

<b>Meeting:</b>	Executive
<b>Meeting date:</b>	3 March 2026
<b>Report of:</b>	Pauline Stuchfield, Director of Housing and Communities
<b>Portfolio of:</b>	Councillor Michael Pavlovic, Executive Member for Housing, Planning and Safer Communities

## **Decision Report: Delivering More Affordable Housing in York – Castle Mills**

### **Subject of Report**

1. In October 2025, a report was brought to Executive with an update of the Housing Delivery Programme in light of the Government Comprehensive Spending Review which had placed housing at its centre with a commitment to deliver the biggest increase in social and affordable housing in a generation and the new Social and Affordable Homes Programme (**SAHP**), which provides a decade of certainty over funding to support the delivery of new homes between 2026-2036.
2. The report sought to use the security of the national position to support the delivery of new affordable homes in York, building a strong pipeline to seize the opportunities this funding presents. Future developments through the Adopted Local Plan alongside our own housing building programme, could also include increasing Council stock through the purchase of s106 properties on private developments.
3. This paper seeks support to continue this work with a proposed delivery route for affordable housing at the Castle Mills site.
4. This report seeks decisions in respect of:
  - a) Continue supporting the development of a strong new build pipeline with a budget to prepare the design by adapting existing proposals to build 100% affordable housing at the

Castle Mills site; submit a planning application; apply for Homes England's Social and Affordable Homes Programme (SAHP) grant; and procure a development partner, with an updated business case to be presented to and approval sought from the Executive before entering into a construction contract.

- b) Note that Brownfield Fund grants have been awarded from the York and North Yorkshire Combined Authority (**YNYCA**) to CYC for the development of affordable housing at Castle Mills, Former Manor School and 68 Centre sites and agree to proceed with entering into respective grant agreements to receive funding.
- c) Note that a Brownfield Land Release Fund grant application to the One Public Estate (**OPE**) has been submitted to contribute to funding of the Willow House project delivery including the necessary enabling works; and pending the grant award, agree to proceed with entering into a grant agreement to receive funding.

## **Benefits and Challenges**

- 5. Utilising Council-owned land to deliver affordable housing ensures that the maximum benefit is being achieved through our land assets. The Council has built an established and experienced team who are able to directly deliver much needed affordable homes in the city which meet the needs of our residents. All future projects are designed as 100% affordable housing, maximising both internal funding such as Right to Buy receipts and the newly announced Homes England funding combined with devolved funding through the YNYCA. The proposed developments remain mixed tenure combining social rented homes with shared ownership to provide a range of housing options for residents in various forms of housing need across the city.
- 6. Delivering the homes directly in the Housing Revenue Account (**HRA**) ensures that the Council continues to replenish housing stock lost through Right to Buy and that the income generated through rent continues to increase over the course of the 30-year business plan, supporting the ability to invest in existing homes. In the short-term, developing homes directly results in increased borrowing to support the delivery of new homes, however increasing the number of homes in the Council's housing stock has a positive long-term impact.

## Policy Basis for Decision

7. One of the seven priorities outlined in the Council Plan (2023-27) is to increase the supply of good quality affordable housing.
8. The Housing Delivery Programme has a broad agenda around meeting affordable housing need but also tackling issues around mental and physical health and wellbeing, sustainable transport, equality, and climate change. The principles of the programme and recommendations contained within this report are supportive of achieving the objectives set out in the Climate Change, Health and Wellbeing, and Economic Strategies.

## Financial Strategy Implications

9. The delivery of Castle Mills as 100% affordable housing requires additional borrowing to support the delivery of 56 new build social rented flats, 37 new build shared ownership flats and 3 commercial units. The business case in **Confidential Annex A** sets out the proposed funding to deliver Castle Mills and requires £10m of long term HRA investment (including cost of borrowing) to deliver the project. This long-term investment is combined with external grant funding along with any available Right to Buy receipts, currently assumed at £6.3m, to maximise the use of available funding to subsidise the costs of this project. The use of the Council's Right to Buy receipts ensure that they are spent in due course. The receipts currently available and projected to be received next year have been prioritised to projects which are dependent on this source of subsidy such as Ordnance Lane. This still leaves a significant amount of Right to Buy receipts for Castle Mills.
10. Whilst the abnormal site conditions of this site such as contamination, easement and flood attenuation, result in higher-than-average build costs, this is offset using subsidy to ensure delivery of a site that has previously been stalled, and which is part of the wider high profile Castle Gateway scheme. The business case meets the financial hurdle rates and presents a viable investment of funds.
11. The paper proposes the strengthening of the new build pipeline also by seeking to receive Brownfield Fund grants that have now been awarded to CYC by the YNYCA for the development of

affordable housing at Castle Mills, Former Manor School and 68 Centre sites, through formal grant agreements.

