

|                      |   |
|----------------------|---|
| <b>Meeting:</b>      | Executive   |
| <b>Meeting date:</b> | 27 January 2026   |
| <b>Report of:</b>    | Debbie Mitchell, Director of Finance  |
| <b>Portfolio of:</b> | Councillor Katie Lomas,<br>Executive Member for Finance, Performance, Major<br>Projects, Human Rights, Equality and Inclusion |

## **Decision Report: Capital Budget 2026/27 to 2029/30**

### **Subject of Report**

1. This report sets out the capital programme for 2026/27 to 2029/30, and in particular, proposals to continue the Council's approach to prioritise investment in the economy, housing, transport and to invest to save, including energy efficiency.

### **Benefits and Challenges**

2. Schemes funded by borrowing have an associated revenue impact. In order to minimise the additional growth required in future years, and mindful of the Council's current financial position in light of both the ongoing pressures in social care and the current economic uncertainty, it is proposed that any new borrowing is minimised as much as possible by reprioritising elements of the existing approved programme.
3. The costs of supporting the capital programme have increased over the years as the Bank of England increased base rates from 0.25% in February 2022 to a high of 5.25% in August 2023. Whilst base rates have reduced steadily, and currently reside at 3.75% in December 2025, the long term borrowing rates available to Local Government through the Public Works Loan Board have remained relatively high. At the time of writing a 20 year loan will have an interest rate of 5.98%. This is because rates are based on gilt yields and how expensive it is for the government to borrow from money markets. This has resulted in increases to the cost of borrowing compared to 2022. Given the

challenges outlined in the Financial Strategy report elsewhere on the agenda, only essential new investment is recommended at this time.

4. The council has been successful in identifying external funding for much of its schemes. The 5 year capital programme currently stands at £480m (as reported in Monitor 3) of which £177m (37%) is funded from external grants and contributions, £178m (37%) from general fund borrowing / internal resources and £125m (26%) from Housing Revenue Account (HRA) borrowing and funding. There have been a number of significant investments awarded from the York and North Yorkshire Mayoral Combined Authority to further increase external funding for investment in the city.
5. The Prudential Code requires Local Authorities to only undertake borrowing that is affordable within available resources. This report therefore needs to be considered in line with the other budget papers on this Agenda.
6. The annual capital budget report would customarily add investment to an additional year into the programme. Given the impact of the Fair Funding review on the council and the pressures that will emerge on the revenue budget it is proposed to not agree further investment at this point for any investment funded from general fund borrowing beyond 2026/27. This will be reviewed during 2027/28.

## **Policy Basis for Decisions**

7. The capital programme budget covers the period 2026/27 to 2029/30 and sets out revised investment in the capital programme over the next 4 years.
8. The level of capital investment and levels of borrowing are a key element of the overall finances of the council and key part of the Medium Term Financial Plan.
9. The outcome of the Fair Funding review has a significant impact on the council's financial position and all investment decisions need to take into account the long term financial outlook. As a result, it is proposed to recommend only minimal new investment funded by borrowing.

## Financial Strategy Implications

10. This report outlines the four year programme for capital investment and needs to be considered alongside the other key financial reports on the agenda. The report recommends an increase in the council's borrowing of £0.179m.
11. The revenue budget report details the impact of the fair funding review on the council's revenue budget over the next three years which will have an impact on how much the council can invest in capital expenditure over the years. Members need to be mindful that all capital investment funded by borrowing requires additional investment in the Treasury Management revenue budget.

## Recommendations and Reasons

12. The Executive is requested to recommend that Council:
  - Agree to the revised capital programme of **£382.998m** that reflects a net overall increase of **£42.180m** (as set out in table 2 and in Annex 1). Key elements of this include:
    - New schemes funded by prudential borrowing totalling £0.785m as set out in table 3;
    - Extension of prudential borrowing funded Rolling Programme schemes totalling £1.125m as set out in table 4;
    - Extension of externally funded Rolling Programme schemes totalling £37.950m as set out in table 7;
    - An increase in HRA funded schemes totalling £2.320m funded from a combination HRA balances/capital receipts as set out in table 8;
  - Note the total increase in Council borrowing as a result of new schemes being recommended for approval is £0.179m the details of which are considered within this report and the financial strategy report.
  - Approve the full restated programme as summarised in Annex 2 totalling **£382.998m** covering financial years 2026/27 to 2029/30 as set out in table 13 and Annex 2
  - Recommend that officers undertake a review of the capital programme with a view to seek to reduce the fund future years within the current agreed funding levels.

