

Title of report: Public Realm Services Annual Plan and Highways Commission –2025/26

Decision maker: Cabinet Member Roads and Regulatory Services

Decision date: 28 January 2025

Report by: Corporate Director Economy and Environment

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose and summary

To confirm highways maintenance funding for 2025/26 and the annual plan for the Public Realm Services contract with Balfour Beatty Living Places (BBLP).

Recommendation(s)

That:

- (a) the annual plan for public realm services, as outlined at Appendix 1 of this report be approved as the basis for service delivery during 2025/26 subject to the confirmation of the revenue and capital budgets as detailed in paragraph 43 and;**

- (b) approval to spend the retained capital budget of £2,599,000 as detailed in paragraph 43;**
- (c) the Interim Chief Operating Officer be authorised to agree, through the Public Realm Contract governance arrangements, final adjustments to the programme (including any recommendations from the Strategic Partnering Board) and budget allocation to each of the Annexes and any in-year adjustments to the plan, within the overall budget; including the retained capital budget;**
- (d) the Interim Chief Operating Officer be authorised to implement and expend the Department for Transport (DFT) Local Highways Maintenance Funding Allocations for 2025/26 of £5,882m in accordance with the Highway Maintenance Plan.**

Alternative options

1. Not to approve the annual plan. This is not recommended as operating without an approved annual plan may put the management of budgets, performance and contract management arrangements at risk.
2. If in-year changes to the service as detailed in this annual plan are required, then these can be best managed, from the baseline position established in the annual plan, through the change management processes that are in the Public Realm Services contract and managed through the council's contract management team following instruction from the appropriate commissioner.
3. To approve an alternative annual plan for 2025/26; this option is not recommended as the development of the annual plan has gone through a robust process with BBLP and the council's commissioners and contract management team to ensure effective prioritisation and asset management have been applied within the overall budgets available.

Key considerations

4. Balfour Beatty Living Places (BBLP) has developed and submitted the annual plan in accordance with the Public Realm Contract, which has been fully evaluated by the council's commissioners and contract management team. The evaluation confirms that the annual plan meets the council's objectives for the public realm (Highways and associated services) and ensures its delivery within the assigned budgets. The council's Public Realm Contract Service Manager accepts the annual plan as meeting the terms of the Public Realm Services Contract.
5. Cabinet member approval provides governance for the annual plan, confirmation of the commission and acceptance by the council for managing BBLP's performance during the forthcoming financial year. Following cabinet member approval, and confirmation of the final budget, the annual plan will be submitted to the Public Realm Contracts Strategic Partnering Board (SPB) for its approval as required as part of the contract governance. This enables the council to issue the relevant contract instructions and orders.
6. The Public Realm Services contract between Herefordshire Council and BBLP commenced on 1 September 2013. This is one of the council's most significant strategic contracts in terms of range of services and their value. To ensure the services provided through the contract meet the council's requirements, the contract requires the production and agreement for an annual plan.

7. The services delivered in Herefordshire through the Public Realm Contract support the council's key priorities in [Herefordshire Council Plan 2024-2028](#).
8. The annual plan has been developed by BBLP based on instruction from the council's commissioners, with engagement from ward members and parish councils. It will make best use of the available capital and revenue resources and ensure the delivery of the revenue savings required by the Medium-Term Financial Strategy.
9. The council received the draft annual plan from BBLP and this has been robustly challenged to ensure that it meets the council's commissioning objectives, delivers the requirements as set out in the contract and is aligned to the council's polices and priorities. The annual plan consists of 2 parts:
 - a. The Service Overview (see appendix 1).
 - b. A suite of service annexes.

The annual plan Service Overview at Appendix 1 is now a commercially driven document, which links directly back to the Public Realm Contract and the council's current Delivery Plan and Polices. The detailed service annexes will be available on the council website [here](#).

