet these costs, and Lewisham Council has made no commitment to deliver net zero regardless of cost or be the funder of last resort where mechanisms do not currently exist. The Council is working with partners regionally and nationally to call for more investment from the public and private sector and in addition the Council is seeking to find creative solutions to unlock funding opportunities including government grants, new investment models to attract external finance, the climate action investment fund and other opportunities.

9.3. As part of that process, the Council is adopting a climate budget approach to the challenge. This a governance process intended to support the implementation of short-term actions and the long-term ambition to reduce the borough's carbon emissions to net zero. The intention is that the climate budget is integrated within the Council's financial reporting and budget setting processes.

9.4. The Council's ambition is to reduce corporate emissions to net zero by 2030 in line with the aspiration for the borough as a whole. The cost of achieving that ambition is significantly beyond existing budgets and setting year-on-year milestones for decarbonisation is difficult without long-term certainty on funding. The main source of funding for decarbonisation work has tended to be short-term competitive funding opportunities impacting on the ability to forecast a trajectory and establish long term plans.

10. Wholly Owned Subsidiary Companies

10.1. The Council has overall control of these entities and therefore is ultimately responsible for the companies' assets and liabilities. The controls of any subsidiary's activities are controlled by the Council's through 'reserved matters' listed within the memorandum and articles of association of the company. These 'reserved matters' cover capital expenditure and the making of any borrowing. The assets and liabilities of all council companies would be consolidated into the Council's group accounts.

10.2. As these capital assets and liabilities are part of the council's overall financial position the Council will report on the total group assets and liabilities and the associated risk and reward.

10.3. In relation to the reserve matters on capital expenditure the Council will apply the same process as applied to its own capital expenditure and will monitor and report performance of the capital assets as part of the Council's quarterly capital monitoring arrangements.

11. Key Risks

11.1. There are many risks to the capital strategy, some of the key ones are listed below:

- Contractors going into administration and being unable to complete work on projects. This risk has become heightened due to some of the factors listed below. This risk has recently materialised in a number of schemes, most notably the Home Park & Edward Street housing schemes which have now been aborted for this reason, causing losses to the council.
- Increased cost pressures caused by rising inflation rates, which may cause further change to scheme scope to meet with funding availability and could lead to contractors looking to renegotiate scheme costs.
- Delays to projects caused by supply chain disruptions, labour shortages and other factors, which may cause costs to increase due to inflation or additional costs such as storage.
- The Council may need to make additional savings meaning certain schemes may need to be paused/aborted. This risk may become more prevalent as the Council is currently forecasting an overspend, and therefore will look to make savings to combat this.
- A project may not deliver the expected benefits.
- A project may not meet the criteria laid out in its funding requirements (for example grant funding with conditions attached), leading to a potential re-payment of this funding. If this materialises then there is a possibility some or all of the funding would need to be repaid.

- Competing priorities for limited resources requires statutory requirements (for example Health & Safety works or changes resulting from new building regulations) to be met first, potentially limiting the number or scale of schemes within the programme.
- Lack of capacity to seek external funding where necessary or appropriate to procure and deliver agreed projects.

11.2. These risks will all be carefully considered when both monitoring existing schemes and putting forward recommendations to pause or abort schemes or for potential new schemes.

11.3. Mitigations, particularly around BfL and housing programme, include:

11.4. Seeking opportunities to diversify product type (e.g. increasing number of shared ownership homes) and delivery approach (e.g. pursuing acquisitions and investment partnerships in place of direct delivery).

11.5. Continuing to seek additional funding opportunities such as the ability to combine RTB receipts with AHP funding as to reduce pressure on capital programme whilst securing greater delivery.

APPENDICES V1 to Z6 (2025/26 BUDGET REPORT)