**Reason:** To ensure a legal budget is set and that the capital programme is fully funded.

## Background

13. The current 2025/26 – 2029/30 capital programme was approved by Council on 27 February 2025. Since then, a number of amendments have taken place as reported to the Executive up to and including the 2025/26 Capital Monitor 3 report also on this agenda. The changes made as a result of the above reports have resulted in a current approved capital programme for 2025/26 – 2029/30 of £479.852m, financed by £176.482m of external funding and Council controlled resources of £303.370m. Table 1 illustrates the current approved capital programme profile from 2025/26 – 2029/30 as of capital monitor 3 2025/26.

|                                | 25/26<br>£m    | 26/27<br>£m    | 27/28<br>£m   | 28/29<br>£m   | 29/30<br>£m   | Total<br>£m    |
|--------------------------------|----------------|----------------|---------------|---------------|---------------|----------------|
| <b>Gross Capital Programme</b> | <b>139.034</b> | <b>112.209</b> | <b>82.929</b> | <b>73.323</b> | <b>72.357</b> | <b>479.852</b> |
| Funded by:                     |                |                |               |               |               |                |
| External Funding               | 47.386         | 44.794         | 29.017        | 21.229        | 34.056        | <b>176.482</b> |
| Council Controlled Resources   | 91.648         | 67.415         | 53.912        | 52.094        | 38.301        | <b>303.208</b> |
| <b>Total Funding</b>           | <b>139.034</b> | <b>112.209</b> | <b>82.929</b> | <b>73.323</b> | <b>72.357</b> | <b>479.852</b> |

*Table 1 – Funding Position of approved 2025/26 – 2029/30 Capital programme per Monitor 3*

14. The majority of external funding is comprised of Government Grants, including those from the Department for Transport and Department for Education and Skills. Council controlled resources comprise of Housing Revenue Account (HRA) funds, prudential borrowing and capital receipts.

## Options

15. This report sets out the new capital investment proposals for the 4 year period covering 2026/27 to 2029/30. Members can choose to approve or reject the recommendations made to Council as a result of the amendments contained in this report. It should be noted that it is a statutory requirement for the council to set a capital budget for the forthcoming year per Local Government Act 2003 (revised).

## Summary of Proposed Capital Investment

16. The capital budget process invited proposals from the departments asking to submit requests for the Council's main capital priorities. Of the 8 proposals going forward 2 are new schemes requiring decision for new council funding, 2 are extensions to rolling programmes that require council funding. The remainder are externally funded (3) and HRA funded (1).
17. In total, proposals have been made that would increase the existing Capital Programme by **£42.180m**. The proposals are comprised as follows:
- General Fund schemes requiring financing by Council borrowing **£1.910m**
  - General Fund Schemes financed by external funds **£37.950m**
  - Housing Revenue Account schemes financed by HRA funds **£2.320m**

## Key Scheme proposals

18. The table below summarises the key proposals that result in an increase to the capital programme of £42.180m split by type. Whilst much of the investment relates to adding a future year to the programme there are proposals to invest in a phase 2 refurbishment of the crematorium and Hostel fire resilience building fabric improvements. Further details of the individual schemes can be found later in the report at the following references.

| Type   | Total Value   | Further Details |
|--|---------------|-----------------|
|  | £m            |                 |
| <b>New Schemes</b> – Prudentially Borrowed                             | 0.785         | Table 3         |
| <b>Rolling Programme</b> – Prudentially Borrowed                       | 1.125         | Table 4         |
| <b>Rolling Programme</b> – Externally Funded                           | 37.950        | Table 7         |
| <b>Housing Revenue Account (HRA) Schemes</b> – Funded by HRA resources | 2.320         | Table 8         |
| <b>Total Increase in Capital Programme</b>                             | <b>42.180</b> |                 |

*Table 2 – Summary of New Proposals and Increase in Capital Programme*

19. Overall, this report proposes new capital schemes totalling **£42.180m** which result in a net increase to the Capital Programme of the same

amount. Details of all schemes within the proposed capital programme can be seen in Annex 2.

## Detailed Consideration of Proposed Investment

### New Schemes – Prudential Borrowing

20. As part of this year's capital budget process a number of proposals have been received that require discretionary prudential borrowing. These are set out in **table 3** below.

| Scheme Type / Description                             | Total Value  | Financial Year |
|---|--------------|----------------|
|   | £m           |                |
| Crematorium Refurbishment Phase 2                     | 0.585        | 2026/27        |
| Hostel Fire resilience – Building fabric improvements | 0.200        | 2026/27        |
| New Proposals Requiring Prudential Borrowing          | <b>0.785</b> |                |

*Table 3 – Summary of New Proposals Requiring Prudential Borrowing Funding*

21. An overview of each new scheme being proposed is set out in the following paragraphs.
22. **Crematorium Structural Repairs and Refurbishment Phase 2 (£585k in 2026/27)** – Building renovations are crucially needed at York Crematorium. The roof is in need of repair and is the initial priority for the scheme. In addition, the facilities including the public toilets (both inside and outside) used by staff and customers, the kitchen area for staff, the reception area and the back-office area are all in poor condition and need updating. While the venue contributes significantly to the council's revenue budget, it is important to keep the premises in good order.
23. The budget will also be used to provide facilities for those with accessible needs. The crematorium building receives up to 1,000 visitors a day for services and therefore the facilities need to be of expected standard.
24. **Hostel Fire resilience – Building fabric improvements (£200k in 2026/27)** – Recently the "Changing Lives" organisation portfolio of hostel properties reverted to the care of City of York Council, following the transition of responsibility "FRAs" fire risk assessments have been

carried out which have brought to light a number of non compliances within the buildings when assessed against current building and fire regulations. Notably Peasholme Resettlement Centre, Robinson Court, Union Terrace, Howe Hill Hostel.