10. The council's commissioners and contract management team, following a process of challenge and due diligence, formally agreed the service overview and this enables the council to issue the appropriate Service Orders to BBLP for the contract for 2025/26. The council's commissioners and contract management team have also robustly challenged the draft Service Annexes and Budget Masters submitted by BBLP to ensure that these clearly set out the deliverables and costs for each service area in order that the council can clearly identify what is being commissioned. This review and due diligence is required to be completed by the end of March 2025, in line with the contract conditions. Any matters that cannot be resolved will be detailed within the Service Manager Acceptance Report issued by the council as part of the contract approval process and formally submitted for agreement at the Strategic Partnering Board.
11. Further improvements introduced in 2024/25 to strengthen and support the delivery building on the findings of the Major Contract Improvement Plan and now form an integral part of the new operating model adopted by the Council in the management of the Public Realm Contract. These are:
 - The role of the council's contract management team being clearly defined to manage commercial matters and ensure that the required commercial tension is within the contractual relationship. This is led by the Interim Director of Commercial Services.
 - The role of the council's commissioning function, led by the Interim Chief Operating Officer that reinforces the commission role to ensure that the council are clear on the commission and service outputs.

These organisation changes have provided clarity to the management of the Public Realm Contract with clearly defined roles and responsibilities for commissioning and contract management.

12. As part of the annual plan process, a series of successful consultation events were held for members and Parish Councils in January 2024 with higher attendance than previous years. Each session took its own direction in terms of questions and answers, with those

attending having sufficient opportunity to ask any questions about the annual plan process. Matters raised were either dealt with there and then, or taken away and responded to. It was also clear that having the opportunity to talk to members and Parishes face to face was valuable and allowed for their knowledge and understanding, as well as confidence in dealing with highway related matters, to be increased. General observations from the events include a desire for data to be opened up to allow a greater understanding of the state of the network at a ward or parish level and to enable greater self-service.

13. Based on the successful formats of the events held in 2024, events are planned for 29 and 30 January 2025 to present the aims and deliverables of the 2025/26 annual plan and facilitate further engagement on the service priorities. The meetings will provide information on:
 - i. The strategic context behind the annual plan and how this links to the Local Transport Plan (LTP) and how this serves as the key transport strategy document for the county. This strategic overview will also set out how the council's other plans such as the Local Cycling and Walking Infrastructure Plan, Draft Hereford City Masterplan, Local Plan and the Big Economic Plan all fit into setting the overall plan for Herefordshire and how they are crucial to unlocking funding from Central Government.
 - ii. How decisions and priorities are made regarding investment in the highway network, with sources such as SCANNER, SCRIM, Gaist and Vaisala which are used in addition to inspection and defect data to monitor and record information on each asset. This will provide information on when to invest at the right time and how work is undertaken to try and reduce growth in reactive demand by undertaking less costly planned maintenance, rather than having to deal with an asset that had deteriorated so far as to require complete repair.
 - iii. The framework for the annual plan, including an overview of Herefordshire's assets and the revenue and LTP budget profiles.
 - iv. How the various strategies and plans that had been set out by the council filtered through and down through asset management policy, strategy and planning, to asset operation and maintenance and day to day service delivery.
 - v. An overview of the various annexes that make up both the capital and revenue services, setting out what the annual plan is made up of, along with some key considerations and challenges.
 - vi. An overview of the Community Commissioning Model and Parish Lengthsman scheme.
 - vii. An overview of the council's in-house Public Rights of Way and Traffic Management team highlighting the work undertaken during 2024/25 and plans for 2025/26.
 - viii. An overview of alternative technologies that are being considered for deployment to maintain the highway network.
14. To ensure that there is continuous opportunity to discuss the programmes the bi-monthly meeting will be held during the year for all elected members and parish councils to discuss local matters and have regular updates on programme delivery.

