Herefordshire Council

Agenda

Scrutiny Management Board

Date:	**Tuesday 14 January 2025**
Time:	**2.00 pm**
Place:	**Conference Room 1 - Herefordshire Council, Plough Lane Offices, Hereford, HR4 0LE**
Notes:	Please note the time, date and venue of the meeting. For any further information please contact: **Danial Webb, Statutory Scrutiny Officer** Tel: 01432 260659 Email: Danial.Webb@herefordshire.gov.uk

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Agenda for the meeting of the Scrutiny Management Board

Membership

Chairperson	**Councillor Ben Proctor**
Vice-chairperson	**Councillor Louis Stark**
	Councillor Jenny Bartlett
	Councillor Simeon Cole
	Councillor Frank Cornthwaite
	Councillor Pauline Crockett
	Councillor Dave Davies
	Councillor Toni Fagan
	Councillor Liz Harvey
	Councillor Ed O'Driscoll
	Councillor Richard Thomas
	Councillor Rob Williams

Agenda

			Pages
1.	**APOLOGIES FOR ABSENCE**	To receive apologies for absence.	
2.	**NAMED SUBSTITUTES**	To receive details of members nominated to attend the meeting in place of a member of the board.	
3.	**DECLARATIONS OF INTEREST**	To receive declarations of interests from members of the board in respect of items on the agenda.	
4.	**MINUTES**	To receive the minutes of the meeting held on 16 December 2024.	9 - 26

HOW TO SUBMIT QUESTIONS

The deadline for the submission of questions for this meeting is 5pm on Wednesday 8 January 2025.

Questions must be submitted to councillorservices@herefordshire.gov.uk. Questions sent to any other address may not be accepted.

Accepted questions and the responses will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at www.herefordshire.gov.uk/getinvolved

			Pages
5.	**QUESTIONS FROM MEMBERS OF THE PUBLIC**	To receive any written questions from members of the public.	
6.	**QUESTIONS FROM COUNCILLORS**	To receive any written questions from councillors.	
7.	**2025/26 DRAFT BUDGET- REVENUE**	To seek the views of the Scrutiny Management Board on the draft revenue budget proposals for 2025/26.	27 - 86
8.	**2025/26 DRAFT CAPITAL INVESTMENT BUDGET AND CAPITAL STRATEGY UPDATE**	To seek the views of the Scrutiny Management Board on the draft capital investment budget and capital strategy proposals for 2025/26.	87 - 170
9.	**WORK PROGRAMME**	To consider the work programme for the board. (Papers to follow).	
10.	**DATE OF THE NEXT MEETING**		

Tuesday 11 March 2025, 2pm

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- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
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Herefordshire Council

The seven principles of public life

(Nolan Principles)

1. **Selflessness**

   Holders of public office should act solely in terms of the public interest.

2. **Integrity**

   Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. **Objectivity**

   Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. **Accountability**

   Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. **Openness**

   Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. **Honesty**

   Holders of public office should be truthful.

7. **Leadership**

   Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

Herefordshire Council

Minutes of the meeting of Scrutiny Management Board held at Conference Room 1 - Herefordshire Council, Plough Lane Offices, Hereford, HR4 0LE on Monday 16 December 2024 at 1.00 pm

Present: **Councillor Ben Proctor (chairperson)**
Councillor Louis Stark (vice-chairperson)

Councillors: Jenny Bartlett, Simeon Cole, Frank Cornthwaite (virtual), Pauline Crockett, David Davies (substitute) Toni Fagan, Liz Harvey, Ed O'Driscoll and Richard Thomas

In attendance: **Councillors: Barry, Durkin (Cabinet Member Roads and Regulatory Services), Carole Gandy (Cabinet Member Adults, Health and Wellbeing), Jonathon Lester (Cabinet Member Corporate Strategy and Budget), Nick Mason (Substitute Cabinet Member Finance and Corporate Services), Ivan Powell (Cabinet Member Children and Young People), Phillip Price (Cabinet Member Transport and Infrastructure), Elissa Swinglehurst (Cabinet Member Environment).**

Officers: **Roger Allonby (Service Director Economy and Growth), (Simon Cann (Committee Clerk), Hilary Hall (Corporate Director Community Wellbeing), Tina Russell (Corporate Director Children and Young People – virtual attendee), Rachael Sanders (Director of Finance), Donna Thornton (Democratic Services Support) Scott Tompkins (Delivery Director Infrastructure – virtual attendee), Danial Webb (Statutory Scrutiny Officer).**

95. APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Bruce Baker and Councillor Harry Bramer.

96. NAMED SUBSTITUTES

Councillor David Davies had been named as the substitute for Councillor Bruce Baker.

97. DECLARATIONS OF INTEREST

No declarations of interest were made.

98. MINUTES

The minutes of the previous meeting were received.

Resolved: That the minutes of the meeting held on 28 October 2024 be confirmed as a correct record and be signed by the Chairperson.

99. QUESTIONS FROM MEMBERS OF THE PUBLIC

Two supplementary questions had been received by the committee and are published, along with responses, at Appendix 1 of the minutes.

100. QUESTIONS FROM COUNCILLORS

No questions had been received from members of the council.

101. FINANCIAL MONITORING

The Director of Finance introduced and provided an overview of the report, the key points made included:

The report presented results up to 30 September 2024 and included six months of actual transactions and six months of estimated transactions to give a forecast outturn position for the year of, which was an overspend of £10.2 million.

The report identified management recovery action, which was currently due to reduce the overspend by £8.2 million to £2 million.

The report identified that of the £19.5 million savings target for 2024/25 £8.9 million worth of savings had been delivered to date, with a further £5.6 million being forecast as ‘in progress’ or ‘on target’.

There were £5 million pounds of savings currently assessed as ‘at risk’, with mitigating actions identified and work being underway to deliver those savings as a priority.

The Chair provided an outline of how the committee intended to address the report by considering the relationship between: revenue outturn, capital outturn, delivery and performance across the directorates and then looking at the overall picture.

Children and Young People

1. The committee asked what plan the council had in place to address rising cost pressures in relation to SEN transport.

    - The Director of Finance explained that in terms of cost pressure there had been an increase in student passengers between September 2023 and September 2024 from 465 to 511 and an overall 23% increase in costs.

    - The council was carrying out work to address costs pressures including: reviewing options to lease minibuses, reviewing personal transport budgets, accelerating the travel training scheme to encourage students to become more independent and looking at policies to increase the efficiency of local transport options.

    - The area of SEN transport was recognised as a significant cost pressure in 2024/25 and would potentially continue to be a problem in 2025/26 unless action was taken.

2. The committee asked if the mileage scheme for parents had been considered as an option.

    - The Director of Finance confirmed the mileage scheme was one of the options being considered as part of the council’s review of that area of cost pressure.

3. The committee asked if there was a specific plan in place to address the SEN transport costs issue and whether it would be possible to see it.

- The Director of Finance explained that the transformation team was working through the available options and would be able to bring details back to the committee once something more formal had been developed.

4. The committee asked for more detail in relation to areas of underspend within the directorate and enquired as to whether funds were being reallocated and what impact the underspends were having on service delivery.

    - The Director of Finance explained that in relation to the £0.7 million underspend on ‘Looked After Children – Agency and in-house Foster Care’, this related to reduced headcount in staffing budgets, although it was offset by increased costs in the agency budget.

    - The Corporate Director Children and Young People explained that the direction of movement from agency towards more permanent staff had enabled the directorate to better manage its budget, however there were still a number of staff vacancies within the service. These vacancies did represent a saving, but also had an impact on service delivery and required careful management to ensure that pressure was distributed as evenly as possible within the service areas.

    - It was pointed out that vacancies were not being left unfilled as a means of budget management, but that they would only be offered to candidates of a suitable quality via an ongoing recruitment drive.

    - Between June and July 2024 around five members of staff had left the service, for different reasons and this had impacted social work investments in time scales. Reallocating cases to the remaining staff in those areas had been necessary but steps had been taken to mitigate the pressure being placed on remaining staff.

    - The continued positive impact restorative practice was having on the service was proving to be beneficial in helping to manage the children’s services budget, but the demand-led nature of the service did mean it was vital that financial management plans were in place to budget for complex and high-cost cases when they came up.

5. The committee enquired about the impact of the delay in providing support for the 200 young people in the county classed as not in education, employment or training (NEET) and what was being done to mitigate the situation.

    - The Corporate Director Children and Young People stated that there was a need to provide opportunities, choices and support for young people to access education, employment and training locally within Herefordshire.

6. The committee asked if the council was working with partners, businesses and other groups within the county to help support young people in accessing education, employment and training.

    - The Corporate Director Children and Young People explained that the council was working closely with its partners in the Corporate Parenting Board and Youth Hub, but that greater strengthening with local businesses would be required to help increase the number of opportunities and choices available locally.

- The Service Director Economy and Growth pointed out that in relation to business engagement and college provision for NEET support, there was a skills board, which had been in place for about 12 months, which included all the individual training providers in the county. The council had a member on the board and it worked closely with the Herefordshire Growth Hub, which had created a strong link between educational provision, engagement with young people and what the employment opportunity requirements in the county were.

- Through the UK Shared Prosperity Fund the council had spent almost £1.5 million during the financial year supporting training within workplaces and the arrangement of NEET-related packages to support young people into work.

7. The committee asked what was driving the growing costs around the unaccompanied asylum seeking children coming to the county and what was being done to address the costs.

    - The Director of Finance explained that the cost pressure around looking after those children was driven by the insufficient amount of money being received to cover the costs involved. The number of children coming into the county had increased, which had also created more pressure.

    - It was noted that when an unaccompanied child who was looked after became a care leaver their funding reduced significantly, but their placement needs and costs did not reduce proportionally.

8. The committee enquired about delays within the capital programme relating to school improvements and requested an explanation about what the impact of the delays had been on schools.

    - The Director of Finance explained that some of the capital projects had been reprofiled due to maintenance work that was required to be carried out during the school holidays.

    - The Corporate Director Children and Young People explained that delays were often out of the council's control. In certain instances the delays ensured that schools would be better able to accommodate children and provide more places, which reduced the demand for the council to place more children out of the county.

    - Business cases were being put forward for further additional capital investment for approved schools, which would help maintain and support children to remain in mainstream schools and reduce the need for them to be sent outside of the county to non-mainstream settings.

9. The committee highlighted that the budget for children's services for the year had been increased by 20% and enquired whether cabinet was happy with progress that had been made in relation to key performance indicators within children's services and whether there was any mitigation in place to address any areas of concern.

    - The Cabinet Member Children and Young People pointed out that the Ofsted inspector was the official arbiter and the series of Ofsted monitoring visits essentially provided the official findings. The most recent Ofsted visit had recognised a number of areas of improvement, particularly in the quality of assessments being made.

- The Cabinet Member Children and Young People noted that significant progress had been made since the appointment of the new Corporate Director for Children and Young People. The Improvement Plan and associated journey had been revisited by the director - to ensure that the directorate robustly and consistently explored and listened to the experience of children and their families who had engaged with the service.

- It was acknowledged that capturing and listening to the voice of children and families had historically been a weakness of the services, but recent feedback from a series of set questions directed at service users appeared to be providing solid assurance that current social work interventions had been appropriate, supportive, and had achieved desired outcomes.

- A series of six weekly briefing were being held for all members and there was a good sense of where progress was being made and where there were still areas of concern. The activity that sat behind areas of concern was understood.

- There was a new interim director in post, and a permanent senior leadership and management team in place. Staff were reporting that they were enjoying working in Herefordshire Council, caseloads were manageable, and quality leadership was enabling them to conduct the restorative work that needed to be delivered.

- The Cabinet Member Children and Young People felt that the service was moving in the right direction, but acknowledged that there were still challenges ahead to be faced as part of the improvement journey.

10. The committee enquired about what options were available to the council in terms of reducing overspend in relation to special education needs (SEN) transport.

    - The Cabinet Member Children and Young People noted that there were ongoing discussions between the Director of Children and Young People and Director of Economy and Environment around where the special education needs budget would sit in relation to the broader school transport area. An independent piece of work had been commissioned to look into the details of potential options available within this area.

11. The committee asked if capital schemes such as building new schools would have a notable impact on reducing SEN transport costs.

    - The Cabinet Member Children and Young People pointed out that there had been investment in additional provision for SEN needs within mainstream schools, which had increased capacity to meets needs within a number of schools within the county.

    - Herefordshire Council had been successful in a bid to central government to deliver a special school, which the Department for Education was advising would be delivered in 2027.

    - There was an emerging business case for alternative provision, which would enable children to be maintained within mainstream school by meeting their needs in a more flexible way.

- The capital schemes would have a positive impact in reducing SEN transport costs, but would also mean that children and families could have their needs met in county.

- The Cabinet Member Corporate Strategy and Budget noted that more investment had gone into the service, but there was a greater understanding of where that money was going, which was helpful on the improvement journey.

Community Wellbeing

12. The committee noted the £0.8 million underspend - net forecast for reduced headcount of staff and agency interims, and enquired whether this was due to restructuring of the directorate and whether would have any effect on the performance of the team.

    - The Corporate Director Community and Wellbeing explained that the restructuring had created a directorate that was fit-for-purpose and that no issues were anticipated regarding delivering services based on the new structure. It was pointed out that some of the savings had been made as result of converting agency staff to permanent employees.

13. The committee requested additional detail around items listed in the ‘Community Wellbeing Transformation Board’ section of the reprofiled budget details table within the report.

    - The Corporate Director Community and Wellbeing explained that the reprofiling in these instances had occurred so that funds from relevant grants related to the activities could be utilised more effectively, an assurance was provided that the money would still be spent as intended.

    - The Service Director Economy and Growth explained that the reprofiling of the Hereford Museum project had been linked to delays around securing and finalising a suitable contractor for the project, which meant less had been spent in the current financial year than had been anticipated. The spend had been pushed back, but would still be within the timeframes of the various different funders, so there were no risks involved in the reprofiling.

14. The committee asked what the £0.6 million from the Social Care Resilience Reserve had been used for and whether it was likely to be called on further in the current year and in future years.

    - The Director of Finance explained that the Social Care Resilience Reserve had been established in 2024/25 at £1.8 million and that it was anticipated this amount would be used in full during 2024/25 as a result of increased demand and complexity of care.

    - The budget setting process for 2025/26 would consider anticipated levels of demand and costs of care and this information would be incorporated as part of the forthcoming budget.

15. The committee enquired as to what was planned for current and future budgets to reduce the number of households becoming homeless. What was the impact

of housing supply on the situation and had the council accounted for the likely increase in revenue cost in the medium term.

- The Corporate Director Community and Wellbeing explained the approach being taken focused on prevention and working with households in temporary accommodation to prevent them from becoming homeless. It was acknowledged that the situation around rough sleeping was slightly different.

- A Talk Community officer was in place to concentrate on the early identification of potential homelessness and intervening before people felt they were at risk. Housing solutions officers were actively working with households and offering advice and mediation within the family – it was pointed out that family and matrimonial breakdown was one of the top four causes of homelessness.

- In some instances rent arrears would be paid by the council and signposting was in place to ensure people collected the right housing benefits.

- The Corporate Director Community and Wellbeing explained that demand for housing was currently outstripping supply and that there were currently around 158 household in temporary accommodation.

- The Corporate Director Community and Wellbeing stated that: the cost of living crisis, no fault eviction, domestic abuse and family breakdown were the top four factors driving demand for housing. Increasing supply within the system was not a quick process, but the council was working with registered providers to bring more houses on stream as swiftly as possible.

- The council had purchased one building that would provide four one-bedroom properties and was looking at another that would provide 28 one-bedroom properties, which would significantly assist in terms of addressing immediate demand for temporary accommodation, but this was a not a permanent solution. It was pointed out that if the council could reduce its reliance on bed and breakfast accommodation for temporary accommodation that would be a big step forward.

16. The committee asked if every role in cabinet was doing everything to try and address the issue of homelessness.

    - The Cabinet Member Adults, Health and Wellbeing explained they worked closely with the Cabinet Member Economy and Growth, and that a number of properties had been purchased in recent years to help house care leavers and people who were homeless, but that these were mainly supported accommodation for moving forward.

    - Work was also being done with ‘Shared Lives’ so that people with relatively mild learning disabilities could live with somebody who wanted to share their home.

    - The challenge of increased demand from the baby boomer generation, who were migrating from urban to rural locations - such as Herefordshire - in their retirement years, was adding pressure to the system.

17. The committee enquired how the council could ensure that temporary accommodation did not become permanent accommodation.

    - The Corporate Director Community and Wellbeing explained that anyone in temporary accommodation was issued with a licence rather than a short hold tenancy agreement, so that they didn't acquire the rights for it to become permanent. Each household had a personal housing plan and an officer in housing solutions worked actively with each household to move them into permanent accommodation.

18. The committee asked what happened to people when their licence ran out and for more details about helping people to stay in the accommodation they were already in rather than having to pay for them to live in bed and breakfast sites.

19. The committee asked if there were concerns from cabinet regarding the situation at quarter 2 and whether the forecast pressures on the adult's service might culminate in the need for an unavoidable overspend similar to the one experienced by the children's service in the previous year.

    - The Cabinet Member Corporate Strategy and Budget explained that there was a forecast overspend that was being carefully managed to avoid a repeat of what occurred in the children's service in the previous year. The council was in a good position of knowing what its exact financial situation was. It was fully sighted on the gap and how to manage it so that the budget would be balanced at the end of the year.

Economy and Environment

20. The committee asked for additional information regarding the delay in delivering the solar photovoltaic panels due in 2024 and could an assurance be given that they would be delivered next year.

    - The Cabinet Member Environment explained that work in this area was evolving and that projects involving the Plough Lane car park and additional school roof provision within Herefordshire were progressing well. The Cabinet Member offered to update the committee on activity in this area.

21. The committee applauded the work the council did in relation to natural flood management, but raised concerns about the planned allocation of funding for this area being split over the next two years, and whether the funding was adequate given the amount of flooding that had impacted the county over the last year.

    - The Cabinet Member Corporate Strategy and Budget l acknowledged there was a need to direct resources at addressing flooding through smaller projects and in responding to emergencies, but stressed it was crucial that resources were being used to fund a more strategic approach to identify the underlying problems and come up with long-term solutions to address the issues that had been impacting the county historically.

    - The Cabinet Member Environment pointed out that there was a tendency to think that natural flood risk management activity was the sole responsibility of the council. It was explained that the responsibility sat not just with the council, but with other external organisations and partnerships, who were engaged in a number of projects around the issue.

- It was noted that the Environment Agency and the River Lugg Internal Drainage Board were involved in carrying out hydrological mapping of the entire catchment, which would enable the council to direct funds strategically and pinpoint where measure needed to be taken. Although costs weren't necessarily being aligned with the current budget, there was a significant amount of work being carried out in this area.

- The Cabinet Member Finance and Corporate Services highlighted how traditionally council funds for natural flood risk management had predominantly been allocated to respond to emergencies as they happened. The council was currently building a programme of work which would put it ahead of issues and events, so rather than being purely responsive and reactive, the council would be in greater control of flood management activity.

22. The committee enquired if more could be done in relation to flood mitigation and prevention through the Marches Forward Partnership.

    - The Cabinet Member Corporate Strategy and Budget felt that the Marches Forward Partnership was a good forum to raise flood related issues - as rivers and water courses did not respect borders. They also emphasised the general importance of the council working strategically with external bodies, partners and stakeholders to make sure everyone was doing as much as possible in concert with one another.

    - The Statutory Scrutiny Officer suggested flood risk management might be a potential topic for consideration as part of the committee's work programme.

23. The committee questioned whether there were issues within the council around capacity to allocate grants at the right place and time to enable necessary work to go ahead and asked if there was a correlation between this and the loss of the staff through the mutual early resignation scheme (MERS).

    - The Director of Finance, stated that the delegated grant team had lost staff as a result of MERS, but there had been a review of work carried out by the team, which had resulted in a more focused managerial approach that would change the way the team delivered services. The purchase of new software was also expected to reduce some of the workload involved in administering grant schemes. MERS had had an impact on the team, but suitable action had been taken to transform the way that grant schemes were delivered.

24. The committee enquired as to what factors had contributed to the economy and environment directorate forecast £1.3 million overspend relating to development planning control income within the forecast revenue outturn at quarter 2.

    - The Director of Finance explained that the driver for the overspend related to the under delivery of planning income, which had been occurring within the service for a number of years. In recent months the internal auditors, alongside the transformation team, had been asked to undertake a detailed review and benchmarking exercise to analyse and understand the reasons for the under delivery of income in this area.

    - The review had found that the under delivery of income was linked to an underachievement of activity related to less planning applications coming through. The benchmarking against similar authorities confirmed that Herefordshire was largely aligned to other authorities in terms of activity and charging, which suggested that the income budget might need to be revisited in future years.

- The Director of Finance stated that it was recognised this was not a one-off and the service had historically struggled to meet income targets in this area. The issue would be taken into consideration as part of the 2025/26 revenue budget setting.

- A review of staffing was undertaken in September 2024 to consider whether capacity was sufficient to ensure acceptable turnaround and processing times for applications.

25. The committee enquired about the economy and environment savings within the budget that were at risk and how they were going to be offset.

- The Service Director Economy and Growth explained that the directorate management reviewed the budget with the CEO of Herefordshire Council and the Director of Finance on a quarterly basis and that some of the savings showing as risks were due to timings. The directorate was slightly behind in relation to income from some of the services it provided, such as the crematorium, cemetery and licensing, and these were reactive to when people took up and paid for the services, but they were managed in a controlled way.

26. The committee noted the capital programme had been revised down significantly due to reprofiling, with £82.8 million moved into future years, and a forecast £7.6 million underspend in the overall capital programme. The question was asked as to what the direct impact of the reprofiling would be on the economy and environment share of that £82.8 million, and on the timing and delivery of strategic objectives, specifically those that might impact areas such as employment landed incubation space for market towns.

- The Service Director Economy and Growth explained individual projects had different reasons for delay. In the case of the employment land, the project was funded by the council, the delay in the profiling wouldn't impact it, as there would be no loss of grant funding and all the related schemes were on track to be delivered. It was explained that progressing a project was a matter of timing and working through the process to get to a stage where a contractor could be brought in.

27. The committee raised concerns in relation to how the £3 million Section 106 funding planned for the current year had now been split across 2025/26 and 2026/27, and asked why this had occurred. Concerns were also raised as to whether staff changes would have an adverse impact on delivery of Section 106 projects and if the momentum that had been built up in this area over the last 12 months might be lost.

- The Service Director Economy and Growth explained that most of the reprofiling was around larger highway-related schemes – these were designed and ready to go out to tender, but slight delays had meant that they would now be delivered in 2025.

- Regarding staff changes, extra capacity had been put in place to bring the Section 106 projects forward and this had worked particularly well in bringing them up to a point where they could be delivered in a timely fashion. However, the extra capacity had always been intended as a short-term solution, as it incurred a high-cost day rate. The council was now looking at how it could continue to maintain additional capacity over the long term in a cost-effective manner through the introduction of a core team employed permanently, rather than on costly day rates.

- The current additional staff had contracts in place until March 2025 and the council was working closely with them to go through work that was outstanding and ensure that a transition plan was in place, with consideration being given to the possibility of extending the time frames for the contracts if necessary

28. The committee stressed the importance of ensuring the transition was well-managed in order to maintain the momentum of the last 12 months and suggested that a risk assessment could be undertaken to ensure the work didn't stop if or when the additional staff departed.

29. The committee asked why the winter resilience funding had been brought into the current year.

    - The Delivery Director Infrastructure explained this related to the delivery of new gritters, with another set of gritters due to be delivered in the following year as part of the programme.

30. The committee asked if - where underspends had occurred - money would have to be returned and how much grant money that had been pulled down was unspent and at risk of having to go back to the funders. It was also asked why the council was going after funding if it didn't have the capacity to organise and deliver schemes that the funding could be spent on.

    - The Service Director Economy and Growth explained that the council always aimed to secure as much funding as possible for the benefit of local people and strived to deliver schemes as well as it could, but outcomes were dependent on the nature of the grant and how it was delivered. However, in recent there had been very few instances where significant amounts of funding had needed to be returned.

Corporate and Central

31. The committee enquired about the red amber green (RAG) rating relating to 'Transformation: Thrive Programme Savings' and asked why the predicted savings were at risk and how this would be turned around within six months. The question was asked of how much had been spent on Thrive to save £59,000.

    - The Director of Finance explained that transformation savings were invariably some of the most challenging for councils to deliver in-year.

    - The projects and initiatives relating to Thrive remained underway, but delivery had been slower than expected. A new Director of Transformation had been brought in and this would increase the strategic capacity to improve the pace of delivery of the projects. The forecast at quarter 2 was that the projects remained at risk, but mitigations were being identified and there was a continued commitment to deliver those savings, but there could be some timing issues around them.

32. The committee sought specific detail on what the outstanding saving issues were that would reduce the red RAG rating against the Thrive programme.

    - The Director of Finance explained that the delivery plan was around setting a foundation for the transformational activity and that now the foundations were in place this would ensure that the activity continued at pace in the future - this might still necessitate mitigation in 2024/25, but it was anticipated that the speed of delivery would increase in 2025/26.

33. The committee noted that ambitious savings targets had been set for the year, but had been missed, and asked the question as to what had been learned from this experience to ensure that it didn't happen again next year.

    - The Director of Finance stated that as part of the budget setting process, which typically begins in June/July of every financial year, the council identified high level gaps and how it could mitigate against them. This involved transforming the ways services were delivered, and effective challenges being made through monthly budget boards. When a gap couldn't be resolved at that stage there would be additional challenge around savings through the directorate budget boards, corporate leadership team (CLT), scrutiny, cabinet and eventually by the external auditor. A detailed delivery plan would be in place at the point the savings targets for the next financial year were set. However, throughout the financial year circumstances changed and through budget monitoring it could be identified how at-risk savings could be mitigated.

34. The committee requested detail explaining the difference between corporate and central budgets.

    - The Director of Finance explained that corporate services represented: governance and legal, HR and organisational development, development strategic assets and strategic finance, as well as performance and communication teams., These were the enabling services across the council that made up the corporate services directorate and supported the other three directorates.

    - The central budget represented areas such as treasury management budgets, interest payable budgets and minimum provision budgets, which fell within the non-directorate spend areas.

35. The committee asked if, in terms of the corporate and central budgets, there was a structural issue in the way the council was organised that required a transformation.

    - The Cabinet Member Corporate Strategy and Budget suggested that there wasn't a structural issue, but there was an issue with the way the council operated requiring transformed, The council was currently in the middle of a transformation process that would change the way it delivered services across the board. It wasn't a case that the old models weren't working well together, but the whole council needed was currently on a journey of transformation that would lead to efficiencies and better service delivery in a way that had not been imagined in the past.

36. The committee asked if the cabinet was satisfied that the actions it had in place for the next six months would address the pressures of around £6.9 million identified at quarter 2.

- The Director of Finance shared information around the way the cabinet was approaching the pressures and looking at the delivery of savings through a number of different lenses and considering potential conflicts between transformations in central areas with some of those in the directorates. Knowing where potential savings conflicts lay and which were dependencies enabled the cabinet to take forward its action plan with greater focus because it had a clearer understanding of where those pressures might lie.

37. The committee referred back to recommendations made in its meeting in January 2024, which had raised serious concerns about the deliverability of the transformation programme being discussed and the credibility of claims made by the advising consultants (PwC) who had predicted savings of tens of millions if its suggestions were implemented. The committee suggested it might be useful to revisit these earlier recommendations in preparation for the scrutiny of the budget in the early 2025,

38. The committee noted predicted improvements of over £8 million from management recovery action in the forecast outturn in the second half of the year. The committee requested that if management recovery action was going to be mentioned in quarterly budget delivery reports, that there was more substance and detail provided as to what that action involved.

    - The Director of Finance explained that the council was continuing to work with the recommendations made by PwC with a realistic eye as to what could be achieved. It was acknowledged that a number of the targets had been somewhat aspirational, but the Director of Finance was working with the corporate leadership team and directors to understand which of these targets and opportunities were the best ones to proceed with in terms of likely success rates.

    - The Director of Finance stated that additional information around management recovery action would be included in the quarter 3 report.

39. The committee asked why the additional interest expected to be obtained in the last half of the year was not being included in the treasure management element of the report.

    - The Director of Finance acknowledged that in the quarter 2 monitoring the income received had been recognised, but there was no forecast of any additional interest earnings over the remainder of the financial year and this was purely to be prudent from a management perspective. Historically it had been accounting practice to recognise interest as it was earned, because that was assured. There had never been a forecast for the remainder of the financial year, in respect of potential interest that could be earned - in order to ensure that matters were being reported responsibly.

40. The committee queried why it was considered responsible to report on forecast deficits, but not to report on the anticipated upside, which was essentially money in the back pocket. It was asked if it would not be equally responsible to make prudent assumptions about what the interest might be between quarter 2 and the end of the financial year.

    - The Director of Finance stated they would take the point away for consideration.

41. The committee debated whether forecast interest should be viewed and accounted for as a windfall.

42. The committee asked for detail around the rationale for the transfer of £11 million from the business rates risk reserve to the contingency reserve.

    - The Cabinet Member Corporate Strategy and Budget gave an assurance that all the anticipated pressures were included in the quarter 2 report and that this was part of a long-term strategy to address any potential demands, but with a proviso that the demands were being managed throughout the year.

    - The Director of Finance explained that the annual review of earmarked reserves would be coming to cabinet in January 2025.

43. The committee suggested that it was important, when borrowing for projects to grow the economy, that the council recognised the total value that investments delivered - not just in terms of capital uplift from structures being built, but also from: the uplifting of skills, additional jobs, future business rates and council tax paid by residents. The committee warned against being too narrow in how investment assessments were made and potentially kicking the can down the road for future administrations.

    - The Service Director Economy and Growth noted that all the activity being brought forward in terms of projects should and did fit underneath the Council Plan, which drew together all the different strands needed to transform the economy.

At the conclusion of the debate, the committee discussed potential recommendations and the following resolutions were agreed.

Resolved:

That Herefordshire Council

1. **Takes forward with the Marches Forward Partnership joint working on flood prevention and provides a report to SMB on progress.**

2. **Undertakes a risk assessment to ensure that the changes to the S106 team have taken into account the lack of technical expertise within the council and the positive impact the developments that the project team have delivered for our communities.**

3. **Ensures that the economy and environment directorate is adequately resourced within the current financial year given that external contracts are due to end by March 2025 to ensure a seamless transition.**

4. **Forecasts interest receipts from treasury management alongside other savings and income forecasts.**

5. **Includes detail of management action intended to be taken to close the overspend gap by the end of the financial year in future budget monitoring reports.**

102. HEREFORDSHIRE COUNCIL PLAN - DELIVERY PLAN WORKING GROUP

The Committee received the terms of reference for the Herefordshire Council Plan delivery plan working group.

Resolved

That:

The committee approve the terms of reference for the Herefordshire Council Plan delivery plan working group.

103. THE DELIVERY AND MANAGEMENT OF HEREFORDSHIRE COUNCIL'S CAPITAL PROJECTS - RESPONSE FROM SCRUTINY MANAGEMENT BOARD

The committee received the response from Scrutiny Management Board around Herefordshire Council's capital projects.

The committee noted the administrative issues that had delayed the publication of the response and it was decided that the traditional process of formulating and sending out recommendations would be used for future committee meetings.

The committee agreed that even though the response had been published at short notice, it would not be beneficial to defer the item until the next meeting.

Resolved

That:

The committee approve the response and for it to be directed to the CEO of Herefordshire Council.

104. WORK PROGRAMME

The committee received the Scrutiny Management Board work programme 2024-2025. The Statutory Scrutiny Officer pointed out that there was a Scrutiny Management Board work programme planning session scheduled for January.

Resolved

That:

a) The committee agree the draft work programme attached at appendix 1

b) The committee note the work programme for the other scrutiny committees, and identify any opportunities for collaboration or alignment of work.

105. DATE OF THE NEXT MEETING

Tuesday 14 January 2025, 2pm

106. APPENDIX 1 - SUPPLEMENTARY QUESTIONS FROM MEMBERS OF THE PUBLIC AND RESPONSES.

Supplementary questions from members of the public – Scrutiny Management Board, 16 December 2024

Question Number	Questioner	Supplementary Question (received via email)	Question to
PQ 1	Ms Reid Hereford	Per LAIT as at 31 March 2024, the rate of children in care per 10,000 children was: • Herefordshire: 114 • Statistical Neighbours' average: 66.78 • The Statistical Neighbours' rates are: • Wiltshire: 46 • Somerset: 53 • Devon: 59 • Cornwall: 59 • Suffolk: 62 • Gloucestershire: 65 • Dorset: 68 • Norfolk: 68 • Shropshire: 121 • England: 70 • West Midlands region: 90 Per LAIT, the number of children in care in Herefordshire on 31 March 2024 was 387. Per the Placement Sufficiency Strategy, there should be 350 at 31 March 2024, 300 at 31 March 2025 and 280 at 31 March 2026. "average annual cost for each child that returns back into care is £61,614 compared with an average annual cost of supporting a child to return home of £5,627 [www.leeds.gov.uk]." Should extra resources (e.g. staff) be invested in reunification to reduce the cost and number of children in care?	Scrutiny Management Board
Response: *We are currently meeting the demand for care prevention and rehabilitation in the services provided. We need to ensure staffing is proportionate across the whole of children social care services within the budget allocation provided. We keep an overview on demand pressure in each part of the service areas and we have responded to move funding and staffing to respond to changing demand and we will continue to do this as part of our strategic and budget management.*			

Question Number	Questioner	Supplementary Question (delivered verbally by Mr Milln during the meeting)	Question to
PQ 2	Mr Jeremy Milln Hereford	*Simply excusing failure to keep minuted records of its regular meetings with Active Travel England over the considerable funding the Council receives for ATMs, as we heard in response to the questions from Mssrs Protherough and Martin on 6th December, is unhelpful.* *I therefore ask plainly for a full account of how the various external moneys for active travel (DfT*	Scrutiny Management Board

		Access & Capability, LUF, ATF4, HCCI, STF, Supercycle, HCCTP, S.106 etc) are proposed to be applied to the various projects (Aylestone Hill, Barton Road, GWW, Cathedral Quarter, Quiet Routes, Safer to School, LCWIP, Commercial Road, Blueschool Street, Three Elms area etc) with an assurance that scheme development and design is transparent and openly consulted to ensure they are fit for purpose and value for money before decisions are made?	