25. This funding required will address any areas where additional work is needed, such as replacement loft hatches and improvements to the existing compartmentation of roof spaces, which is key to the containment of the spread of fire in an emergency situation.

#### Rolling Programme Schemes – Prudential Borrowing

26. The 2025/26 – 2029/30 capital programme contained a number of rolling programme schemes that require funding on an ongoing basis. This report extends the rolling capital programme to 2030/2031 and also incorporates proposals which increase the level of currently approved rolling programme schemes by adding additional years across the financial years. These schemes are set out in the table below:

| <b>Scheme Type / Description</b>       | <b>Total Value</b> | <b>Financial Year</b> |
|--|--------------------|-----------------------|
|  | <b>£m</b>          |                       |
| Fleet Replacement – like for like      | 0.625              | 2026/27               |
| Contingency                            | 0.500              | 2026/27               |
| <b>Total Rolling Programme Schemes</b> | <b>1.125</b>       |                       |

*Table 4 – Summary of Rolling Programme Proposals Requiring Prudential Borrowing Funding*

27. All of the £1.125m of rolling programme schemes will require revenue growth to fund (to support the prudential borrowing), the revenue implications are contained in the Financial Strategy 2026/27 – 2030/31 report also on this agenda.
28. An overview of each scheme being proposed is set out in the following paragraphs.
29. **Fleet Replacement – (£625k 2026/27)** – Ongoing replacement of vehicle and plant since 2020, continued procurement is required to ensure fleet reliability and to assist services with maintenance budgets and costs that can escalate if assets are kept after scheduled replacement life. The funds required are to replace EV vehicles at end of life and to replace diesel powered HGV vehicles to EV in line with CYC policy to be carbon neutral by 2030. There is a case for HGV's to be purchased with diesel powered engines, this would significantly reduce

the purchase costs but will delay the CYC policy of being carbon neutral by seven years.

30. Additional funding is required over and above what is already in the programme as set out below:

- (i) Public Realm - 2x vehicles for use by Neighbourhoods Caretakers - these will replace hire vehicles that are currently in use. (total cost £170k)
- (ii) Streetworks - 6x vehicles to replace hire vehicles that are currently in use. (total cost £240k)
- (iii) Highways - 4 vehicles to replace aging assets that are not currently part of the replacement programme (total cost £215k)

31. **Contingency Funds (£500k 2026/27)** – Included within the capital programme is a contingency which is available to reallocate to other capital schemes if there are unexpected cost increases which cannot be managed within the programme. At Monitor 3 the Contingency stands at £1,086k. Given the scale of the capital programme and the value of pressures that are identified across schemes it is proposed to increase by £500k. This takes the contingency to £1,586k which is less than 1% of council borrowing over the period of the plan. The use of the contingency will need to be approved by Executive.

### **Rolling programme - Externally Funded**

32. In addition to part funded rolling programme schemes, Schemes that are fully externally funded are proposed as part of this budget process. This table shows the level of external funding that is increasing existing schemes and which year the change takes effect in:

| <b>Scheme Type / Description</b>                                 | <b>External Funding<br/>£'m</b> | <b>Financial Year</b> |
|--|---------------------------------|-----------------------|
| <b><u>Existing General Fund Schemes New External Funding</u></b> |                                 |                       |
| Highway Maintenance  | 6.000                           | 26/27-29/30           |
| Local Transport Fund   | 24.050                          | 26/27-29/30           |
| Bus Service Improvement Fund                                     | 7.900                           | 26/27-29/30           |
| <b>Total – New External Funding</b>                              | <b>37.950</b>                   |                       |

*Table 5 – Summary of New External Funding*



33. Highways and Transport capital allocations are now provided through York and North Yorkshire Combined Authority based on allocations that are provided from the Department for Transport.

34. The combined Authority have been provided the following capital allocations over the period 2026/27 and 2029/30

|                                      | <b>26/27<br/>£m</b> | <b>27/28<br/>£m</b> | <b>28/29<br/>£m</b> | <b>29/30<br/>£m</b> | <b>Total<br/>£m</b> |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Highway Maintenance                  | 64.30<br>2          | 74.639              | 80.695              | 92.251              | <b>311.81<br/>7</b> |
| Local Transport Fund                 | 20.40<br>7          | 22.072              | 24.529              | 26.985              | <b>93.993</b>       |
| Bus Service<br>Infrastructure        | 4.562               | 4.654               | 4.745               | 4.837               | <b>18.798</b>       |
| <b>TOTAL - Funded<br/>Externally</b> | <b>89.27<br/>1</b>  | <b>101.36<br/>5</b> | <b>109.96<br/>9</b> | <b>124.07<br/>3</b> | <b>424.67<br/>8</b> |

*Table 6 – York and North Yorkshire Combined Authority DfT funded capital allocations*

35. The government have confirmed that bus funding will continue into the coming years and both highway maintenance and transport funding allocations are increasing over the years. For planning purposes, a recognition of the likely scale of the budgets are proposed to be incorporated into the council budgets. The assumption for planning purposes is that CYC will receive 7% of the highway maintenance allocation based on road lengths and 33% of other transport funding. CYC will make arguments that this funding should be greater particularly in relation to using traffic usage rather than purely road lengths. However, as the allocations will be determined by the Mayor and Members of the Combined Authority the ongoing allocations will be subject to change.