## Recommendations and Reasons

12. Executive are asked to:

- a) Agree the preferred delivery route of 100% affordable housing at the Castle Mills site with the procurement of a design team to update the design previously approved by Planning to adapt it to 100% affordable housing, and achieve a refined design to RIBA Stage 3, using the proposed on-cost budget.
- b) Agree to the submission of a planning application with the refined Castle Mills design.
- c) Agree to procure a contractor to operate under a Pre-Contract Services Agreement or other type of design-only contract to collaboratively design Castle Mills to RIBA Stage 4 and price the design, to enable an updated full business case to be presented to the Executive for approval.
- d) Recommend to Full Council the creation of the Castle Mills scheme within the HRA capital programme; the wider business case for which will come forward at a later date.
- e) Recommend to full Council approval of a budget of £2.377m funded from HRA borrowing, to develop the proposals through RIBA stages 3 and 4 as described in a), b) and c) above.
- f) Agree to delegate authority to the Director of Housing and Communities (in consultation with the Director of Finance and the Director of Governance) to take such steps that are necessary to procure and appoint such the contractors, and to determine the provisions of and enter into the resulting contracts described in a) and c) above (and any subsequent modifications and/or extensions thereto), in accordance with the Council's Financial Regulations set out in Appendices 10 and 10a of the Constitution (the "**Finance Regs**"), the Contract Procedure Rules set out in Appendix 11 of the Constitution (the "**CPRs**") and (where applicable) the

Procurement Act 2023 (the “**Procurement Act**”) and the Public Contract Regulations 2015 (the “**PCRs**”).

- g) Agree to the preparation and submission of applications to Homes England for funding from the Social and Affordable Homes Programme (SAHP) to deliver the affordable homes at Castle Mills, and (provided that the application to Homes England is successful) to receive funding and agree to proceed with entering into a grant agreement with Homes England; and
- h) Note the Brownfield Fund grant awards received from the York and North Yorkshire Combined Authority (**YNYCA**) for the development of affordable housing at Castle Mills, Former Manor School and 68 Centre sites and agree to proceed with entering into grant agreements to receive funding.
- i) Note that a Brownfield Land Release Fund grant application to the One Public Estate (**OPE**) has been submitted to contribute to funding of the Willow House project delivery including the necessary enabling works; and pending the grant award, agree to proceed with entering into a grant agreement to receive funding.
- j) Further to g),h) and i) above, to agree to delegate authority to the Director of Housing and Communities (in consultation with the Director of Finance and the Director of Governance) to determine the provisions of and enter into any resulting grant funding agreements with Homes England and YNYCA, and the provisions of any subsequent modifications and/or extensions thereto, to ensure compliance with the Subsidy Control Act 2022, the Finance Regs and the CPRs.

**Reasons:**

- To ensure any works and/or services are procured in compliance with the Finance Regs, the CPRs, and (where applicable) our statutory duties under the Procurement Act 2023 and the Public Contract Regulations 2015.
- To ensure any grant funding arrangements comply with the Subsidy Control Act 2022.

## Background

13. Central to the success of the Council's Housing Delivery Programme (**HDP**) is the belief that a high-quality, affordable, comfortable home is essential for residents to thrive. Good quality housing impacts all areas of life from increased educational attainment and better health to improved economic outcomes. The Housing Delivery Programme aims to deliver an exemplar for housing developments nationally, by prioritising placemaking and building sustainable and supportive communities.
14. The first Passivhaus developments of the programme are now achieving completion with 34 homes and a commercial space complete at Duncombe Square and a further 78 homes due to complete this financial year at Burnholme Green.
15. There is another round of projects that have reached advanced design stages and a further site for which design development will start this year, the Manor School site. Other pipeline sites are at feasibility stage.
16. In addition to the homes delivered directly through the Council's Housing Delivery Programme, the team are also actively working with wider partners across the Registered Provider (RP) sector to expediate the delivery of new affordable homes by disposing of unused land assets owned by the Council as set out in the Executive Report from July 2024. There are 3 small sites in the pipeline for which bids have been accepted including the 68 Centre, supported by a grant awarded in principle from the YNYCA Brownfield Fund (subject to conditions being fulfilled) towards the development cost which will require enabling works.