Response:

Dear Mr Milln

Thank you for your supplementary question regarding the governance around the delivery of Active Travel Fund schemes. Hopefully the following bullet points will assist you in understanding the processes we have in place for approvals of ATF spend.

- *We are delivering a number of schemes which have active travel measures in them. These are being delivered mostly with Levelling Up Fund monies but also include elements of ATF in the funding mix.*
- *All of our highways capital schemes are carefully developed in line with current walking and cycling guidance such as LTN120 and the standards that govern highway design.*
- *As schemes are developed they are reviewed with the Cabinet Member for Transport. Furthermore, Cabinet have reviewed and agreed the full programme of works.*
- *Each scheme has a project board and a project manager, as well as officers and consultants that are involved in the design and planning the delivery of the works. Notes are recorded for every project board meeting and decisions are recorded.*
- *We also have an overall programme board which reviews progress on each scheme. Notes are also recorded.*
- *We also hold regular informal meetings with both DfT and with Active Travel England to give them assurance that the schemes we are delivering are meeting the ATF and LUF objectives that were set out in the original bid and agreement with DfT.*
- *With regards to public consultation. The original development of the schemes started from the Hereford Transport Strategy which was publicly consulted on. The results of that consultation are what developed the outline of the works. Further public consultation also happens during the delivery stages of the schemes if the works require Traffic Regulation Orders or changes that need input from residents. We may also choose to consult on specific elements of schemes during the design process, as we did with the school streets schemes where we engaged directly with the schools, parents and residents in the area.*
- *Many of the scheme are about to move into delivery phases including:*
    - *Holme Lacy Road and Quiet Lanes*
    - *Great Western Way Improvements*
    - *School Streets*
    - *Transport Hub*
- *Additionally, we are progressing design work on Aylestone Hill and Commercial Road schemes and these will soon be ready to move to a delivery stage. Our intention is to be in contract on all of the schemes that make up the LUF and ATF programme of works before the end of 2025/26.*
- *We are happy to share the high-level objectives and measures being delivered in all of these schemes.*

The meeting ended at 17:04 pm

Chairperson

Herefordshire Council

Title of report: 2025/26 Draft Budget - Revenue

Meeting: Scrutiny Management Board

Meeting date: Tuesday 14 January 2025

Cabinet Member: Peter Stoddart, Finance and corporate services

Report by: Leader of the Council (Section 9E)

Report author: Director of Finance

Classification:

Open

Decision type

This is not an executive decision

Wards affected

All Wards

Purpose

To seek the views of the Scrutiny Management Board on the draft revenue budget proposals for 2025/26. This draft budget was proposed at Cabinet at its meeting on 13 January 2025.

Recommendation(s)

That:

a) **having regard to the proposals the committee determines any recommendations it wishes to make to Cabinet in relation to the 2024/25 Revenue Budget.**

Alternative options

1. There are no alternatives to the recommendations; Cabinet is responsible for developing budget proposals for Council consideration and it is a function of this committee to make reports or recommendations to the executive with respect to the discharge of any functions which are the responsibility of the executive. The council's budget and policy framework rules require Cabinet to consult with scrutiny committees on budget proposals in order that the

Further information on the subject of this report is available from
Simon Cann, Tel: 01432 260667, email: Simon.Cann@herefordshire.gov.ukl

scrutiny committee members may inform and support the process for making Cabinet proposals to Council.

2. It is open to the committee to recommend alternative spending proposals or strategic priorities; however given the legal requirement to set a balanced budget should additional expenditure be proposed, compensatory savings proposals must also be identified.

Key considerations

3. A balanced draft revenue budget which totals £232.0 million is proposed for 2025/26. The proposal includes a 4.99% increase in council tax and estimates of central funding to be confirmed following the publication of the final Local Government Financial Settlement in February 2025.

4. The draft 2025/26 revenue budget assumes a total council tax increase of 4.99%: 2.99% increase in core council tax and a 2% adult social care precept. This increases the band D equivalent charge to £1,969.36, representing an increase of £7.80 per month (£1.80 per week). This is the maximum increase permitted; a higher increase would require the support of a referendum.

5. The 2% adult social care precept will generate approximately £2.7 million of additional income to contribute to continuing adult social care pressures: reflecting increases in demand, complexity of need and cost for services to support the county's residents.

6. The Medium Term Financial Strategy for 2024/25 to 2027/28 published as part of the 2024/25 revenue budget included a planned reduction in the increase in council tax in 2025/26 to 3.99% (1.99% increase in core council tax and a 2% adult social care precept). As a result of unexpected reductions in the funding provided by Central Government following the Local Government Policy Statement in November 2024 and Provisional Settlement in December 2024, the council is increasingly reliant on funding raised locally through council tax. Whilst this planned reduction has not been possible in 2025/26, the revised MTFS for 2025/26 to 2028/29 assumes the rate of increase in future years will be at the reduced level of 3.99%.

7. An increase to the base budget for 2025/26 is proposed to fund identified budget pressures of £26.1 million. Savings and efficiencies of £6.9 million are proposed to mitigate these pressures to deliver a balanced budget.

8. Nationally, local authorities continue to face significant financial pressures whilst demand and cost of statutory services continues to rise; increasing the challenge of delivering transformation and improvements in the delivery of services. In 2024/25, the council set a balanced budget with a commitment to transformation; creating a lean and resilient organisation and ensuring the future sustainability of the council and the services it delivers.

9. The proposed budget and strategy for 2025/26 builds on the prudent approach and robust financial management exercised in 2024/25 and prior years: to preserve and protect the council's future financial resilience and sustainability at a time of increasing cost pressures, reduced Central Government grants, uncertainty over future funding arrangements and planned reorganisation of the local government framework.

10. As a result of the robust management of the revenue budget and responsible stewardship of the council's financial resources, the council is in a strong and resilient position to respond to and withstand future financial pressures. This strong financial position is evidenced through:

    a. a balanced budget for 2025/26 which includes realistic and achievable savings;
    b. adequate reserves to manage financial risks and respond to emerging pressures;
    c. positive cashflow and high levels of liquidity;

d. a strong balance sheet with low levels of borrowing relative to the council's asset base;
e. an unqualified audit opinion on the financial statements for 2023/24 published by the statutory deadline; and
f. external assurance in respect of the council's financial sustainability confirmed in the Auditor's Annual Report for 2023/24, with no significant weaknesses identified.

11. A sustainable financial strategy has been developed for 2025/26 and onwards, to ensure the council can achieve an ambitious programme of innovation and improvement to deliver the best for Herefordshire.

Autumn Budget & Funding Update

12. The Chancellor announced the Autumn Budget 2024 on 30 October 2024; a one-year spending review for 2025/26 with a multi-year spending review for subsequent years expected in Spring 2025. The Local Government Finance Policy Statement was published 28 November 2024 outlining Government's proposals for 2025/26 alongside longer-term plans for reforming local authority funding.

13. The November Policy Statement confirmed the introduction of £1.53 billion new grant funding for local government across three priority grants: Recovery Fund (£600.0 million), Social Care Grant (£680.0 million) and Children's Service's Prevention Grant (£250.0 million), noting that these grants would be funded, in part, by the abolition of the Rural Services Delivery Grant (£110.0 million) and the Services Grant (£87.0 million).

14. In the financial year 2024/25, the council received a total of £7.1 million across the two abolished funding sources: £6.9 million in Rural Service Delivery Grant funding and £0.2 million in Services Grant. A total of £6.6 million was received in 2023/24 and £7.6 million in 2022/23.

15. The previous allocation of Rural Services Delivery Grant recognised the increased financial pressures in delivering services in a rural county. Herefordshire has the fourth lowest population density in England (approximately 189,000 residents across 842 square miles) and, as such, the council faces specific challenges and additional costs in the delivery of services to sparsely populated communities: provider market insufficiency, a higher proportion of older residents with increased demand for services, limited access to health and support services, difficulties in the recruitment of health care and social workers and greater distances to access residents increasing costs in the provision of waste services, transport and social care.

16. Analysis from the Rural Services Network (RSN) highlights the impact of the abolition of these grants on rural communities, with many rural authorities receiving no increase in Core Spending Power in 2025/26 contrasting with substantial increases for urban metropolitan areas. This RSN analysis of 2025/26 funding values, reveals that urban authorities will receive 41% more in government funded spending power per capita compared with rural areas.

17. The council is committed to ensuring that funding appropriately reflects rural need, and the additional cost pressures of service delivery and demand in rural areas, in order to prevent further deepening of rural deprivation and inequalities. Responses to consultations on the Provisional Settlement and Local Authority Funding Reform will be submitted alongside collaboration and representation through the Rural Services Network and Society of County Treasurers.

18. At the date of publication in November, the Statement highlighted that new grant funding would be targeted towards "places that need it most", using deprivation as a proxy for those areas "with greater need and demand for services" but the basis for redistribution was not confirmed.

19. The Provisional Local Government Finance Settlement 2025/26 published 18 December 2024 confirmed the local authority allocation of redistributed grant funding across new priority grants.

The council's allocation of the redistributed grant funding for 2025/26 is noted in the table below:

Table 1: Council's allocation of redistributed grant funding 2025/26

Funding source	Grant funding abolished* £'000	Allocation of new grants 2025/26 £'000
Rural Services Delivery Grant	(6,927)	
Services Grant	(208)	
Recovery Grant		NIL
Children's Social Care Prevention Grant		369
Total	**(7,135)**	**369**

*2024/25 allocation

20. In 2024/25, the council received total Central Government grant funding of £32.2 million, in addition to locally raised council tax and retained business rates of £178.3 million (£24.3 million in 2023/24). In 2025/26, based on provisional allocations, the council expects to receive Central Government grant funding of £29.7 million; this represents a reduction of £2.5 million across these comparable sources from 2024/25 to 2025/26.

Table 2: Comparison of grant funding 2023/24 to 2025/26

Funding source	2023/24 £'000	2024/25 £'000	2025/26 £'000
Revenue Support Grant	983	1,048	1,422
Rural Services Delivery Grant	5,353	6,927	-
Services Grant	1,268	208	-
Social care support grant	13,466	17,482	20,336
ASC Discharge fund	951	1,585	1,585
Mkt Sustainability/Fair cost of care	2,062	3,853	3,853
New homes bonus	231	1,055	1,605
Children's social care prevention	-	-	369
Homelessness & rough sleeping	-	-	487
Total grant income	**24,314**	**32,158**	**29,657**
Reduction in funding 2024/25 to 2025/26			**(2,501)**

21. The reduction in Central Government grants results in less funding per head than urban areas despite the increased costs of service delivery to rural communities. To maintain services and deliver the best for residents, the council is therefore increasingly more reliant on funding through council tax than its urban counterparts.

22. Furthermore, the removal of this funding places increased pressure on the council to manage the impact of continuing growth in demand and cost for services. It limits the council's ability to build upon its strong financial position and maximise opportunities to deliver ambitious improvements for residents.

Council Tax Income

23. The Provisional Settlement confirmed that the council tax referendum limits would remain unchanged for 2025/26: councils with social care responsibilities are permitted to increase council tax by up to 3% with an additional 2% to meet adult social care pressures, without a local referendum.

24. Each 1% increase in council tax will generate approximately £1.4 million of recurrent funding to meet demand pressures and deliver the council's services. The proposed draft revenue budget for 2025/26 assumes the maximum increase of 4.99% in 2025/26.

25. In February 2024, Council unanimously approved the implementation of council tax premiums for empty properties and second homes in line with regulation and guidance issued by the Secretary of State. Total council tax income of £146.5 million in the 2025/26 draft revenue budget includes estimated income of £3.1 million in premiums applied to second homes and empty properties.

26. This estimate is informed by the number of dwellings confirmed as second homes or empty dwellings and the duration of the property's status, as per billing data as at December 2024. A series of verification checks to confirm occupancy and ownership status has been undertaken during 2024/25 to provide assurance in respect of the value of this budgeted income. A range of compliance measures are in place and will remain under review during 2025/26 to ensure that council tax premiums are charged on all relevant dwellings.

Business Rates Income

27. The total value of business rates due is collected by the council, paid to Government and redistributed back to the council via a formula grant mechanism. Business rates income collected by the council is accounted for separately from the council's revenue budget in the Collection Fund.

28. The revenue budget includes a fixed amount, estimated as part of the budget setting process, which is transferred from amounts collected in the Collection Fund. This means that if there is over or under collection of business rates income, the council's revenue budget is protected in that financial year. The council is responsible for maintaining a balance in the Collection Fund to manage movements in collection.

29. The council retains additional business rates income from the Hereford Enterprise Zone (HEZ). The HEZ was designated by Government as one of the 48 Enterprise Zones in 2012, designed to boost local growth and create jobs in specialist sectors including advance manufacturing and engineering, agri-food, business services, construction including built environment and security.

30. Within these zones, businesses are able to benefit from incentives including: a business rate discount of up to 100% over 5 years, enhanced Capital Allowances (corporation tax relief) for machinery and equipment purchases and simplified planning regulations through Local Development Orders.

31. Any growth in business rates above an agreed baseline (after reliefs and discounts) within the enterprise zone over a 25-year period, from April 2013, is retained by the council to be

reinvested locally. The 2025/26 revenue budget includes additional business rate income retained from the HEZ of £1.3 million.

32. Following confirmation of final amounts to be retained from business rates collected from the Hereford Enterprise Zone, following submission of amounts collected and reliefs awarded in September 2025, any additional rate income retained above the budgeted income of £1.3 million will be transferred to Earmarked Reserves to be reinvested locally to support economic growth and development in future years. A programme of initiatives and activity to support growth in skills, business and tourism is currently being developed.

33. If additional funding is confirmed in the Final Local Government Settlement, expected late January/early February 2025, the value of additional business rates income applied in 2025/26 will be reduced.

Extended Producer Responsibility

34. Outside of Core Spending Power, the Provisional Settlement confirmed the allocation of £1.1 billion in income from the extended producer responsibility for packaging (pEPR) scheme will be allocated to local authorities in 2025/26. The extended producer responsibility for packaging (pEPR) regulation is part of the Environment Act 2021 and requires businesses to take responsibility for the packaging they sell in the UK, from the time it is placed on the market until it is disposed of.

35. The Government will assess the impact of additional pEPR income on the relative needs and resources of individual local authorities, and how it is factored into measurement of local authority spending power, ahead of the 2026/27 settlement. The council's allocation is confirmed as £3.5 million and this has been included in the total funding for 2025/26. Government is yet to announce the allocation of new burdens funding for the collection of food waste from all households which will be required from 2026/27.

Inflation Forecasts and National Living Wage Increases

36. Domestic inflation rates are generally in decline. Consumer Price Index (CPI) inflation fell to the target rate of 2.0% in May 2024, before a period of movements above and below the target (2.2% in July and August, 1.7% in September, 2.3% in October). The decline since last year has been led mainly by falling food, alcohol, tobacco and energy prices. CPI inflation is expected to rise to 2.5%, before falling back to the target rate of 2.0% by mid-2025.

37. Continuing geo-political risks may have an impact on inflation rates in the short-term: the risk of ongoing conflicts with a potential impact on oil prices and labour shortages, leading to sticky wage growth, may result in increased inflationary pressures.

38. In the Autumn Budget, Government announced an increase to the National Living Wage for individuals aged 21 and over of 6.7% from 1 April 2025 from £11.44 to £12.21 per hour, an increase of 16.3% in the National Minimum Wage for 18 to 20 year-olds and 18.0% for both under-18s and apprentices.

39. The impact of the increase in the National Living Wage, Employer's National Insurance and movement in CPI inflation on the rates that the council pays for services under contract, and in particular care contracts, has been considered as part of this draft budget.

Revenue Budget Proposals 2025/26

40. The base budget proposed for 2025/26 is summarised below and detailed in Appendix C with Directorate Savings Proposals detailed in Appendix B.

Detail	2024/25 Base Budget	Unfunded Pressures	Mitigations	Savings	2025/26 Proposed Budget
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Community and Wellbeing	75,891	15,273	-	-	91,164
Children and Young People	59,536	4,898	(1,442)	(3,929)	59,063
Economy and Environment	38,403	4,012	-	-	42,415
Corporate Services	21,032	3,388	(1,568)	-	22,852
Sub Total	**194,862**	**27,571**	**(3,010)**	**(3,929)**	**215,494**
Central	17,902	(1,401)	-	-	16,501
TOTALS	**212,764**	**26,170**	**(3,010)**	**(3,929)**	**231,995**
Funded by:					
Council tax	135,054				146,451
Business rates	43,249				47,567
Enterprise Zone Business rate income	-				1,282
Collection fund surplus	-				2,000
Revenue support grant	1,048				1,422
Rural services delivery grant	6,927				-
Social care support grant	17,482				20,336
ASC Discharge fund	1,585				1,585
Mkt Sustainability/Fair cost of care	3,853				3,853
Services grant	208				-
New homes bonus	1,055				1,605
Reserve funding	2,303				-
Employer's NI impact funding*	-				1,500
Children's social care prevention	-				369
Homelessness & rough sleeping	-				487
Extended producer responsibility grant	-				3,538
TOTALS	**212,764**				**231,995**

*estimate until Final Settlement

Directorate Key Budget Pressures 2025/26

41. A summary of Unfunded Pressures of £27.6 million in 2025/26, by Directorate, is noted in the table below.

Pay Award: This pressure represents an impact of the estimated pay award for 2025/26 on staffing expenditure across each Directorate.

National Insurance (direct impact): This pressure represents the direct impact of increases in the rate and thresholds for employer's national insurance (Er's NI) on the council's paybill. It is expected that this pressure will be funded by Government, to be confirmed in the Final Settlement, and the proposed draft budget includes estimated funding of £1.5 million.

Inflation: This pressure represents the impact of inflation across contractual and non-contractual commitments in 2025/26. Inflation is estimated based on a variety of relevant inflation and price indices as well as contract specific rates. Inflation is funded at 90% in this revenue budget, as in the previous financial year.

Demand: Demand pressures reflect additional demand for services based on most recent activity data and costs. This pressure includes adjustments to reflect trend analysis and planned transformation activity in each service area.

Table 3: Directorate Pressures 2025/26

Pressure	**Community Wellbeing**	**Children & Young People**	**Economy & Environment**	**Corporate Services**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Pay Award	601	672	410	414	**2,097**
Er's NI (direct)	448	514	283	287	**1,532**
Inflation	7,361	2,148	619	278	**10,506**
Growth/Demand	6,863	1,564	2,700	2,309	**13,436**
TOTAL	**15,273**	**4,898**	**4,012**	**3,388**	**27,571**

42. To recognise and mitigate the risk to the revenue budget of excessive cost pressures and volatility in demand across social care budgets, a contingency reserve of £11.0 million has been established in 2024/25, as approved by Cabinet in November 2024. This Budget Resilience Reserve will remain under review during 2024/25 and 2025/26 and future use of the reserve will be subject to appropriate governance in accordance with the Council's Finance Procedure Rules and Constitution.

Community Wellbeing

43. The Directorate faces continued challenge in 2025/26 as a result of increasing demand and complexity of need for the county's ageing population, increased demand for temporary accommodation, the impact of hospital high occupancy rates and an increase in the number of individuals unable to fund their own care linked to the impact of increases in the cost of living and inflation.

44. The budget requirement for 2025/26 reflects future cost pressures including increasing demand, acuity and complexity of care and price inflation including general inflation and the impact of increases in national insurance contributions and National Minimum and National Living Wage on health and social care provider contracts.

45. The Directorate will continue to respond to these challenges in 2025/26 through increased collaboration with health and community partners, reviewing high-cost Adult Social Care packages and improved utilisation of existing care contracts.

Children & Young People

46. The 2024/25 revenue budget included additional investment of £17.6 million for Children & Young People services to provide sufficient funding to meet the costs of service delivery. This additional funding comprised £14.3 million to address demand and cost pressures plus £3.3 million to meet inflationary increases and the cost of the annual pay award.

47. The increase in revenue budget was supported by a 3 Year Financial Plan which placed workforce stability and a reduction in high-cost placements as key priorities for the Directorate. This plan identified proposed savings of £10.2 million over the three years from 2024/25 to 2026/27.

48. Workforce savings represented a planned reduction in the number of agency social workers, assuming conversion of agency to permanent contracts, and a reduction in the social worker establishment consistent with an expected reduction in demand and the number of children in care. Reduced expenditure relating to high-cost placements was planned through detailed reviews of care packages and re-procurement, reunification with families, where appropriate, or placement with foster families, alongside the natural progression of care to supporting living when individuals reached the appropriate age.

Table 4: Children & Young People 3 Year Financial Plan (as at 2024/25 Budget Setting)

Planned activity/transformation	**Year 1 2024/25 £'000**	**Year 2 2025/26 £'000**	**Year 3 2026/27 £'000**	**Total 2024/25 £'000**
Workforce savings	(1,344)	(1,477)	(933)	**(3,754)**
Reduction in high-cost placements	(959)	(3,894)	(1,359)	**(6,212)**
SEN Transport efficiencies	(200)	-	-	**(200)**
TOTAL	**(2,503)**	**(5,371)**	**(2,292)**	**(10,166)**

49. The Quarter 2 2024/25 Budget Report presented to Cabinet in November 2024 confirms a forecast balanced position for the Children & Young People Directorate; services are forecast to be delivered within the approved budget in the year ending 31 March 2025.

50. The report also notes forecast delivery of Year 1 savings of £2.3 million by 31 March 2025. As at September 2024, saving targets S2 (Reduction in Social Worker establishment) and S3 (Reduction in number of agency social workers) totalling £1.4 million are confirmed as delivered in full. Activity to deliver saving target S1 (Reduction in High Cost Placements) of £0.9 million is assessed as 'in progress' and, notwithstanding the risk of emerging demand over the remainder of the financial year, this target is expected to be delivered in full.

51. Activity to deliver savings target S4 (£0.2 million in respect of SEN Transport efficiencies) is assessed as 'at risk' at Quarter 2 of 2024/25 with work underway to expedite delivery as part of a wider review of transport cost pressures and local sufficiency across the council.

52. The Children's Services and Partnership Improvement Plan was endorsed by Cabinet in July 2024. The Phase 2 Improvement Plan has been developed to bring focus, pace and measures to the improvement journey, building upon achievements in the last two years and introducing a Quality Assurance Framework of measures (key performance indicators, service user feedback and audit activity) to enable future progress to be monitored.

53. As the Service continues to transform and deliver improvements, it is appropriate that supporting plans are refreshed to ensure that planned activity continues to reflect the impact of progress to date, whilst supporting required future improvements and service priorities.

54. In February 2024, Directorate savings presented as part of the 2024/25 revenue budget proposed a target of £5.4 million for delivery in 2025/26 (Year 2 of the 3 Year Financial Plan). Following evidenced delivery of savings and service within budget in the 2024/25 financial year and significant transformation across the Directorate, the 3 Year Financial Plan has been

refreshed to ensure that future savings remain realistic and achievable and in support of required improvements.

55. For 2025/26, the original plan proposed savings of £5.4 million comprising £1.5 million reduced workforce costs and £3.9 million reduced placement costs. A detailed review of the original proposals has been undertaken by the service, led by the Interim Director of Children's Services and informed by achievement of existing saving targets in 2024/25 and planned future activity.

56. This review has identified realistic and achievable savings proposals of £3.9 million for 2025/26. This represents a significant increase in savings forecast to be delivered in Year 1 and contributes to total savings of £6.4 million across Years 1 and 2, representing 63% of required savings per the original Financial Plan across this period.

57. It is proposed that the £3.7 million balance of total savings planned over the original 3 Year Financial Plan period are reprofiled over an additional year, extending the delivery period to 4 years: 2027/28.

58. As service improvement and transformation continue in 2025/26, detailed savings plans to deliver the Year 3 and 4 target of £3.7 million will be finalised and these will be subject to internal quality assurance and external audit review as part of routine Value for Money (VFM) audit testing procedures.

59. It is proposed that the gap arising between the original planned target for Year 2 and the revised savings identified for 2025/26 of £1.4 million is funded from the budget resilience reserve (Contingency Reserve) in 2025/26. The £1.4 million contribution from reserves in 2025/26 will be repaid in Years 3 and 4 of the revised plan period, alongside delivery of the balance of £2.3 million of savings.

60. Unprecedented increases in the demand for children's social care continue to have a significant impact on Children's Services nationally. Growing demand in Early Help, Special Educational Needs and Disability (SEND) and Home to School Transport services and national challenges in the recruitment and retention of social workers continue to contribute to pressures across the Directorate.

Dedicated Schools Grant (DSG)

61. The cumulative DSG deficit is accounted for as an unusable reserve on the council's Balance Sheet, as permitted via statutory instrument, which will remain in place until 31 March 2026. This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts.

62. Beyond the period of the statutory override, the expectation is that any balance on the DSG Unusable Reserve will transfer back to the council's total Earmarked Reserves. The deficit will have an impact on the council's overall financial position once the override period ends and this risk is being managed alongside the assessment of the adequacy of the council's reserves, as part of the council's medium term financial strategy.

63. It should be noted that this issue is a major concern amongst local authorities nationally. A survey by the Association of Local Authority Treasurers (ALATS) reveals the nationwide deficit currently exceeds £3.0 billion across English councils, projected to rise to £5.6 billion by 2025/26 and £8.0 billion by 2026/27.

64. At 1 April 2024, the cumulative deficit brought forward totals £6.1 million. The Q2 (September) 2024/25 forecast was an overspend of £7.6 million within the High Needs block of the DSG;

increasing the cumulative deficit to £13.7 million by 31 March 2025. A focused review to quantify the impact of emerging demand in 2025/26 and future years is currently underway to inform the council's DSG Deficit Management Plan. It is expected that this will increase the forecast deficit by 31 March 2025.

65. The Provisional Settlement confirmed that Government will set out plans for reforming the SEND system next year including a decision on the statutory override. The council continues to work with the Department of Education, Local Government Association and other local authorities to seek clarification on the position once the statutory instrument expires and a sustainable funding strategy for the High Needs budget.

Economy & Environment

66. Investment in the Directorate will provide sufficient resource and capacity to support growth in the economy in 2025/26 and deliver key projects through the Capital Programme. The Directorate will continue to implement the new operating model and contracting arrangements for public realm services and manage pressures in the operation of waste collection and disposal contracts arising due to growth in the volume of domestic waste and inflationary increases in the contract sum.

67. As part of budget setting activity, a review of the Development Planning Control income target for 2025/26 has been undertaken; considering historic performance against budget, expected growth and the impact of planned reform of the National Planning Policy Framework (NPPF) and other changes to the planning system by Government.

68. Further work has been completed by the council's Internal Auditors in collaboration with Transformation team staff: analysing income generated to understand changes in the volume of chargeable activity and activity type, considering timeframes for turnaround and benchmarking activity and income levels with similar sized rural authorities. This review determined that actual income generated by the council is comparable to similar authorities and that the current income budget is not achievable.

69. The Quarter 2 2024/25 Budget Report presented to Cabinet in November 2024 highlights forecast under-delivery of planning income of £1.3 million for the year ending 31 March 2025. In 2023/24, the revenue budget outturn report noted under-delivery of planning income of £1.0 million for the year.

70. For 2025/26, it is proposed that the Development Planning Control income budget is reduced by £1.0 million. This reset represents a revised income target which is realistic and achievable, whilst enabling the service to continue to identify efficiencies in service delivery and opportunities to maximise income generation.

71. Additional funding in 2024/25, through increase in Rural Services Grant at the Final Settlement, was allocated in the 2024/25 revenue budget to provide additional funding for drainage works across the county (£445k), Lengthsman scheme services (£250k) and improvements to Public Rights of Way (£250k). Despite the loss of Rural Services Grant, this commitment will continue in 2025/26 to maintain delivery in these priority areas across the county.

72. Expenditure for these schemes in future years will be subject to confirmation of future funding arrangements, and the multi-year settlement, and the review of the council's public realm services contract.

Home to School and SEND Transport

73. There are significant pressures in the provision of mainstream home to school transport and SEND transport services experienced in Herefordshire and nationally. The recent County

Council's Network (CCN) (November 2024) highlights the financial pressures impacting local authority home to school transport budgets, with growth in Education, Health and Care Plans (EHCPs) for SEND students and increases in more costly travel such as individual taxis and passenger assistants intensifying the challenge.

74. The CCN report notes that since 2014, the number of EHCPs has surged by 140%, with average costs per SEND pupil rising 32% from £6,280 to £8,299 per annum. This rise in demand has led to a dramatic increase in home to school transport costs over the last decade and CCN figures project costs will reach £3.6 billion per year by 2030 for councils across England.

75. The Provisional Settlement notes that Government intends to set out plans to reform the SEND system in further detail next year. Ahead of any substantive reform, the council must manage increasing demand and cost pressures in transport services by identifying innovative strategies to:

- influence demand using data to understand user requirements;
- maximise independence and reduce reliance on council transport services; and
- employ digital technologies to maximise opportunities to consolidate routes and deliver efficient journeys.

76. An external review has been commissioned by the Chief Executive and an action plan is currently being developed which will deliver efficiencies across the council's transport routes, reduce costs and introduce a new operating model for transport services in 2025/26.

77. Additional investment in a council-owned fleet of vehicles in the proposed Capital Programme for 2025/26 is planned to further mitigate this revenue budget pressure. This investment will seek to deliver maximum cost savings, informed by revised route options and most efficient passenger utilisation.

Corporate Services

78. The budget requirement for 2025/26 reflects investment in the Corporate Services Directorate to support continued delivery of transformation across the council; enabling innovation through technology and the use of digital tools to build a data and intelligence-led organisation. These improvements in the use of technology will support demand management, deliver efficiencies and inform decision-making across the council's services and strategic priorities.

Central

79. The Central budget comprises financing transactions, Minimum Revenue Provision (MRP) and other corporate budget items including: pension costs, costs in respect of the administration of housing benefit and council tax and business rate collections and income from the council's business rate pooling arrangement. This budget is informed by planned delivery of the council's Capital Programme and corresponding borrowing requirement.

Delivery of 2024/25 Savings

80. The 2024/25 revenue budget included a challenging savings target of £19.5 million comprising Directorate savings of £11.6 million and council-wide savings of £7.9 million across a range of proposals to transform services, reduce expenditure, increase opportunities for cost recovery and review the size and shape of the organisation.

81. The challenging savings target set, and the difficult decisions taken to deliver efficiencies in both services and the size and shape of the council, form the basis of a sustainable financial strategy which is underpinned by robust financial management and continued expenditure

controls, accuracy in forecasting and effective collaboration between service and finance teams.

82. The council's financial planning and monitoring arrangements which safeguard the financial sustainability of the council have been reviewed against National Audit Office criteria by external auditors. The Auditor's Annual Report published in September 2024 confirms there are no significant weaknesses in arrangements to ensure the council manages risk to its financial sustainability.

83. Delivery of savings at a time of increasing demand and budget pressures remains a significant challenge for the council. The Quarter 2 2024/25 Budget Report presented to Cabinet in November 2024 reports forecast delivery of £14.5 million (74% of total savings) in 2024/25 with the balance of £5.0 million assessed as 'at risk'.

84. Work is underway to maximise delivery of these savings in 2024/25 or identify mitigations. The delivery of savings in full and on time is critical to ensure the 2024/25 revenue outturn position is balanced and to prevent further pressure on future years' budgets.

85. Despite efficiencies across the council in 2024/25, Directorate teams have continued to deliver key priorities and Delivery Plan milestones whilst providing increased support to recognise the impact of the increasing costs of living on residents and businesses in the county. In addition, the council has made significant progress in the delivery of capital projects.

86. There have been measurable improvements in public health outcomes with successful initiatives to stop smoking and improve mental health. Strategies and frameworks to improve services to children and young people have been informed by pilot schemes and surveys to gain a better understanding of their experiences across the county. Progress to improve the lives of the aging population has been made using data and intelligence to address issues in the discharge process and respite services. This improvement work will continue over the remainder of 2024/25 and will be measured as part of routine performance reporting.