36. Tab 7 below presents the current external funding assumed in the current capital programme for these funding streams the revised notional spend and the additional funds being added into the programme as part of this report

|                            | <b>26/27<br/>£m</b> | <b>27/28<br/>£m</b> | <b>28/29<br/>£m</b> | <b>29/30<br/>£m</b> | <b>Total<br/>£m</b> |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Highway Maintenance</u> |                     |                     |                     |                     |                     |
| Existing in Programme      | 4.000               | 4.000               | 4.000               | 4.000               | 16.000              |
| Notional allocation        | 4.500               | 5.300               | 5.700               | 6.500               | 22.000              |
| <b>Increase</b>            | <b>0.500</b>        | <b>1.300</b>        | <b>1.700</b>        | <b>2.500</b>        | <b>6.000</b>        |

|                                   |              |              |               |               |               |
|-----------------------------------|--------------|--------------|---------------|---------------|---------------|
|                                   |              |              |               |               |               |
| <u>Local Transport Fund</u>       |              |              |               |               |               |
| Existing in Programme             | 1.570        | 1.570        | 1.570         | 1.570         | 6.280         |
| Notional allocation               | 5.820        | 7.350        | 8.170         | 8.990         | 30.330        |
| <b>Increase</b>                   | <b>4.250</b> | <b>5.780</b> | <b>6.600</b>  | <b>7.420</b>  | <b>24.050</b> |
| <u>Bus Service Infrastructure</u> |              |              |               |               |               |
| Existing in Programme             | 0.000        | 0.000        | 0.000         | 0.000         | 0.000         |
| Notional Allocation               | 1.900        | 2.000        | 2.000         | 2.000         | 7.900         |
| <b>Increase</b>                   | <b>1.900</b> | <b>2.000</b> | <b>2.000</b>  | <b>2.000</b>  | <b>7.900</b>  |
| <b>Total Increases</b>            | <b>6.650</b> | <b>9.080</b> | <b>10.300</b> | <b>11.920</b> | <b>37.950</b> |

*Table 7 Increases in externally funded Transport Budgets*

### **Housing Revenue Account (HRA)**

37. The **Housing Revenue Account** generates funds within the account to deliver capital repairs and investment in its properties.

38. Table 6 shows the overall movement (growth) against the existing approved expenditure plans.

*Table 8 – Summary of HRA investment*

| <b>Scheme Type / Description</b>  | <b>Total Value<br/>£'m</b> | <b>Financial Year</b> |
|-----------------------------------|----------------------------|-----------------------|
| <b>New Investment for the HRA</b> |                            |                       |
| Major Repairs & Modernisation     | 2.320                      | 26/27 to 29/30        |
| <b>New Investment for the HRA</b> | <b>2.3230</b>              |                       |

39. **Major Repairs & Modernisation of LA Homes (£580k growth per annum 2026/27 to 2029/30, £2,320k in total) –** The HRA has required to allocate additional funds to reflect the need to structurally maintain its stock which has resulted in an increase of £580k per annum in the capital budget across all years. A major stock condition survey has been completed against all of the councils c.7,500 homes. The programme of works for 2025/26 will be focused on delivering all of the required improvements under Year 2 of a 5 year stock investment programme. Works will ensure that homes reach the “City of York Standard”, focusing upon matters of interest for tenants such as:

- Improving the energy efficiency of homes, seeking to bring the Energy Performance rating of homes up from D to C.
- Significant investment to tackle damp and mould in customers homes that is the result of failing structural elements to the building fabric. This will also ensure that we are completing all works in the timeframes as defined in Awaab's Law.
- Working to complete the upgrading of older uPVC windows, installing high performance and thermal efficient new windows.
- Modernising over 500 Kitchens and bathrooms as defined by the stock data. 100 additional in 26/27 to "smooth" the programme for future years.
- Installing secure, ideally composite, external doors, replacing soft-wood doors as a priority.
- Continuing significant investment in fire related activities as defined in our Fire Risk Assessments.
- Installing home humidity monitoring devices to proactively tackle hazards identified under Awaabs Law.
- Renewing roofs and insulation in lofts to improve thermal comfort and reduce utility bills for customers.
- Work to improve communal areas as identified in satisfaction surveys

40. With the additional investment identified above the total modernisation budget will be as follows

|         | Original Budget<br>£'000 | Carry Forward<br>£'000 | Additional Budget<br>£'000 | Proposed Budget<br>£'000 |
|---------|--------------------------|------------------------|----------------------------|--------------------------|
| 2026/27 | 11,827                   | 3,565                  | 580                        | 15,972                   |
| 2027/28 | 12,043                   |                        | 580                        | 12,623                   |
| 2028/29 | 12,200                   |                        | 580                        | 12,780                   |
| 2029/30 | 12,100                   |                        | 580                        | 12,680                   |