## Consultation Analysis

17. The work of the Housing Delivery Programme continues to be driven by the values outlined in the approved Design Manual 'Building Better Places' which was developed in partnership with key stakeholders across the city. This document sets a clear vision for the ways in which the housing we build can meet a range of objectives around supporting better mental and physical health, tackling climate change, eliminating fuel poverty and increasing healthy and sustainable transport object.

18. It is also critical to work with neighbourhoods to codesign the projects with meaningful engagement from local people, businesses and charity groups. In addition to consultation with key stakeholders in the city, the team continues to build strong relationships with Registered providers working in the city. All potential sites allocated for disposal for 100% affordable housing are tested with RP sector to ensure there is sufficient interest and the projects are indicatively viable prior to marketing.
19. At Castle Mills, large scale engagement with the community was previously undertaken as part of the wider Castle Gateway Masterplan planning process in which the sales of the proposed new apartments at the Castle Mills site would help fund the wider masterplan's public benefits. This resulted in a planning approval for the Castle Mills site in 2020 which have now lapsed. Further public consultation will be undertaken with adjusted proposals for 100% affordable housing.
20. An Options Appraisal setting out the possible delivery routes for 100% affordable housing at Castle Mills was prepared following soft market testing with all active Registered Providers (RPs) working in the city.

## **Options Analysis and Evidential Basis**

### **Castle Mills background**

21. The Castle Mills site (See plan in **Annex B**) is located in the Guildhall ward, in city centre off Piccadilly and adjacent to the River Foss to the west. The site obtained planning permission as part of the wider Castle Gateway scheme in December 2020 for 106 apartments, flexible commercial space to the ground floor and provision of a new pedestrian and cycle bridge across the River Foss, and new public realm. Since this time, planning permission has also been granted for the core public realm component of the Castle Gateway Scheme – Castle & Eye of York. In the context of funding availability and technical constraints including ecology, the previously planned footbridge does not now form part of that scheme and is not fundable or deliverable within the parameters of the Castle Mills Housing Scheme. The Council will seek to deliver active travel connectivity via alternate routes.

22. It was originally envisioned that the Council would directly deliver this planning approval and generate a profit from the market sale homes to cross subsidise the delivery of public realm improvements. In November 2023, a decision was made by the then Executive to pause work on the development, being no longer a viable scheme, and to explore longer term delivery of affordable housing on the site. The Housing Delivery team conducted soft market testing for the development of the Castle Mills site into 100% affordable housing with all active Registered Providers (RPs) working in the city. It was apparent that only one RP was interested in progressing the site for 100% affordable housing.
23. In July 2024, a paper was presented to the Executive seeking permission to progress discussions with this RP. Whilst the RP has undertaken some site studies with the original scheme architect, BDP, the acquisition discussions have historically been subject to delay whilst further information on funding was awaited from central government in the Comprehensive Spending Review in June 2025. More recently, the RP have indicated that they are not currently seeking to bring the site forward.
24. This is a challenging site with increased abnormal conditions such as easements and flood attenuation which means there is a requirement for an enhanced level of funding to make the scheme viable. The Council has applied successfully for Brownfield Funding from YNYCA for Castle Mills to further support the delivery of this scheme as affordable housing with a grant of £3.72m awarded. has been awarded.
25. A viability review of the design and cost information available has now taken place. Indicatively, and subject to increased grant rates through Homes England, in addition to the YNYCA Brownfield Fund grant, the review suggests that the site is likely to be viable for delivery as a fully affordable city-centre scheme, focussed on delivering much-needed affordable accommodation, including for key workers (currently appraised as 60% social rent and 40% shared ownership accommodation).