87. The council is committed to identifying solutions to develop affordable housing and work is underway to review best practice options through engagement with developers and registered providers.

88. In delivery of objectives to expand and maintain the county's transport infrastructure network, the council has completed surface dressing works across 30 sites across Herefordshire and plans to spend the remaining budget to deliver further improvement by the end of the financial year.

89. The council continues to work towards reducing carbon emissions to achieve net zero by 2030/31 and making the county more resilient to the effects of climate change. Progress has been made in developing the next carbon management plan, farm carbon audits have been completed and the second phase of the Home Upgrade Grant is in delivery, supporting improved household energy efficiency for residents.

90. Transformation work has continued across the council in 2024/25 with advancements including digital technology in customer services and pilots of M365 and the use of Artificial Intelligence being progressed in the year.

Proposed Savings 2025/26

91. Total savings of £3.9 million are proposed in the 2025/26 budget which represent savings in the Children & Young People Directorate in Year 2 of the Financial Plan, as noted above in paragraphs 46 to 52.

92. Savings planned in Year 2 of the revised Financial Plan will build upon the successful delivery of savings achieved in 2024/25; continuing the conversion of high-cost agency staff to permanent posts and a planned reduction in the staffing establishment aligned to the locality model and reduced levels of demand. A reduction in placement costs, across residential, complex needs and supported accommodation placements, will deliver further savings in 2025/26.

93. Details of individual proposals and a description of planned activity for these savings are included at Appendix B. Whilst no additional Directorate savings are proposed, as part of the budget setting process a series of mitigations have been identified to contain growth and minimise pressures on Directorate budgets in 2025/26 and these are noted below.

Mitigations

94. Mitigations of £3.0 million include £1.4 million contribution from the budget resilience reserve (Contingency Reserve) in 2025/26 to bridge the gap of Year 2 savings identified in the Children & Young People Directorate as noted above at para 58. This application in 2025/26 is a result of revisions to planned activity and timing of savings and this contribution will be repaid in Years 3 and 4 of the revised plan period, alongside delivery of the balance of £2.3 million of savings.

95. Transformation expenditure in the Corporate Services Directorate will be mitigated in 2025/26 through the application of £0.6 million of capital receipts. This application is permitted by statutory Direction and the council is required to evidence compliance with qualifying conditions to its external auditors. The qualifying expenditure will generate efficiencies, ongoing savings and reductions in the cost of service delivery. The proposed application in 2025/26 represents modest use of this flexibility by the council.

96. The balance of mitigations represents increases in fees and charges of £0.5 million and realignment of Directorate budgets which total £0.5 million to mitigate corresponding growth in 2025/26.

Table 5: Mitigations

Mitigation	**Children & Young People £'000**	**Corporate Services £'000**	**Total £'000**
Utilisation of Contingency Reserve to mitigate Year 2 savings gap	(1,442)	-	**(1,442)**
Application of Capital Receipts to mitigate qualifying transformation expenditure	-	(600)	**(600)**
Increased fees and charges	-	(531)	**(531)**
Realignment of Directorate budgets to mitigate corresponding growth	-	(437)	**(437)**
TOTAL	**(1,442)**	**(1,568)**	**(3,010)**

Community impact

97. The draft budget demonstrates how the council plans to use its financial resources to deliver its statutory responsibilities and strategic priorities. The budget and savings proposals support the overall delivery plan and service delivery strategies in place.

98. In accordance with the adopted code of corporate governance, the council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these is an important strategic choice to make to ensure intended

outcomes are achieved. The council needs robust decision making mechanisms to ensure our outcomes can be achieved in a way that provides the best use of resources while still enabling efficient and effective operations.

Environmental Impact

99. 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.

100. Whilst this overarching budget setting document will not detail specific environmental impacts, consideration is always made to minimising waste and resource use in line with the council's Environmental Policy. A specific environmental impact assessment for the service specific budget proposals will be considered as appropriate to seek to minimise any adverse environmental impact and actively seek opportunities to improve and enhance environmental performance.

Equality duty

101. Equality Impact Assessments for the savings options and budget proposals will be made available as part of the 2025/26 Revenue Budget report to be presented at the meeting of Cabinet on 23 January 2025.

Resource implications

102. The financial implications are as set out in the report. The ongoing operational costs including, human resources, information technology and property resource requirements are included in the draft budget and will be detailed in separate governance decision reports as appropriate.

103. The council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from its resources. This includes taking properly informed decisions and managing key operational and financial risks in order to deliver objectives and safeguard public money.

104. Under the Local Audit and Accountability Act 2014, the council's external auditors are required to assess whether the council has made proper arrangements under three areas, as defined by the National Audit Office: Financial Sustainability, Governance and Improving economy, efficiency and effectiveness.

105. For the 2023/24 financial year, the council was the first and only council in the country to receive an audit opinion on the financial statements and its value for money arrangements by the statutory deadline of 30 September 2024.

106. The Auditor's Annual Report for 2023/24 notes that arrangements for identifying, developing, monitoring and reporting on savings are appropriate and that the council has used appropriate key assumptions together with sensitivity analysis when developing its 2024/25 budget. These arrangements, assessed by external audit, underpin the 2025/26 budget setting process to support the preparation of a realistic balanced budget.

107. Audit testing of the robustness of savings proposals included in the 2024/25 budget confirmed a 'green' rating in respect of the council's plans to bridge its funding gap and identify achievable savings. Auditors selected a sample of savings schemes across Directorate and council-wide savings representing £14.6 million (75% of the £19.5 million total savings for 2024/25). The findings confirm that Officers provided supporting working papers including

detailed calculations to support the figures, alongside evidence that plans have been developed through engagement between budget holders and service managers

108. The audit report provides valuable, independent assurance that the council has robust financial planning arrangements in place to identify all significant financial pressures and risks to financial resilience and to support the sustainable delivery of services in accordance with strategic and statutory priorities.

Legal implications

109. When setting the budget it is important that councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and council tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers.

110. In acting prudently, the council has an obligation to determine whether any planned council increase is excessive (based on a set of principles defined by the Secretary of State and approved by the House of Commons).

111. The level of council tax rise does not meet the definition of an excessive increase so can be approved without the need for a referendum.

112. The Local Government Finance Act 1992 requires a council to set a balanced budget. To do this the council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure.

113. Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. An intention to set a deficit budget is not permitted under local government legislation.

114. The council must decide every year how much they are going to raise from council tax. The decision is based on a budget that sets out estimates of what is planned to be spent on services. Because the level of council tax is set before the year begins and cannot be increased during the year, risks and uncertainties have to be considered, that might force higher spending more on the services than planned. Allowance is made for these risks by: making prudent allowance in the estimates for services; and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

115. Local government legislation requires the council's S151 officer to make a report to the full Council meeting when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals (the statement is contained within the risk management section of this report). This is done so that members will have authoritative advice available to them when they make their decisions. As part of the Local Government Act 2003 members have a duty to determine whether they agree with the S151 statutory report.

116. The council's budget and policy framework rules require that the chairpersons of a scrutiny committee shall take steps to ensure that the relevant committee work programmes include any budget and policy framework plan or strategy, to enable scrutiny members to inform and support the process for making Cabinet proposals to Council.

117. Section 106 of the Local Government Finance Act 1992 precludes a councillor from voting on the Council's budget if he or she has an outstanding council tax debt of over two months. If a councillor who is precluded from voting is present at any meeting at which relevant matters are

discussed, he or she must disclose that section 106 applies and may not vote. Failure to comply is a criminal offence.

Risk management

118. Section 25 of the Local Government Act 2003 requires the S151 officer to report to Council when it is setting the budget and precept (council tax). Council is required to take this report into account when making its budget and precept decision. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.

119. The budget has been updated using the best available information; current spending, anticipated pressures and estimates in respect of the provisional 2025/26 funding settlement.

120. The known most substantial risks have been assessed as part of the budget process and reasonable mitigation has been made where possible. Risks will be monitored through the year and reported to cabinet as part of the budget monitoring process.

121. The council maintains a general fund reserve balance above the minimum requirement, earmarked reserves and an annual contingency budget to manage these risks.

122. Key financial risks and mitigating actions are noted in the table below. The impact measure refers to the potential financial severity of each identified risk.

Key Financial Risk	**Likelihood**	**Impact (Potential Severity)**	**Mitigating Action**
Unexpected events and emergencies By its nature, the financial risk is uncertain	Low	High	The Council maintains a strategic reserve at a level of between 3 and 5% of its revenue budget for emergency purposes. The level of this reserve at 1 April 2024 was 9.6m (4.5% of 2024/25 revenue budget). Additionally, national resources have historically been provided to support national issues.
Not delivering required improvements The council must address the statutory direction and improvements across Children's Services	Low	Medium	The Phase 2 Children's Services and Partnership Improvement Plan was endorsed by Cabinet in July 2024 introducing a Quality Assurance Framework of measures (key performance indicators, service user feedback and audit activity) to enable future progress to be monitored. Performance against the Improvement Plan is monitored and reported on a quarterly basis. The supporting Financial Plan has been revised for 2025/26 to ensure the Children & Young People Directorate is able to continue to deliver savings whilst sustaining improvement in service delivery.
Increasing demand for Adult and Children's Social Care Demand for Children's services continue and demand for adult services increases	High	Medium	Demand led pressures are reflected within our spending plans; additional funding to support increased demand has been applied to Community Wellbeing and Children & Young People Directorate base budgets for 2025/26. In year monitoring of performance enables Directorates to forecast trends and identify changes in demand.

as the population ages.			Increasing demand for social care represents a key financial pressure for all councils. Robust and regular budget monitoring identifies emerging pressures and the financial impact on in-year budgets across the council. Financial monitoring is informed by activity data and trend analysis from the relevant service to ensure that forecasting is reliable and timely. The Budget resilience reserve represents a contingency budget for 2025/26 and future years to mitigate the risks of excessive cost pressures and volatility in demand.
Potential overspend and non-delivery of savings required to balance the budget	Medium	Medium	High risk budget areas have been identified and financial support is targeted in these areas. Robust and regular financial monitoring which is reported to Directorate and Corporate Leadership Teams and Cabinet enables the timely identification of actions to mitigate the risk of overspends.
Volatility in Government funding streams The government settlement for 2025/26 is a one-year settlement; the assumed funding for the MTFS period is not confirmed.	High	Medium	The MTFS reflects prudent estimates and assumptions in the financial planning over the medium-term period where it is acknowledged that uncertainty over future funding exists. Government have confirmed that there will be significant reform of funding arrangements in future years, including a Fair Funding Review and reset of Business Rates. The MTFS will be updated to reflect the impact for the council as further information is received.
Interest and Inflation There is uncertainty over interest and inflation rates.	Medium	Medium	The Treasury Management Strategy is informed by latest forecast, as provided by our Treasury Management Advisors. Increases in borrowing rates will be offset by increases in investment returns.
Dedicated Schools Grant The future cumulative deficit requires direct financial support from council core budgets if the period of statutory override is not extended beyond 31 March 2026.	High	Medium	The high needs budgets are funded by the dedicated schools grant, but any overspend becomes a council liability. This risk cannot currently be mitigated; expenditure will be monitored as part of routine budget monitoring arrangements and the council will continue to work with the Department for Education and monitor progress against the DSG Deficit Management Plan. This represents a significant local and national pressure and urgent reform is required. Collaboration between the Department for Education, MHCLG, HM Treasury and local authorities must inform plans to reform funding arrangements and future decision on the

			statutory override to manage the national deficit and minimise the impact on local authority financial positions.

Budget Timetable

123. The high-level timetable to approval of the 2025/26 revenue budget by Council is set out below:

Date	Activity
13 January 2025	Draft 2025/26 revenue budget to Cabinet
14 January 2025	Meeting of Scrutiny Management Board to consider revenue budget for 2025/26
23 January 2025	Meeting of Cabinet to recommend 2025/26 revenue budget to Council
Late Jan/early Feb	Final Local Government Finance Settlement
7 February 2025	Meeting of Council to approve 2025/26 revenue budget

Consultees

124. The council's constitution states that budget consultees should include parish councils, health partners, the schools forum, business ratepayers, council taxpayers, the trade unions, political groups on the council, the scrutiny committees and such other organisations and persons as the Leader shall determine.

125. In 2025/26, the council developed an online budget simulator tool, enabling residents and other stakeholders to consider funding choices and the impact of changes in income and expenditure on the delivery of services. Engagement also asked for feedback on priorities for the 2025/26 budget and council tax increase options. A further event to engage with the business community was held in December 2024.

126. The results of consultation activities will be included in the updated 2025/26 Budget Report for the meeting of Cabinet on 23 January 2025.

127. Scrutiny Management Board will be consulted with on 14 January 2025; any resulting recommendations will be considered by Cabinet ahead of its scheduled meeting on 23 January 2025.

Appendices

Appendix A: Medium Term Financial Strategy
Appendix B: Proposed Savings Plans
Appendix C: Proposed Directorate Base Budgets
Appendix D: Treasury Management Strategy

Background papers

None identified.

Herefordshire Council

MEDIUM TERM FINANCIAL STRATEGY 2025/26 TO 2028/29

Introduction

1.1 The Medium Term Financial Strategy (MTFS) is the council's key financial planning document and sets out the council's budget for 2025/26 and the financial plan for the years to 2028/29. The strategy sets out how the council's priorities will be funded over the MTFS period and the financial risks and pressures that must be mitigated in order to successfully deliver corporate objectives.

1.2 This MTFS provides the strategic framework for managing the council's finances and ensures that:

- resources are aligned to achieve corporate objectives detailed in the County Plan over the medium/longer term; and
- the Revenue Budget, Capital Investment Budget, Treasury Management Strategy and required Prudential Indicators are appropriately aligned.

1.3 The council has a gross expenditure budget of around £400 million which is used to deliver services to nearly 200,000 residents across rural villages and market towns. These services include maintenance of over 2,000 miles of roads, collection of over 89,000 residential bins, safeguarding around 1,000 children (including 400 in our care) and providing care and support to approximately 2,500 vulnerable adults.

1.4 The council employs over 1,200 staff and supports many more local jobs through contacts with local business. The local economy combines long-standing agriculture and food production industries alongside innovative businesses in cyber and technology, construction and engineering.

1.5 The council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from its resources. This includes taking properly informed decisions and managing key operational and financial risks in order to deliver objectives and safeguard public money. Using resources wisely is a core principal of financial management and the council continues to identify efficiencies in service delivery and maximise purchasing power to ensure value for money is achieved for the residents and businesses of Herefordshire.

1.6 The Herefordshire Council Plan 2024-28 sets out how the council will make its contribution to achieving success across the county; delivering the best for Herefordshire in all areas of service delivery and developing a council that engages with the communities it serves.

1.7 The Plan sets out the vision for the future, with a focus on key priorities of People, Place, Growth and Transformation, with partnership working at the core of all activity. The themes and ambitions which underpin the Council Plan inform the financial plans including the annual budget and MTFS.

1.8 The MTFS proposes a balanced revenue budget which totals £232.0 million for 2025/26; achieved by a 4.99% increase in council tax and planned savings of £3.9 million. The net revenue budget for 2025/26 is detailed at Annex A.

National and Local Financial Risk

Wider Economic Context

2.1 The UK economy remains challenging following a prolonged period of high interest rates and sticky inflation, caused by the global pandemic and the subsequent impact of increases in the cost of living. UK growth is stagnant, with Gross Domestic Product (GDP) at 0.5% for quarter 2 and 0.1% for quarter 30 in 2024.

2.2 Domestic inflation rates are generally in decline. Consumer Price Index (CPI) inflation fell to the target rate of 2.0% in May 2024, before a period of movements above and below the target (2.2% in July and August, 1.7% in September, 2.3% in October). The decline since last year has been led mainly by falling food, alcohol, tobacco and energy prices. CPI inflation is expected to rise to 2.5%, before falling back to the target rate of 2.0% by mid-2025.

2.3 These economic factors, alongside increases in demand for adult and children's social care and home to school travel services, place unprecedented pressures on the council's MTFS during a period of uncertainty around future funding arrangements for local government.

2.4 The MTFS is informed by the estimated impact of these pressures on council budgets at the time of preparation. They remain estimates which are subject to change and will continue to be reviewed over the medium term planning period.

Core Government Funding

2.5 The Local Government Settlement for 2025/26 received in December 2024 represents a one-year settlement with a multi-year spending review for subsequent years expected in Spring 2025.

2.6 Alongside the Provisional Settlement, the Ministry of Housing, Communities and Local Government (MHCLG) published a consultation on funding reform. The Autumn 2024 Budget confirmed Government's intention to pursue a comprehensive set of reforms to place local government in a more sustainable position, using a deprivation-based approach in 2025-26, followed by broader reform through a multi-year settlement from 2026-27.

2.7 A reset of the business rates retention system is also planned for 2026/27. This reset will apply nationally but it is expected that business rates growth generated within designated areas, including Enterprise Zones, will be exempt in line with current policy. The impact of a business rates reset on the council's retained income will depend on the relative growth in business rates.

2.8 These plans place significant uncertainty over funding over the medium-term planning period. The MTFS for 2025/26 to 2028/29 is informed by prudent assumptions of future core Government funding to reflect this uncertainty.

2.9 **Council Tax:** The Provisional Settlement confirmed that the council tax referendum limits would remain unchanged for 2025/26: councils with social care responsibilities are permitted to increase council tax by up to 3% with an additional 2% to meet adult social care pressures, without a local referendum.

2.10 Each 1% increase in council tax represents approximately £1.4 million of recurrent funding to meet demand pressures and deliver the council's services. The proposed draft revenue budget for 2025/26 assumes the maximum increase of 4.99% in 2025/26: 2.99% increase in core council tax and a 2% adult social care precept. This increases the band D equivalent charge to £1,969.36, representing an increase of £7.80 per month (£1.80 per week).

2.11 At the proposed level of increase, the total Council Tax income for the council is expected to increase by £11.4 million to £146.5 million; representing £6.7 million of basic increase, £1.6

million in tax base buoyancy and £3.1 million in premiums applied to second homes and empty properties.

2.12 The maximum level of local Council Tax Reduction scheme discount, approved by Council in 2021/22, has been maintained in all subsequent years to ensure that eligible households receive support as the impact of the rising cost of living continues.

2.13 **Business Rates**: The Business Rates retention scheme was introduced on 1 April 2013. Under the scheme, the council retains some of the business rates raised locally: 50% of the business rate yield is retained locally and 50% retained by central Government. This Government share is maintained in a central pool, distributed to local government via other grants.

2.14 Authorities who have more business rates than their baseline funding level pay a tariff to Government. This is used to fund top-up payments to those authorities whose business rates are less than their baseline funding levels.

2.15 In order to maximise the value of business rates retained within Herefordshire, the council joined the Herefordshire and Worcestershire Business Rates Pool in the 2023/24 financial year 2023/24 and opted to continue in 2024/25 and 2025/26.

2.16 A Business Rates Pool is a voluntary arrangement between a group of local authorities in England whereby their combined business rates income and any growth is collected as one common fund or 'pool'. This pool generates a saving in the levy returned to central Government which can be distributed amongst members as determined by a Pooling Agreement; spreading the risk across a wider geographic and economic area to enable more business rate growth to be retained locally and shared by authorities within the pool.

2.17 As a member of this Pool, the council benefits from a reduction in levy rate and a share of the estimated increased gain to the pool, as determined by the Pooling Agreement. The Pool operates on the principal that no member authority would be worse off in the pool than if not a member. This means that amounts paid into the pool are limited to the levy amount that they would have otherwise paid to the Government and the risk to the council is mitigated.

2.18 **Fees & Charges:** The council generates income to fund service delivery by charging for the services it provides to residents and businesses. Aside from income generation from locally raised taxes, this is an increasingly important source of funding. Fees and charges are within the direct control of the council to set and uplift, subject to any legislative, economic and political considerations.

2.19 Alongside an annual review and uplift of fees and charges, work to ensure maximum service cost recovery and to identify new commercial opportunities across Directorates continues as part of wider transformation activity across the council.

Local Context

2.20 Despite efficiencies across the council in 2024/25, Directorate teams have continued to deliver key priorities and Delivery Plan milestones whilst providing increased support to recognise the impact of the increasing costs of living on residents and businesses in the county. In addition, the council has made significant progress in the delivery of capital projects.

2.21 The council continues to invest in transformation activity to support improvement of its services; of which the improvement of children's services remains a key corporate priority, and this MTFS reflects the financial commitment to deliver this transformation.

2.22 Transformation efficiencies and savings will be achieved through improvements to systems, processes and technology; using digital solutions and technology to improve the customer offer and maximise opportunities to work with communities and partners alongside maximising income through service cost recovery.

2.23 Year-on-year timely completion and independent audit of the council's statutory accounts provide assurance over the arrangements in place to provide complete, accurate and timely financial statements and the appropriateness of the council's accounting policies and accounting estimates.

2.24 The council's financial position is stable with above average reserve levels compared with similar unitary authorities, low levels of borrowing, positive cashflow and high liquidity and robust financial planning arrangements to identify and manage risks to financial resilience.

Projected Funding Gap over MTFS Period

3.1 The MTFS develops a series of financial projections to quantify the estimated funding gap and determine the medium term financial implications must be addressed in order to continue to deliver council services and strategic priorities.

3.2 To develop these projections, the current year base budget is inflated to reflect estimated price increases across services and goods with additional amounts to include unavoidable spending pressures and the financial impacts of council priorities and decisions. The adjusted base budget is measured against the estimated funding available to determine the future funding gap.

3.3 The projections below, and detailed at Annex B, reflect a funding gap for the medium-term period 2025/26 to 2028/29 of £5.3 million. This is an estimate of the financial gap between what the council needs to spend to maintain services delivery and the funding available. This reflects inflationary costs included as base budget increases from 2026/27 which are not currently matched by increases in core Government funding.

Table 1 Projected Funding Gap to 2028/29

	Proposed 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000
Total Funding	231,995	258,976	273,651	287,281
Net Expenditure Budget	231,995	257,703	274,868	292,547
Surplus/(Gap) to be funded	**-**	**1,273**	**(1,217)**	**(5,266)**
Surplus/(Gap) as % of net budget		**0.5%**	**0.4%**	**1.8%**
Total (Gap) to 2028/29				**(5,210)**

3.4 Closing the estimated funding gap in future years represents a significant challenge for the council. Existing activity to priorities resources and deliver efficiencies will continue to bridge this gap through transformation of service delivery, increasing opportunities to recover costs of service delivery, expenditure reviews and reviewing the size and shape of the workforce to ensure a lean and resilient council for the future.

3.5 There is significant uncertainty in terms of future funding arrangements and allocations across local authorities over the medium-term period. Government have confirmed that there will be significant reform of funding arrangements in future years, including a Fair Funding Review and reset of Business Rates during 2025 for implementation from 2026/27 and the MTFS will need to be revised to reflect updated levels of funding as information is received from Government.

Dedicated Schools Grant (DSG)

4.1 The cumulative DSG deficit is accounted for as an unusable reserve on the council's Balance Sheet, as permitted via statutory instrument, which will remain in place until 31 March 2026. This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts.

4.2 Beyond the period of the statutory override, the expectation is that any balance on the DSG Unusable Reserve will transfer back to the council's total Earmarked Reserves. The deficit will have a significant impact on the council's overall financial position once the override period ends and this risk is being managed alongside the assessment of the adequacy of the council's reserves, as part of the council's medium term financial strategy. The Provisional Settlement confirmed that Government will set out plans for reforming the SEND system in 2025, including a decision on the statutory override, and the MTFS will be updated to reflect the impact as plans are confirmed.

Planning Assumptions

5.1 The key assumptions in developing the medium term financial projections are explained below.

Table 2 Key assumptions by budget area

Budget area	Key assumptions
Contract inflation	For 2025/26 the general rate of inflation is assumed at 3% or the individual contract specific rate (all capped at 90%). For the remaining three years from 2026/27 to 2028/29, inflation is assumed at 2.7%, 2.3% and 1.9% respectively.
Employee related costs	A pay increase has been assumed for the four year MTFS period. The council is part of the Worcestershire Pension Fund, administered by Worcestershire County Council. The triennial valuation of the Pension Fund took place on 31 March 2022. Contributions included for the MTFS period ensure that the future costs to meet existing members' service benefits continue to be covered.
Council tax	An increase of 4.99% is assumed for 2025/26 with a 1.99% increase in council tax and 2% increase in Adult Social Care Precept in each of the years 2026/27 to 2027/28.
Council tax base	The council's tax base represents the estimated number of Band D equivalent chargeable dwellings for the year. The tax base is forecast to increase by 1% each year for the purpose of modelling income for the MTFS; this increase is informed by prior year increases.
Council tax premiums on second homes and empty properties	The MTFS assumes additional council tax premiums from 1 April 2025. A 100% premium will be charged for second homes and properties which have been empty and unfurnished for a period of between 1 and 2 years. A prudent estimate of expected income has been included in the MTFS; acknowledging potential reductions in revenue if homes are sold or reclassified once charges are introduced. This estimate is informed by the number of dwellings confirmed as second homes or empty dwellings and the duration of the property's status, as per billing data as at December 2024. A series of verification checks to confirm occupancy and ownership status has

	been undertaken during 2024/25 to provide assurance in respect of the value of this budgeted income.
Other Government funding sources	Government funding sources included in the MTFS reflect the assumption that the Fair Funding Review will be implemented from 2026/27. Estimates do not include the impact of planned reform of business rates funding.
Fees & charges	Any increases in fees & charges have been incorporated within the budget proposals.
Capital borrowing rates	Capital borrowing rates of 4.8%, 4.4%, 4.2% and 4.2% have been assumed in respect of financing the Capital Programme over the next 4 years respectively. This assumption will remain under constant review and will be informed by forecasts provided by our Treasury Management Advisors: Link Group.

Robustness of Budget Estimates and Key Risks

6.1 The 2025/26 budget and MTFS include estimated values, based on key assumptions noted above and expectations of future events that are otherwise uncertain. Estimates are based on historical experience, current trends and other relevant factors. Financial forecasts are monitored as part of routine budget monitoring arrangements to ensure that risks are identified in a timely manner and mitigation action is taken.

6.2 As values cannot be determined with certainty, the table below notes the potential impact of both a positive and negative impact of 1% across the key areas within the MTFS.

Table 3 Impact assessment (1% movement)

	Potential full-year impact of 1% movement (£m)
Council tax	+/- £1.4m
Employee related costs (pay)	+/- £0.8m
Inflation	+/- £2.4m
Demand	+/- £2.0m
Interest on borrowing	+/- £0.1m
Council tax premium second/empty homes	A 10% movement in the number of dwellings liable to the premium represents +/- £0.3m from 2026/27 onwards

6.3 The council has strengthened arrangements to identify and monitor financial risks; implementing additional measures to provide increased support to budget managers to deliver planned savings and contain expenditure within the approved budget. These measures include:

- enhanced in-year financial monitoring and reporting to identify key risks and expected financial impacts;
- improved alignment of activity data and trend analysis to financial forecasts;
- introduction of expenditure controls to provide increased rigour and challenge of expenditure; and
- enhanced check and challenge of key assumptions in the outturn forecast.

6.4 The key financial risks that could affect the delivery of the MTFS as noted in the table below.

Table 4 Key financial risks

Key Financial Risk	Likelihood	Impact (Potential Severity)	Mitigation
Unexpected events and emergencies By its nature, the financial risk is uncertain	Low	High	The Council maintains a strategic reserve at a level of between 3 and 5% of its revenue budget for emergency purposes. The level of this reserve at 1 April 2024 was 9.6m (4.5% of 2024/25 revenue budget). Additionally, national resources have historically been provided to support national issues.
Not delivering required improvements The council must address the statutory direction and improvements across Children's Services	Low	Medium	The Phase 2 Children's Services and Partnership Improvement Plan was endorsed by Cabinet in July 2024 introducing a Quality Assurance Framework of measures (key performance indicators, service user feedback and audit activity) to enable future progress to be monitored. Performance against the Improvement Plan is monitored and reported on a quarterly basis. The supporting Financial Plan has been revised for 2025/26 to ensure the Children & Young People Directorate is able to continue to deliver savings whilst sustaining improvement in service delivery.
Increasing demand for Adult and Children's Social Care Demand for Children's services continue and demand for adult services increases as the population ages.	High	Medium	Demand led pressures are reflected within our spending plans; additional funding to support increased demand has been applied to Community Wellbeing and Children & Young People Directorate base budgets for 2025/26. In year monitoring of performance enables Directorates to forecast trends and identify changes in demand. Increasing demand for social care represents a key financial pressure for all councils. Robust and regular budget monitoring identifies emerging pressures and the financial impact on in-year budgets across the council. Financial monitoring is informed by activity data and trend analysis from the relevant service to ensure that forecasting is reliable and timely. The Budget resilience reserve represents a contingency budget for

			2025/26 and future years to mitigate the risks of excessive cost pressures and volatility in demand.
Potential overspend and non-delivery of savings required to balance the budget	Medium	Medium	High risk budget areas have been identified and financial support is targeted in these areas. Robust and regular financial monitoring which is reported to Directorate and Corporate Leadership Teams and Cabinet enables the timely identification of actions to mitigate the risk of overspends.
Volatility in Government funding streams The government settlement for 2025/26 is a one-year settlement; the assumed funding for the MTFS period is not confirmed.	High	Medium	The MTFS reflects prudent estimates and assumptions in the financial planning over the medium-term period where it is acknowledged that uncertainty over future funding exists. Government have confirmed that there will be significant reform of funding arrangements in future years, including a Fair Funding Review and reset of Business Rates. The MTFS will be updated to reflect the impact for the council as further information is received.
Interest and Inflation There is uncertainty over interest and inflation rates.	Medium	Medium	The Treasury Management Strategy is informed by latest forecast, as provided by our Treasury Management Advisors. Increases in borrowing rates will be offset by increases in investment returns.
Dedicated Schools Grant The future cumulative deficit requires direct financial support from Council core budgets	High	Medium	The high needs budgets are funded by the dedicated schools grant, but any overspend becomes a council liability. This is currently being maintained within budget however the national trend is for a growing pressure. This risk cannot currently be mitigated; expenditure will be monitored as part of routine budget monitoring arrangements. The high needs deficit (£6.1 million at 31 March 2024) sits as a negative unusable reserve on the balance sheet permitted via a statutory instrument. This enables all local authorities to ringfence DSG deficits from the council wider financial position in the statutory accounts. This instrument expires at the end of 2025/26, with an implied risk to the General Fund and overall financial

			position if the council is required to fund the deficit.

Adequacy of reserves

7.1 The council's useable revenue reserves are split between a general reserve (the general fund) and earmarked reserves that are held for certain purposes. The general fund is held as a strategic reserve to emergency events such as unforeseen financial liabilities or natural disasters.

7.2 In line with the council's policy, this reserve is maintained at a minimum level of between 3% and 5% of the net revenue budget. As at 31 March 2024 the general reserve balance totalled £9.6 million, being 4.5% of the council's 2024/25 approved net revenue budget.

7.3 Earmarked reserves are amounts set aside for future expenditure to support specific corporate priorities or for general contingencies and cash flow management. For each reserve established, the purpose, usage and basis of transactions needs to be clearly defined.

7.4 The overall level of reserves balances is reported to Cabinet at least annually; the last report to Cabinet was in May 2024 noting the total audited balance of £82.8 million comprising the general fund balance of £9.6 million and earmarked reserve balances of £73.2 million at 31 March 2024.

7.5 Earmarked reserve balances include £17.3 million of grant funding carried forward into 2024/25. This represents amounts of grant funding received, with no outstanding grant conditions to be met, which have not yet been applied to relevant expenditure. In accordance with the principles of the CIPFA Code of Practice on Local Authority Accounting and relevant accounting standards, these amounts are accounted for as earmarked reserves, carried forward for application in future accounting periods.

7.6 The council's financial strategy aims to minimise the use of reserves in the medium term and to replenish them to support future sustainability, enable the council to respond to unexpected changes and to invest in the continued transformation and improvement of its services.

7.7 The financial resilience reserve was established to manage risks present in the base budget, for example additional placement costs from unexpected demands. In 2023/24, the financial resilience reserve was increased from £1.2 million to £3.1 million.

7.8 The 2024/25 revenue budget approved use of £1.3 million of this reserve balance to remove savings in the Children & Young People Directorate. Due to the volatility of the Directorate's demand-led activity and risk of impact on the outturn position, until the full year results and achievement of savings are known, the final requirement from the reserve cannot be confirmed.

7.9 Any overspend in 2024/25 must be funded using the council's available reserves. It is expected that the overspend will require full utilisation of the financial risk reserve and a review of 'other reserve' balances will be required to fund any additional balance. This will reduce the reserves available to manage risk in future years.

7.10 A forecast reserves balances at 31 March 2025 and 31 March 2026 will be included at Appendix E to the 2025/26 Revenue Budget Report.

7.11 There are robust controls in place, as part of routine budget monitoring arrangements, to monitor in-year transfers to and from reserves and resulting reserve balances and these transactions are subject to review as part of the annual audit of the statutory accounts.

7.12 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Resilience Index is a comparative tool to support good financial management. The index shows a council's position on a range of measures associated with financial risk to highlight where additional scrutiny may be required. The data for the most recent index reflects figures obtained from the Revenue Expenditure and Financing England Outturn Report 2023/24 (RO Forms) as at 31 March 2024.