15. In accordance with the Public Realm Contract BBLP are required to achieve cashable savings of 3% in the relevant financial year (or whatever equivalent efficiency measure that may be placed upon the employer by central government or reasonably agreed between the employer and the provider during the contract period). The council can, under the Public Realm Contract, not approve an annual plan if it does not sufficiently demonstrate that it is capable of delivering on the target of Cashable Savings of 3% in the relevant financial year as against the projected total spend.
16. During 2024/25 the council has worked with BBLP on a Service Improvement Plan for the contract which has identified a number of initiatives and savings that have been included into the 2025/26 annual plan. The 3% savings target for the public realm contract for FY 2025/26, based on the revenue spend of £5.8million is £174,000 and the Contract Management Team has agreed a schedule of efficiency savings submitted by BBLP which will be incorporated into the annual plan with the risk of delivery residing with BBLP.
17. The council has continued to work with BBLP to maximise the efficiencies that can be captured within the delivery of the capital programmes following the procurement review of BBLP's supply chain costs implemented in 2023/24. The review identified efficiencies in the delivery of the council's capital projects following a detailed assessment led by the council's procurement and contract management teams and BBLP's procurement and commercial teams.
18. The review tested the efficiency and value for money achieved through the supply chain and demonstrated in-year efficiency gains based on BBLP's renegotiation of the supply chain rates when benchmarked against current market indices. These rates have been further tested by BBLP during 2024/25, and these benefits will enable the council to deliver more works from the Forward Programme which has been factored into the delivery programmes within the 2025/26 annual plan.
19. The council, in its approach to best practice, has developed and operates a risk-based approach to routine highway maintenance in accordance with the latest highway maintenance codes of practice.
20. The risk-based approach within the Highways Maintenance Plan has been in place for 5 years and an extensive review of the implementation is now complete. The annual plan 2025/26 programmes of work have been constructed in accordance with this risk-based approach and in line with the current council policy and priorities.
21. Like many councils the highways network has deteriorated over time with grants not able to cover all the capital investment required to prevent further deterioration of the highway network. Revenue budgets are fully utilised each year to keep up with repair work to ensure that the network is in a safe condition before longer term capital investment is available. The road network has a backlog of maintenance, the values are estimated from national guidance, as a high-level analysis the figures reflect and are representative of the view of deterioration across the highway's asset. This would be to bring all assets back to a new condition.

Asset Type	Current Estimated Backlog (Minimum Value)
Carriageways	c£119.2million
Footways and Cycle ways	c£1.7million
Structures	c£80.5million
Street Lighting	c£1.7million
Traffic Signals	c£2.4million
Road Markings	c£1.2million
Traffic Signs	c£2.9million
Vehicle Restraint Systems	c£1.3million
Trees and Verges	c£1.0million

22. The council continues to lobby for additional support for highways maintenance and it is not sustainable to pass all this onto local residents. However, the level of investment within the Annual plan is insufficient to maintain a steady state in terms of highway condition and provide the level of service that the council would aspire to. As such, difficult decisions on priorities for investment have to be made, and the detailed annexes will reflect the funding reality facing the service.
23. A decline in the overall condition of the highway asset will be inevitable over time. However, through concentrating on statutory services and duties, and following our asset management strategy and policy and the Highways Management plan, the council is able to minimise this deterioration. Service levels for non-statutory services are delivered on the basis of best endeavours.
24. On the 20 December 2024 the Department for Transport (DFT) announced its Local Highways Maintenance Funding Allocations for 2025/26 confirming that the council will receive an additional £7,462,000. However, £1,580,000 will be used to fund the Highways Infrastructure Investment line in the capital programme that was previously approved without a secured grant. This leaves £5,882,000 to add to the Local Transport Plan line in the capital programme.
25. The DFT confirmed that it is for individual local highway authorities to determine how best to use this funding across their highway networks to the benefit of all road users. The funding is not just for fixing potholes, but for resurfacing roads and cycleways, mending broken pavements, and looking after bridges, tunnels, retaining walls and other structures.
26. The DFT highlighted that it is “keen to ensure that the additional funding genuinely leads to additional highway maintenance activity, and is considering further what reporting requirements might be appropriate” and that “25% of the funding uplift for 2025/26 will be contingent on local highway authorities demonstrating compliance with certain criteria aimed at driving best practice and continual improvement in highways maintenance practice”. The DFT confirmed that further details of this will be set out in due course.

27. The council is well positioned to implement this funding based on the current asset information and Forward Programme. Revised delivery programmes will be developed to ensure that this funding can be directed into those identified priority areas based on the principles of the council's Highway Maintenance Plan. The additional funding will enable the council to accelerate works already assessed and identified for future years either through the Annual Plan for 25/26 with BBLP or through the council's framework agreement for Highways and Public Realm Schemes

Community impact

28. There is clear evidence that the effective management of the public realm, which includes highways, parks and public rights of way, is an important contributor to the county's health, wellbeing and economy.
29. A clear measurable annual plan provides a mechanism for monitoring performance and supports the council to achieve its corporate plan priority to secure better services, quality of life and value for money for the people of Herefordshire.