### **Castle Mills Options Appraisal**

26. As suggested in the Housing Delivery Programme (HDP) update presented to the Executive in October 2025, an options appraisal has now been prepared to seek a decision on the preferred

delivery route for this site. Four scenarios were considered, as follows:

- a) The HDP delivers the scheme, taking the existing designs for the previously approved scheme and adapts the design for affordable housing delivery.
  - b) The scheme is sold to a registered provider for the provision of 100% affordable homes.
  - c) The site is sold to the highest bidder.
  - d) We do not seek to deliver the scheme through the HDP or sell the site.
27. Each scenario has been analysed through 3 key themes: quality, time, cost, and the resulting overall risk to deliverability.
28. For both options a) and b), it is assumed, for the purposes of this report, that the applicant is successful in their application for Homes England funding (applications are submitted following the approval of detailed planning permission, but typically there are open lines of communication between the applicant and Homes England throughout the development stages).
29. The analysis is summarised below:
- Quality: Option a) – HDP delivers the affordable housing scheme, has the least risk due to having the highest quality outcome, having full control of the quality unlike other options where control is limited or inexistent.
  - Time: for an upfront capital receipt in the shortest time, the site could be sold to the highest bidder i.e. Option c). However, Option a) presents the least risk of delay compared with other options where, again there is no control on the certainty and pace of delivery e.g. with Option b), the RP could withdraw; with Option c), there would be no control over how quickly the site would be delivered unless a covenant is applied. The HDP is in a good position to deliver at pace notwithstanding the usual risks of construction delays, having the expertise to deliver affordable housing.
30. Cost: for the largest capital receipt, to sell the site would be the best option i.e. Options b) and c). However, the RP which

previously showed interest have not made any step to apply for funding while the HDP has secured a £3.72m grant from the YNYCA. To deliver affordable homes, the option with the least risk of failure / protracted negotiations is Option a) – HDP delivery route. This route has the most certainty of a viable scheme delivery (considering the brownfield grant to cover abnormal conditions), however as with all HDP sites, the cost risk lies with the HRA.

- Overall deliverability risk: Option a) – the delivery of Castle Mills affordable housing through the HDP is the option with the least risk for delivery.

31. The recommendation is to proceed with Option a) – taking the existing designs for the previously approved Castle Mills scheme and adapt the design for affordable housing, to be delivered through the Housing Delivery Programme, using the Brownfield Fund grant awarded from the YNYCA and subject to applying and securing funding from Homes England's SAHP.
32. With this preferred option, Castle Mills could provide 60% social rented homes and 40% shared ownership accommodation with a mix of 1-bed flats (38) and 2-bed flats (18) for social rent, and mainly 2-bed flats (36) with one 1-bed flat for share ownership. The mix is indicative and will be refined, guided by stakeholders to create a sustainable scheme, to ensure the needs of residents are met. Targeted marketing will be used for the sale of the shared-ownership flats at Castle Mills to ensure key workers are given an early opportunity to buy these centrally located affordable homes.
33. In terms of design, although it will not be possible to achieve Passivhaus standard at Castle Mills due to the design having already been mostly developed and viability constraints, the adjustment of the existing design to 100% affordable housing will respond as far as possible to the HDP's Building Better Places principles while remaining viable. This will include providing homes that are tenure blind, and that provide a good level of accessibility for residents throughout their lives; and adoption of a fabric-first approach to reduce impact on the environment and reduce energy bills.
34. The existing proposals will be adjusted to have a maximum of six storeys as above this height, the enhanced requirements under the Fire Safety Act for fire prevention and under Building Regulations

in relation to the requirement for mechanical ventilation, would make the proposal unviable.