7.13 The reserve sustainability measure provides a measure of how long in years it will take for a council to run out of reserves if they continue to use them as they have and the associated level of risk. This data highlights the council's reserve sustainability measure to be 'lower risk' and notes the council has average reserves relative to its nearest neighbour and other unitary authority comparator groups.

7.14 The Local Government Act 2003 (Section 25) requires that the chief financial officer considers the adequacy of the proposed financial reserves as part of the annual budget setting process.

7.15 The forecast general fund balance at 31 March 2025 of £9.6 million is within the range required by the council's policy; representing 4.1% of net revenue expenditure in 2025/26. This is sufficient to ensure that the council has adequate resources to fund unforeseen financial liabilities.

Conclusion

8.1 The council has a record of robust and effective financial management and is committed to delivering planned savings and managing expenditure within budget in order to preserve the future sustainability of the council.

8.2 The planning assumptions and estimates which inform the 2025/26 budget and MTFS to 2028/29 are realistic and prudent and there are appropriate arrangements in place to ensure the council is able to identify and manage risks to financial resilience.

8.3 The MTFS provides a balanced budget for 2025/26 and clearly identifies the projected funding gap and risks to delivery. Whilst there are significant challenges ahead, this financial strategy ensures that the council's finances are aligned to its strategic priorities with a clear focus on transformation to ensure the future sustainability of the council and the services it delivers.

ANNEX A Net revenue budget 2025/26

Detail	2024/25 Base Budget £'000	Unfunded Pressures £'000	Mitigations £'000	Savings £'000	2025/26 Proposed Budget £'000
Community Wellbeing	75,891	15,273	-	-	91,164
Children and Young People	59,536	4,898	(1,442)	(3,929)	59,063
Economy and Environment	38,403	4,012	-	-	42,415
Corporate	21,032	3,388	(1,568)	-	22,852
Sub Total	**194,862**	**27,571**	**(3,010)**	**(3,929)**	**215,494**
Central	17,902	(1,401)	-	-	16,501
TOTALS	**212,764**	**26,170**	**(3,010)**	**(3,929)**	**231,995**
Funded by:					
Council tax	135,054				146,451
Business rates	43,249				47,567
Enterprise Zone Business rate income	-				1,282
Collection fund surplus	-				2,000
Revenue support grant	1,048				1,422
Rural services delivery grant	6,927				-
Social care support grant	17,482				20,336
Local Authority Better Care Fund	1,585				1,585
Market Sustainability/Fair Cost of Care	3,853				3,853
Services Grant	208				-
New Homes Bonus	1,055				1,605
Reserve funding	2,303				-
Employer's NI impact funding*	-				1,500
Children's social care prevention grant	-				369
Homelessness & rough sleeping	-				487
Extended producer responsibility grant	-				3,538
TOTALS	**212,764**				**231,995**

ANNEX B Medium Term Financial Strategy 2025/26 to 2028/29

Detail	Actual 2024/25 £'000	Proposed 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000
Funding:					
Council tax	135,054	146,451	154,187	162,336	170,908
Business rates	43,249	47,567	48,518	49,488	50,478
Enterprise Zone Business rate income	-	1,282	-	-	-
Collection fund surplus	-	2,000	-	-	-
Revenue support grant	1,048	1,422	16,477	18,760	19,553
Rural services delivery grant	6,927	-	-	-	-
Social care support grant	17,482	20,336	37,917	41,183	44,450
Local Authority Better Care Fund	1,585	1,585	-	-	-
Market Sustainability & Fair Cost of Care	3,853	3,853	-	-	-
Services Grant	208	-	-	-	-
New Homes Bonus	1,055	1,605	-	-	-
Reserve funding	2,303	-	-	-	-
Employer's NI impact funding*	-	1,500	1,500	1,500	1,500
Children's social care prevention grant	-	369	377	384	392
Homelessness & rough sleeping	-	487	-	-	-
Extended producer responsibility grant	-	3,538	-	-	-
Total Funding	**212,764**	**231,995**	**258,976**	**273,651**	**287,281**
Expenditure:					
Base Budget b/f	193,308	212,764	231,995	257,703	274,868
Pay Award	4,028	3,629	2,498	2,613	2,691
Growth – Demand & Pressures	40,514	24,844	25,502	15,994	14,988
Savings, efficiencies & mitigations	(24,886)	(3,010)	-	-	-
Children's Three Year Plan	(2,503)	(3,929)	(2,292)	(1,442)	
Budget amendment	2,303	(2,303)	-	-	-
Net Expenditure Budget	**212,764**	**231,995**	**257,703**	**274,868**	**292,547**
Surplus/(Gap) to be funded			**1,273**	**(1,217)**	**(5,266)**

Appendix B:
Savings Proposals recommended for 2025/26

2025/26 Children & Young People Directorate Savings £3.9m

Ref	Name of Proposal	Description	Saving £'000
S1	Reduction and redesign in workforce	The redesign includes: • Redesign and reduction in senior management to create a better direct line of accountability and protect front line workforce • Redesign of business support • Creation of multi disciplinary roles to co-work case work with social workers and an associated reduction in social workers • Increase of family support and personal advisors to meet need and improve quality of service delivery	1,577
S2	Reduction in Placements (Residential, Complex Needs, Independent Fostering Agencies and External Supported Accommodation)	Savings to be achieved by: • Continuation of Best Value panel to manage all external and residential placements • Opening of local residential resource and movement of 4 out of county children to this local and better value cost resource • Increase foster carers through review of offer to Specialist Carers, reducing the need for residential care and invigorated marketing locally and regionally	1,567

2025/26 Children & Young People Directorate Savings £3.9m cont'd

Ref	Name of Proposal	Description	Saving £'000
S3	Reduction in Social Work Agency posts	Review of terms and conditions of permanent staff with the aim to increase the number of permanent workers and reduce the number of agency staff	785
		Total Children and Young People Savings	**3,929**

Appendix C:
Proposed Directorate Base Budgets 2025/26

Community Wellbeing Directorate TOTAL	**2025/26 Proposed Budget £m**
Employees	**20.134**
Premises	**0.536**
Transport	**0.603**
Supplies and Services	**4.005**
Support Services	**0.058**
Third Party Payments	**114.852**
Transfer Payments	**1.863**
Gross Budget	**142.051**
Income	**(50.356)**
Cont From Reserves	**(0.531)**
Net Budget	**91.164**

Director	**2025/26 Proposed Budget £m**
Employees	0.947
Premises	-
Transport	0.001
Supplies and Services	(3.047)
Support Services	-
Third Party Payments	0.959
Transfer Payments	(1.009)
Gross Budget	**(2.149)**
Income	(13.763)
Cont From Reserves	-
Net Budget	**(15.912)**

All Ages Commissioning	**2025/26 Proposed Budget £m**
Employees	3.316
Premises	0.002
Transport	0.260
Supplies and Services	2.775
Support Services	-
Third Party Payments	13.728
Transfer Payments	0.033
Gross Budget	**20.114**
Income	(2.427)
Cont From Reserves	-
Net Budget	**17.687**

Adult Social Care and Housing Delivery	2025/26 Proposed Budget £m
Employees	11.082
Premises	0.504
Transport	0.307
Supplies and Services	1.024
Support Services	-
Third Party Payments	97.294
Transfer Payments	-
Gross Budget	**110.211**
Income	(23.823)
Cont From Reserves	(0.272)
Net Budget	**86.116**

Communities	2025/26 Proposed Budget £m
Employees	2.060
Premises	0.024
Transport	0.024
Supplies and Services	0.489
Support Services	-
Third Party Payments	-
Transfer Payments	-
Gross Budget	**2.597**
Income	(0.363)
Cont From Reserves	(0.010)
Net Budget	**2.224**

Public Health	2025/26 Proposed Budget £m
Employees	2.729
Premises	0.006
Transport	0.011
Supplies and Services	2.764
Support Services	0.058
Third Party Payments	2.871
Transfer Payments	2.839
Gross Budget	**11.278**
Income	(9.980)
Cont From Reserves	(0.249)
Net Budget	**1.049**

Children & Young People Directorate TOTAL	2025/26 Proposed Budget £m
Employees	**28.148**
Premises	**3.549**
Transport	**0.515**
Supplies and Services	**1.802**
Support Services	**(1.070)**
Third Party Payments	**37.680**
Transfer Payments	**0.538**
Gross Budget	**71.162**
Income	**(10.343)**
Cont From Reserves	**(1.756)**
Net Budget	**59.063**

Director	2025/26 Proposed Budget £m
Employees	0.671
Premises	-
Transport	0.003
Supplies and Services	(0.679)
Support Services	(0.274)
Third Party Payments	1.302
Transfer Payments	0.080
Gross Budget	**1.103**
Income	(1.101)
Cont From Reserves	(1.442)
Net Budget	**(1.440)**

Education, Skills and Learning	2025/26 Proposed Budget £m
Employees	4.025
Premises	3.500
Transport	0.025
Supplies and Services	0.525
Support Services	(0.923)
Third Party Payments	0.088
Transfer Payments	-
Gross Budget	**7.240**
Income	(3.031)
Cont From Reserves	(0.314)
Net Budget	**3.895**

Performance, Quality Assurance & Safeguarding	2025/26 Proposed Budget £m
Employees	7.900
Premises	0.012
Transport	0.078
Supplies and Services	0.494
Support Services	0.032
Third Party Payments	0.037
Transfer Payments	(0.065)
Gross Budget	**8.488**
Income	(0.620)
Cont From Reserves	-
Net Budget	**7.868**

Safeguarding and Family Support	2025/26 Proposed Budget £m
Employees	15.552
Premises	0.037
Transport	0.409
Supplies and Services	1.462
Support Services	0.095
Third Party Payments	36.253
Transfer Payments	0.523
Gross Budget	**54.331**
Income	(5.591)
Cont From Reserves	-
Net Budget	**48.740**

Economy and Environment Directorate TOTAL	**2025/26 Proposed Budget £m**
Employees	**15.454**
Premises	**5.097**
Transport	**14.504**
Supplies and Services	**5.078**
Support Services	**(0.179)**
Third Party Payments	**38.448**
Transfer Payments	**1.299**
Gross Budget	**79.701**
Income	**(30.547)**
Cont From Reserves	**(6.739)**
Net Budget	**42.415**

Director	**2025/26 Proposed Budget £m**
Employees	0.741
Premises	-
Transport	-
Supplies and Services	(0.223)
Support Services	-
Third Party Payments	-
Transfer Payments	-
Gross Budget	**0.518**
Income	-
Cont From Reserves	(0.121)
Net Budget	**0.397**

Environment, Highways and Waste	**2025/26 Proposed Budget £m**
Employees	5.891
Premises	2.335
Transport	0.090
Supplies and Services	1.556
Support Services	0.026
Third Party Payments	30.350
Transfer Payments	0.360
Gross Budget	**40.608**
Income	(11.875)
Cont From Reserves	(5.230)
Net Budget	**23.503**

Economy and Growth	**2025/26 Proposed Budget £m**
Employees	7.565
Premises	0.055
Transport	0.102
Supplies and Services	5.889
Support Services	0.011
Third Party Payments	0.519
Transfer Payments	0.939
Gross Budget	**15.080**
Income	(11.504)
Cont From Reserves	(0.888)
Net Budget	**2.688**

Lengthsman Scheme	**2025/26 Proposed Budget £m**
Employees	-
Premises	-
Transport	-
Supplies and Services	-
Support Services	-
Third Party Payments	0.500
Transfer Payments	-
Gross Budget	**0.500**
Income	-
Cont From Reserves	(0.500)
Net Budget	**-**

HTST and SEND Transportation	2025/26 Proposed Budget £m
Employees	-
Premises	-
Transport	14.309
Supplies and Services	(0.224)
Support Services	(0.065)
Third Party Payments	-
Transfer Payments	-
Gross Budget	**14.020**
Income	(1.612)
Cont From Reserves	-
Net Budget	**12.408**

Strategic Assets	2025/26 Proposed Budget £m
Employees	1.257
Premises	2.707
Transport	0.003
Supplies and Services	(1.920)
Support Services	(0.151)
Third Party Payments	7.079
Transfer Payments	-
Gross Budget	**8.975**
Income	(5.556)
Cont From Reserves	-
Net Budget	**3.419**

Corporate Services Directorate TOTAL	2025/26 Proposed Budget £m
Employees	**13.045**
Premises	**0.103**
Transport	**0.040**
Supplies and Services	**5.310**
Support Services	**(0.181)**
Third Party Payments	**7.184**
Transfer Payments	**0.722**
Gross Budget	**26.223**
Income	**(3.371)**
Cont From Reserves	**-**
Net Budget	**22.852**

Chief Executive Office	2025/26 Proposed Budget £m
Employees	1.127
Premises	-
Transport	-
Supplies and Services	(1.741)
Support Services	(0.011)
Third Party Payments	-
Transfer Payments	-
Gross Budget	**(0.625)**
Income	-
Cont From Reserves	-
Net Budget	**(0.625)**

Transformation	2025/26 Proposed Budget £m
Employees	2.862
Premises	-
Transport	0.001
Supplies and Services	2.618
Support Services	0.010
Third Party Payments	2.611
Transfer Payments	-
Gross Budget	**8.102**
Income	(0.555)
Cont From Reserves	-
Net Budget	**7.547**

Governance and Legal Services	2025/26 Proposed Budget £m
Employees	6.236
Premises	0.102
Transport	0.036
Supplies and Services	1.801
Support Services	(0.048)
Third Party Payments	-
Transfer Payments	(0.048)
Gross Budget	**8.079**
Income	(1.688)
Cont From Reserves	-
Net Budget	**6.391**

HR and Organisational Development	2025/26 Proposed Budget £m
Employees	1.027
Premises	0.001
Transport	0.003
Supplies and Services	0.161
Support Services	-
Third Party Payments	0.843
Transfer Payments	-
Gross Budget	**2.035**
Income	-
Cont From Reserves	-
Net Budget	**2.035**

Strategic Finance	2025/26 Proposed Budget £m
Employees	1.793
Premises	-
Transport	-
Supplies and Services	2.471
Support Services	(0.132)
Third Party Payments	3.730
Transfer Payments	0.770
Gross Budget	**8.632**
Income	(1.128)
Cont From Reserves	-
Net Budget	**7.504**

Herefordshire Council

TREASURY MANAGEMENT STRATEGY 2025/26

Introduction

1.1 Treasury Management is the management of the council's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.2 This strategy has been prepared in accordance with the following guidance:

- Department for Levelling Up, Housing and Communities (DLUHC, now MHCLG) Statutory guidance on local government investments (2018)
- DLUHC Statutory guidance on Minimum Revenue Provision (2024)
- Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for capital finance in local authorities (2021)
- CIPFA Treasury management in the public services: Code of practice (2021)

1.3 To support this Treasury Management Strategy (TMS), the council maintains Treasury Management Practices (TMP) that outline how the council's strategic policy objectives for treasury management will be achieved. The operational practices are maintained by the corporate finance team and approved by the Chief Finance Officer.

1.4 The council employs external treasury management advisors, Link Group (now known as "MUFG Pension & Market Services"), who provide advice and guidance on treasury management activities, including interest rate forecasts. This is utilised to inform borrowing and investment decisions.

1.5 This report incorporates prudential and treasury indicators (Annex C) as required by the Prudential Code, and a treasury management policy statement (Annex E) as required by the Treasury Management Code of Practice.

Economic Context

2.1 The UK economy remains a fiscal challenge following a prolonged period of high interest rates and sticky inflation, caused by the global pandemic and the subsequent cost of living crisis. UK growth is stagnant, with Gross Domestic Product (GDP) at 0.5% for quarter 2 and 0.1% for quarter 3 2024.

2.2 Domestic inflation rates are generally in decline, with Consumer Price Index (CPI) falling to the target rate of 2.0% in May, before a period of movements above and below the target (2.2% in July and August, 1.7% in September, 2.3% in October, 2.6% in November). The decline since last year has been led mainly by falling food, alcohol, tobacco and energy prices. CPI inflation is expected to rise to 2.5% in 2024, before declining back to the target 2.0% by mid-2025.

2.3 The Bank of England base rate was lowered from 5.25% to 5.00% in August and again to 4.75% in November (held in December). Link Group have provided an interest rate forecast in Annex D, showing an expectation that interest rates will fall gradually throughout 2025/26, hitting 3.75% by the end of the financial year.

2.4 There are some significant risks that could impact these forecasts. There are geo-political risks of ongoing conflicts, with a potential impact on oil prices and therefore an upside risk to inflationary pressure. Labour supply shortages could lead to sticky wage growth which also has a potential impact on inflation.

Borrowing Strategy

3.1 The council primarily borrows to fund capital expenditure; with borrowing driven by the requirements of the approved capital investment budget. The objective of the borrowing strategy is to manage the risk of current and potential future debt.

3.2 This strategy serves to balance the affordability of loan interest payments from the revenue budget with the long term stability of the debt portfolio. The strategy aims to achieve a low and certain cost of finance whilst retaining flexibility should financing requirements change in the future. The council will minimise cash balances by utilising internal borrowing where possible.

3.3 The Public Works Loan Board (PWLB) is the preferred route for borrowing across the local government sector. If borrowing is required, then the council will favour short term loans because the interest rates on long term loans are relatively high (PWLB 25 year rate is 5.6%, see Annex D). Longer term borrowing will only be considered when interest rates are lowered. Local Authority to Local Authority borrowing will also be considered.

3.4 The approved sources of borrowing for the council are:-

- Internal borrowing (reserves/balances)
- Public Works Loan Board (PWLB)
- UK Local Authorities
- Any institution approved for investments (see Annual Investment Strategy section)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- Capital market bond investors
- Local capital finance company and any other special purpose companies created to enable local authority bond issues

3.5 In addition, capital finance may be raised by the following methods that are not borrowing:-

- Leases
- Hire purchase arrangements
- Private Finance Initiatives
- Sale and leaseback arrangements

3.6 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt, as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer term dated borrowing rates are expected to fall from their current levels.

3.7 PWLB permits the repayment of loans before maturity by either paying a premium or receiving a discount according to a set formula based on current interest rates. This option will be kept under review and will be considered where this is expected to lead to an overall saving or reduction in risk.

3.8 The interest on the LOBO loans becomes due every 6 months. At this point, the lender has the option of increasing the interest rate, and the borrower can accept the interest rate increase, or pay back the loans.

3.9 As at 31 October 2024, the council manages current loan debt of £118.1 million, which is detailed in Annex A (treasury portfolio) and Annex B (borrowing maturity profile). This comprises £106.1 million of Public Works Loan Board (PWLB) loans, which are all fixed interest long term loans, and £12 million Lender Option Borrower Option (LOBO) loans.

3.10 The council borrowing is forecast to be £114.0 million at 31 March 2025. This is expected to increase to £170.4 million by 31 March 2026. The estimated movement of £56.4 million in 2025/26 is represented by additional prudential borrowing to fund capital spend of £66.8 million less £10.4 million Minimum Revenue Provision (MRP) charge.

Investment Strategy

4.1 The objective of the investment strategy is to ensure prudence is applied and risks are managed when the council holds surplus funds (income received in advance of expenditure).

4.2 The council will primarily consider security (protecting the capital sum invested from loss) and liquidity (ensuring the funds are available for expenditure when needed) before yield. For 2025/26 the council will continue to focus on Money Market Funds (MMF) which are liquid, diverse and spread the credit risk. There are currently relatively high rates of interest to be gained on MMFs, whilst keeping the risk levels at an appropriate level. The council will supplement this with some fixed term deposits with varying maturity lags to maximise returns during a period of interest rate cuts.

4.3 The council applies the credit worthiness service provided by Link Group. This service employs a modelling approach utilising credit ratings from three main credit rating agencies (Fitch, Moody's and Standard and Poor's). This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which Link Group allocate a series of colour coded bands with suggested maximum durations for investments.

4.4 Typically the minimum credit ratings criteria the council use will be short-term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but still may be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

4.5 The council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). If investments are to be made overseas then approval ahead of the investment being made is required from the Chief Finance Officer. Santander UK plc (a subsidiary of Spain's Banco Santander) and Clydesdale Bank plc (a subsidiary of National Australia Bank) will be classed as UK banks due to their substantial franchises and the arms-length nature of the parent-subsidiary relationship.

4.6 Investment limits for approved counterparties are detailed in the table below for specified investments. Specified investments are those denominated in pound sterling, due to be repaid within 12 months, not defined as capital expenditure and invested in UK government/Local Authority/a high credit quality investment scheme (A- UK domiciled or AA- non UK domiciled).

Table 1 Investment limits for approved counterparties

Counterparty	Investment type	Rating	£ limit	Time limit
Banks and Building societies	Term deposits, certificate of deposit or corporate bond	Yellow Purple Orange Blue Red Green No colour	£5m £5m £5m £5m £5m £5m £nil	5 years 2 years 1 year 1 year 6 months 100 days None
Council's banker			£5m	Liquid
Debt Management Account Deposit Facility (DMADF)	DMADF account	AAA	Unlimited	6 months
UK Government	UK gilts or Treasure bills	UK sovereign	Unlimited	1 year
Multilateral development banks	Bonds	AAA	£5m	6 months
Local Authorities	Term deposits		£10m	1 year
Money Market Funds (MMF)	MMF	AAA	£10m	Liquid
Pooled funds	Pooled funds		£5m per fund	

4.7 Investment limits are detailed in the table below for non-specified investments. Non-specified investments are those that do not meet the definition of specified investments, for the council, this means those longer than 12 months.

Table 2 Investment limits for non-specified investments

Investment type	£ limit
Total long term investments	£5m
Total investments with unrecognised credit ratings	£5m
Total non-specified investments	£10m

4.8 The council will take an active approach to invest in environmental, social and governance (ESG) entities, but this will be a secondary consideration to security, liquidity and yield.

4.9 As at 31 October 2024, the council has £64.3 million of investments, spread across banks and MMFs. This current investment portfolio is detailed in Annex A.

Annual Minimum Revenue Provision Statement

5.1 Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the notional repayment of debt is known as Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the council to have regard to the DLUHC (now MHCLG) Guidance on MRP most recently issued in 2024. The broad aim of the guidance is to ensure that a prudent provision is made to enable debt to be repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

5.2 The council's MRP policy was formally reviewed by the council's external Treasury Management advisors in 2022/23 with recommended revisions to the policy supported by the Scrutiny Management Board in January 2023. The revised methods which inform the basis of calculations for each source of borrowing remain consistent with those recommended by government guidance to determine a prudent level of MRP.

5.3 MRP is based on the Capital Financing Requirement (CFR). This is a measure of all capital expenditure that has not yet been funded by capital or revenue resources. The elements of the council's CFR are listed in table 3 below.

Table 3 CFR calculation

CFR element	Indicative 1 April 2025 £000	Included in MRP charge
Supported borrowing pre 2017/18	97,253	Yes
Prudential borrowing related to the capital programme spend	195,163	Yes
Leases capitalised under IFRS 16	2,100	Yes
Private Finance Initiatives	38,670	Yes
Adjustment A (historic adjustment from initial statutory guidance)	3,059	No – exclusion permitted under paragraph 47 of statutory guidance
Loan debtor adjustments from waste loan repayments treated as capital	(11,439)	No – exclusion permitted under paragraph 71 of statutory guidance
	324,806	

5.4 The MRP policy is to charge on an annuity basis at a rate of 4% of the applicable components of CFR on an asset by asset basis. No MRP is charged in year of addition. For leases and private finance initiatives the MRP charge is equal to the reduction in the liability for that year. There have been no changes to the policy from 2024/25.

5.5 There is no planned voluntary overpayment of MRP for 2025/26.

5.6 In line with the guidance, the policy for the 2025/26 calculation of MRP is as follows:

Table 4 MRP methodology and charge

	MRP methodology	Indicative MRP charge 2025/26 £000
Supported borrowing	Annuity basis at rate of 4%	928
Prudential borrowing	Annuity basis at rate of 4%	9,510
Subtotal		**10,438**
Finance leases and private finance initiatives	Equal to value of payments that reduce the liability each year	2,877
Total		**13,315**

ANNEX A Treasury Portfolio

The table below shows the treasury investment and borrowing positions as at 31 March 2024 and 31 October 2024.

Table 5 Treasury portfolio

Treasury investments	**31 March 24 £000**	**31 March 24 %**	**31 Oct 24 £000**	**31 Oct 24 %**
Banks	10,250	23%	5,000	8%
Banks – ESG "green" deposits	10,000	23%	10,000	15%
Local authorities	5,000	12%	-	-
Money market funds	18,370	42%	49,280	77%
Total treasury investments	**43,620**	**100%**	**64,280**	**100%**

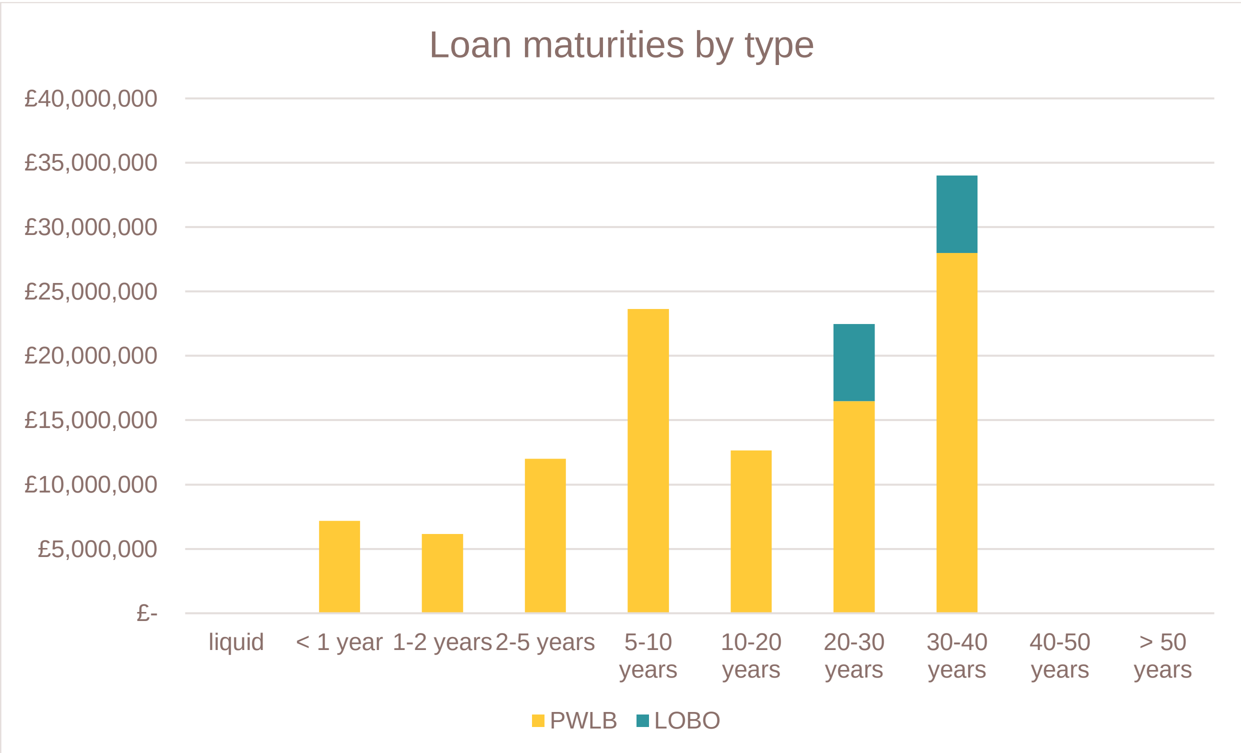
Treasury borrowing	**31 March 24 £000**	**31 March 24 %**	**31 Oct 24 £000**	**31 Oct 24 %**
Public Works Loan Board (PWLB)	(107,439)	90%	(106,116)	90%
Lender Option Borrower Option (LOBO)	(12,000)	10%	(12,000)	10%
Total treasury borrowing	**(119,439)**	**100%**	**(118,116)**	**100%**

Net treasury investments/(borrowing)	**(75,819)**	**-**	**(53,836)**	**-**

ANNEX B Borrowing Maturity Profile

The chart below shows when each loan matures over the next 50 years. The green block represents the LOBO loans, and the orange blocks represent PWLB loans.

Chart 1 Loan maturity profile



ANNEX C Prudential and Treasury Indicators

Background

1.1 The Local Government Act 2003 requires local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

1.2 To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored. The indicators set out parameters within which the council should operate to ensure the objectives of the Prudential Code are met.

Indicator 1: Estimates of capital expenditure

2.1 The Prudential Code requires local authorities to make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years, as well as actual capital expenditure for the previous financial year.

2.2 The actual amount of capital expenditure that was incurred during 2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years, based on the current approved capital programme, are noted in Table 6 below. This excludes the financing need for other long term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

Table 6 Estimates of capital expenditure and funding

	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
Capital expenditure	47,284	96,660	155,047	87,506	38,599
Grants, contributions and capital receipts	36,163	63,877	88,213	46,420	21,445
Prudential borrowing	11,121	32,783	66,834	41,086	17,154
Total funding	**47,284**	**96,660**	**155,047**	**87,506**	**38,599**

Indicator 2: Capital financing requirement

3.1 The Prudential Code requires local authorities to make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years, as well as the actual capital financing requirement for the previous financial year.

3.2 The capital financing requirement (CFR) measures the council's underlying need to borrow for a capital purpose. It represents the capital expenditure not financed by capital receipts, capital grants, contributions or a direct revenue charge. The actual CFR for

2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years are noted in Table 7 below. The CFR includes other long term liabilities, such as PFI and leasing arrangements. However, the Authority is not required to separately borrow for these because they already include a borrowing facility.

Table 7 Capital financing requirement

	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
CFR excluding PFI	262,215	284,037	339,780	367,876	371,512
PFI and finance leases	40,931	40,769	38,099	35,368	32,391
Total CFR	**303,146**	**324,806**	**377,879**	**403,244**	**403,903**

Indicator 3: Gross debt and the capital financing requirement

4.1 The Prudential Code requires local authorities to ensure that the total gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

4.2 This indicator monitors the requirement for debt not to exceed the CFR. The actual ratio for 2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years. The ratio of gross debt to CFR is below 100% for each of the disclosed years, confirming that gross debt does not exceed CFR, and that the council is operating within the parameters as set out in the Prudential Code. The impact of IFRS 16 has been included in these figures, with the exception of the indexation impact on the PFI finance lease liability which is not expected to be significant.

Table 8 Ratio of gross debt to CFR

	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
External borrowing debt	120,947	146,793	207,478	242,140	254,095
PFI and finance lease debt	37,772	37,467	34,591	31,591	28,421
Total gross debt	**158,719**	**184,260**	**242,069**	**273,731**	**282,516**
CFR	303,146	324,806	377,879	403,244	403,903
Ratio of gross debt to CFR	**52%**	**57%**	**64%**	**68%**	**70%**

Indicator 4: Authorised limit for external debt

5.1 The Prudential Code requires local authorities to set an authorised limit for its gross external debt for the forthcoming financial year and the following two years.

5.2 The authorised limit represents an upper limit of borrowing that the council can legally owe. The actual limit for 2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years. By comparing the gross debt figures in table 8 to the authorised limits in table 9, it is confirmed that the council is operating within the parameters as set out in the Prudential Code.

Table 9 Authorised limit

	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
External borrowing	350,000	350,000	350,000	350,000	350,000
Other long term liabilities	70,000	70,000	70,000	70,000	70,000
Total authorised limit	**420,000**	**420,000**	**420,000**	**420,000**	**420,000**

Indicator 5: Operational boundary for external debt

6.1 The Prudential Code requires local authorities to set an operational boundary for its gross external debt for the forthcoming financial year and the following two years.

6.2 The operational boundary is the limit beyond which external debt is not normally expected to exceed, and provides a parameter to monitor day to day treasury management activity. The actual limit for 2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years. By comparing the gross debt figures in table 8 to the operational boundaries in table 10, it is confirmed that the council is operating within the parameters as set out in the Prudential Code.

Table 10 Operational boundary

	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
External borrowing	340,000	340,000	340,000	340,000	340,000
Other long term liabilities	60,000	60,000	60,000	60,000	60,000
Total operational boundary	**400,000**	**400,000**	**400,000**	**400,000**	**400,000**

Indicator 6: Ratio of financing costs to net revenue stream

7.1 The Prudential Code requires local authorities to estimate the proportion of financing costs to net revenue stream for the forthcoming financial year and the following two years, as well as actual figures for the previous financial year.

7.2 This ratio highlights the proportion of the revenue budget required to meet financing costs and is an indicator of the affordability of borrowing. The actual limit for 2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years. The calculated ratios of between 9% and 12% confirm that the council's borrowing is currently considered to be affordable.

Table 11 Ratio of financing costs to net revenue stream

	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
MRP	10,905	12,267	13,315	15,164	15,859
Interest payable	7,223	7,742	9,357	11,402	12,511
Total financing costs	**18,128**	**20,009**	**22,672**	**26,566**	**28,370**
Net revenue stream	206,817	212,764	231,995	258,976	273,651
Ratio of financing costs to net revenue stream	**9%**	**9%**	**10%**	**10%**	**10%**

Indicator 7: Maturity structure of borrowing

8.1 The council sets upper and lower limits for the maturity structure of its borrowing to mitigate against the risk of exposure to interest rate fluctuations on debt refinancing. The table below shows the upper limit, the lower limit, the actual level for 2023/24 and the forecast level for 2024/25. This confirms that the council is operating within the lower and upper limit.