APPENDIX W1.1 Capital Strategy Programme 2025 – 2044

GF:	2025/26: (£m)	2026/27: (£m)	2027/28: (£m)	2028/29: (£m)	2029/ 2034: (£m)	2035/ 2039: (£m)	2040/ 2044: (£m)	Total: (£m)
Corporate Resources:								
IT& Digital - Tech Refresh	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Passenger Service – mini vans	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.5
Total Corporate Resources:	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.9**
CYP:								
Education Services - School Places Programme	7.1	2.3	0.5	3.0	18.0	0.0	0.0	30.9
Education Services - School Minor Works Programme	6.1	4.0	4.0	4.0	20.0	20.0	20.0	78.1
Children's Social Care	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.7
Families, Quality and Commissioning - Youth Service	0.1	1.4	2.1	0.0	0.0	0.0	0.0	3.6
Myatt Garden RAAC	0.0	1.5	0.0	0.0	0.0	0.0	0.0	1.5
Total CYP:	**13.4**	**9.8**	**6.6**	**7.0**	**38.0**	**20.0**	**20.0**	**114.8**
Place:								
Safer Communities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Parks, Sports, and Leisure	0.6	2.6	2.5	0.0	5.9	5.4	8.2	25.2
Highways & Bridges – TfL	3.6	3.6	3.6	3.6	18.5	18.5	18.5	69.9
Highways & Bridges – LBL	1.8	1.8	1.8	1.8	12.0	12.0	12.0	43.2
Public Realm (Others)	0.6	0.1	0.1	0.0	0.0	0.0	0.0	0.8
Public Realm – Fleet Replacement	3.9	3.9	3.9	3.9	17.0	50.0	0.0	82.6
Asset Management Programme	2.1	3.1	0.4	0.5	1.5	1.5	1.5	10.6
Corporate Estates Maintenance Programme	2.7	2.2	2.0	1.5	9.0	9.0	9.0	35.4
Strategic Regeneration - Lewisham Gateway	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	2025/26:	2026/27:	2027/28:	2028/29:	2029/ 2034:	2035/ 2039:	2040/ 2044:	Total:
GF:	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Strategic Regeneration - Catford Programme	4.5	2.4	0.5	0.7	14.0	27.0	0.0	49.1
Planning	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Environmental Health	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
LUF Programme - Cultural Hub	6.9	0.1	0.0	0.0	0.0	0.0	0.0	7.0
LUF Programme - Public Realm	11.2	1.0	0.0	0.0	0.0	0.0	0.0	12.2
Total Place:	**38.0**	**20.8**	**14.8**	**12.0**	**77.9**	**123.4**	**49.2**	**336.1**
Housing:								
Housing GF	62.1	3.6	1.0	7.3	0.0	0.0	0.0	74.0
Housing Services	2.0	0.9	0.5	0.5	0.0	0.0	0.0	3.9
Total Housing:	**64.1**	**4.5**	**1.5**	**7.8**	**0.0**	**0.0**	**0.0**	**77.9**
Total GF:	**115.8**	**35.1**	**22.9**	**26.8**	**115.9**	**143.4**	**69.2**	**529.6**
HRA:								
Building for Lewisham Programme - HRA	59.9	92.2	64.8	127.4	0.0	0.0	0.0	344.3
HRA Capital Programme (Inc. Decent Homes)	76.6	50.8	50.7	0.0	0.0	0.0	0.0	178.1
Housing Management System - HRA	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.7
Aids & Adaptations	0.5	0.5	0.5	0.5	2.5	2.5	2.5	9.5
HRA Allowances for Buybacks & Brockley PFI	6.0	3.1	3.2	0.0	0.0	0.0	0.0	12.4
Total HRA:	**143.4**	**147.0**	**119.2**	**127.9**	**2.5**	**2.5**	**2.5**	**544.9**
Total Capital Programme:	**259.2**	**182.1**	**142.1**	**154.7**	**118.4**	**145.9**	**71.7**	**1074.5**

APPENDICES V1 to Z6 (2025/26 BUDGET REPORT)

APPENDIX W1.2 Lewisham Council Corporate Emissions

Table 1: Lewisham Council Corporate Emissions (all emissions tonnes carbon dioxide tCO2)

Emission source	Reported Emissions 2022/23	Reported Emissions 2018/19	CO2 Reduction since Baseline
Corporate Buildings	2,536	3,721	32%
Schools	4,945	5,906	16%
Leisure centres	2,040	3,561	43%
Fleet	1,959	2,349	17%
Streetlights	899	1,266	29%
TOTAL SCOPE 1 AND 2	**12,379**	**16,803**	**26%**
Council Housing	45,411		

Table 2: Corporate Emissions: estimated costs and 3-year budget

Emission source	Estimated decarbonisation Costs	Value of Decarbonisation Projects since 2019/20	tCO2 Savings Delivered by Decarbonisation projects	Estimated 3-year Budget 2025/26-2027/28
Corporate Buildings	£31,000,000	£2,773,790	208	£3,317,160
Schools	£135,000,000	£2,640,300	199	£6,925,493
Leisure centres	£3,000,000			
Fleet	£50,000,000			
Streetlights	£5,000,000			£5,000,000
TOTAL SCOPE 1 AND 2	**£224,000,000**	**£5,414,090**	**407**	**£15,242,653**
Council Housing	£470,000,000	£9,642,000	213	£20,882,353