## **Business case**

35. To date, there has been £2.45m spent on Castle Mills developing a scheme on the site. An indicative budget of £33.780m, including land, on costs, works including contingency (see breakdown in attached **Confidential Annex A - Business Case**), is anticipated to be needed to deliver the 93 affordable homes and 3 commercial units at Castle Mills and requires an estimated £10m of long term HRA investment to deliver the project.
36. This early business case has been prepared to test early financial viability of the scheme, prior to seeking a budget for further design development. Due to the abnormalities (flood mitigation, easements) and resulting additional costs, the team has sought subsidies to offset these costs and support scheme viability. £3.72m Brownfield Fund grant from the YNYCA has now been awarded and further funding is expected to be sought from Homes England's SAHP. The business case also seeks to utilise any unspent Right to Buy (**RtB**) receipts to subsidise the social rented homes.
37. Based on receipt of these subsidies, the long-term HRA investment is estimated to be £10m which would be repaid over 35 years through rental income, representing a sound investment in accordance with well-established development finance modelling. The initial business case will be reviewed and updated through the next design stage.
38. In the first place, this report seeks £2.377m from HRA Housing Delivery Funding to take the project through RIBA Stage 3; submit a planning application; and develop the design further to RIBA Stage 4 collaboratively with a contractor.
39. With this recommended route of a HDP delivery with the proposed early business case, authorisation is sought to agree a budget of £2.377m for design development in the first place; procure a design team to update the design previously approved by Planning to adapt it to 100% affordable housing; submit the proposals to Planning; and procure a contractor to operate under a Pre-Contract Services Agreement or other type of design-only contract to collaboratively design Castle Mills to RIBA 4 and price the design to enable an updated full business case to be presented to the

Executive for approval. Authorisation is also sought to apply to Homes England for funding from the SAHP and to enter into a grant agreement with YNYCA to receive the awarded for Brownfield Fund grant. By the time a full business case for construction is presented to the Executive, the Homes England funding will have been confirmed.

40. The project will be subject to internal governance at each design stage to ensure the project stays within scope and is financially viable and affordable for the council to deliver. Updates will also be provided to the Executive.
41. Given the spend to date on the site, an assessment is required to determine the value that will be included in the cost to the proposed scheme.

### **HDP recent grant awards**

42. In October 2025, the Executive agreed to the procurement of a multidisciplinary design team to lead the design for the development for new affordable housing (approximately 70 homes) at the 1.52ha Former Manor School site in the Acomb ward. It was also agreed that design development could proceed, and a planning application be submitted pending a successful bid to YNYCA for funding from the Brownfield Fund. An outline business case had been prepared, assuming the use of both Homes England and YNYCA funding to support the delivery of the site.
43. The bid to the YNYCA for funding from the Brownfield Fund has been successful, with £2.044m awarded to the project. This paper seeks authorisation to now enter into a grant agreement with the YNYCA to receive the grant. When proposals have been developed and a planning permission has been secured, authorisation will be sought from the Executive to submit a grant application to Homes England for funding from the SAHP.
44. 68 Centre is one of the small sites that the HDP team is working towards disposing of, actively working with wider partners across the RP sector to expediate the delivery of new affordable homes. A bid was received from an RP and the HDP bid to the YNYCA for funding from the Brownfield Fund has been successful, with £250k awarded to the project which will require enabling works; this will further support a speedy delivery of this site (approximately 10 affordable homes). This paper seeks authorisation to now enter into a grant agreement with the YNYCA to receive the grant,

subject to pre-conditions being fulfilled, which the HDP team are working through with the YNYCA.

45. A Brownfield Land Release Fund grant application to the OPE has been submitted to contribute £678.2k to the funding of the Willow House project delivery including the necessary enabling works. This report asks for approval to enter into a grant agreement to receive funding, subject to the bid being successful. This funding will complement other subsidies that have been allocated to the Willow House to fund the abnormal costs such as demolition and archaeology.

## **Organisational Impact and Implications**

### **46. Financial**

47. The Council currently has approved budget across several schemes in the capital programme to deliver housing schemes. This report contains proposals that would require additional budget of £2.377m to be added to the capital programme for the Castle Mills site for the design development stage of the project, which will require new HRA resources and approval up to this value.
  - The proposal ultimately runs through to the development of a wider full business case for the scheme which will be brought back to Executive for approval. Therefore, a recommendation to Full Council is made to add a new scheme for Castle Mills into the current capital programme to this effect.
48. The spend to date of £2.45m is inherited from the original Castle Gateway project. Given the proposed housing scheme much of the costs will be relevant and attributable to the scheme. However further analysis will be undertaken to determine the value of work already relevant to the current affordable housing site and the value of any costs which should be considered as abortive.
49. The confidential Annex A gives a breakdown of the costs of the project including contingencies. These are indicative at this stage and a full business case and budget proposal with funding will need to be recommended to Executive following the design stage.