Table 12 Maturity structure of borrowing

	2023/24 actual %	2024/25 forecast %	Lower limit %	Upper limit %
Under 12 months	6%	5%	0%	10%
Between 12 months and 24 months	5%	6%	0%	10%
Between 24 months and 5 years	11%	7%	0%	25%
Between 5 years and 10 years	17%	21%	0%	35%
10 years and above	61%	61%	0%	80%
	100%	**100%**		

Indicator 8: Upper limit of investments over 364 days

9.1 The council sets an upper limit for total principal sums invested over 364 days to mitigate against the risk of exposure to loss due to early repayment requirements. The actual limit for 2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years. This is monitored through-out the year in day to day treasury management activity.

Table 13 Upper limit of investments over 364 days

	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
Upper limit	5,000	5,000	5,000	5,000	5,000

Indicator 9: Ratio of net commercial and service investments income to net revenue stream

10.1 The Prudential Code requires local authorities to estimate the proportion of net income from commercial and service investments to net revenue stream for the forthcoming financial year and the following two years, as well as actual figures for the previous financial year.

10.2 This ratio highlights the proportion of the revenue income budget reliant on commercial income. The actual limit for 2023/24, the forecast amount for 2024/25 and the estimated amounts for 2025/26 plus two further years. The calculated ratios of 1% confirm that the council is not over reliant on this income.

Table 14 Ratio of net commercial and service investments income to net revenue stream

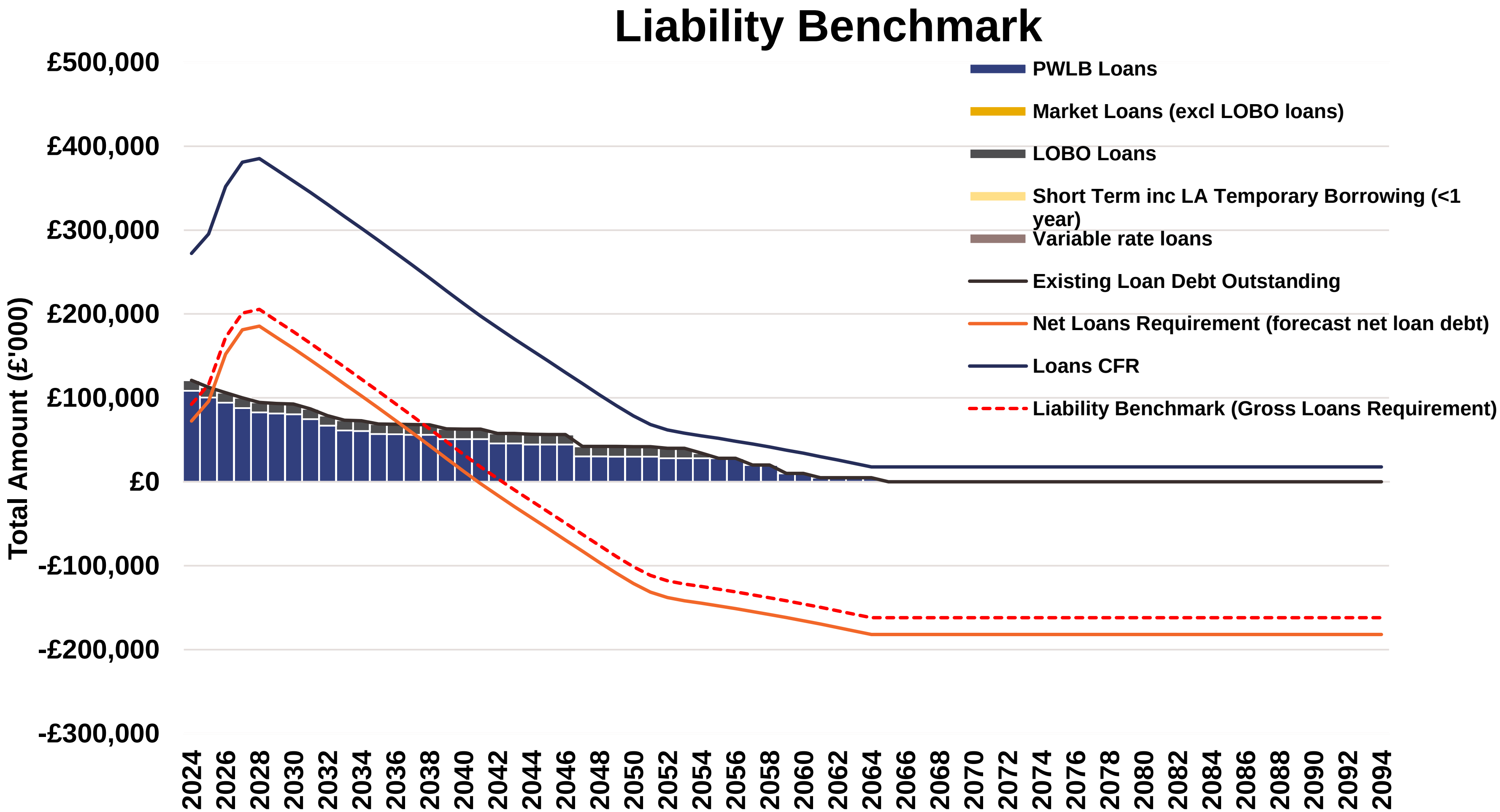
	2023/24 actual £000	2024/25 forecast £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
Total net income from commercial and service investments	2,682	2,500	2,773	2,857	2,942
Net revenue stream	206,817	212,764	231,995	258,976	273,651
Ratio of commercial income to net revenue stream	**1%**	**1%**	**1%**	**1%**	**1%**

Indicator 10: Liability benchmark

11.1 The liability benchmark provides a measure of how well the existing loans portfolio matches planned borrowing needs for capital. It is calculated by deducting investable resources on the balance sheet from the outstanding debt liability, adjusting for a minimum investment allowance. A borrowing requirement is anticipated where the liability benchmark (red dotted line) is greater than the existing debt.

11.2 The existing loans portfolio is shown on the chart below as blue and grey bar charts. The liability benchmark is the red dotted line. By comparing these, it can be seen that the council is under-borrowed in the short term, meaning that it is utilising its strong balance sheet position instead of increasing loan debt. There is a potential additional borrowing need for the current approved capital commitments within the next financial year.

Herefordshire Council



Herefordshire Council

ANNEX D Interest Rate Forecast

Link Group provide the council with interest rate forecasts as part of their advisory role. The following forecasts for the bank base rate and Public Works Loan Board (PWLB) rates were provided on 11 November 2024.

Table 15 Link Group interest rate forecasts

	Dec 24	**Mar 25**	**Jun 25**	**Sep 25**	**Dec 25**	**Mar 26**	**Jun 26**	**Sep 26**	**Dec 26**	**Mar 27**	**Jun 27**	**Sep 27**	**Dec 27**
Bank base rate %	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
PWLB 5 year rate %	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
PWLB 10 year rate %	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
PWLB 25 year rate %	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
PWLB 50 year rate %	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

ANNEX E Treasury Management Policy Statement

Statement of Purpose

1.1 Herefordshire Council adopts the recommendations made in CIPFA's Treasury Management in the Public Services: Code of Practice guidance, which was revised in 2021. The council adopts the following key principles and clauses.

Key Principles

2.1 Herefordshire Council adopts the following three key principles (identified in Section 4 of the Code):

- The council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.
- The council will ensure that its policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly with the council. In addition, the council's appetite for risk will form part of its annual strategy and will ensure that priority is given to security and portfolio liquidity when investing treasury funds.
- The council acknowledges that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of business and service objectives, and that within the context of effective risk management, the councils treasury management policies and practices should reflect this.

Adopted Clauses

3.1 Herefordshire Council formally adopts the following clauses (identified in Section 5 of the code):

- The council will create and maintain, as the cornerstones for effective treasury management:

  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
  - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

  The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- Full council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.

- The responsibility for the implementation and regular monitoring of treasury management policies and practices is delegated to Cabinet and for the execution and administration of treasury management decisions to the Director of Resources and Assurance, who will act in accordance with the organisation's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

- The council nominates Scrutiny Management Board to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Definition of Treasury Management

4.1 Herefordshire Council defines its treasury management activities as: -

'The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

Policy Objectives

5.1 Herefordshire Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the council, and any financial instruments entered into to manage these risks.

5.2 Herefordshire Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Non-treasury investments

6.1 Herefordshire Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries and investment property portfolios.

6.2 Herefordshire Council will ensure that all investments in the capital programme will set out, where relevant, the risk appetite and policy and arrangement for non-treasury investments. The risk appetite for these activities may differ from that of treasury management.

6.3 Herefordshire Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure within its annual statement of accounts.

Herefordshire Council

Title of report: 2025/26 Capital Investment Budget and Capital Strategy Update

Meeting: Scrutiny Management Board

Meeting date: Tuesday 14 January 2025

Cabinet Member: Peter Stoddart, Finance and Corporate Services

Report by: Director of Finance

Report Author: Strategic Capital Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To seek the views of the Scrutiny Management Board on the draft capital investment budget and capital strategy proposals for 2025/26. This draft budget was proposed at Cabinet at its meeting on 13 January 2025.

Recommendation(s)

That:

a) **having regard to the proposals the committee determines any recommendations it wishes to make to Cabinet in relation to the 2025/26 Capital Investment Budget and Capital Strategy.**

Alternative options

1. There are no alternatives to the recommendations; Cabinet is responsible for developing budget proposals for Council consideration and it is a function of this committee to make reports or recommendations to the executive with respect to the discharge of any functions

Further information on the subject of this report is available from
Simon Cann, Tel: 01432 260667, email: Simon.Cann@herefordshire.gov.ukl

which are the responsibility of the executive. The council's budget and policy framework rules require Cabinet to consult with scrutiny committees on budget proposals in order that the scrutiny committee members may inform and support the process for making Cabinet proposals to Council.

2. It is open to the committee to recommend alternative spending proposals or strategic priorities; however given the legal requirement to set a balanced budget should additional expenditure be proposed, compensatory savings proposals must also be identified.

Key considerations

3. The capital programme reflects capital investment generating benefit to the county for a period in excess of one year.

4. There was a Full Council meeting on 6 December 2024 and the current capital programme included in this report is the base capital programme including the amendments for the IT projects approved.

5. The approved capital programme is provided at appendix B as at the end of December. The reprofiling of the capital spend was carried out in quarter 2 in line with external audit recommendations and reported separately to cabinet. Forecasting against budget is reported to Cabinet in the quarterly performance report, which includes an up to date forecast of the timing of capital spend, the Q3 forecast will be reported at the February meeting. The additional grants received are listed at the bottom of appendix B and have all been approved by the chief finance officer in year.

6. The proposed Capital Programme for 2025/26 presents an ambitious programme of capital investment aligned to the priorities of the Council Plan across People, Place, Growth and Transformation.

7. The proposed additions for 2025/26 represent projects which will:
   a. mitigate key revenue budget pressures;
   b. improve the use of technology to deliver efficiencies and innovation in services to residents;
   c. deliver new infrastructure to support growth opportunities for housing and businesses;
   d. encourage active lifestyles for children and young people through a £1million investment in play areas;
   e. develop cultural and community spaces for residence and visitors;
   f. strengthen resilience and reduce the impact of flooding with investment of £2million;
   g. improve road safety across the county; and
   h. provide continued investment in the county's road network.

8. All proposals are included in appendix A along with outline strategic business cases at appendix E. Appendix A provides details of the proposed additions to the existing capital programme that have been identified and the impact of approving these additions. Eighteen capital investment budget proposals totalling £58.12million have been identified, to be funded by prudential borrowing, capital receipts reserve and revenue reserves.

9. To ensure we utilise the Levelling Up Funding (LUF) Grant as early as possible and use Council match funding last the Hereford City Centre Transport Package for the Transport Hub build will increase the grant funding by £2.5m and reduce the amount of council borrowing required. This will be offset by a reduction of £2.5m grant funding for LUF North projects and increase of council borrowing.

10. An informal review of all prospective capital funding requests has been completed to ensure the financial impact of the funding requests are taken account of in the medium term financial strategy.

11. As part of the 2016/17 Local Government Finance Settlement, the government announced new flexibilities allowing local authorities to use capital receipts to fund transformation expenditure. This guidance was extended and updated in 2024/25 to extend the freedom for local authorities to use eligible capital receipts up to 2029/30 to help fund the revenue costs of transformation and release savings.

12. The direction permits authorities to use the proceeds from asset sales to fund the revenue costs of projects that will deliver ongoing savings, reduce costs, increase revenue or support a more efficient provision of services. The council intends to take advantage of this flexibility to support the financing of qualifying expenditure to deliver transformation change programmes across the organisation. Therefore £0.6million in 2024/25 and £0.6million in 2025/26 revenue transformation works will be funded from the use of the capital receipts reserve.

13. Inclusion in the capital programme is not approval to proceed. Each project will be subject to its own governance, a full business case will be presented for approval to Cabinet where required and compliance with the council's contract procedure rules as applicable.

14. The capital strategy has been developed in accordance with CIPFA guidelines. The purpose of the capital strategy is to tell a story that gives a clear and concise view of how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It should not duplicate other more detailed policies, procedures and plans but instead sit above these and reference these to allow those seeking more detail to know where to find it. That said it should provide sufficient detail so that it provides an accessible single source for the reader. The strategy is included at appendix D and in line with the guidelines requires Council approval.

15. The council is committed to bringing forward the first phase of the Western Bypass, aiming to be on site to deliver the current scheme to the south of the city in 2026. Development work on the southern link road is being taken forward at pace. Once completed, this new bypass connection for the A49, from the south to the north of the city, will deliver the Western Growth Corridor creating over 10,000 new homes and over 300 acres of new employment land. The project previously included as Southern Link Road has been renamed in the Capital Programme to Hereford Western Bypass Phase 1, and the increase in capital budget is proposed to be funded from borrowing although grants will be sought to reduce the amount of borrowing required.

16. Responding to social and affordable housing needs across the county remains a high priority for the council. The Acquisition Fund for Housing Provision (£5million) added to the capital programme in July 2024 is already being utilised to bring forward schemes to deliver social housing to meet the county's urgent need for provision, provide better homes for those in need and reduce dependency on high-cost temporary accommodation. This includes the acquisition of the Buttercross building in Leominster in November 2024, and we are finalising the acquisition of a building in Hereford. The Acquisition Fund assumes funding through borrowing, repaid through income from housing benefit and the reduced cost of temporary accommodation. Due to the lead in times involved in identifying sites that become available, undertaking due diligence, obtaining planning, vacant possession and procurement, the current £5.0million funding is deemed adequate for 2025/26. However, should other opportunities come forward earlier than anticipated, we will seek Council approval to add additional borrowing to the current capital programme allocation in year.

17. To meet the strategic need for medium to long term affordable housing solutions across the county, the council is exploring options to deliver larger schemes in key locations and work is underway to review best practice options through engagement with developers and registered providers. Over the course of 2025/26 the future route to delivery will be finalised, working with the cross-party Housing Working Group, to inform the capital programme requirements for 2026/27 and beyond.

Community impact

18. In accordance with the adopted code of corporate governance, Herefordshire Council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these is an important strategic choice to make to ensure intended outcomes are achieved. The council needs robust decision making mechanisms to ensure our outcomes can be achieved in a way that provides the best use of resources while still enabling efficient and effective operations.

19. The capital investment proposals support the overall delivery plan and service delivery strategies in place. The overall aim of capital expenditure is to benefit the community through improved facilities and by promoting economic growth. A specific community impact assessment, including any health and safety implications or corporate parenting responsibilities, will be included in the decision report required for any new capital scheme commencing and incurring spend.

Environmental Impact

20. Herefordshire 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.

21. Whilst this overarching budget setting document will not detail specific environmental impacts, consideration is always made to minimising waste and resources use in line with the council's Environmental Policy. A specific environmental impact assessment for the service specific budget proposals will be considered as appropriate to seek to minimise any adverse environmental impact and actively seek opportunities to improve and enhance environmental performance. An environmental assessment will be developed and scoped for each project when they seek approval to spend through a separate governance decision.

Equality duty

22. 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. An equality impact screening checklist will be completed for each capital project before any capital expenditure is incurred and where necessary a full Equality Impact Assessment will be performed. Equalities will be considered during the delivery of the service to ensure that the Council has regard to any potential effects on those with protected characteristics.

Resource implications

23. The proposed additions at appendix A total £58.12million over the next four years. This is to be financed from £56.12million prudential borrowing, of which £45.72million is in addition to the amount available through current levels of corporate funded borrowing. £1million is to be funded from the use of the capital receipts reserve and £1million from the revenue reserve specific for the use at the College Road Campus. Where projects are in the capital programme but they depend on grant, if the grant request is not successful, the full project including any match funding will be removed unless a revised project is approved within the revised allocations.

Scheme	Capital Grant funding £000	Redirected funding £000	Capital receipt funding £000	Funded by ROI £000	Corporate Funded PB £000	Total Request £000
Play Area Investment	0.0	0.0	0.0	0.0	1,000.0	1,000.0
IT System Upgrades & Server Replacements	0.0	0.0	0.0	0.0	500.0	500.0
Public Realm Services Fleet	0.0	0.0	0.0	0.0	1,540.0	1,540.0
Public Realm Mobilisation	0.0	0.0	0.0	0.0	450.0	450.0
Property Improvements in Care Homes - phase 2	0.0	0.0	0.0	0.0	604.0	604.0
Estates Building Improvement Programme 2025-27	0.0	1,000.0	0.0	0.0	3,304.7	4,304.7
Building works from 2022 Condition Surveys	0.0	0.0	0.0	0.0	1,715.0	1,715.0
Yazor Brook	0.0	0.0	0.0	0.0	260.0	260.0
School Route Planning Software	0.0	0.0	0.0	0.0	50.0	50.0
Resurfacing Herefordshire Highways	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Road Safety Schemes	0.0	0.0	0.0	0.0	3,000.0	3,000.0
Highways Infrastructure Investment	0.0	0.0	0.0	0.0	5,000.0	5,000.0
City and Market Town Public Realm Investment	0.0	0.0	0.0	0.0	1,200.0	1,200.0
CCTV Equipment Upgrades	0.0	0.0	0.0	0.0	89.1	89.1
Shirehall Refurbishment Phase 2	0.0	0.0	0.0	0.0	1,000.0	1,000.0
Council school transport fleet	0.0	0.0	0.0	0.0	350.0	350.0
Herefordshire Flood Risk Mitigation	0.0	0.0	1,000.0	0.0	1,055.0	2,055.0
Hereford Western Bypass Phase 1	0.0	0.0	0.0	0.0	30,000.0	30,000.0
Total	**0.0**	**1,000.0**	**1,000.0**	**0.0**	**56,117.8**	**58,117.8**

24. The corporate revenue implications of securing this new borrowing is included in the current Medium Term Financial Strategy and Treasury Management Strategy which had always allowed for £6.7million new prudential borrowing per annum over the strategy period.

Funding Position	**25/26**	**26/27**	**27/28**	**28/29**	**Total**
Total Corporate Borrowing Required	**19,845.2**	**25,378.3**	**10,676.3**	**218.0**	**56,117.8**
Annual Funding Limit	6,700.0	6,700.0	6,700.0	6,700.0	26,800.0
Unspent 23/24 borrowing to reallocate	221.0	-	-	-	221.0

Unspent 24/25 borrowing estimated	3,475.0	-	-	-	3,475.0
Allocated Previously	- 6,700.0	- 6,700.0	- 6,700.0	-	- 20,100.0
Total Funding Available	**3,696.0**	**0.0**	**0.0**	**6,700.0**	**10,396.0**
Funding Variance	**-16,149.2**	**-25,378.3**	**-10,676.3**	**6,482.0**	**-45,721.8**

25. The additional borrowing requirement is reflected in an update to the Treasury Management Strategy as shown in the report appearing elsewhere on the Cabinet's agenda today [13 January 2025] with actual borrowing being secured, as cash funding is required at the optimal interest rate available at that time. The above table reflects borrowing above the annual funding each year, this will have an impact on future revenue budgets when the repayments have to be made. These additional costs are reflected in the table below, this is calculated over a 40 year period and therefore £2.29million repayments will continue until fully repaid.

Revenue Repayment Costs	**26/27**	**27/28**	**28/29**	**29/30**
	£000	£000	£000	£000
Annual amount	807.46	2,076.38	2,610.19	2,286.09

26. Individual capital scheme resourcing implications will be detailed in the approval to precede decision. Appendix E contains the outline strategic business cases for each of the new projects.

Legal implications

27. The council is under a legal duty to sensibly manage capital finance. The council is able to borrow subject to limits set by the council, any nationally imposed limits, and it must do so in accordance with the prudential code on borrowing.

28. The Local Government Act 2003 allows the council to borrow for any purpose relevant to its functions under any enactment and for the purposes of the prudent management of its financial affairs.

29. Full Council is responsible for adopting the capital investment budget (referred to above as the capital programme) for the next financial year. Local Authorities deliver a range of services some of which are required to be undertaken under statutory duties and others which are a discretionary use of statutory powers. Local Authorities' powers and duties are defined by legislation. The Localism Act 2011 provides a General Power of Competence under Section 1, which provides local authorities with the power to do anything that an individual may do, subject to limitations. Capital expenditure is defined under the Local Government Act 2003. It is therefore not only schemes that are necessary for the council to meet its statutory duties, which can be approved. Any scheme must be procured in accordance with the council's own contract procedure rules and appropriate contractual documentation put in place to protect the council's interests.

30. Section 106 of the Local Government Finance Act 1992 precludes a councillor from voting on the Council's budget if he or she has an outstanding council tax debt of over two months. If a councillor who is precluded from voting is present at any meeting at which relevant matters are discussed, he or she must disclose that section 106 applies and may not vote. Failure to comply is a criminal offence.

31. In accordance with the budget and policy framework, rules in the constitution the general scrutiny committee shall inform and support the process for making cabinet proposals to Council. Scrutiny Management Board will have considered the capital investment budget at

appendix A at its meetings on 14 January 2025, to ensure the proposals included in appendix C and D have been developed in accordance with the constitution.

32. Cabinet shall have regard to scrutiny recommendations and the responses to the consultation as have been made to it in drawing up or amending draft proposals for submission to Council, and its report to Council shall reflect those recommendations, comments, and the cabinet's response to them.

Risk management

33. For all capital projects monthly budget control meetings give assurance on the robustness of budget control and monitoring, to highlight key risks and to identify any mitigation to reduce the impact of pressures on the council's overall position for example through phasing of spend, identifying and securing scheme changes or alternative funding sources.

34. Capital projects inherently give rise to risks in their delivery, both in time and budget. Individual scheme reporting and associated project boards exist to mitigate these risks. Furthermore slower delivery than forecast can mean the strategic ambitions are not being met as planned. All projects are expected to be managed through the programme management office once resources are in place, so further mitigating the risk of overspend or delays.

35. The proposed additions have been reviewed in relation to risks, both in deliverability, costs, impact and associated scheme interdependencies. The individual scheme detail of the risks will be provided as individual schemes progress to approval to deliver.

Consultees

36. The council's constitution states that budget consultees should include parish councils, health partners, the schools forum, business ratepayers, council taxpayers, the trade unions, political groups on the council, the scrutiny committees and such other organisations and persons as the leader shall determine.

37. An online public consultation is currently open and the results of this will be published for the Council meeting in February 2025. The main focus of the consultation was on council tax setting and the savings that needed to be identified to enable a balanced revenue budget to be presented due to the current pressures but is also seeking views on areas to invest in.

Appendices

Appendix A - Proposed capital investment additions from 2025/26

Appendix B - Current status of approved capital programme

Appendix C - Total proposed capital programme

Appendix D - Proposed Capital Strategy

Appendix E – Outline Strategic Business cases for capital investment proposals.

Background papers

None

Glossary of Terms

Capital Grant Funding – External income from another organisation

Redirected Funding – Use of revenue reserves to fund capital

Capital Receipt Funding – Use of the capital receipts reserve generated from sale of land, buildings and other assets of the council

Funded by Return on Investment – this is where there is a return on investment to repay the borrowing costs, such as increased income or savings on the current budget by reducing on going costs

Corporate funding by Prudential Borrowing – this is where prudential borrowing is repaid from the corporate revenue budget

Report Reviewers Used for appraising this report:

Governance		Date 06/01/2025
Finance		Date 06/01/2025
Legal		Date 06/01/2025
Communications	Click or tap here to enter text.	Date 06/01/2025
Equality Duty		Date 06/01/2025
Procurement	Click or tap here to enter text.	Date 06/01/2025
Risk		Date 06/01/2025

Approved by		Date 06/01/2025

Appendix A

Scheme	Current Capital Programme £000	Total 25/26 £000	Total 26/27 £000	Total 27/28 £000	Total 28/29 £000	Capital Grant funding £000	Redirected funding £000	Capital receipt funding £000	Funded by ROI £000	Corporate Funded PB £000	Total Request £000
Play Area Investment		500.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0
IT System Upgrades & Server Replacements 2025-26		500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	500.0	500.0
Public Realm Services Fleet		0.0	1,322.0	0.0	218.0	0.0	0.0	0.0	0.0	1,540.0	1,540.0
Public Realm Mobilisation		0.0	450.0	0.0	0.0	0.0	0.0	0.0	0.0	450.0	450.0
Property Improvements in Care Homes - phase 2	550.0	604.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	604.0	604.0
Estates Building Improvement Programme 2025-28		1,327.1	2,451.3	526.3	0.0	0.0	1,000.0	0.0	0.0	3,304.7	4,304.7
Building works from 2022 Condition Surveys	745.0	595.0	770.0	350.0	0.0	0.0	0.0	0.0	0.0	1,715.0	1,715.0
Yazor Brook		260.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	260.0	260.0
School Route Planning Software		50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0
Resurfacing Herefordshire Highways	10,000.0	5,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Road Safety Schemes		1,500.0	1,500.0	0.0	0.0	0.0	0.0	0.0	0.0	3,000.0	3,000.0
Highways Infrastructure Investment	16,040.0	2,500.0	2,500.0	0.0	0.0	0.0	0.0	0.0	0.0	5,000.0	5,000.0
City and Market Town Public Realm Investment		1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0	1,200.0
CCTV Equipment Upgrades		89.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	89.1	89.1
Shirehall Refurbishment Phase 2	3,000.0	715.0	285.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	1,000.0
Council school transport fleet		350.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	350.0	350.0
Herefordshire Flood Risk Mitigation		1,055.0	1,000.0	0.0	0.0	0.0	0.0	1,000.0	0.0	1,055.0	2,055.0
Hereford Western Bypass Phase 1	10,300.0	5,000.0	15,000.0	10,000.0	0.0	0.0	0.0	0.0	0.0	30,000.0	30,000.0
Total	**40,635.0**	**21,245.2**	**25,778.3**	**10,876.3**	**218.0**	**0.0**	**1,000.0**	**1,000.0**	**0.0**	**56,117.8**	**58,117.8**

Capital Programme position December 2024/25

Appendix B

Scheme Name	Spend in Prior Years £000	2024/25 Total Budget £000	2025/26 Total Budget £000	2026/27 Total Budget £000	2027/28 Total Budget £000	Total Scheme Budget £000	Capital receipts £000	Grant & funding cont £000	Prudential borrowing £000	Total £000	Prior Years £000	Total Funding £000
Local Transport Plan (LTP)		15,466	15,466	15,466	15,466	61,864		61,864		61,864	0	61,864
Extra Ordinary Highways Maintenance & Biodiversity Net Gain	1,934	365	0	0	0	2,299			365	365	1,934	2,299
Public Realm Maintenance - Mitigating Risk on the Network	3,925	1,025	0	0	0	4,950			1,025	1,025	3,925	4,950
Additional Pothole Allocation 23/24 & 24/25		3,660	0	0	0	3,660		3,660		3,660	0	3,660
Winter Resilience	183	1,219	0	0	0	1,402			1,219	1,219	183	1,402
Resurfacing Herefordshire Highways		5,000	5,000	0	0	10,000	816		9,185	10,000	0	10,000
Natural Flood Management	274	276	373	350	0	1,274		999		999	274	1,274
Highways Infrastructure Investment		8,170	3,985	3,885	0	16,040		1,580	14,460	16,040	0	16,040
Public Realm Improvements for Ash Die Back	19	544	494	240	118	1,416			1,397	1,397	19	1,416
Traffic Signal Obsolescence Grant and Green Light Fund		270	271	0	0	541		541		541	0	541
Hereford City Centre Transport Package	38,304	800	7,875	0	0	46,979		5,401	3,274	8,675	38,304	46,979
Hereford City Centre Improvements (HCCI)	5,097	903	0	0	0	6,000			903	903	5,097	6,000
Hereford ATMs and Super Cycle Highway		289	711	0	0	1,000			1,000	1,000	0	1,000
Emergency Active travel Fund	88	31	0	0	0	119		31		31	88	119
Active Travel Fund 4	58	248	0	0	0	306		248		248	58	306
Southern Link Road		1,380	3,620	5,300	0	10,300	5,000		5,300	10,300	0	10,300
Stronger Towns Fund - Greening the City	105	298	0	0	0	404		298		298	105	404
LUF - Active Travel Measures (north of river)	555	858	3,053	0	0	4,466		3,910		3,910	555	4,466
LUF - Active Travel Measures (south of river)	244	3,923	5,029	0	0	9,197		8,952		8,952	244	9,197
Integrated Wetlands	2,479	497	1,686	99	0	4,760		2,281		2,281	2,479	4,760
Local Electric Vehicle Infrastructure Capital Fund (LEVI)		0	424	400	300	1,124		1,124		1,124	0	1,124
LEVI Pilot Fund Grant		24	96	0	0	120		120		120	0	120
Wye Valley National Landscape (previously AONB)	173	276	0	0	0	449		276		276	173	449
Safer Streets 5		165	0	0	0	165		165		165	0	165
Fastershire Broadband	30,958	2,672	0	0	0	33,630		0	2,672	2,672	30,958	33,630
E & E's S106		2,030	3,904	3,356	26	9,315		9,315		9,315	0	9,315
Moving Traffic Enforcement Phase 2		144	0	0	0	144			144	144	0	144
Infrastructure Delivery Board	**84,398**	**50,533**	**51,987**	**29,095**	**15,910**	**231,922**	**5,816**	**100,767**	**40,942**	**147,525**	**84,398**	**231,922**
UK Shared Prosperity Fund	187	948	0	0	0	1,135		948		948	187	1,135
Waste		6,697	11,393	0	0	18,090		5,800	12,290	18,090	0	18,090
Rural Prosperity Fund	281	1,424	0	0	0	1,706		1,424		1,424	281	1,706
Commissioning Delivery Board	**469**	**9,069**	**11,393**	**0**	**0**	**20,931**	**0**	**8,172**	**12,290**	**20,462**	**469**	**20,931**
Key Network Infrastructure (Core Data Centre Switches & Corporate Wi-Fi)	527	28	0	0	0	555			28	28	527	555

HARC SAN Lifecycle Replacement	1	211	0	0	0	212			211	211	1	212
Data Centre Equipment Lifecycle Replacement	192	37	0	0	0	229			37	37	192	229
Windows Server Upgrades	175	119	36	0	0	330			155	155	175	330
Device and Ancillary kit replacement programme		187	415	548	0	1,150			1,150	1,150	0	1,150
M365 E5 Implementation	300	227	43	0	0	570		120	150	270	300	570
Planning & Regulatory Services software		670	726	0	0	1,396			1,396	1,396	0	1,396
Contact Centre Telephony Replacement		82	0	0	0	82			82	82	0	82
Wide Area Network (WAN) Replacement		286	0	0	0	286			286	286	0	286
VMWare Host Replacement		248	0	0	0	248			248	248	0	248
IT & Transformation Delivery Board	**1,196**	**2,094**	**1,220**	**548**	**0**	**5,058**	**0**	**120**	**3,742**	**3,862**	**1,196**	**5,058**
Schools Capital Maintenance Grant		3,300	2,795	1,200	1,200	8,495		5,789	2,707	8,495	0	8,495
Peterchurch Area School Investment	288	671	6,595	3,299	0	10,853	5,377		5,188	10,565	288	10,853
Brookfield School Improvements	422	2,830	2,570	0	0	5,822	919	4,481		5,400	422	5,822
High Needs Grant	85	500	2,000	4,318	0	6,903		6,818		6,818	85	6,903
Basic Needs Funding	215	1,000	8,000	7,068	0	16,284		15,817	251	16,068	215	16,284
Childcare Expansion Capital Grant 2023-24		0	296	0	0	296		296		296	0	296
Preliminary works to inform key investment need throughout the county	306	210	0	0	0	516			210	210	306	516
School Accessibility Works	141	524	1,143	693	0	2,503			2,361	2,361	141	2,503
C & F's S106		2,440	2,369	345	0	5,153		5,153		5,153	0	5,153
Work to Shirehall Annex (Care Leavers Base)		100	0	0	0	100	100			100	0	100
Shirehall Improvement Works		0	2,220	780	0	3,000	2,000		1,000	3,000	0	3,000
Children’s residential homes for 11 to 18 year olds		0	424	0	0	424			424	424	0	424
Estates Capital Programme 2019/22	4,313	1,238	331	0	0	5,882			1,569	1,569	4,313	5,882
Residual property works identified in the 2019 condition reports	613	779	0	0	0	1,392			779	779	613	1,392
Estates Building Improvement Programme 22-25	1,453	500	1,053	0	0	3,007			1,553	1,553	1,453	3,007
Estates Building Improvement Programme 2023-25	759	1,000	1,768	0	0	3,527		836	1,932	2,768	759	3,527
Estates Building Improvement Programme 2024-27		901	1,525	340	0	2,766			2,766	2,766	0	2,766
Building works from 2022 Condition Surveys		10	455	280	0	745			745	745	0	745
Flexible Futures	740	110	0	0	0	850			110	110	740	850
Wye Valley Trust - Education Centre Investment		0	6,000	0	0	6,000			6,000	6,000	0	6,000
HWGTA - Development of Vocational Work Based Skills Investment		0	2,000	0	0	2,000			2,000	2,000	0	2,000
Green Homes Grant - Local Authority Delivery	779	40	0	0	0	819		40		40	779	819
Home Upgrade Grant		4,646	0	0	0	4,646		4,646		4,646	0	4,646
Solar Photovoltaic Panels	1,063	1	535	535	0	2,134			1,071	1,071	1,063	2,134
Employment Land & Incubation Space in Market Towns	343	627	11,318	53	8,360	20,701	11,998	2,053	6,307	20,358	343	20,701
Leominster Heritage Action Zone	1,493	1,911	0	0	0	3,404	1,578	333		1,911	1,493	3,404
Gypsy & Traveller Pitch development	808	1,069	0	0	0	1,877			1,069	1,069	808	1,877
Growth Delivery Board	**13,824**	**24,405**	**53,399**	**18,911**	**9,560**	**120,099**	**21,972**	**46,263**	**38,041**	**106,275**	**13,824**	**120,099**