*Table 9 Housing Major Repairs Budgets 2026/27 to 2029/30*

41. Members will note the significant level of carry forward into 2026/27. It is proposed that £500k is set aside for additional aids and adaptations to support residents to remain in their homes for as long as possible. It is also proposed that £1m will be refocused to deliver further retrofit works.
42. The remaining budget totals £14,472k. A preliminary breakdown of the type and value of works are provided below:

|                                  | <b>2026/27<br/>budget<br/>£'000</b> | <b>Description of works 2026/27</b>   |
|----------------------------------|-------------------------------------|---|
| Home Modernisation               | 1,970                               | Periodic modernisation of homes, providing new kitchens, bathrooms and electrical wiring. At the same time, and where the energy efficiency of the home is currently rated D, seek to carry out insulation and other works to improve its thermal efficiency. Homes will benefit from an upgrade to their bathroom and kitchen ventilation, when new humidistat controlled, extract fans are installed, helping to control the moisture which can give rise to mould. An estimated 200 homes will be modernised which will include properties identified in the stock condition survey. |
| Modernisation of Void properties | 1,500                               | Essential repairs to void properties including the upgrading of the kitchen, bathroom and electrical wiring if the outgoing tenant had previously refused this. We will also carry out works to improve the energy efficiency of the home and major structural damp where required. An estimated 75 homes are expected be improved.   |
| Heating/Boilers                  | 409                                 | Boiler renewal cost will reduce by bringing the work in-house. This will free up resources for other elements of the programme.   |
| Roof Replacements                | 1,100                               | Roof Replacement Works, guided by stock condition results. An estimated 120 homes will be updated this year. Loft insulation to be topped up where necessary to improved thermal performance of properties  |
| Communal Areas                   | 1,000                               | Repairs for communal areas as well addressing H&S risks   |
| Door Entry Systems               | 102                                 | Programme to upgrade the communal door entry systems plus replacement when beyond repair. Estimate 44 repairs in 2026/27.   |

|                                      |       |   |
|--------------------------------------|-------|---|
| External Doors                       | 400   | A programme of External Door Replacements to approximately 300 homes to provide high quality composite doors and deliver Decent Homes "safe and secure". This includes properties identified as needing replacement in year 2 of the stock condition survey   |
| Window Replacements                  | 700   | Window Replacements in the Tang Hall area will progress, addressing difficulties with 1st generation uPVC double glazed windows. 70 homes will get new, high performance, windows, helping to keep homes secure and draught free.   |
| Tackling damp                        | 2,780 | Addressing rising and penetrating damp issues in homes and meeting the requirements set out by Awaab's Law. Expect to carry out works to an estimated 35 homes. We will continue to proactively find damp in properties rather than waiting for tenants to report issues.   |
| Fire Remedial Works                  | 1,840 | Year 3 of a 4 year programme to address all actions from 2023 Fire risk assessments.  |
| Fire Doors                           | 200   | Installation of Fire Doors following FRA and Fire Door inspections. 100 to be installed to help keep tenants safe in the event of a fire.   |
| Smoke alarms and electrical upgrades | 272   | Installation of smoke alarms, rewires and replacement of consumers units. Work identifies in the stock condition survey and electrical testing.   |
| Asbestos Removal                     | 150   | Remedial works following asbestos surveys.  |
| Other                                | 2,049 | Various budgets including one-off capital salaries, health and safety works, small planned and reactive projects, kitchen and bathroom refurbishments, water tank upgrades, upgrading communal corridor lighting and a budget for design drawings to improve the approach taken to investment to include architectural designs when required. |

*Table 10 – Breakdown of Major Repairs & Modernisation of LA Homes 2026/27 Budget*

43. The intention of these projects is to ensure the Council invest in and plan for the future, ensuring we support safe, sustainable, affordable and good quality homes.
44. **Local Authority Homes (no proposed budget changes)** - The first of the Council's fully certified Passivhaus projects, Duncombe Barracks, has now been completed. The site provides 34 homes and one commercial unit as well as generous public open space at the heart of the development. The phased handover of the second project, Burnholme, is now underway, and will provide 78 new homes and five self-build plots. The development is anticipated to be complete by the end of March 2026. Both sites are 60% affordable housing supported by grant funding from Homes England.
45. Ordnance Lane is the first site in the Housing Delivery Programme to be delivered as 100% affordable housing. The retained 'Married Quarters' building will be retrofit to high environmental standards. Following planning approval in August 2024, the procurement of a principal contractor to build the 101 Passivhaus homes was undertaken in 2025 and a preferred bidder selected. Clarifications and agreement on a process to adjust the design are being worked through before a contract can be entered into. It is expected the project will start on site Autumn 2026. The project was awarded £2m of funding from the York and North Yorkshire Combined Authority (YNCA) Brownfield Fund and a bid will be made to Homes England for funding under the Social and Affordable Homes Programme (SAHP) once it opens in February 2026.
46. Engagement with the community and design development for new housing at the Willow House site and improvements in the wider South Walmgate area have progressed well. A planning application has now been submitted and procurement for an enabling works contractor is about to start. A procurement for a main contractor will follow, with construction expected to start in early 2027. The project was awarded £1.1m of funding from the YNYCA Brownfield Fund and a bid will be made to Homes England for funding under the SAHP once planning approval has been received. A £940k funding bid has also been submitted to the OPE.
47. A pipeline for further developments is being successfully created. A design team will be procured for the development of 75 affordable homes at the former Manor School site. A decision will be sought for