Environmental Impact

30. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
31. The annual plan is aligned to meet the council's environmental objectives that will support the council meeting its net zero ambitions including impacts. The impacts will be managed and reported through the ongoing contract management reporting progress to the contract Strategic Partnering Board and will include.
- The delivery of drainage schemes on the networks helping to reduce the impact of flooding.
 - Maintenance of the open spaces to improve residents' experience in accessing to green space in Herefordshire.
 - Maintenance of footpaths and cycle ways help to increase the number of short distance trips being done by sustainable modes of travel.
 - Improvements to air quality.
32. The environmental impact of the annual plan has been considered by the council's commissioners and includes appropriate requirements on BBLP to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity. Performance measures are in place to encourage BBLP to adopt the council's carbon reduction targets, utilise local suppliers, improve biodiversity, active and sustainable transport options, zero waste targets and reducing energy usage.

Equality duty

33. The public sector equality duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.

34. The mandatory equality impact screening checklist has been completed for this decision, and it has been found to have a high impact for equality.
35. Due to the scope of this decision and its potential impact on certain protected characteristics, an Equality Impact Assessment is attached as Appendix 2 to this report.
36. In summary, the annual plan impacts on protected characteristics as follows:
 - Includes provision for maintenance and improvement of the active travel routes in the county.
 - Prioritises works based on usage and aims to improve active travel access to key community facilities (including educational facilities for younger people in education) and destinations.
 - Includes improvements of routes which provide accessibility to the public transport network.
37. BBLP is fully aware of their contractual requirements in regard to equality legislation and is proactive in considering its duty when commissioned by or working with the council to introduce public realm projects. The effective management of the public realm supports equality through the improvement of access to public spaces and maintenance (lighting, footways etc) of public rights of way. This supports persons that share a protected characteristic in particular disabled people and women.
38. BBLP has a Fair & Inclusive Workplace Policy which sets out its commitment to creating an inclusive workplace, free from discrimination, harassment and other unacceptable behaviour. As part of this all employees are required to complete Value Everyone Diversity & Inclusion training
39. The council manages its responsibilities through its contract management team. BBLP are required to provide a full set of its policies and procedures each year and advise the council if there are any revisions or amendments. Any recorded incidents/complaints that relate to a protected characteristic would be reported through the contract governance. This decision will have no negative impact on the council or BBLP's compliance with this duty.

Resource implications

40. The annual plan is funded as summarised in the table below. In line with the approved annual capital and revenue budgets which in turn align to the council's medium term financial strategy.
41. The revenue budget for 2025/26 presented in table below takes account of the £313,291 revenue interest repayment for 2025/26.
42. The LTP capital budget shown in table below includes council staff capitalisation costs at £1,217,000, these are Highways and Transport staff that are working on the Local Transport Plan (LTP) activities. Timesheets are kept to record time spent on Capital activities and a value of £1,217,000 is the anticipated level of costs for 2025/26. The LTP Capital budget also includes £554,000 for road Infrastructure borrowing principle repayments, £125,000 for legal payments and £50,000 for habitats regulations assessment, and an estimated £653,000 for directly delivered projects.
43. All funds have been invested in accordance with the council's asset management strategy and Highway Management Plan and the provisional budgets for 2025/26 are as follows:

Revenue	2025/26 (£)
Gross Base Budget	5,835,654
Inflation	208,388
Commuted Sums	290,678
RCCO Repayment	-313,291
Commissioning Contingency	334,000
BBLP Efficiency Savings	-174,000
Gross Expenditure Budget	5,513,429
Income Expectations	
Income (NRSWA, Dropped kerbs)	
PUBLIC REALM REVENUE BUDGET FOR WORKS	5,377,429

Capital	2025/26 (£)
Local Transport Funding Block	
Highways Maintenance Block	
Band 3	6,395,000
Integrated Transport Plan	1,599,000
National Productivity Investment Fund	1,077,000
Pothole Fund	6,395,000
Local Highways Maintenance Funding – Additional Allocation	5,882,000
	21,348,000
Retained Herefordshire Council	
Staff Capitalisation	1,217,000
Land Owners / Easements /License payments	125,000
HRSA	50,000
£20m Road Infrastructure principal repayments	554,000
Traffic Management and Studies	370,000
PROW	283,000

	2,599,000
BBLP Capital Budget	12,867,000
Balance for additional schemes	5,882,000
Total Capital Spend	£21,348,000