Disabled facilities grant		3,484	2,200	2,200	2,200	10,084		10,084		10,084	0	10,084
Empty Property Investment & Development		593	600	0	0	1,193		300	893	1,193	0	1,193
Single Homelessness Accommodation Programme (SHAP)	455	915	0	0	0	1,370		915		915	455	1,370
Acquisition Fund for Housing Provision		2,500	2,500	0	0	5,000			5,000	5,000	0	5,000
Merton Meadow - Brownfield Land Release Fund		600	1,400	0	0	2,000		2,000		2,000	0	2,000
Swimming Pool Support Fund		83	0	0	0	83		83		83	0	83
Libraries Improvement Fund		42	19	0	0	62		62		62	0	62
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	2,008	1,399	5,690	10,000	53	19,150	7,788	8,954	400	17,142	2,008	19,150
Stronger Towns Library & Learning Centre relocation to Shirehall	45	274	2,063	624	0	3,005	350	2,611		2,961	45	3,005
Property Improvements in Care Homes		550	0	0	0	550			550	550	0	550
Community Capital Grants Scheme		120	1,530	350	0	2,000	2,000			2,000	0	2,000
Community Wellbeing Transformation Board	**2,508**	**10,559**	**16,003**	**13,174**	**2,253**	**44,497**	**10,138**	**25,008**	**6,843**	**41,989**	**2,508**	**44,497**
Total Capital Programme	**102,394**	**96,660**	**134,002**	**61,728**	**27,723**	**422,507**	**37,926**	**180,329**	**101,858**	**320,113**	**102,394**	**422,507**

Key:

- RCCO
- Project Complete
- Reserve to be topped back up by future receipts

Approved at February 2024 Council	107,293	160,033	50,791	19,187		337,304
Reprofile Budget		(82,751)	55,302	20,092	7,357	0
Removal of Maylords Library project	(434)	(2,611)				(3,045)
23/24 Carry Forward		15,338				15,338
LHAZ increase approved at council		300				300
Acquisition Fund for Housing Provision		2,500	2,500			5,000
Grant/Funding Movement		3,774	25,366	22,449	20,366	71,954
M365 IT Project		77	43			120
Budget not carried forward for projects completed	(22,992)					(22,992)
Prior Year Spend adj (closed projects and 22/23 one off grant excluded)	18,527					18,527
Change in Capital Programme	**0**	**3,774**	**25,366**	**22,449**	**20,366**	**76,954**
						Note 1

Overall Change Financed By

	£000	£000				£000
Prudential Borrowing		2,500	2,500			5,000
Grant and funding contributions (Inc Reserves)		3,774	25,366	22,449	20,366	71,954
Capital receipts						0

0	**6,274**	**27,866**	**22,449**	**20,366**	**76,954**

Note 1

Grant Amendments since February Council

	£000
DfE - Childcare Expansion Capital Grant 2023-24	296
WMP - Safer Streets 5 Grant & Town Council Cont	165
DLUHC - Phosphate Mitigation Grant	1,760
DfE - additional Grant for Brookfield School	822
WMCA - LEVI Pilot Grant	120
DfE - High Needs Grant Increase	2,847
DfT - TSOG and Green Light Fund Grant	541
DfE - Schools Maintenance Grant	18
DLUHC - SHAP Grant	460
Sport England - Swimming Pool Support Fund	83
Libraries Improvement Fund Grants	62
DLUHC - DFG 24/25 additional grant	475
DfE - Schools Maintenance Grant 25/26 to 27/28	3,600
DLUHC - DFG 25/26 to 27/28	6,600
DfT - LTP Grant 25/26 to 27/28	46,398
C&F S106 Income	2,035
E&E S106 Income	2,500
Arts Council Grant for Museum Project	750
DLUHC - Brownfield Land Release Fund	2,000
DEFRA - Wye Valley National Landscape	123
MHCLG - RSI5 Grant	300
	71,954

Capital Programme position April 2025/26

Appendix C

Scheme Name	Spend in Prior Years £000	2024/25 Total Budget £000	2025/26 Total Budget £000	2026/27 Total Budget £000	2027/28 Total Budget £000	2028/29 Total Budget £000	Total Scheme Budget £000	Capital receipts £000	Grant & funding cont £000	Prudential borrowing £000	Total £000	Prior Years £000	Total Funding £000
Local Transport Plan (LTP)		15,466	15,466	15,466	15,466	0	61,864		61,864		61,864	0	61,864
Extra Ordinary Highways Maintenance & Biodiversity Net Gain	1,934	365	0	0	0	0	2,299			365	365	1,934	2,299
Public Realm Maintenance - Mitigating Risk on the Network	3,925	1,025	0	0	0	0	4,950			1,025	1,025	3,925	4,950
Additional Pothole Allocation 23/24 & 24/25		3,660	0	0	0	0	3,660		3,660		3,660	0	3,660
Winter Resilience	183	1,219	0	0	0	0	1,402			1,219	1,219	183	1,402
Resurfacing Herefordshire Highways		5,000	10,000	0	0	0	15,000	816		14,185	15,000	0	15,000
City and Market Town Public Realm Investment		0	1,200	0	0	0	1,200			1,200	1,200	0	1,200
Natural Flood Management	274	276	373	350	0	0	1,274		999		999	274	1,274
Highways Infrastructure Investment		8,170	6,485	6,385	0	0	21,040		1,580	19,460	21,040	0	21,040
Public Realm Improvements for Ash Die Back	19	544	494	240	118	0	1,416			1,397	1,397	19	1,416
Traffic Signal Obsolescence Grant and Green Light Fund		270	271	0	0	0	541		541		541	0	541
Hereford City Centre Transport Package	38,304	800	7,875	0	0	0	46,979		7,901	774	8,675	38,304	46,979
Hereford City Centre Improvements (HCCI)	5,097	903	0	0	0	0	6,000			903	903	5,097	6,000
Hereford ATMs and Super Cycle Highway		289	711	0	0	0	1,000			1,000	1,000	0	1,000
Emergency Active travel Fund	88	31	0	0	0	0	119		31		31	88	119
Active Travel Fund 4	58	248	0	0	0	0	306		248		248	58	306
Hereford Western Bypass Phase 1		1,380	8,620	20,300	10,000	0	40,300	5,000		35,300	40,300	0	40,300
Stronger Towns Fund - Greening the City	105	298	0	0	0	0	404		298		298	105	404
LUF - Active Travel Measures (north of river)	555	858	3,053	0	0	0	4,466		1,410	2,500	3,910	555	4,466
LUF - Active Travel Measures (south of river)	244	3,923	5,029	0	0	0	9,197		8,952		8,952	244	9,197
Integrated Wetlands	2,479	497	1,686	99	0	0	4,760		2,281		2,281	2,479	4,760
Local Electric Vehicle Infrastructure Capital Fund (LEVI)		0	424	400	300	0	1,124		1,124		1,124	0	1,124
LEVI Pilot Fund Grant		24	96	0	0	0	120		120		120	0	120
Wye Valley National Landscape (previously AONB)	173	276	0	0	0	0	449		276		276	173	449
Safer Streets 5		165	0	0	0	0	165		165		165	0	165
Fastershire Broadband	30,958	2,672	0	0	0	0	33,630		0	2,672	2,672	30,958	33,630
E & E's S106		2,030	3,904	3,356	26	0	9,315		9,315		9,315	0	9,315
Play Area Investment		0	500	500	0	0	1,000			1,000	1,000	0	1,000
Public Realm Services Fleet		0	0	1,322	0	218	1,540			1,540	1,540	0	1,540
Public Realm Mobilisation		0	0	450	0	0	450			450	450	0	450
Yazor Brook		0	260	0	0	0	260			260	260	0	260
Road Safety Schemes		0	1,500	1,500	0	0	3,000			3,000	3,000	0	3,000
Council school transport fleet		0	350	0	0	0	350			350	350	0	350
Herefordshire Flood Risk Mitigation		0	1,055	1,000	0	0	2,055	1,000		1,055	2,055	0	2,055
Moving Traffic Enforcement Phase 2		144	0	0	0	0	144			144	144	0	144

Infrastructure Delivery Board	**84,398**	**50,533**	**69,352**	**51,367**	**25,910**	**218**	**281,777**	**6,816**	**100,767**	**89,797**	**197,380**	**84,398**	**281,777**
UK Shared Prosperity Fund	187	948	0	0	0	0	1,135		948		948	187	1,135
Waste		6,697	11,393	0	0	0	18,090		5,800	12,290	18,090	0	18,090
Rural Prosperity Fund	281	1,424	0	0	0	0	1,706		1,424		1,424	281	1,706
Commissioning Delivery Board	**469**	**9,069**	**11,393**	**0**	**0**	**0**	**20,931**	**0**	**8,172**	**12,290**	**20,462**	**469**	**20,931**
Key Network Infrastructure (Core Data Centre Switches & Corporate Wi-Fi)	527	28	0	0	0	0	555			28	28	527	555
HARC SAN Lifecycle Replacement	1	211	0	0	0	0	212			211	211	1	212
Data Centre Equipment Lifecycle Replacement	192	37	0	0	0	0	229			37	37	192	229
Windows Server Upgrades	175	119	36	0	0	0	330			155	155	175	330
Device and Ancillary kit replacement programme		187	415	548	0	0	1,150			1,150	1,150	0	1,150
M365 E5 Implementation	300	227	43	0	0	0	570		120	150	270	300	570
Planning & Regulatory Services software		670	726	0	0	0	1,396			1,396	1,396	0	1,396
Contact Cantre Telephony Replacement		82	0	0	0	0	82			82	82	0	82
Wide Area Network (WAN) Replacement		286	0	0	0	0	286			286	286	0	286
School Route Planning Software		0	50	0	0	0	50			50	50	0	50
IT System Upgrades & Server Replacements 2025-26		0	500	0	0	0	500			500	500	0	500
CCTV Equipment Upgrades		0	89	0	0	0	89			89	89	0	89
VMWare Host Replacement		248	0	0	0	0	248			248	248	0	248
IT & Transformation Delivery Board	**1,196**	**2,094**	**1,859**	**548**	**0**	**0**	**5,697**	**0**	**120**	**4,381**	**4,501**	**1,196**	**5,697**
Schools Capital Maintenance Grant		3,300	2,795	1,200	1,200	0	8,495		5,789	2,707	8,495	0	8,495
Peterchurch Area School Investment	288	671	6,595	3,299	0	0	10,853	5,377		5,188	10,565	288	10,853
Brookfield School Improvements	422	2,830	2,570	0	0	0	5,822	919	4,481		5,400	422	5,822
High Needs Grant	85	500	2,000	4,318	0	0	6,903		6,818		6,818	85	6,903
Basic Needs Funding	215	1,000	8,000	7,068	0	0	16,284		15,817	251	16,068	215	16,284
Childcare Expansion Capital Grant 2023-24		0	296	0	0	0	296		296		296	0	296
Preliminary works to inform key investment need throughout the county	306	210	0	0	0	0	516			210	210	306	516
School Accessibility Works	141	524	1,143	693	0	0	2,503			2,361	2,361	141	2,503
C & F's S106		2,440	2,369	345	0	0	5,153		5,153		5,153	0	5,153
Work to Shirehall Annex (Care Leavers Base)		100	0	0	0	0	100	100			100	0	100
Shirehall Improvement Works		0	2,935	1,065	0	0	4,000	2,000		2,000	4,000	0	4,000
Children’s residential homes for 11 to 18 year olds		0	424	0	0	0	424			424	424	0	424
Estates Capital Programme 2019/22	4,313	1,238	331	0	0	0	5,882			1,569	1,569	4,313	5,882
Residual property works identified in the 2019 condition reports	613	779	0	0	0	0	1,392			779	779	613	1,392
Estates Building Improvement Programme 22-25	1,453	500	1,053	0	0	0	3,007			1,553	1,553	1,453	3,007
Estates Building Improvement Programme 2023-25	759	1,000	1,768	0	0	0	3,527		836	1,932	2,768	759	3,527
Estates Building Improvement Programme 2024-27		901	1,525	340	0	0	2,766			2,766	2,766	0	2,766
Building works from 2022 Condition Surveys		10	1,050	1,050	350	0	2,460			2,460	2,460	0	2,460
Estates Building Improvement Programme 2025-28			1,327	2,451	526		4,305		1,000	3,305	4,305	0	4,305
Flexible Futures	740	110	0	0	0	0	850			110	110	740	850
Wye Valley Trust - Education Centre Investment		0	6,000	0	0	0	6,000			6,000	6,000	0	6,000

HWGTA - Development of Vocational Work Based Skills Investment		0	2,000	0	0	0	2,000			2,000	2,000	0	2,000
Green Homes Grant - Local Authority Delivery	779	40	0	0	0	0	819		40		40	779	819
Home Upgrade Grant		4,646	0	0	0	0	4,646		4,646		4,646	0	4,646
Solar Photovoltaic Panels	1,063	1	535	535	0	0	2,134			1,071	1,071	1,063	2,134
Employment Land & Incubation Space in Market Towns	343	627	11,318	53	8,360	0	20,701	11,998	2,053	6,307	20,358	343	20,701
Leominster Heritage Action Zone	1,493	1,911	0	0	0	0	3,404	1,578	333		1,911	1,493	3,404
Gypsy & Traveller Pitch development	808	1,069	0	0	0	0	1,877			1,069	1,069	808	1,877
Growth Delivery Board	**13,824**	**24,405**	**56,036**	**22,417**	**10,436**	**0**	**127,119**	**21,972**	**47,263**	**44,060**	**113,295**	**13,824**	**127,119**
Disabled facilities grant		3,484	2,200	2,200	2,200	0	10,084		10,084		10,084	0	10,084
Empty Property Investment & Development		593	600	0	0	0	1,193		300	893	1,193	0	1,193
Single Homelessness Accommodation Programme (SHAP)	455	915	0	0	0	0	1,370		915		915	455	1,370
Acquisition Fund for Housing Provision		2,500	2,500	0	0	0	5,000			5,000	5,000	0	5,000
Merton Meadow - Brownfield Land Release Fund		600	1,400	0	0	0	2,000		2,000		2,000	0	2,000
Swimming Pool Support Fund		83	0	0	0	0	83		83		83	0	83
Libraries Improvement Fund		42	19	0	0	0	62		62		62	0	62
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	2,008	1,399	5,690	10,000	53	0	19,150	7,788	8,954	400	17,142	2,008	19,150
Stronger Towns Library & Learning Centre relocation to Shirehall	45	274	2,063	624	0	0	3,005	350	2,611		2,961	45	3,005
Property Improvements in Care Homes		550	604	0	0	0	1,154			1,154	1,154	0	1,154
Community Capital Grants Scheme		120	1,530	350	0	0	2,000	2,000			2,000	0	2,000
Community Wellbeing Transformation Board	**2,508**	**10,559**	**16,607**	**13,174**	**2,253**	**0**	**45,101**	**10,138**	**25,008**	**7,447**	**42,593**	**2,508**	**45,101**
Total Capital Programme	**102,394**	**96,660**	**155,247**	**87,507**	**38,599**	**218**	**480,625**	**38,926**	**181,329**	**157,976**	**378,231**	**102,394**	**480,625**

Key:

Revenue Funded Borrowing

New or Amended Projects as listed in appendix A

Current 2024/25 Programme Budget December 2024	102,394	96,660	134,002	61,728	27,723	0	422,507
Change in Capital Programme	**0**	**0**	**21,245**	**25,778**	**10,876**	**218**	**58,118**

Overall Change Financed By

	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Prudential Borrowing			19,845	25,378	10,676	218	56,118
Grant and funding contributions (Inc Reserves)			400	400	200		1,000
Capital receipts			1,000				1,000
	0	**0**	**21,245**	**25,778**	**10,876**	**218**	**58,118**

Appendix D

Herefordshire Council

Capital Strategy

2025 – 2030

CONTENTS

1. EXECUTIVE SUMMARY

1.1 An effective Capital Strategy is vital to ensure that the capital and revenue expenditure on the asset portfolio is directed efficiently and effectively to support service delivery in line with Herefordshire's priorities. This strategy considers the capital investment needs across Herefordshire including acquisition, replacement and rental of land, buildings, and vehicles etc.

1.2 Herefordshire Council has seen a number of schemes like the City Link Road and development of Employment Land which enable long term plans for future development. This Capital Strategy is aligned to the County Plan 2024-28 , to capital planning and utilisation of resources.

1.3 The Capital Strategy will be reviewed annually, identifying and matching resources to deliver service priorities over a four year period. Where possible a longer term view will be incorporated to ensure we have the vision on all future development opportunities. Also to enable long term planning on capital financing through the Treasury Management Strategy to ensure the best utilisation of resources and returns on investment.

1.4 A key partner moving forward is NMiTE (New Model in Technology and Engineering), the new Herefordshire University and the council is keen to support their development in the coming years.

1.5 The challenges given to retaining property assets will be based on value for money and delivery of the council's strategic priorities and key service delivery. Surplus properties will either be recycled or disposed of in accordance with the strategic asset management plan and proceeds will be reinvested or retained within the capital receipts reserve until a decision on how to utilise the reserve is made.

1.6 The strategic asset management plan sets out a framework for determining the capital property assets needed to enable future service delivery priorities to be realised. Whereas a series of key projects have already been delivered, the capital investment budget will further inform priorities and options for investment/re-investment in assets over the medium term.

1.7 The Capital Strategy encourages all areas of the council to put forward requests for capital funding to ensure assets are adequately invested in and development opportunities are considered. However, there are limited resources, and these schemes may need to be profiled over a number of years where they are to be funded corporately. Invest to save schemes are encouraged to help the future pressures we are facing on revenue.

1.8 A Programme Management Office was created in 2020 to embed new processes for managing and developing projects. They manage the delivery of all capital projects through the development stage such as Waste and Market Town Investment Plan projects. This is so that when new projects are added to the capital programme they are robust and will be able to commence delivery.

1.9 The priority will be to ensure that any new capital scheme will seek external funding sources such as grants in the first instance. Borrowing has always been allowed within the current agreed limits of £6.7m per annum plus any previously approved Public Works Loan Board (PWLB) provision that has not been used. The £6.7m per annum limit is corporately funded borrowing, borrowing funded from revenue savings will be made available over and above this limit. This is the current limit included within the MTFS, this year additional borrowing is being taken to fund the proposals, both the MTFS and Treasury Management Strategy have included the additional borrowing to allow these additional costs to be included in the revenue. The council will always seek external capital funding grants or donations where possible to lower the cost of borrowing but it is essential that resources are used effectively.

1.10 The process of allocating finite resources runs alongside delivery of the Medium Term Financial Strategy, through which capital funding, borrowing costs and innovative ways of utilising capital will be captured. The recommendation of capital projects lies with the Executive using a range of criteria to evaluate schemes, with referral to Council for approval. However, the Council may add new schemes to the capital programme and new schemes can be added once approved at any full council meeting.

1.11 The Capital Strategy aims to encourage innovation and remind officers of their ability to draw down funding to fund creative projects that demonstrate delivery of “spend to save / mitigate”. The governance arrangements in place must ensure robust monitoring to ensure projects deliver in terms of quality, cost and benefits. Following central government austerity measures the council is keen to promote capital investment to secure future local funding streams, council tax and business rates.

2. INTRODUCTION AND BACKGROUND

2.1 This Capital Strategy sets out Herefordshire's approach to capital investment and disposal over both the short and long term, to deliver the core service priorities. The availability of resources to facilitate these priorities is also considered, reconciling the provision of statutory functions, service aspiration and policy context with limited resource availability.

2.2 The strategy incorporates the vision of the council, the overarching policy framework and explains the processes inherent in setting budgets and monitoring the programme. In the ever-changing public sector climate, this document will be reviewed annually, but in essence is written to capture the longer term vision of service priorities.

2.3 Through this strategy, the Council makes a clear distinction between capital investments, where the strategic aims will be considered alongside affordability; and treasury management investments which are made for the purpose of cash flow management.

2.4 Capital investments, as opposed to pure cash flow management decisions, will be made in line with the Capital Strategy priorities set out in this document. These decisions are clearly within the economic powers of the Council and there are strong governance arrangements in place that underpin the decision making.

2.5 The Capital Strategy links into the Council Plan 2024-2028 and other main council strategic documents: Strategic Asset Management Plan, Local Transport Plan, Digital Strategy and Local Development Framework, details are provided in appendix B. It demonstrates how the council prioritises, sets targets and measures the performance of its limited capital resources to ensure that it maximises the value of investment to support the achievement of its key cross-cutting activities and initiatives.

- **What it intends to do**
  - Assist in ensuring spending decisions meet key priorities
  - Influence and encourage working with partners
  - Encourage improvement and innovation
  - Ensure revenue consequences and whole life costs are fully considered including return on investment
  - Explains the fluctuating nature of capital funding
  - Confirms surplus assets will be recycled or disposed of
  - Implementation of three year planning and horizon scanning for longer term priorities.

- **What it sets out**
  - Capital priorities and plans
  - Links to key strategic documents
  - How schemes are identified that meet priorities
  - How schemes competing for limited resources are selected
  - A summary of the capital programme
  - Monitoring processes in place

2.6 The strategic objectives for our corporate assets are to:

- Since 2021/22, Herefordshire Council has largely be funded from local taxation – Council Tax and Business Rates. Through capital investment, the Council will seek to stimulate the Herefordshire economy to advance business, commerce, jobs and economic prosperity across the county – and provide for a sustainable financial future.

- Optimise the contribution property makes to the council's strategic and service objectives. To this end, assets should only be held that meet the objectives of the council, with clear evidence to demonstrate that they contribute to the key objectives.

- Prioritise investment in our operational assets to meet service delivery needs and to enhance the customer experience. Assets that no longer deliver service priorities will be reviewed and either recycled to facilitate wider community agendas or disposed of.

- Seek innovative, value for money solutions, through use of procurement and return on investment to deliver capital projects that satisfy service need.

- Ensure maximum return from our investment property and land holdings

- Use our assets to fund new developments, re-development and urban regeneration

- Ensure that existing and new property assets are managed in an efficient, sustainable and cost effective way in terms of their use of environmental impact and other resources, their property management and other running costs

3. CURRENT CAPITAL PROGRAMME & LONG TERM PLAN

3.1 The following table details the capital investment by programme board over the four years, full programme details can be seen in appendix A. The consequences of investment are reflected in both the Medium Term Financial Strategy and Treasury Management Strategy.

Proposed Capital Programme

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	Total Capital Programme Budgets £000s
Infrastructure Delivery Board	50,533	69,352	51,367	25,910	218	**197,380**
Commissioning Delivery Board	9,069	11,393	0	0	0	**20,462**
IT & Transformation Delivery Board	2,094	1,859	548	0	0	**4,501**
Growth Delivery Board	24,405	56,036	22,418	10,436	0	**113,295**
Community Wellbeing Transformation Board	10,559	16,607	13,174	2,253	0	**42,593**
Total Capital Programme	**96,660**	**155,247**	**87,507**	**38,599**	**218**	**378,231**

Financed by

Capital Receipts	**38,926**
Grants & Funding Contributions	**181,329**
Prudential Borrowing	**157,976**
Total Funding	**378,231**

3.2 Long Term Capital Programme

One Herefordshire

One Herefordshire consists of a number of health organisations and the council represented at a group meeting, they regularly meet to discuss opportunities of where the organisations can work together for the benefit of the County when delivering services.

Herefordshire Council are committed to working with partner organisations such as Health and Higher Education establishments, including Hereford College of Arts and NMiTE. Where possible the council will support economic development opportunities to enable the services to grow and deliver the best service.

The council will be considering the use of external funding models including income strip models to enable delivery of student accommodation along with other developments where external organisations are used to deliver the projects.

Employment Land

The employment land at Ross will be developed in the current capital programme and other sites in other market towns will hopefully also come forward for development.

Hereford City Centre Transport Package

A Levelling Up grant of £6.33m was awarded for the delivery of the transport hub, this project will hopefully complete by 2026 and enable better transport links from the railway station.

Infrastructure- future plans.

Herefordshire Council are potentially investing in a number of road schemes over the next few years, these schemes are currently being developed and will be included into the capital programme once approved. The initial budget of £10.3m has been increased to £40.3m for the Hereford Western Bypass Phase 1. The delivery of the road infrastructure will support the growth of the economy and the package of active travel improvements will help residents to live safe, healthy and independent lives. External grants to deliver these schemes will be applied for.

Highways Maintenance

Like many councils the highways network has deteriorated over time with central government 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 highways asset. This would be to bring all assets back to a new condition.

Asset Type	Current Estimated Backlog
Carriageways	c£119.2m
Footways and Cycle ways	c£1.7m
Structures	c£80.5m
Street Lighting	c£1.7m
Traffic Signals	c£2.4m
Road Markings	c£1.2m

Traffic Signs	c2.9m
Vehicle Restraint Systems	c1.3m
Trees and Verges	c1.0m

The council has invested significant amount of council funding to help improve the road network. The council continues to lobby central government for additional support for highways maintenance and it is not sustainable to pass all this onto local residents. We are awaiting the final confirmations of the full grant award for 2025/26 onwards, with uplift funds announced over the next 10 years.

Other areas for Development

There are a number of projects that will be developed in the next financial year for waste management changes, delivery of the Hereford Town Investment Plans projects such as a new Museum and development of the Library & Learning Centre, which were part of a £25m funding bid. The third council project was for greening the city and business cases for all were approved by the Towns Board. The council is the accountable body for the £22.4m funding but the other approved projects will be run by other organisations.

There will be a replacement school at Peterchurch and significant works for a new unit and work within the existing site at Brookfield to increase capacity.

Other projects being delivered include the improvement works at the Shire Hall and other property works across the estate including schools.

The Council will be looking to work with current housing companies to increase the availability of affordable housing for local residents.

4. CAPITAL FUNDING STREAMS

4.1 This section explains the source of resources available to fund the capital programme. Currently the majority of funding is allocated from central government, in part to fund specific schemes that deliver their national priorities.

4.2 The following funding sources are available;

Borrowing

- Prudential borrowing (PB) has been allowed since 2004 when government relaxed the rules to allow councils to finance their own capital, providing they could demonstrate affordability to repay the debt and interest. In a time of reduced resources PB may also be used to fund initiatives to deliver future revenue savings that can then fund the annual debt and interest cost. The Council has a number of invest to save schemes currently and there is no limit to the amount of additions to the capital programme in any year where all borrowing costs can be funded from revenue savings, as long as they can show they provide value for money, score highly enough in the review and are approved by Council.

Grants

- Government currently provide many direct grants to fund initiatives that the Council should deliver as part as their statutory duty. The major capital grants are:
    - **Transport Grants –** used to support the Hereford Integrated Transport Strategy capital programme, covering rural transport schemes, and road safety initiatives and highways maintenance. The Department for Transport has a process to allow local authorities to bid for revenue and capital funds to fund sustainable transport schemes.
    - **Basic Needs Funding** - the Government each year provide a grant based on future needs for the Council to provide enough school places.
    - **Schools Capital Maintenance Grant** – is an amount allocated each year to help maintain schools in a good state of repair.
    - **Devolved Formula Capital** – is an amount allocated each year to primary and secondary schools to be spent on priorities in respect of buildings, ICT and other capital needs. It may be combined with capital funding from other sources or saved to fund a larger project.
    - **Disabled Facilities Grant** - contributes towards the cost of providing adaptations and facilities to enable disabled people to continue living in their own homes. The central government grant funding towards this has been protected from cuts by the coalition government in the Corporate Spending Review (CSR), in fact this grant has increased annually.
- External funding bodies distribute funding for projects that satisfy their key criteria and objectives and the Council secure these via a bidding process.

Developer Contributions S106

- Developer contributions continue to support the capital investment need associated with developments throughout the Country.
- In future once a S106 has been completed, planning permission has been granted and the development the subject of the agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The project to be funded must be within the terms of the S106 agreement. The borrowing will be funded short term within the cash

balances and repaid once the developer contributions have been received. Do note however there may be a risks to the Council namely; if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard. The developer can advance at any stage of the development that a scheme is not viable. This would be independently reviewed by the District Valuer (at a cost to the developer) but it may conclude that the financial contributions are not viable. The scheme may proceed as a wholly 100% affordable scheme whereby financial contributions towards infrastructure are not required.

Capital Receipts

- The Council maintains a register of surplus property assets. A major review of property assets is now underway that will produce a Delivery and Rationalisation programme; implemented over the coming years.
- The public sector landscape of service delivery is now subject to major change. Annual reviews of the Council operational property portfolio will identify potential opportunities for remodelling and co-location, through alternative methods of service delivery.
- The Council must prioritise disposal for capital receipts against competing demands for affordable housing land to build social housing and Community Asset Transfers.
- The disposal of surplus assets is critical to deliver the Councils Capital Strategy. Specifically the delivery of the property maintenance and office accommodation review requires receipts to fund PB costs. Capital receipts are deemed a central receipt and so held corporately to use to deliver wider strategic priorities. Until receipts retained in the capital receipt reserve are allocated they reduce the overall borrowing costs of the Council.
- At the end of 2023/24 financial year there was a balance of £38.2m in the capital receipts reserve. There are a number of schemes within the capital programme to be funded by capital receipts, the balance will be retained to deliver enhanced investment on the use of these reserves, once business cases have been submitted for approval at Council.

Revenue

- Both revenue budget and reserves can be used to fund the capital programme, either via a one off contribution to fund a project in its entirety or an annual sum to repay PB debt costs. Ongoing use of revenue should be assessed in relation to the impact on council tax via the use of assessing its prudential indicators. Funding is available throughout the year to fund both revenue and capital innovative projects that will deliver future year on year savings.

4.3 The table in 3.1 shows the expected resources available to fund the capital programme over the four years.

4.4 The programme is heavily reliant on grants and contributions to fund capital expenditure and these are usually issued with tight timeframes and restrictions attached. The grants may also demand regular monitoring returns to demonstrate the funding has been used in accordance with the plan.

5. Risk Management

5.1 Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully and/or limit its ability to exploit opportunities.

5.2 Risk management is the process of identifying risks, evaluating their potential consequence and determining the most effective methods of mitigating them. It is both a means of minimising the cost and disruption to the organisation and of ensuring staff understand and appreciate the element of risk in all their activities.

5.3 Through effective risk management the Council aims to minimise its exposure to unwanted risk – those risks that are not actively sought and which carry no commensurate reward to the Council. This may involve transferring risk to a third party.

5.4 It is important to note that risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, a measure of risk must be taken – and therefore risk should be considered both in terms of threat to the Council as well as positive opportunities.

5.5 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored – and especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies.

5.6 An assessment of risk should be built into every capital project and major risks recorded in the Risk Register. This may include political, economic, legal and regulatory, technological, environmental, reputation as well as financial risk. By managing risk effectively, the Council is better able to make careful, well thought through decisions in full knowledge of the adverse risks that apply and mitigating measures.

6. Knowledge and Skills

6.1 All capital investment approvals are subject to robust consideration and challenge by members and officers from across the Council with extensive experience from varying professional backgrounds.

6.2 All officers attend courses on an ongoing basis to keep abreast of new developments and skills to ensure their Continuous Professional Development. Members are also offered training annually to ensure they have up to date skills and are able to make capital and treasury decisions. It is important that we continue to strengthen training of officers and members on the understanding of environmental issues and the impact of these when undertaking capital works as we continue the approach to net zero carbon when producing business cases and taking decisions.