the same process at Castle Mills for the development of 93 affordable homes and three commercial units. Funding from the YNYCA Brownfield Fund has been awarded to both projects, and bids will be made to Homes England for funding under the SAHP once planning approvals are in place. Feasibility work is underway for further sites: Askham Bar where up to 62 affordable homes could be provided; flats at 1-31 Tuke Avenue where options to provide improved accommodation are being explored, including the possibility of redevelopment of new affordable flats; and options for the Delwood independent living complex are being looked at.

48. The Housing Delivery Programme also includes small sites: market testing of small Council-owned sites is carried out with Registered Providers (RPs) for development of affordable housing with a view to dispose of the sites and expediate the delivery of additional affordable homes in the city. Bids have been accepted at three sites: Clifton Without School, Woolnough House and 68 Centre. A bid to the YNYCA Brownfield Fund for the latter has been successful which will help the Registered Provider taking on the site with the enabling works. In total, small sites will provide approximately 30 additional affordable homes.

### **Funding Position – Council Prudential Borrowing**

49. The budget proposals require additional prudential borrowing to new schemes totalling £0.785m and to rolling programme schemes (including contingency) totalling £1.125m. This results in a total increase in the level of debt (the underlying need to borrow for capital investment purposes only) of £1.910m over the 4 year programme. Table 11 shows the financial impact on a year by year basis and over the 5 year period.

*Table 11 – Net Funding Position of Prudential Borrowing Schemes*

|   | <b>26/27</b><br><b>£000</b> | <b>27/28</b><br><b>£000</b> | <b>28/29</b><br><b>£000</b> | <b>29/30</b><br><b>£000</b> | <b>Total</b><br><b>£000</b> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| New Schemes                             | 0.785                       | -                           | -                           | -                           | <b>0.785</b>                |
| Rolling Programme                       | 1.125                       | -                           | -                           | -                           | <b>1.125</b>                |
| <b>Increase in Prudential Borrowing</b> | <b>1.910</b>                | -                           | -                           | -                           | <b>1.910</b>                |

50. The incremental revenue costs of the new schemes funded by prudential borrowing is estimated at £180k over the 4 year budget period, assuming borrowing of £1.910m. Actual borrowing may be taken during 2026/27, although the costs are not incurred in revenue until the year following any capital expenditure. The Financial strategy report elsewhere on the agenda includes revenue growth of £2.3m to

cover additional capital investment most of which has been approved as part of previous capital budget reports.

## Summary of Analysis

51. Table summarises the additions and amendments made as part of this report (outside of re-profiling) split by rolling programme schemes and new schemes (by funding type) showing an overall increase in the capital programme of **£42.180m** of which £33.040m relates to the extension of the programme to future years.

|  | <b>26/27<br/>£m</b> | <b>27/28<br/>£m</b> | <b>28/29<br/>£m</b> | <b>29/30<br/>£m</b> | <b>Total<br/>£m</b> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>1) New CYC Schemes</b><br>Funded by CYC PB (Tab 3)          | 0.785               | -                   | -                   | -                   | <b>0.785</b>        |
| <b>2) Rolling Programme Schemes</b> Funded by CYC PB (Tab 4)   | 1.125               | -                   | -                   | -                   | <b>1.125</b>        |
| <b>3) Existing Schemes</b><br>Funded by External Grant (Tab 7) | 6.650               | 9.080               | 10.300              | 11.920              | <b>37.950</b>       |
| <b>4) HRA Schemes</b> Funded by HRA (Tab 8)                    | 0.580               | 0.580               | 0.580               | 0.580               | <b>2.320</b>        |
| <b>Total Net Increase to Capital Programme</b>                 | <b>9.140</b>        | <b>9.660</b>        | <b>10.880</b>       | <b>12.500</b>       | <b>42.180</b>       |

*Table 12 – Summary of new expenditure by funding type 2026/27 – 2029/30*

52. The outcome of the proposals outlined above if accepted are illustrated in the next table which sets out the proposed capital budget for each directorate over the next 5 years and in detail in Annex 2.