44. The Annual plan service overview will confirm that the service costs are aligned with the approved revenue and capital budgets. There is a risk that the provision of service cost could exceed the approved budget as services are delivered throughout 2025/26. To mitigate these costs will be monitored regularly by the contract management team to prevent overspend against budget. If costs are forecast to exceed the above budget this is referred to the council's commissioners as further decision will be required to maintain service delivery.
45. It is recommended that the Interim Chief Operating Officer be authorised to make any in year adjustments as recommended by the strategic partnering board, these adjustments will be in line with scheme of delegation and financial procedure rules. Any adjustment above that value would be subject to a separate governance decision.

Legal implications

46. This is an Executive function under the Council's Constitution Part 3 Section 3 and is a key decision because it is likely to be significant having regard to the strategic nature of the decision; and/ or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards in Herefordshire) affected.
47. It is also likely to result in the council incurring expenditure which is, or the making or savings which are, significant having regard to the Council's budget for the service or function concerned. This key decision is delegated to the Cabinet member Infrastructure and Transport as it relates to their portfolio.
48. The contract with BBLP enables the council to discharge a number of significant statutory duties to provide a number of services relating to the public realm. A list of the relevant legislation and policy context, together with the approved policies and procedures to be used by BBLP in the delivery of the Annual plan are retained by the council's contract management team. In addition, the council has a general duty to secure best value in the exercise of all of its functions. The development and review of the annual plan, as part of the council's long term contractual relationship with BBLP, is a key mechanism for the discharge of these legal duties.
49. The delegation to the Interim Chief Operating Officer, recommendation (c), is permissible and allows the officer to make changes to the actual services delivered during 2025/26 and allocations in the Annual plan as agreed within the budget. As the cabinet member has made the decision to agree the Annual plan as a basis for the service delivery, any changes to the Annual Plan will be operational decisions and will require a record of officer decision to be published.

50. Procurement undertaken in accordance with recommendation (d) must be in accordance with the Council's Contract Procedure Rules.

Risk management

51. A comprehensive review of the Annual plan has been undertaken by the council's commissioners and contract management team. Any matters that require further attention will be identified as a condition of acceptance. (These are in addition to the conditions established in the Public Realm Services contract). These additional conditions are designed to manage risk as associated with the acceptance of the annual plan as proposed. Risk is managed formally each month at the contract Risk Management Board created to provide compliance to the public realm services contract, which links with and escalates to the council's corporate risk management regimes.

Consultees

52. The drafting of the annual plan has involved the Councils commissioners with lessons learnt for service improvement from previous annual plans and community feedback incorporated where possible into the finalisation of the annual plan.
53. As part of the annual plan process, a series of consultation events were held for members and Parish Councils in January 2024 as detailed in paragraph 13 with further events planned in January 2025.
54. A Political Group Consultation was held on the 10 January 2025 and the key views were:
- a) Confirmation that the £5,882m of DfT funding will be delivered during 2025/26, this can be utilised across all highway assets, not just potholes, and that a members briefing could be considered to discuss the programme. This is subject to further guidance awaited from DfT.
 - b) Confirmation that the additional DfT funding will be delivered through the councils Minor Works Framework or BBLP depending on the programme of works and the required technical expertise.
 - c) Confirmation that other capital projects (e.g. LUF), outside of the annual plan, will be procured either through the council's minor works framework or separate procurement.
 - d) Confirmation that Ward Members will be invited to the annual plan briefing session scheduled for the 29th and 30th January which will set out more detail on the programme and provide opportunity to raise priorities.
 - e) Confirmation that local matters and priorities identified by Ward Members can be reviewed against the Forward Programme.
 - f) Clarification that all defects or issues that are observed are to be reported to the BBLP helpline and that the out of hours reporting line is available on a 24-hour basis.
 - g) Confirmation that additional funds are being invested into drainage infrastructure improvements in 25/26.
 - h) Clarification on how the velocity patching process is delivering value for money and sustainable defect repairs.
55. Comments have also been received from the Independents for Herefordshire Group following the briefing which are attached to this report as Appendix 3.

Appendices

Appendix 1 – Annual plan service overview 2025/26

Appendix 2 – Equality Impact Assessment

Appendix 3 – Independents for Herefordshire Group Comments

Background papers

None