50. The costs arising from the proposals to continue to develop schemes at Willow House, 68 Centre and the former Manor School can be funded from funding awarded from the YNYCA Brownfield Fund alongside resources approved within the Housing Delivery Programme project Team.

### **Human Resources (HR)**

- A requirement for additional resource within the Housing Delivery Programme Team will be needed should the recommendations be taken forward. Any additional resource will be funded, established, and resourced in accordance with Council policy.

### **Legal**

#### **Contracts for Commissioned Works & Services**

- Any resulting contracts for any works and/or services will need to be drafted and completed with advice and support from Legal Services.
- It is noted that any constructions work at Castle Mills are subject to the design at Castle Mills up to RIBA Stage 4 being completed and a fully priced RIBA Stage 4 design and business case to be presented to the Executive for approval at a later date.

#### **Grant Funding**

- Applications to any external funding body for grant funding by the Council are subject to Rules 6 to 9 of the Financial Regs and Rule 4 of the CPRs and must be assessed by Legal Services to ensure that any subsidy awarded to the Council complies with the Subsidy Control Act 2022 prior to their submission.
- Subject to a full and proper assessment by Legal Services:
  - Where the funding is to be used to finance the delivery of a contract commissioned through an open and transparent procurement process in line with the Council's CPRs and the Procurement Act or the PCR's,

the Subsidy Control Act 2022 should not apply under the Commercial Market Operator principle.

- Further, where funding has been applied for under any pre-existing Subsidy Scheme (e.g., YNYCA's Brownfield Housing Fund Subsidy Scheme or Homes England's SAHP 2026 to 2036), it should be noted that any application by the Council does not need to be assessed against the principles under the Subsidy Control Act 2022. This is because the principles assessment under Act should have been completed at scheme level by either Homes England or the YNYCA for their respective schemes; therefore, with respect to any grant awards given to the Council under a scheme, the Council are only required to demonstrate compliance with the relevant eligibility criteria under the relevant scheme. However, further advice and support should be sought from Legal Services where required.
- Where there is any conflict between the Finance Regs, or the CPRs, or (where applicable) the Procurement Act or the PCR, and the rules or conditions imposed by the funding body, the stricter requirement will be followed.
- Where the Council is required to carry out works or deliver goods or services, the Council cannot elect to award any onward grants to third parties where the sole purpose for doing so would be to avoid conducting a competitive tender process in accordance with Financial Regs, the CPRs and procurement legislation.
- Any grant funding agreements will need to be reviewed, drafted and completed with advice and support from Legal Services.
- Officers must exercise particular care when agreeing key targets and milestone dates with funders to ensure these are deliverable. Failure to meet agreed targets may result in grant being withheld, suspended, or clawed back. Early input from relevant council teams and external advisors at application stage is key to mitigate these risks."

## **Procurement**

- Procurement will be a main tool used to deliver the priorities and projects set out within this report. All works and/or services must be procured via a compliant, open, transparent, and fair process in accordance with the Council's Contract Procedure Rules and where applicable, the Procurement Act 2023. Creative and innovative ways of procuring will be explored to ensure elements of the Council plan are captured within the procurements and to maximise social value and maximise public benefit. Further advice regarding the procurement process and development of additional procurement strategies must be sought from the Commercial Procurement team.
- As referenced in the Legal Services implications, any grant funding received to the Council to finance and assist with delivery of contracts must also follow the guidance above. All works, services and goods must be procured via a compliant, open, transparent, and fair process in accordance with the Council's Contract Procedure Rules and where applicable, the Procurement Act 2023.

## **Health and Wellbeing**

- Housing affordability is a key health issue in York, with the Health Foundation concluding that unmanageable housing costs can worsen mental health, while spending more on housing leaves less for other essentials that can be beneficial for health, such as food and socialising. It also found that, in terms of worsening health inequalities, a higher proportion of people in all minority ethnic groups have high relative housing costs compared with white British people, and 28% of people in households on the lowest incomes spent more than a third of their income on housing costs in 2023/24, compared with only 2% of people in households in the top income quintile (the top 20% of incomes).

## **Environment and Climate Action**

- The built environment accounts for over 60% of direct carbon emissions from within City of York's local authority boundary; and half of these emissions are associated with domestic buildings. It is therefore essential that the construction and operation of any new or refurbished homes are low/zero carbon.