| <b>Gross Capital Programme</b>    | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>2028/29<br/>£m</b> | <b>2029/30<br/>£m</b> | <b>Total<br/>£m</b> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Children's services               | 13.479                | 0.187                 | 0                     | 0                     | <b>13.666</b>       |
| Adult Social Care                 | 0.728                 | 0.752                 | 0.776                 | 0.800                 | <b>3.056</b>        |
| Housing                           | 31.767                | 34.105                | 32.070                | 16.590                | <b>114.532</b>      |
| Communities                       | 0.585                 | 0                     | 0                     | 0                     | <b>0.585</b>        |
| Transport, Highways & Environment | 58.065                | 49.500                | 45.699                | 64.172                | <b>217.436</b>      |
| City Development                  | 10.725                | 4.406                 | 2.363                 | 0                     | <b>17.494</b>       |
| Property Services                 | 1.838                 | 0.275                 | 0.275                 | 0.275                 | <b>2.663</b>        |
| ICT                               | 3.293                 | 2.970                 | 2.820                 | 2.820                 | <b>11.903</b>       |
| Corporate Services                | 0.869                 | 0.394                 | 0.200                 | 0.200                 | <b>1.633</b>        |



|                                |                |               |               |               |                |
|--------------------------------|----------------|---------------|---------------|---------------|----------------|
| <b>Total Capital Programme</b> | <b>121.349</b> | <b>92.589</b> | <b>84.203</b> | <b>84.857</b> | <b>382.998</b> |
|--------------------------------|----------------|---------------|---------------|---------------|----------------|

*Table 13 – Proposed Capital Programme 2026/27 – 2029/30*

### **Future Investment and review of the capital programme**

53. As stated elsewhere in the reports on the agenda, the outcome of the Fair Funding Review is going to limit the resources available to the council to invest in services over the coming years.
54. The council agrees to increases in the capital programme each year as part of the budget process. As the council identifies a 5 year capital programme much of the investment is agreed in advance of the revenue budget that is considered at that time. It is necessary therefore to add growth to the revenue budget to reflect additional costs relating to borrowing. The level of additional cost is dependent on two key factors: the expected asset life relating to the investment and the level of interest rates at the time that the council is able to take out borrowing.
55. Whilst the asset life cost is determined and charged a year after expenditure the interest costs will be impacted by when the council needs to borrow, and the level of cash held at any one time.
56. The decisions made by council as part of the budget process over previous years is necessitating revenue growth in the budget of over £2m per annum over the coming years. This will be at a time when revenue funding could be cash limited and therefore all growth will have to be funded by savings.
57. It is recommended that as part of the early consideration of budget savings for the 2027/28 revenue budget a review of council funded capital schemes is undertaken to confirm whether schemes currently in the capital programme are still anticipated to deliver outcomes in line with the council plan and providing good value for money.
58. The result of this review and associated recommendations would need to be considered during the year by Executive.

### **Other Major Capital Projects**

59. **York Outer Ring Road Dualling** - The planning application for the scheme was approved in 2024 and since then, a milestone review has been undertaken, along with other works such as land purchase

negotiations, contract procurement, and the business case also being progressed. Members agreed in July 2025 that the scheme be delivered in four phases, due to the increased anticipated costs. This will prioritise available funding to the local plan infrastructure requirements, unlocking key development sites and providing much needed new homes. In 2026/27 the priority will be to discharge the pre-commencement planning conditions and compile the tender documentation for the main works contract.

60. **York Station Gateway** – Following completion of Package 1 (Services Diversions) in 2023, Package 2 (Highways Works) has been progressing on site through 2024/2025 and 2025/2026 and is now in its final phases with completion expected in Summer 2026. The project has experienced significant delays on site due to unforeseen ground conditions, design changes and other client risk issues.
61. During 2026, focus will move to development and delivery of the remaining scheme packages for Station Gateway, subject to revised budget and grant agreements. These are Package 3 (Station Works) to be delivered by LNER, Package 4 (Loop Road) to be delivered by CYC, and Package 5 (Multi Storey Car Park) being delivered by Network Rail, which is currently progressing on site with enabling works in advance of the planned new modular Car Park delivery, with completion expected in late 2026 to early 2027. The interfaces between the packages will continue to be managed through the project partnership.
62. **Haxby Station** - The project resumed during 2025, following the Government announcement of funding to full delivery. Moving forwards, delivery of the new station will be led by DfT and Network Rail, with the council being a principal stakeholder and responsible for the delivery of enabling highways works. The Council remains the current freehold owner of the site of the new station following land acquisition four years ago. The council remains committed to supporting the delivery of the station (by Network Rail) and have specific responsibility for providing the associated highways works and measures to enhance active travel within the area.
63. As a result of the delays, the estimated date for completion and the new station opening has slipped to circa end of 2027 / early 2028 (still contingent on a number of factors outside of the council's control). Network Rail and the council have a planning application pending, determination having been delayed due to statutory requirements to undertake further ecological surveys and

investigations for protected species on-site, which have now concluded, plus a number of comments by statutory consultees which have needed to be resolved. The ambition is now for determination of this application in 2026.