6.3 The Council's property portfolio is managed by its Property Services Team. The team has extensive knowledge of the Herefordshire property market and experience dealing with a mix of property types and professional work including professional services, landlord and tenant, statutory valuations, acquisitions and disposals, commercial and residential property management.

6.4 The Council's asset valuations for its financial statements are assessed on an agreed five year programme covering the whole property portfolio. The Council also has internal resources to advise on construction, repair and maintenance, and statutory compliance matters across its property portfolio.

6.5 Where required, and with due diligence, the Council may also appoint external agents to advise on particular specialist matters or to access specialist expertise that may not be available 'in house.'

7. CAPITAL SCHEME SELECTION

7.1 The capital programme is delivering a number of projects to enable the council to deliver the objectives within the county plan 2024-28. Therefore projects that are added to the capital programme are for this purpose and not added as an investment purely to generate income. There are currently no expectations in the MTFS for capital investment to generate a revenue surplus to balance the budget. Although in the long term there are advantages in easing the removal of Revenue Support Grant (RSG) in generating a net revenue position it is not the priority when reviewing projects to add to the capital programme.

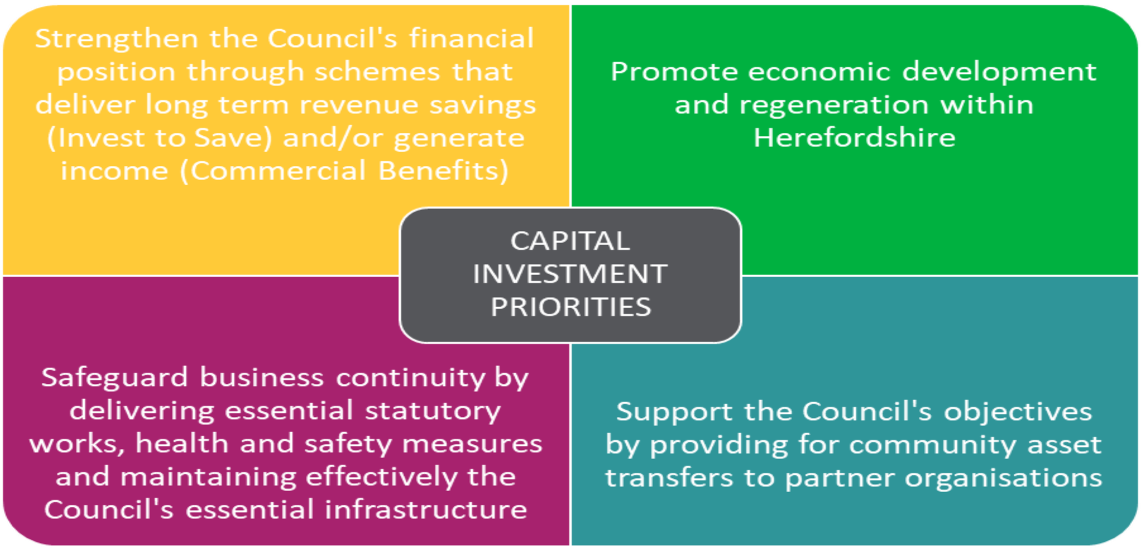
7.2 All capital schemes go through a stage process that is detailed in the project management process document.

7.3 Schemes are continually reviewed against evolving priorities and may be subject to change, redesign or cancellation, to ensure they continue to deliver the requirements of the council and provide value for money.

7.4 Capital funding will be initially allocated to council priorities and approved by council. The capital guidance policy details the process for the capital funding requests to ensure provision in the capital programme at any time as long as they are approved at a Council meeting or otherwise as delegated by full Council. This is necessary so that services are able to request capital funding at the appropriate time, when sufficient information is available to make an informed decision and opportunities are not lost due to waiting.

Rationale for Investment

7.5 Capital investment is integral to revenue budget forecasting. Capital investment must be directed to obtain maximum benefit from available resources looking at efficiencies, effectiveness, and economically. Revenue implications must be considered for all capital schemes, this could represent the cost of borrowing, future running costs and projected benefits. Schemes included for capital investment must demonstrate at least one of the following prioritisation criteria;



7.6 Funding above the corporate limit of £6.7m is available to support capital investment that gives a clear pay back through revenue budget savings.

7.7 Effectiveness and Best Value is demonstrated within the decision reports for each project and reviewed at the conclusion of a project. Value for Money on the build of a project is secured and demonstrated through utilisation of the Procurement Policies and Framework for managing capital projects. Cabinet are keen to ensure where possible we should use Council funding to procure services from local suppliers to help improve the local economy, therefore social values should also be considered when making a best value decision.

7.8 The council has discretion to make loans for a number of reasons, including economic development. These loans will be treated as capital expenditure. In making loans the council is exposing itself to the risk that the borrower defaults in repayments. The council, in making these loans, must therefore ensure they are prudent and has fully considered the risk implications, with regard to both the individual loan and that the cumulative exposure of the council is proportionate and prudent. The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans will be subject to close, regular monitoring.

7.9 Property services regularly review use of property assets as part of operational duties to ensure they are still required to deliver council priorities, alternatively assets may be recycled or deemed surplus to requirement. Sale of assets will deliver revenue savings and generate corporate capital receipts for investment in future capital schemes. Future building requirements will need to assess the concept of sale and leaseback and multi-use, shared approach for occupation.

8. CAPITAL MONITORING

8.1 Capital investment requirements are significant, however, capital finances are limited at £6.7m, due to the repayment of interest in the revenue budget for corporately funded projects and central government current funding levels are expected to reduce. Herefordshire Council must have a prudent approach to capital allocation and monitoring to ensure scarce resources are used to maximum effect.

8.2 Due to the significant changes that occur during capital programme implementation and forecasting it is considered prudent to maintain:

- a reserve list of deferred capital schemes that can be accelerated or delayed as required
- a contingency sum that should be included in all projects, due to the impact an increase in inflationary capital costs can have over the length of the project.

8.3 As part of a project's business case, an option appraisal is carried out and a whole-life costing review is undertaken before a capital scheme is included in the capital programme, this is then developed to detailed costings so an informed decision to spend can be made. Each project must also state how the proposal seeks to deliver the council's environmental policy commitments to net zero carbon and aligns to the success measure in the County Plan. If there could be a detrimental impact on the environment explain how you have sought to minimise and offset this.

8.4 Once a capital scheme is included in the capital programme it is monitored following appropriate project management methodology, managed by experience project managers within the project management office team and using experienced officers in each service area, through a number of project boards. Through the proposed project management office changes, the Executive Programme Board will review quarterly, progress of the projects being reported through the Programme Delivery Boards. The PMO will prepare a dashboard for each Board who will satisfy themselves that the projects are being managed in line with the agreed process and that projects remain relevant and aligned to the Delivery Plan.

8.5 In addition to significant individual projects, the capital programme also includes the council's annual Highways and Transportation capital programme of investment. This is guided by the Local Transport Plan to invest in the improvement and maintenance of the local transport infrastructure. Targets relating to highway maintenance standards, road safety and sustainable transport ensure that expenditure is in line with corporate plan objectives and outcomes expected by central government. This programme is currently managed through the Highways Maintenance Delivery Board and through the commissioning arrangements with Balfour Beatty.

8.6 However the governance process embedded follows the following processes. The PMO Capital Programme Manager will allocate the project to a Programme Delivery Board. The project manager is expected to maintain all documentation and report regularly using highlight reports to the SRO, Project Board and Programme Delivery Board as required. Details regarding the Board governance structure, reporting and escalation process will be outlined on the Project Management intranet site. In summary, individual Project Boards report into Programme Delivery Boards who are in turn monitored by Executive Programme Board. The Executive Programme Board represents the highest level of officer involvement and accountability; allocating feasibility funding and having oversight of all projects.

Appendix A

Capital Programme position April 2025/26

Scheme Name	Spend in Prior Years £000	2024/25 Total Budget £000	2025/26 Total Budget £000	2026/27 Total Budget £000	2027/28 Total Budget £000	2028/29 Total Budget £000	Total Scheme Budget £000
Local Transport Plan (LTP)		15,466	15,466	15,466	15,466	0	61,864
Extra Ordinary Highways Maintenance & Biodiversity Net Gain	1,934	365	0	0	0	0	2,299
Public Realm Maintenance - Mitigating Risk on the Network	3,925	1,025	0	0	0	0	4,950
Additional Pothole Allocation 23/24 & 24/25		3,660	0	0	0	0	3,660
Winter Resilience	183	1,219	0	0	0	0	1,402
Resurfacing Herefordshire Highways		5,000	10,000	0	0	0	15,000
City and Market Town Public Realm Investment		0	1,200	0	0	0	1,200
Natural Flood Management	274	276	373	350	0	0	1,274
Highways Infrastructure Investment		8,170	6,485	6,385	0	0	21,040
Public Realm Improvements for Ash Die Back	19	544	494	240	118	0	1,416
Traffic Signal Obsolescence Grant and Green Light Fund		270	271	0	0	0	541
Hereford City Centre Transport Package	38,304	800	7,875	0	0	0	46,979
Hereford City Centre Improvements (HCCI)	5,097	903	0	0	0	0	6,000
Hereford ATMs and Super Cycle Highway		289	711	0	0	0	1,000
Emergency Active travel Fund	88	31	0	0	0	0	119
Active Travel Fund 4	58	248	0	0	0	0	306
Hereford Western Bypass Phase 1		1,380	8,620	20,300	10,000	0	40,300
Stronger Towns Fund - Greening the City	105	298	0	0	0	0	404
LUF - Active Travel Measures (north of river)	555	858	3,053	0	0	0	4,466
LUF - Active Travel Measures (south of river)	244	3,923	5,029	0	0	0	9,197
Integrated Wetlands	2,479	497	1,686	99	0	0	4,760

Local Electric Vehicle Infrastructure Capital Fund (LEVI)		0	424	400	300	0	1,124
LEVI Pilot Fund Grant		24	96	0	0	0	120
Wye Valley National Landscape (previously AONB)	173	276	0	0	0	0	449
Safer Streets 5		165	0	0	0	0	165
Fastershire Broadband	30,958	2,672	0	0	0	0	33,630
E & E's S106		2,030	3,904	3,356	26	0	9,315
Play Area Investment		0	500	500	0	0	1,000
Public Realm Services Fleet		0	0	1,322	0	218	1,540
Public Realm Mobilisation		0	0	450	0	0	450
Yazor Brook		0	260	0	0	0	260
Road Safety Schemes		0	1,500	1,500	0	0	3,000
Council school transport fleet		0	350	0	0	0	350
Herefordshire Flood Risk Mitigation		0	1,055	1,000	0	0	2,055
Moving Traffic Enforcement Phase 2		144	0	0	0	0	144
Infrastructure Delivery Board	**84,398**	**50,533**	**69,352**	**51,367**	**25,910**	**218**	**281,777**
UK Shared Prosperity Fund	187	948	0	0	0	0	1,135
Waste		6,697	11,393	0	0	0	18,090
Rural Prosperity Fund	281	1,424	0	0	0	0	1,706
Commissioning Delivery Board	**469**	**9,069**	**11,393**	**0**	**0**	**0**	**20,931**
Key Network Infrastructure (Core Data Centre Switches & Corporate Wi-Fi)	527	28	0	0	0	0	555
HARC SAN Lifecycle Replacement	1	211	0	0	0	0	212
Data Centre Equipment Lifecycle Replacement	192	37	0	0	0	0	229
Windows Server Upgrades	175	119	36	0	0	0	330
Device and Ancillary kit replacement programme		187	415	548	0	0	1,150
M365 E5 Implementation	300	227	43	0	0	0	570
Planning & Regulatory Services software		670	726	0	0	0	1,396
Contact Cantre Telephony Replacement		82	0	0	0	0	82
Wide Area Network (WAN) Replacement		286	0	0	0	0	286
School Route Planning Software		0	50	0	0	0	50

IT System Upgrades & Server Replacements 2025-26		0	500	0	0	0	500
CCTV Equipment Upgrades		0	89	0	0	0	89
VMWare Host Replacement		248	0	0	0	0	248
IT & Transformation Delivery Board	**1,196**	**2,094**	**1,859**	**548**	**0**	**0**	**5,697**
Schools Capital Maintenance Grant		3,300	2,795	1,200	1,200	0	8,495
Peterchurch Area School Investment	288	671	6,595	3,299	0	0	10,853
Brookfield School Improvements	422	2,830	2,570	0	0	0	5,822
High Needs Grant	85	500	2,000	4,318	0	0	6,903
Basic Needs Funding	215	1,000	8,000	7,068	0	0	16,284
Childcare Expansion Capital Grant 2023-24		0	296	0	0	0	296
Preliminary works to inform key investment need throughout the county	306	210	0	0	0	0	516
School Accessibility Works	141	524	1,143	693	0	0	2,503
C & F's S106		2,440	2,369	345	0	0	5,153
Work to Shirehall Annex (Care Leavers Base)		100	0	0	0	0	100
Shirehall Improvement Works		0	2,935	1,065	0	0	4,000
Children’s residential homes for 11 to 18 year olds		0	424	0	0	0	424
Estates Capital Programme 2019/22	4,313	1,238	331	0	0	0	5,882
Residual property works identified in the 2019 condition reports	613	779	0	0	0	0	1,392
Estates Building Improvement Programme 22-25	1,453	500	1,053	0	0	0	3,007
Estates Building Improvement Programme 2023-25	759	1,000	1,768	0	0	0	3,527
Estates Building Improvement Programme 2024-27		901	1,525	340	0	0	2,766
Building works from 2022 Condition Surveys		10	1,050	1,050	350	0	2,460
Estates Building Improvement Programme 2025-28			1,327	2,451	526		4,305
Flexible Futures	740	110	0	0	0	0	850
Wye Valley Trust - Education Centre Investment		0	6,000	0	0	0	6,000
HWGTA - Development of Vocational Work Based Skills Investment		0	2,000	0	0	0	2,000
Green Homes Grant - Local Authority Delivery	779	40	0	0	0	0	819

Home Upgrade Grant		4,646	0	0	0	0	4,646
Solar Photovoltaic Panels	1,063	1	535	535	0	0	2,134
Employment Land & Incubation Space in Market Towns	343	627	11,318	53	8,360	0	20,701
Leominster Heritage Action Zone	1,493	1,911	0	0	0	0	3,404
Gypsy & Traveller Pitch development	808	1,069	0	0	0	0	1,877
Growth Delivery Board	**13,824**	**24,405**	**56,036**	**22,417**	**10,436**	**0**	**127,119**
Disabled facilities grant		3,484	2,200	2,200	2,200	0	10,084
Empty Property Investment & Development		593	600	0	0	0	1,193
Single Homelessness Accommodation Programme (SHAP)	455	915	0	0	0	0	1,370
Acquisition Fund for Housing Provision		2,500	2,500	0	0	0	5,000
Merton Meadow - Brownfield Land Release Fund		600	1,400	0	0	0	2,000
Swimming Pool Support Fund		83	0	0	0	0	83
Libraries Improvement Fund		42	19	0	0	0	62
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	2,008	1,399	5,690	10,000	53	0	19,150
Stronger Towns Library & Learning Centre relocation to Shirehall	45	274	2,063	624	0	0	3,005
Property Improvements in Care Homes		550	604	0	0	0	1,154
Community Capital Grants Scheme		120	1,530	350	0	0	2,000
Community Wellbeing Transformation Board	**2,508**	**10,559**	**16,607**	**13,174**	**2,253**	**0**	**45,101**
Total Capital Programme	**102,394**	**96,660**	**155,247**	**87,507**	**38,599**	**218**	**480,625**

Appendix B

Strategies that Support the Capital Strategy

- **The Strategic Asset Management Plan**

Contains the Corporate Property Programme for the council.
It mainly focuses on proposals to:

- Rationalise the current corporate administrative estate
- Introduce better ways of working to drive efficiency, for example home working
- Support the organisation to meet its carbon reduction targets.

The overarching strategy contains a suite of supplementary procedures in the Corporate Asset Procedure that covers all aspects of purchase, disposal, owning and managing property assets as well as other supplementary procedures on items such as Community Asset Transfers, storage and listed sites.

- **Local Transport Plan**

This plan covers the policies and delivery plans relating to transport and explains how these contribute to the wider local agenda. It considers the transport needs both of people and of freight and includes the strategic countywide programme of transport infrastructure improvements and maintenance. The aim is to ensure the maintenance, operation, management and best use of the county's transport assets.

Annual funding available for local transport has over recent years been in the region of £12 million to support capital maintenance of the highway asset and support road safety and transport network improvements. In future the level of funding for transport capital investment will be constrained, but remain a significant component of the overall capital programme, reflecting the importance of maintaining this important asset and its crucial contribution to the economic vitality of the county.

- **Schools Capital Investment Strategy**

This strategy has been developed in consultation with Schools, Children and Families Service. Its principles support the vision, objectives and targets of the Herefordshire Council. In so doing, it supports and contributes to the council's Capital Strategy. It specifically seeks to ensure that assets that do not support the objectives of the Herefordshire Council are disposed of through sale to realise a capital receipt or through community asset transfer, that investment is clearly linked to specific objectives and targets; and that assets such as schools, children's centres, youth centres and children's multi-agency offices are corporate resources, available to accommodate delivery of wider services to the community from across Herefordshire. The strategy seeks to join up future capital funding streams wherever possible to ensure that best value is achieved from the funding available and to maximise the benefits realised from the investment.

- **Digital Strategy**

The Digital Strategy aims to ensure that Herefordshire Council has a stable, fit-for-purpose and sustainable information, communications and technology platform and service organisation capable of supporting the drive to deliver efficient and effective services to the citizens, directorates, businesses, organisations, members and public sector partners within Herefordshire. It will assist Herefordshire Council to make more flexible use of technology to achieve efficiencies, access services and share workspace and resources with partner agencies.

- **Medium Term Financial Strategy**

  This document is approved annually, based on the budget setting requirements of the council and reflects on the strategic and operational intentions over a three-year time frame. It covers the capital programme and funding streams including the affordability of prudential borrowing and use of capital to facilitate revenue budget savings in future years.

- **Treasury Management Strategy**

  This strategy sets out the council's overall approach to treasury management operations including the capital programme and links to the borrowing limits, minimum revenue provision in relation to debt repayment and prudential indicators.

Capital vs Treasury Management Investments

- Treasury Management investment activity covers those investments arising from the Council's cash flows and debt management activity. The power to invest is set out in the Local Government Act, Section 12.

- For treasury management investments, the security and liquidity of funds are placed ahead of investment return/yield. Treasury related activity, including the management of associated risk, are managed separately in accordance with the Council's Annual Treasury Management Strategy and are not covered by this Capital Strategy.

- The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside normal treasury management activity. These may include service and commercial investments and are subject to the guiding principles outlined in this capital strategy:
  - service investments; investments held clearly and explicitly in the course of the provision, and for the purposes of operational services including regeneration
  - commercial investments; investments taken mainly for financial reasons e.g. purchase of investment property

- Latest guidance issued by the Secretary of State makes clear that borrowing to finance the acquisition of non-financial investments (e.g. commercial property investment) made *purely* for profit shall be considered 'borrowing in advance of need'.

- The Council's policy on borrowing in advance of need forms part of the Annual Treasury Management Strategy. However, and to be clear, the Council will not borrow for capital investment made solely for yield generating opportunities. Under the Prudential Code if, exceptionally, the Council chooses not to have regard that provision, then an explanation should be brought forward explaining the rationale for its decision.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**Play Area Investment**
Budget Holder	**Ed Bradford**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

Herefordshire Council has 65 play areas that it maintains throughout the county. These playgrounds are managed by Balfour Beatty Living Places on behalf of Herefordshire Council. BBLP undertake regular inspections and maintenance of these playgrounds. Existing routine inspections and maintenance are aimed at ensuring that the playgrounds remain safe and useable. This funding however does not extend to undertake remedial work and renovation of existing parks to enhance the green space available to their local communities.

The current annual budget for the 65 Council owned play areas in Herefordshire is £35K per year. Following inspection costs from ROSPA leaves approximately £540.00 per year to be spent on maintenance. There are 1134 individual pieces of play equipment assets with 8 play areas designated as destination play areas, due to location, size and ancillary facilities.

Existing routine inspections and maintenance are aimed at ensuring that the playgrounds remain safe and useable. This funding however does not extend to undertake remedial work and renovation of existing parks to enhance the green space available to their local communities.

Following a review of recent annual RoSPA inspections and close liaison with BBLP locality stewards & Local Parish's a number of key aspects of the play area conditions have been identified as needing attention:

1. Deterioration of large apparatus due to end of useful working period.
2. Wet pour/safety surfaces derogation across all play areas and replacement of loose fill safety surfacing.
3. Items previously removed due to safety risks with no funding to replace.

Several play areas have timber apparatus where the timber is showing latter stages of decay and will likely be removed due to safety risk either by BBLP or as recommended by RoSPA. A number of these sites are recommended for further excavations to inspect timber support legs to determine the condition of the timber below the surface. It is again anticipated that a number of these sites will be condemned and removed for safety reasons. The renovation of some of these play areas, particularly where they have fallen into disuse or disrepair or where health and safety may be an issue will show commitment to safeguarding the future of play areas and open spaces for future generations.

Below shows the general state of decline of an example of the play assets. A combination of timber decay, wetpour issues and missing and unserviceable play equipment.









The existing wet pour/safety surfaces are all deteriorating with some area surfaces becoming uneven, cracking, trip hazards and shrinkage/separation reported throughout. Issues that arise are repaired by BBLP but as the product ages these are increasing in number and are becoming increasingly difficult to maintain an adequate safe surface. An option rather than undertaking localised repairs or a full overlay of the existing surface may be to replace specified areas around apparatus which would provide a significant improvement. As an alternative a more extensive removal and full replacement would be possible.

Whilst the existing play equipment is in most cases sufficient, it is increasing in age and does not reflect both current standards and changes in design and style of playground equipment. These changes include designs that make provisions for wider age groups. The introduction of some new equipment would both improve the versatility and attractiveness of the playgrounds and assist with creating inclusive spaces that encourage people to interact and meet, contributing to community cohesion.

Links to corporate priorities and savings plan
• Enable residents to live safe, healthy and independent lives • Keep children and young people safe and give them a great start in life • Support the growth of our economy • Secure better services, quality of life and value for money Encouraging active lifestyles for children and young people is a key public health objective. Playgrounds and spaces for play offer a way in which children can be encouraged to get out and stay active. The investment in playgrounds would support a reduction in the maintenance costs for the playgrounds in the short and medium term. Replacing the existing loose fill play surfacing sites will reduce the maintenance costs in the long term as there will no requirement to re-fill them with a wood product every 3 years as required.

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
Capital cost of project					
Play Area Investment	500	500			1,000
TOTAL	**500**	**500**			**1,000**
Funding sources					
Corporate Funded Borrowing	500	500			1,000
TOTAL	**500**	**500**			**1,000**
Revenue budget implications					
TOTAL					

Benefits and risks:

The anticipated benefits and risks of the proposed project plus risks of not going ahead with the scheme. Herefordshire Council encourages active lifestyles, especially for children and young people which is a Public Health England objective. This renewed emphasis resulted in greater usage of these areas and subsequently initiated the drive for improvements from parishes. This has and will continue with Play areas and open spaces for play offering a way in which children can be encouraged to get out and stay active. The use of existing play areas is influenced by both the young people and parents' impression of them. Where the condition is clearly deteriorating there is a tendency for them to be less attractive and not used to their potential. Therefore, a programme of refurbishment and renewal will improve the attractiveness and application of these areas and introduction of some new equipment will also provide the opportunity to expand the range that the play areas are suitable for. The improvements will also offer reductions in ongoing maintenance costs as the surfacing, and equipment will be brought to a higher standard than is currently possible with reactive maintenance. These proposed investments will, as existing equipment and surfacing is, be susceptible to vandalism that would impact in the benefits of the improvements.

The scale of the cost of new equipment and/or resurfacing is considerable, and therefore installing new equipment or resurfacing in all play areas is not considered feasible. There will therefore be the potential challenge to the choice of sites that receive new equipment and/or resurfacing arising from community concerns from those areas that are not provided new equipment. By liaising with the Parishes and identifying where any funds are best spent will alleviate some of these issues. Also delivery of a combined programme of major refurbishment together with renewals will go some way to offset this as each area will receive some benefit.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Corporate Services**
Scheme Name	**ICT systems upgrades & server replacements 2025-26**
Budget Holder	**- Director Resources**

Project aims and objectives:

The five elements of this capital bid will support the Council with its Digital Data & Technology strategy 2024 – 2028 & planning towards digital transformation by providing a stable, modern and fit for purpose infrastructure.

Procurement will be through an approved Local Government Procurement Framework (CCS or similar) to ensure that best value is demonstrated.

Commissioning and migration activity will be carried out by the Councils contracted IT provider – Hoople Ltd and a third party to provide consultancy and professional serves to complete the migration works.

Key deliverables-

1.The update of key Software which provides the GIS services for the Council.

This project is to update ageing GIS Software with the latest version which will ensure manufacturer support and is up to date to allow security and operational integrity to be maintained, in line with emerging vulnerabilities and Cyber Security threats.

The aim of the project is as follows:

- Replace ageing software which is required to run the time services for key line of business systems, with supported 'in life' equipment which is actively supported by the supplier for cyber security/vulnerability patches.
- Provide support and maintenance contract with the manufacturer or partner for a period of five years.
- Migrate services from the aging version of the software to a newer version which is supported.

2.Introduction of a Security Incident and Event Monitoring (SIEM) solution into the council

The primary objective for the project is to support the council's requirements to operate IT solutions in a secure manner protecting the Confidentiality, Integrity and Availability of the Councils data and service delivery. The authority is obliged to ensure that the underlying infrastructure is secure and that the systems hosting environment is maintained securely. Infrastructure must not be vulnerable to common cyber- attacks and this should be maintained through secure configuration and software patching.
This project is to introduce a SIEM solution which will safeguard the council data, systems, and services from increasing cyber threats. In June 2024, an ICT Security Assurance Framework Review was conducted by our Auditors – SAFR – who reported in their Findings & Risk Assessment that
"There is no Security Incident and Event Monitoring (SIEM) solution and no alternative central logging system in place, as such this potentially creates unnecessary difficulty in monitoring security logs. It is considered best practice to implement a SIEM or equivalent solution for security monitoring purposes".

Within the section "Our Ambition - Cyber security" in the Councils Digital Data & Technology strategy 2024 – 2028 it states:
"There is a high and increasing threat to cyber-security, requiring investment in security and privacy measures to protect data and the services we provide. We will continue to use the latest technology for device security and management" – Introduction of an SIEM solution would meet the level of ambition stated.

The aim of the project is as follows:

- To plug the gap identified by the ICT Security Assurance Framework Review to introduce a centralised monitoring system that provides real-time visibility into security events across the council's IT environment.
- This will Improve the council's ability to detect, analyse, and respond to security incidents in real-time, reducing the risk of data breaches and service disruptions.
- Centralize and automate security event monitoring to enhance efficiency and accuracy.
- Ensure compliance with relevant cybersecurity regulations and standards.
- Implement a SIEM solution capable of real-time log collection, correlation, and analysis across all council IT systems.
- Reduce the mean time to detect (MTTD) and mean time to respond (MTTR) to security incidents.
- Establish automated reporting and alerting mechanisms to meet compliance requirements.

This will support the Council with its Digital Data & Technology strategy 2024 – 2028 & planning towards digital transformation by providing a stable, modern and fit for purpose infrastructure, enabling the flexibility required to adapt to changing service delivery models throughout the short to medium term (i.e. the initial life of the solution - 5 years). Also, this will aid to counteract the potential for significant financial, reputational, and operational damage due to undetected security breaches. Implementing a SIEM will demonstrate a proactive approach to cybersecurity, thereby enhancing the council's reputation and public confidence.

3. Replacement of Key IT Hardware which provides the CCTV Case Management solution for the Council.

The primary objective for the project is to support the council's requirements to operate IT solutions in a secure manner protecting the Confidentiality, Integrity and Availability of the Councils data and service delivery. The authority is obliged to ensure that the underlying infrastructure is secure and that the systems hosting environment is maintained securely. Infrastructure must not be vulnerable to common cyber-attacks and this should be maintained through secure configuration and software patching.
This project is to replace a system which is running on an operating system which will be unsupported from October 2025. This will allow the system to run on an operating system where security and operational integrity can be maintained, in line with emerging vulnerabilities and Cyber Security threats.

The aim of the project is as follows:

- Replace an ageing solution which provides key line of business systems for the corporate CCTV service, with a supported 'in life' solution which is actively supported by the supplier for the next 5 years.
- Support the Councils obligations to remove end of life operating systems from the environment in line with its security and compliance obligations – Windows 10.
- Migrate services from existing equipment to new supported environment.
- Decommission and dispose of outgoing environment in line with the authorities' security and environmental policies and obligations.

This will support the Council with its Digital Data & Technology strategy 2024 – 2028 & planning towards digital transformation by providing a stable, modern and fit for purpose infrastructure, enabling the flexibility required to adapt to changing service delivery models throughout the short to medium term (i.e. the initial life of the equipment - 5 years).

4. The update of Civica Software.

We are in the process of completely replacing our Planning & Regulatory Software – Civica – as part of a separate project with a completion date of March 2026.

However, there is a residual risk that we may need to upgrade our current version of Civica to v8.10 or higher – the anticipated release date for this is October 2025. This potential software upgrade may be required so the Councils Planning and Regulatory system is compliant with food safety requirements and/or regulatory requirements that may come into force prior to Civica being replaced in March 2026.

It’s very likely that we may not need to spend the capital requested, but we feel it’s prudent to register this potential expenditure as a Capital Bid.

5. Investment in ICT systems with Artificial Intelligence (AI) capabilities

In line with the councils Digital Data and Technology Strategy 2024 – 2028, we have pledged to consider the introduction of AI opportunities to support our staff to deliver services to our communities. AI can significantly enhance efficiency in public services by automating routine tasks which will in turn free up staff to focus on more complex issues. By leveraging AI, we can not only streamline operations but also deliver more responsive and personalized services to our constituents.

We have written an AI usage policy and set up an AI and Ethics board to support the introduction of AI into the Council.

6. Migrating Data into M365 Cloud

Migrating data into the Microsoft 365 (M365) Cloud offers numerous benefits for the council. This piece of work will enhance data security with advanced encryption and compliance features, ensuring sensitive information is well-protected. Additionally, M365 provides improved collaboration tools, enabling council staff to work more efficiently and effectively. The cloud-based platform also offers cost savings by reducing the need for on-premises infrastructure and maintenance.

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
Upgrade of GIS service software	65				65
SIEM solution Hoople	32				32
CCTV systems hardware replacement	20				20
Upgrade of Civica software	65				65
ICT systems with AI capabilities	151				151
Contingency	68				68
Migrating Data into M365 Cloud	99				99
TOTAL	**500**				**500**
Funding sources					
Corporate Funded Borrowing	500				500
TOTAL	**500**				**500**
Revenue budget implications					
SIEM solution Hoople	68	68	68	68	272
Supplier support for the CCTV systems hardware	-	1.6	1.7	1.8	5.1
TOTAL	**68**	**69.6**	**69.7**	**69.8**	**277.1**

***Revenue implications associated with ICT systems with AI opportunities will need to be assessed as projects come forward**

Benefits and risks:

The anticipated benefits and risks of the proposed project plus risks of not going ahead with the scheme.

Supported 'in life' equipment will provide:

- Continued Cyber Security protection through manufacturer support for vulnerabilities (i.e. loss of data or disruption to service through Ransomware, Malware & Virus exploitation)
- Continued feature support through manufacturer software development. Potential for cost avoidance associated with exploitation of advances in technology.
- Reduces risk for potential loss of Confidentiality, Integrity and Availability of Council key Data due to Cyber Attack or Catastrophic Hardware Failure.
- Protects the Councils Data and Service Delivery obligations through fit for purpose equipment.
- Additional overhead to support future data growth/transformation in line with current planning.
- By updating this software, we reduce the risk of not being compliant with civil contingencies and PSN.
- Increased Public Trust: Demonstrating a proactive approach to cybersecurity, thereby enhancing the council's reputation and public confidence.

- Operational Resilience: Enhanced ability to maintain uninterrupted public services even in the face of cyber threats.
- Continued hardware failure protection through manufacturer support for parts and components (i.e. loss of data or disruption to service through catastrophic hardware or component failure)
- Provides operational efficiencies with opportunity for reduced power consumption & improved performance due to technology advancement in modern solutions.
- By upgrading this software we can move away from an unsupported solution.
- If food safety requirements change or new regulatory requirements come into force, the Council will have compliant Civica software installed to fulfil this criteria. By updating this software, we reduce the risk of not being compliant with civil contingencies and PSN.

Risks

Non-compliant software would put the Council in a position where they are not following legislative requirements

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**New Public Realm Services Fleet**
Budget Holder	**Corporate Director Economy and Environment**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

The council has terminated the Public Realm Contract (PRC) with Balfour Beatty Living Places, which will end 31 May 2026.