- The ambition for new homes at Castle Mills falls short of certified Passivhaus standard due to the existing design and viability constraints. The development should strive to align with the Housing Delivery Programme's Building Better Places principles to minimise operational emissions.
- In addition to operational emissions, the development should seek to minimise environmental impact during the construction phase (embodied carbon). This should start at design, with a carbon impact assessment and lifecycle analysis.

### **Affordability**

- This scheme will provide 100% affordable housing, and the proposed development is mixed tenure combining social rented homes with shared ownership to provide a range of housing options for residents in various forms of housing need across the city.

### **Equalities and Human Rights**

- The Council recognises, and needs to take into account its Public Sector Equality Duty under Section 149 of the Equality Act 2010 (to have due regard to the need to eliminate discrimination, harassment, victimisation and any other prohibited conduct; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it in the exercise of a public authority's functions).
- An Equalities Impact Assessment has been carried out and is annexed to this report at **Annex C**.

### **Data Protection and Privacy**

- The completion of data protection impact assessment (**DPIA**) screening questions evidenced there would be no processing of personal data, special categories of personal data or criminal offence data processed, so there is no requirement to complete a DPIA.

## Communications

- This work forms an important part of the Council's narrative around delivering affordable homes for the city. As such, we will feed in progress to our long-term communication plans on this issue. We expect any sales support to be delivered separately.

## Economy

- Housing affordability is a key challenge in York, with strategic economic implications in terms of retaining and attracting talent to support a buoyant labour market and thriving economy. The provision of 100% affordable housing across mixed tenures at this site will contribute to meeting affordable housing need and in doing so, supporting the city economy.

## Risks and Mitigations

51. **Viability** – Whilst delivering homes directly through the Housing Delivery programme gives the greatest level of control over the type, tenure and quality of homes delivered, it requires significant financial investment, particularly to deliver projects as 100% affordable housing. Whilst there are significant Right to Buy receipts which need to be utilised and can subsidise the project costs, these receipts must be match funded through borrowing and interest rates which are currently high and make the viability of the projects more challenging. This is being managed through detailed financial modelling to ensure projects present a long-term financial return and thorough consultation with CYC's Finance team. The HDP has been successful in securing subsidies to the projects from different sources (Homes England, OPE, and YNYCMA) to make them viable.
52. **Inflation** - Build cost inflation remains high and therefore tender returns may vary from Pre-Tender Estimates. To overcome this, a full business case will not be presented to Executive until Castle Mills construction tenders have been returned and costs have been thoroughly ratified.
53. **Sales Prices for Shared Ownership homes** – these are reliant on the market. The York market is generally strong however, it has certainly been less buoyant in recent years and interest rates on shared ownership mortgages have been high, however despite this

the Council have continued to run successful shared ownership programmes so it is felt the risk is minimal.

- 54. **External Grants** – Castle Mills is viable due to the inclusion of grant from Homes England. Should this not be fully achieved this could lead to the scheme being unviable. Failure to secure sufficient grant would require a revised business case to be brought back before Executive for consideration.
- 55. **External Grants** - There is a risk that grant conditions around delivery cannot be fully met and potentially a proportion of any grant award may need to be repaid.
- 56. **Interest Rates** – the borrowing costs are based on interest rate levels of 4.5%. Should these increase beyond those levels at the time of borrowing this would impact the scheme viability.

## Wards Impacted

Guildhall (Castle Mills), Acomb (Manor), Heworth (68 Centre)

## Contact details

For further information please contact the authors of this Decision Report.

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## **Background papers**

October 2025 Executive meeting – Delivering More Affordable Housing in York – Update on the Housing Delivery Programme: [Report](#) (paragraphs 45-47)

November 2023 Executive meeting – Castle Gateway Update: [Report](#) and [Decision](#)

## **Annexes –**

Confidential Annex A – Castle Mills Business Case  
Annex B – Castle Mills Site Plan  
Annex C – Equalities Impact Assessment (EIA)

## **Abbreviations**

**HDP** – Housing Delivery Programme  
**OPE** – One Public Estate  
**RP** – Registered Provider  
**RtB** – Right to Buy  
**SAHP** – Social and Affordable Homes Programme  
**YNYCA** – York and North Yorkshire Combined Authority