- 64. **York Central** - The project funding position for York Central was reprofiled in 2024/25 to reflect an updated funding agreement with project partners. The key change was that the £35m CYC contribution towards site infrastructure work moved to 2025/26 onwards, the draw down profile remains under active review as part of project governance.
- 65. Progress on the project is positive. The planning applications for the Phase 1 development and Network Rail Access Infrastructure are validated and under consideration, and core enabling infrastructure delivery continues following the opening of the phase 1 highways access. Preparations for the NRM central hall works are also continuing.
- 66. **Castle and Eye** (part of the **Castle Gateway** Masterplan) – 2025/26 has seen significant progress with the scheme gaining Executive approval of the funding model and procurement of works (£9.934m) for the Castle & Eye scheme, including improvements to Coppergate Car Park, and the closure of Castle Car Park. The scheme was also approved by the planning committee in December. Key actions for the forthcoming year will be to procure works, undertake detailed design, discharge planning conditions and secure wider consents, with delivery to follow this activity. Alongside Castle & Eye, work continues to consider and progress wider aspects of the Castle Gateway Masterplan proposals.

## **Consultation Analysis**

- 67. There has been consultation over the budget process and this has been detailed within the Financial Strategy 2026/27 to 2030/31 report elsewhere on the agenda.

## **Organisational Impact and Implications**

- 68. The recommendations in the report potentially have implications across several areas. However, at this stage

- **Financial implications** are contained throughout the main body of the report.
- **Human Resources (HR)**, the capital programme supports a number of staff within the organisation who deliver capital schemes. The level of funding available will impact the number of staff who are required. It is not anticipated that the changes in the programme reported will have a significant impact on staffing levels.
- **Legal** *Local authorities are required under the capital finance regime set out in the Local Government Act 2003 to have regard to the Prudential Code when carrying out their duties. The key objectives of the Code are to ensure ‘... within a clear framework, 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.’*

*Schemes within the capital programme will themselves be in receipt of legal advice where necessary throughout the year.*

- **Procurement**, Whilst there are no direct procurement implications relating to the report itself, procurement will be a main tool used to deliver some of the upcoming projects and will be a supporting tool for the capital programme. Should works and/or services become apparent, these must be procured via a compliant, open, transparent, and fair process in accordance with the council’s Contract Procedure Rules and where applicable, the Public Contract Regulations 2015. Creative and innovative ways of procuring will be explored to ensure York’s local supply chain can tender for any contracts to support and improve the local economy. Further advice regarding the procurement process and development of procurement strategies must be sought from the Commercial Procurement team.
- **Health and Wellbeing**, reductions in spend in some areas could impact on the health and wellbeing of both our staff and residents. The impact of any reductions in spend will continue to be carefully monitored so that implications can be considered and mitigated where possible.
- **Environment and Climate action**, there are no direct implications related to the recommendations, but each scheme will need to consider the Environment and Climate impacts as they progress through future decisions.

- **Affordability**, Works to improve affordability of homes are included through the provision of a wide range energy efficiency improvements and affordable house building plans. The Rough Sleepers Accommodation Programme provides homes for those at risk of homelessness in the city, therefore this report has a positive impact on affordability of housing in the city.
- **Equalities and Human Rights**, whilst there are no specific implications within this report, some of the individual schemes within the programme make due consideration of these implications as a matter of course.
- **Data Protection and Privacy**, there are no implications related to the recommendations.
- **Communications**, the information set out in this report necessitates both internal and external communications.
- **Economy**, the council's capital programme does provide work for regional and national suppliers / contractors so will impact the wider economy.

## Risks and Mitigations

69. There are a number of risks inherent in the delivery of a large scale capital programme. To mitigate against these risks the capital programme is regularly monitored as part of the corporate monitoring process, and the project management framework. This is supplemented by internal and external audit reviews of major projects. In addition, the Major Projects all have regular monthly Board meetings to plan, monitor and review their capital schemes to ensure that all capital risks to the Council are monitored and where possible minimised.
70. Additional risk exists in relation to existing schemes in the Capital programme whereby costs are incurred in developing a project, however no asset is achieved. Such costs may then need to be written off to the revenue account. The risks in relation to this are referred to separately in the Revenue Budget Report also on this Agenda.

## Wards Impacted

71. The schemes within the capital programme impact all wards across the council.

## Contact details

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

## Author

|                         |                               |
|-------------------------|-------------------------------|
| <b>Name:</b>            | Emma Audrain                  |
| <b>Job Title:</b>       | Technical Accountant          |
| <b>Service Area:</b>    | Finance                       |
| <b>Report approved:</b> | Yes                           |
| <b>Date:</b>            | 16 <sup>th</sup> January 2026 |

## Annexes

- Annex 1 – Capital Budget Growth 2026/27 to 2030/31
- Annex 2 – Restated Capital Budget 2026/27 to 2030/31

Abbreviations used in this report:

CRAM – Capital Resource Allocation Methodology

CYC – City of York Council

DfT – Department for Transport

EV – Electric Vehicle

FRA – Fire Risk Assessment

GF - General Fund

HGV – Heavy Goods Vehicle

HRA - Housing Revenue Account

H&S – Health & Safety

ICT – Information & Communications Technology

PB- Prudential Borrowing

RP – Registered Provider

SAHP – Social and Affordable Housing Programme

uPVC - Unplasticized Polyvinyl Chloride

YNYCA – York & North Yorkshire Combined Authority