This bid provides the strategy relating to fleet that is required to deliver the new Public Realm Services and contract from 1 June 2026. Under the current contract fleet and plant is either owned by the council, or leased by BBLP.

Essential Fleet >3.6T

The council owns 20 essential vehicles >3.6T currently used by BBLP which are 16 primarily gritters and 4 snow blowers for delivering the winter services. As these vehicles are required for essential services and keeping the network safe, it is proposed that these vehicles are retained in the ownership of the council, and made available for use by the new contractor under the new contract, where the contractor is responsible for their maintenance.

Cyclic capital replacement of this fleet will remain the responsibility of the council. Analysis of this fleet looking four years ahead to 2028/29 aligned with the council's MTFP and capital programme, including new gritters on order and funded for delivery in February 2025, has identified five gritters will need to be replaced to maintain this fleet. Four new gritters are required in 2026/27 estimated at a cost of £198,000 per gritter and one new gritter is required in 2028/29 estimated at the £218,000. These costs include inflation from the 2024 base date at +5% per annum.

The council currently has four snow blowers, of which one is beyond economical repair. Although the three in working order are becoming aged fleet, due to limited demand and usage in recent years their condition is deemed as in full working order, therefore there are no plans for their cyclic renewal at this time.

A review of the winter services will be a requirement of the tendering process. Any reduction in routes and gritter vehicles could reduce the number of vehicles from the current 16. Any reduction would be deducted from the four new vehicles forecast in 2026/27 and will be known during 2025 as part of the procurement. The outcome of the winter maintenance review and the procurement process will also determine the requirements for the snow blowers.

Other Fleet >3.6T

BBLP currently lease 17 larger vehicles >3.6T that are forecast to be used, or similar required in the new contract. The capital purchase of these fleet is estimated in the region £3M. The council has investigated purchasing and owning this fleet from the council's more advantageous borrowing capital rates than the private sector to support the new contract from 1 June 2026.

However having reviewed this proposal from the market engagement during the summer 2024 and subsequent discussion with the council's contract, procurement and legal experts there are several disadvantages to this:

a) Contractors have indicated flexibility to allow a mix of purchase, lease and transferring in fleet from other contracts will would provide the most efficient service delivery model;

b) Fleet owned by the council could lay idle if there are a change of service priorities or a reduction in budget meaning that fleet was not in demand on the contract;

c) Restricts the transition to advancements in new and emerging technology and the transition to lower carbon vehicles as the purchase of heavy fleet has a life expectancy of up to 10 years;

d) Costs associated with vehicle breakdowns and vehicles thefts/replacements are the responsibility of the council;

e) To avoid "variant bids", that is notoriously difficult to evaluate or defend if challenged within the procurement, the council would be required to specify a fixed approach to the funding and purchase of this fleet including specifying the 17 vehicles, that all contractors would be required to take and use as part of their operations on the new contract;

f) This prescriptive approach would need to be set out in the tender documents by December 2024, and it is highly unlikely that this "one size fits all" approach would provide optimum operational service delivery nor be accepted by all contractors nor lead to the best outcome on tender price nor the transition to new technology nor carbon reduction. There is also the risk that some contractors may be minded not to bid unless the requirements and vehicles allow them to operate in line with their established operational practices and fleet H&S requirements.

It is therefore proposed that the new contractor provides the fleet as part of the new contract and the cost of this fleet is built into the contact rates submitted through the tender process.

<u>Smaller fleet and plant <3.6T</u>

The council currently owns in the region of 500 small fleet and plant that are used by BBLP on the current contact. The council are responsible to fund the purchase, storage, replacement and maintenance of these assets.

A valuation of these assets is being arranged, and expected to total in the region of £350,000 that will not be confirmed until the initial valuation is complete.

The council could look to sell these assets on the open market, which would lead to a capital receipt to the council. However on the open market or at auction it is likely that only a fraction of the market or net book value of these assets would be received.

The new contractor will be well placed to use the smaller fleet and plant on this contract, or elsewhere is their business. It is therefore recommendation that the council transfer these assets to new contractor from the contract commencement date of 1 June 2026, without a charge and make this clear in the tender documents.

This transfer of these assets without a charge will go some way to funding the new contractor's considerable mobilisation and depot investment costs that are forecast in the region of £850,000. Any shortfall of the council funding the mobilisation costs will be recovered by the contractor built into the contract tender rates over the first few years of the contract. After which the council is likely to pay a premium for the remainder of the contract.

<u>Vans & pool cars</u>

Industry standard is that the contractor will provide the smaller vans and any cars, aligned with their company practices and aligned to their carbon net zero targets.

23 of the BBLP transferred staff have vans that the council will provide in the new operating model including Locality Stewards and Network Management Team. The Council are currently looking at procuring and providing these in 2025/2026 as part of the wider council “Fleet Strategy Review” and the council have calculated that a capital sum of £530,000 is required to purchase the vehicles.

It is to be noted that:

i. This does not include wider council corporate fleet assets that are currently provided and maintained through the current PRC and include pool cars, a range of LCV vans and the library van. These will be considered as part of the councils wider Corporate Fleet Review that is forecast to conclude in spring 2025.
ii. No allowance has been made at this stage for alternative fuel/drivetrains, Euro VII implications and the replacements will be Euro VI or equivalent. Euro V1 being the current emission standards for new vehicles.
iii. Inflation has been built into the programme to allow vehicle cost increases over the next four years.

The Council has a statutory duty under Section 41 of the Highways Act 1980 to ensure that roads are maintained, which is the primary focus of the New Public Realm Services.

In relation to the Herefordshire Council Plan 2024-2028 the New Public Realm Services will contribute to the following:

People

- Support all residents to live healthy lives within their communities.
- Work with residents and partners to build connected and resilient communities.
- Support people to feel safe and respected in their communities

Place

- Expand and maintain the transport infrastructure in a sustainable way and improve connectivity across the county.
- Work towards reducing county and council carbon emissions, aiming for net zero by 2030/31 and work with partners and communities to make the county more resilient to the effects of climate change.

Growth

- Support market towns and Hereford city to be vibrant hubs through working with residents, local organisations and businesses.
- Enhance the rollout of improved broadband across the county towards a fully digital Herefordshire.

Transformation

- Change and transform the organisation to be fit for the future and work efficiently.
- Attract and retain an excellent workforce through effective approaches to recruitment and retention.
- Work collaboratively with our residents, communities and businesses to achieve the best results together.
- Improve the way we use technology across our services.

Financial Implications

	2026/27	2027/28	2028/29	2029/30	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
Cyclic replacement of winter service fleet (4 gritters @ £198,000/vehicle)	792	0	0	Out of scope	792
Cyclic replacement of winter service fleet (1 gritter @ £218,000)	0	0	218	Out of scope	218
Purchase of 23 vans for staff transferring from BBLP to council	530	0	0	Out of scope	530
TOTAL	**1,322**	**0**	**218**	**Out of scope**	**1,540**
Funding sources					
Corporate Funded Borrowing	1,322	0	218	0	1,540
TOTAL	**1,322**	**0**	**218**	**0**	**1,540**
Revenue budget implications					
Winter Service fleet maintenance will remain as a contractor cost and charged through the new public realm contract met through service budgets The maintenance costs of the 23 vans has been estimated at £2,200 per vehicle per annum, and this cost will be met through existing service budgets.	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**

TOTAL	**0**	**0**	**0**	**0**	**0**

Benefits and risks:

Benefits

- Council maintains winter service fleet ownership for resilience.
- The contractor is responsible for providing the remaining fleet and plant to deliver the services to ensure effective core services from 1 June 2026.
- Provides flexibility and supports transition to net zero.

Risks

- Fleet is not in place for the contract start on 1 June 2026 / Mitigation: Place requirements for fleet on contractor and seek assurance via market engagement, procurement and mobilisation.
- The contractor goes into administration / Mitigation: The winter fleet will be retained in the ownership of the council.
- The contractor fails to maintain the fleet / Mitigation: The contractor is responsible to deliver the services aligned to performance targets.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**Public Realm Services Depot Investment & Mobilisation**
Budget Holder	**Corporate Director Economy and Environment**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

The council has terminated the Public Realm Contract (PRC) with Balfour Beatty Living Places, which will end 31 May 2026.

The council is progressing the New Public Realm Services which are required to be in place from 1 June 2026.

The programme which is underway for the new contract provided:

New Public Realm Services- High Level Programme		
Activity	**Start Date**	**Finish Date**
Cabinet Decision to adopt model for market engagement	27 Jun 2024	
Market engagement	July 2024	Aug 2024
Services review & model refinement (including IT, fleet & depots)	July 2024	Aug 2024
Develop contract documents, specification & tender documents	Aug 2024	Nov 2024
Connected Communities Scrutiny Committee	13 Nov 2024	
Cabinet Decision to approve model and commence procurement	28 Nov 2024	
Deliver procurement process	Jan 2025	Oct 2025
Cabinet Decision to Award contract	November 2025	
Sign contract	1 Jan 2026	31 Jan 2026
Deliver Demobilisation and mobilisation (5 months)	1 Jan 2026	31 May 2026
Contract with BBLP ends	31 May 2026	
New Public Realm Services Contract Goes Live	1 Jun 2026	

Market engagement during Summer 2024 has advised that the council providing the mobilisation costs funding from April 2026 funded through revenue budgets, will assist the new provider with cash flow at the start of the new contract, encourage companies to bid during 2025 promoting a competitive procurement and long term be the most cost effective solution to fund the mobilisation costs.

The alternative option is to place these costs on a new provider through the tender and contract documents which will be finalised in December 2024. Market engagement has stated this approach by the council is likely represent cash flow problems for companies at the start of the contract, discourage bids for the 2025 procurement reducing the likelihood of a competitive process and ultimately cost the council more in the long term, as the costs would recovered from capital borrowing by the contractors and recovered during the initial contract term of 2026 plus seven years.

Capital Mobilisation costs associated with the new contract are provided in the table below.

Mobilisation Requirement	**Cost in £000's**
Thorne Depot modernisation costs including meeting pods, toilets, canteen and office/teleconferencing requirements	180
EV charging points at Thorne & Kingsland Depot	200
Crematorium Building (HR4 0JE) refurbishment to provide toilets, mess room and store for operatives	70
Total	450

The costs in the table are required to be funded by the council irrespective of the new contract, to make the public realm services facilities and depots fit for purpose to provide the services for the next period from 2026 to 2036.

The Council has a statutory duty under Section 41 of the Highways Act 1980 to ensure that roads are maintained, which is the primary focus of the New Public Realm Services.

In relation to the Herefordshire Council Plan 2024-2028 the New Public Realm Services will contribute to the following:

People

- Support all residents to live healthy lives within their communities.
- Work with residents and partners to build connected and resilient communities.
- Support people to feel safe and respected in their communities

Place

- Expand and maintain the transport infrastructure in a sustainable way and improve connectivity across the county.
- Work towards reducing county and council carbon emissions, aiming for net zero by 2030/31 and work with partners and communities to make the county more resilient to the effects of climate change.

Growth

- Support market towns and Hereford city to be vibrant hubs through working with residents, local organisations and businesses.
- Enhance the rollout of improved broadband across the county towards a fully digital Herefordshire.

Transformation

- Change and transform the organisation to be fit for the future and work efficiently.
- Attract and retain an excellent workforce through effective approaches to recruitment and retention.
- Work collaboratively with our residents, communities and businesses to achieve the best results together.
- Improve the way we use technology across our services.

Estimated costs and funding sources:

	2024/25	2025/26	2026/27	Future Years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
Mobilisation	0	0	450		450
TOTAL	**0**	**0**	**450**		450
Funding sources					
Corporate Funded Borrowing	0	0	450		450
TOTAL	**0**	**0**	**450**		**450**
Revenue budget implications					
Met through existing service budgets (as is the case now). Failure to invest will lead to longer term maintenance cost pressures for Thorne, Kingsland and the Crematorium Building.	0	0	0		0
TOTAL	**0**	**0**	**0**		**0**

Benefits and risks:

Benefits

- Mobilisation funding will assist the new contractor with cash flow at the start of the new contract, encourage companies to bid during 2025 promoting a competitive procurement.
- Long term council funded capital is the most cost effective solution to fund the mobilisation costs promoting VFM.
- The contractor is better placed to procure some of the depot improvements with higher buying power, established supply chain and routes to market.
- The contractor will be better placed to deliver effective services from 1 June 2026 with the mobilisation funding and depot improvements.
- The EV changing points will promote the transition of cars and light vans to electric supporting the transition to low carbon.
- The improved facilities will support and positive culture, a place where both council and the new contractor want to work, reducing staff turnover and promoting staff retention.
- The depot improvements will reduce the reliance and interim and contract workers, reducing the cost pressures and recruitment costs.

Risks

- None.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Corporate Services**
Scheme Name	**Property Improvements in Care Homes – phase 2**
Budget Holder	**Corporate Director Economy and Environment**

Project aims and objectives:

A programme of building improvement works 2025/26 which have been identified through the assessment of criteria primarily focussed on (1) identified risk, (2) health, safety or welfare of the building users (3) delivery of the aims within the council's county plan, (4) service continuity, through the delivery of property specific projects.

Key objectives include:

- Ensure that the Council's estate is maintained, safe and fit for purpose
- Address identified risks
- Reduce revenue expenditure by investing in buildings
- Extend the lifecycle of Council assets and protect/enhance value
- Secure better services, quality of life and value for money
- Support reduction of carbon footprint
- To support the delivery of the County Plan

Allowing investment and undertaking a programme of improvement works will mitigate and prevent risk of failure and ensure the buildings remain open and fit for current use, thereby avoiding disruption to the delivery of services.

Estimated costs and funding sources:

	2023/24	2024/25	2025/26	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
Capital cost of project					
Care Homes Building Improvement Works 2025/26			**604.0**		**604.0**
TOTAL			**604.0**		**604.0**
Funding sources					
Corporate Funded Borrowing			**604.0**		**604.0**
TOTAL			**604.0**		**604.0**
Revenue budget implications					
TOTAL					

Benefits and risks:

The anticipated benefits of the proposed programme are listed below:

- Statutory Compliance
- Risk Management / Mitigation
- Protected Service Delivery
- Energy Efficiency
- Sustainability

The programme seeks to reduce the risks identified on a project by project basis.

The key risks of not doing the project are:

- Non-Compliance with Statutory Regulations
- Health and Safety Risks
- Potential for serious Physical Injury
- Impact on Service Delivery
- Reputational Risk

The key project risks are:

- Statutory
- Financial
- Service
- Reputational

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy & Environment**
Scheme Name	**Estates Building Improvement Programme 2025-28 & Building Works from 2022 Condition Surveys & Identified Improvement Works to Care Homes**
Budget Holder	**Ross Cook – Corporate Director Economy & Environment**

Project aims and objectives:

A three year programme of building improvement works 2025/28 which have been prioritised through the assessment of criteria primarily focussed on (1) identified risk, (2) health, safety or welfare of the building users (3) delivery of the aims within the council's county plan, (4) service continuity, through the delivery of property specific projects.

Key objectives include:

- Ensure that the Council's estate is maintained, safe and fit for purpose
- Address identified risks
- Reduce revenue expenditure by investing in buildings and reducing reactive maintenance
- Extend the lifecycle of Council assets and protect/enhance value
- Secure better services, quality of life and value for money
- Support the growth of our local economy
- Protect and promote our heritage
- Support reduction of carbon footprint
- To support the delivery of the County Plan

Allowing investment and undertaking a programme of improvement works will mitigate and prevent risk of failure and ensure the buildings remain open and fit for current use, thereby avoiding disruption to the delivery of services.

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
Capital cost of project					
Building Improvement Works	1,327.1	2,451.3	526.3	0	4,304.7
Condition Survey Works	595.0	770.0	350.0	0	1,715.0
TOTAL	1,922.1	3,221.3	876.3	0	6,019.7
Funding sources					
Corporate Funded Borrowing	1,522.1	2,821.3	676.3	0	5,019.7
Revenue Reserve	400.0	400.0	200.0	0	1,000.0
TOTAL	1,922.1	3,221.3	876.3	0	6,019.7
Revenue budget implications					
TOTAL					

Benefits and risks:

The anticipated benefits of the proposed programme are listed below:

- Reduced depreciation of buildings and assets
- Heritage protection
- Energy efficiency
- Sustainability
- Reduced revenue costs
- Protected service delivery
- Protected income
- Statutory Compliance
- Risk management / Mitigation
- Growth of our local economy

The programme seeks to reduce the risks identified on a project by project basis.

The key risks of not doing the project are:

- Impact on service delivery
- Rising costs – reducing the extent or quality of completed works
- Insufficient funding
- Loss of income
- Potential for serious physical injury
- Loss in value/deterioration of property assets
- Reputational risk
- Non-Compliance with statutory regulations
- Health and safety risks

The key project risks are:

- Statutory
- Financial
- Service
- Reputational

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Corporate Services**
Scheme Name	**Yazor FAS Outfall Restoration Works**
Budget Holder	**Ross Cook – Corporate Director Economy & Environment**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

The Yazor Brook Flood Alleviation Scheme (FAS) was delivered to reduce the risks of flooding within the city of Hereford to public infrastructure and public and private properties within the existing Yazor/Widemarsh Brooks floodplains. The scheme enabled the implementation of proposals for the regeneration of the city centre area previously known as the Edgar Street Grid. The scheme preceded and enabled the delivery of the city link road and subsequent development of the GP Hub, student accommodation and the transport hub.

The Yazor Brook FAS was completed in 2012. Shortly after it became operational, damage occurred at the outfall of the scheme to the River Wye bank during periods of heavy rainfall and floods that occurred. Permission was given by Natural England for the temporary repair of the Wye bank and this was put in place immediately following the heavy rainfall and an appraisal of alternative permanent designs for the outfall area damaged by flooding commenced.

One of the consequences of the temporary repair was a payment of £500 per week to the landowner (National Trust) in compensation for loss of pastureland and a rental charge for use of a storage area where in-fill material left over from the temporary works are stored.

In 2023, BBLP were commissioned to conduct a scoping exercise based on four options for the outfall. Each option was evaluated against potential cost, timeframe and risks. The report was issued to all stakeholders and feedback collated. The Environment Agency and Natural England were in favour of leaving the outfall untouched due to the vegetation regeneration and natural processes that have taken place over the last ten years. The landowner eventually agreed to this course of action but insisted that HC restore the land to an agreeable condition in accordance with a signed legal agreement.

The works include:

- Removal of all fences on site
- Removal of all surplus in-fill material
- Restore vehicle track to pastureland
- In-fill the large rocks in the outfall area to ensure the safety of walkers and NT staff

Estimated costs and funding sources:

	2024/25	2025/26	2026/27	Future Years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
Construction & Survey Costs		250			250
Professional & Internal fees		10			10
TOTAL		260			260
Funding sources					
Corporate Funded Borrowing		260			260
TOTAL		260			260
Revenue budget implications					
Remove Landowner repayments					
TOTAL		**(26)**	**(26)**	**(260)**	**(312)**

Benefits and risks:

The anticipated benefits and risks of the proposed project plus risks of not going ahead with the scheme.

Benefits:

- With satisfactory completion of this work, HC are looking to take no further involvement with the management of the land.
- The rental payments will cease, saving £26,000 per year

Risks associated with not proceeding have been identified as:

- Continuing to pay the rental charge at £26,000 per year.
- Potential further charges if NT pursue making the area a visitors centre but are delayed due to insecure footpaths
- Bad publicity from delays incurred by NT

OUTLINE STRATEGIC BUSINESS CASE

Directorate	Environment and Economy
Scheme Name	School Route planning software
Budget Holder	Jas Hundal

Project aims and objectives:

We need to acquire new optimised route planning software to support home to school, SEN and college transportation. The current supplier is no longer fit for purpose, does not meet our needs, and has increased their pricing through a 'new' pricing strategy with means we have to pay more due to the rural and dispersed nature of the county.

We should have route planning software that optimised routes for pupils, vehicles, emissions and costs. The correct algorithm ought to make our life considerably more straightforward in planning and delivering the transportation of people to both SEN and mainstream school settings. We need to go out to the market and replace what we have with an appropriate supplier that we can build a better relationships with, that understands the nature of our needs, and can support the much better utilisation of vehicles we do have access to, as well as our transition to an in-house fleet system over time.

We have a statutory duty to transport school-aged children and SEN children to educational establishments, as long as they meet our eligibility criteria.

Home to School Transport Policy May 2022 v2.1

Travel assistance from home to school will be provided for pupils who meet all the following criteria:

Live in Herefordshire

- Are of compulsory school age (i.e. 5 to 16 years), and extended in Herefordshire to include 4 year olds
- Attend their nearest school
- Live over 2 miles from school if below the age of 8, and over 3 miles from school if aged between 8 and 16
- In addition, there are some additional entitlements for pupils from families with low incomes
- Where the nearest school is in Wales, transport will be provided to that nearest school or the nearest school in England.

Regarding SEN each individual pupil's special educational needs SEND, as detailed in a formal Education, Health and Care Plan (EHCP), or other form of professionally recognised assessment, will be taken into account at the time of assessment for transport.
Where the distance to the appropriate school is less than the statutory walking distances, travel assistance will be considered, taking into account the individual circumstances and the travel needs of the child.

The complexity of travel needs across the county means we need equally advanced and dynamic software to meet our planning needs.

We also provide transport for students attending college, but they will pay for this.

Our current numbers are:

- 2,300 home to school pupils transported
- 1,300 college pupils transported
- 530 SEN pupils transported

Given the expansive range of needs, locations, conditions, destinations, family backgrounds, financial situations and so on, it is an immense task to plan the transport for students every day.

Furthermore this activity supports the Council Plan:

Transformation - We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money

This software would be mobilised and ready for use before October 2025 – when the current supplier is switched off. We have undertaken an RFI process, through procurement, to establish a quantum of costing by which we can mobilise this work.

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
	50	0	0	0	50
TOTAL	50				50
Funding sources					
Council resource	50	0	0	0	50
TOTAL	50	0	0	0	50
Revenue budget implications					
Children's Services (25%)	11.25	11.25	11.25	11.25	45
Transportation Services	33.75	33.75	33.75	33.75	135
TOTAL	45	45	45	45	180

Benefits and risks:

There is a high risk level associated with the route planning software. Without it the service cannot operate. The risk to the service is 100%, and the legal challenges we would face - and lose - for not delivering our statutory function would be immense.

We originally asked for £45,000, which was granted by expenditure panel, to fund the Flexiroute extension. Seeing as we have negotiated that figure down to £15,000, we have £30,000 we can allocate towards this figure for next year.

The benefits are that we can run the service. Whilst the software does support us to maximise our efficiencies within the limitations of having a fully contracted-out transport service, it would be impossible to run this work without the software to route plan. The complexities of planning transport routes for all students, college students and SEN children across the county, to locations inside and outside the county is vast. We need software that can help us do this automatically, easily and consistently. That is user-friendly, and works for the whole team, in different situations.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**Resurfacing Herefordshire Highways 2**
Budget Holder	**Ed Bradford, Head of Highways and Traffic**

The Council estimates there is a backlog of £113m in highway carriageway repairs, with this value being split between preventative maintenance (surface treatments) and more traditional resurfacing/ reconstruction type activity. This OSBC is focussed only on resurfacing and reconstruction type activity.

The condition of the network is such that the available Local Transport Plan Annual Plan and Forward Plan budgets are prioritised to minimise the impact of the deteriorating condition of the carriageway asset and to manage the remainder of the asset groups following a Risk Based Approach.

In 2024/25, the Local Transport Plan Annual Plan budget only allowed for investment of £832k into resurfacing and reconstruction type works across the county. With this level of investment, the network is effectively in a state of managed decline and requires support to prevent assets deteriorating further.

This bid seeks to reverse that trend and builds on the success of the 2024/25 Resurfacing Herefordshire Highways programme which has allowed schemes to be accelerated and brought forward for treatment now. This approach will have the dual benefit of reducing the need for reactive repairs in the interim period and will deliver better value schemes as the required intervention will be proportionally less than if carried out at a later date.

At this stage, it is proposed that this investment would be delivered through the Council's own in-house framework arrangement, which has been used to deliver the Resurfacing Herefordshire Highways Programme in 2024/25.

The condition of road surfaces is a constant concern for residents, parishes and members alike. The investment will result in an improvement in public and member satisfaction and will also reduce the volume of claims received by our service provider, Balfour Beatty Living Places, for damage caused by failed roads.

The Council has a statutory duty under Section 41 of the Highways Act 1980 to ensure that roads are maintained, this funding will contribute to any defence where lack of investment is identified as a potential factor.

Links to County Plan priorities:

County Priority – please select from	Delivery Plan Reference(s)
Community	C04, C00
Economy	EC2, EC5
Environment	EN3

Community: The project ensures localities remain connected, there is a risk of severance where road condition contributes to residents decisions not to use that part of the network.

A better quality network will remove some of the blockers associated with decisions to not adopt sustainable modes of transport for short journeys

Economy: The condition of the road network has a direct effect on businesses choosing to invest in Herefordshire. A better connected business community will thrive.

Environment: Reactive maintenance is wasteful, especially in terms of travel impact and waste material generated as a consequence. Large surfacing schemes, using state of the art machinery will reduce the impact of completing the work.

At the same time the materials traditionally seen as waste can be stored for reuse as a part of a wider recycling programme for surfacing/ treating our low use unclassified network. Minimising the risk of failure and closures will reduce the diversions needed for transport.

Project aims and objectives:

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
Capital cost of project					
Resurfacing Schemes	4,750				4,750
Internal Staff, PM and Sundry cost	250				250
TOTAL	**5,000**				**5,000**
Funding sources					
Corporate Funded Borrowing	5,000				5,000
TOTAL	**5,000**				**5,000**
Revenue budget implications					
TOTAL					

Benefits and risks:

- Builds on the success of the existing Resurfacing Herefordshire Highways investment in 2024/25.
- By investing capital in this way the county's most valuable asset will be improved and associated revenue costs will be mitigated
- Customer satisfaction will be improved when a programme of improvements in condition is announced
- The other asset groups can be better maintained using the limited LTP funding provided to the council.
- Reduction in claims and other correspondence relating to condition
- There are no dis-benefits associated with investing in the carriageway asset.

Risks

- Deliverability during the optimal period for surfacing works. A detailed programme will be developed to ensure that the programme is delivered before the onset of winter.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**Road Safety Schemes**
Budget Holder	**Ed Bradford, Head of Highways and Traffic**

82 people were killed or seriously injured on Herefordshire's roads between January and December 2023 and 42 people have been killed or seriously injured between January and June of this year.

Numbers of killed or seriously injured are road casualties reported to the Police and do not include those who are injured in unreported crashes every year. Although fatal road crashes are reported, a considerable proportion of non-fatal casualties are not, even when those involved require medical or hospital treatment. Apart from the human cost, road accidents have a cost and so preventing them saves money as well as saving lives and reducing the number of injuries.

In 2024/25, the Local Transport Plan Annual Plan budget only allowed for investment of £200k into road safety schemes, which provided minor safety improvements. With this level of investment, the Council is unable to deliver major schemes that would address road safety concerns at known collision cluster sites, which are ranked on an annual basis.

This bid seeks to provide investment in road safety schemes and to deliver highway improvement schemes at known collision cluster sites. Based on existing data, funding would permit schemes to be delivered at top ranking sites including (i) A465 junction with B4348 Locks Garage, Allensmore, and (ii) B4203 junction with B4204 High House Crossroads, Upper Sapey.

Road safety is a constant concern for residents, parishes and members alike. The investment will result in an improvement in public and member satisfaction and will help to reduce the number of people killed or seriously injured on our road network.

The Council has a statutory duty under Section. 39 of the 1988 Road Traffic Act to "take steps both to reduce and prevent accidents"

Links to County Plan priorities:

County Priority – please select from	Delivery Plan Reference(s)
Community	TBC
Economy	TBC
Environment	TBC

Community: TBC

Economy: TBC
Environment: TBC

Project aims and objectives:

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
Capital cost of project					
Project Management, Sundry Costs	75	75			150
Build	1,425	1,425			2,850
TOTAL	**1,500**	**1,500**			**3,000**
Funding sources					
Corporate Funded Borrowing	1,500	1,500			3,000
TOTAL	**1,500**	**1,500**			**3,000**
Revenue budget implications					
TOTAL					

Benefits and risks:

- By investing capital in this way road safety will be improved at junctions across the county
- Customer satisfaction will be improved when a programme of improvements is announced
- Reduction in claims and other correspondence relating to condition
- There are no dis-benefits associated with investing in road safety.

Risks

- Deliverability within year. A detailed programme will be developed to ensure that the programme is delivered within the budgeted years.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**Highways Infrastructure Investment 2**
Budget Holder	**Ed Bradford, Head of Highways and Traffic**

The Council estimates there is a backlog of £113m in highway carriageway repairs, with this value being split between preventative maintenance (surface treatments) and more traditional resurfacing/ reconstruction type activity. This OSBC is focussed only on preventative maintenance type activity (surface dressing).

The condition of the network is such that the available Local Transport Plan Annual Plan and Forward Plan budgets are prioritised to minimise the impact of the deteriorating condition of the carriageway asset and to manage the remainder of the asset groups following a Risk Based Approach.

In 2024/25, the Local Transport Plan Annual Plan budget only allowed for investment of £643k into preventative maintenance type works (surface dressing) across the county. With this level of investment, we will be unable to stabilise the condition of the network, which will continue to deteriorate until it reaches the point where more costly intervention is required.

As the Council is not permitted to use Corporate Funded Borrowing for preventative maintenance type works (surface dressing), it is proposed to use this bid to replace funding for capital works traditionally undertaken through the Local Transport Plan Annual Plan budget. The Local Transport Plan Annual Plan budget that is then released could then be invested into preventative maintenance type works (surface dressing) across the county that cannot be undertaken through Corporate Funded Borrowing and it is estimated this could allow treatment of approximately a further 2 million sqm of carriageway.

This approach will have the dual benefit of reducing the need for reactive repairs in the interim period and will deliver better value schemes as the required intervention will be proportionally less than if carried out at a later date.

The condition of road surfaces is a constant concern for residents, parishes and members alike. The investment will result in an improvement in public and member satisfaction and will also reduce the volume of claims received by our service provider, Balfour Beatty Living Places, for damage caused by failed roads.

The Council has a statutory duty under Section 41 of the Highways Act 1980 to ensure that roads are maintained, this funding will contribute to any defence where lack of investment is identified as a potential factor.

Links to County Plan priorities:

County Priority – please select from	Delivery Plan Reference(s)
Community	C04, C00
Economy	EC2, EC5
Environment	EN3

Community: The project ensures localities remain connected, there is a risk of severance where road condition contributes to residents decisions not to use that part of the network.

A better quality network will remove some of the blockers associated with decisions to not adopt sustainable modes of transport for short journeys

Economy: The condition of the road network has a direct effect on businesses choosing to invest in Herefordshire. A better connected business community will thrive.

Environment:	Reactive maintenance is wasteful, especially in terms of travel impact and waste material generated as a consequence. Large surfacing schemes, using state of the art machinery will reduce the impact of completing the work. At the same time the materials traditionally seen as waste can be stored for reuse as a part of a wider recycling programme for surfacing/ treating our low use unclassified network. Minimising the risk of failure and closures will reduce the diversions needed for transport.

Project aims and objectives:

Estimated costs and funding sources:

	2025/26	**2026/27**	**2027/28**	**Future Years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
Highways Infrastructure Investment 2	2,500	2,500			5,000
TOTAL	**2,500**	**2,500**			**5,000**
Funding sources					
Corporate Funded Borrowing	2,500	2,500			5,000
TOTAL	**2,500**	**2,500**			**5,000**
Revenue budget implications					
TOTAL					

Benefits and risks:

- Builds on the success of the existing surface dressing investment in 2024/25.
- By investing capital in this way the county's most valuable asset will be improved and associated revenue costs will be mitigated
- Customer satisfaction will be improved when a programme of improvements in condition is announced
- The other asset groups can be better maintained using the limited LTP funding provided to the council.
- Reduction in claims and other correspondence relating to condition
- There are no dis-benefits associated with investing in the carriageway asset.

Risks

- Deliverability during the optimal period for surface dressing works. A detailed programme will be developed to ensure that the programme is delivered during the summer months.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**City & Market Town Public Realm Investment**
Budget Holder	**Ed Bradford, Head of Highways and Traffic**

Investing in the public realm across the market towns of Bromyard, Kington, Ledbury, Leominster and Ross-on-Wye during 2025/26 has been identified in order to help deliver the Council's Growth priority as set out in the Council Plan 2024/28. The investment will help to deliver the Growth priority objective of supporting market towns to be vibrant hubs through working with residents, local organisations and businesses and helping to provide the right infrastructure.

The funding will be targeted at highway maintenance and improvements to accessibility, overall condition and active travel across the market towns that are not currently planned to be delivered during 2025/26 as part of existing investment plans or to supplement existing s106 funding that is insufficient to deliver the required projects. £1m will be invested in Market Towns and £0.2m in the City.

Links to County Plan priorities:

Growth –

> **Priority:** We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development and provide the right infrastructure.
>
> **Objective:** Support market towns and Hereford city to be vibrant hubs through working with residents, local organisations and businesses.

Project aims and objectives:

To provide targeted investment in highway maintenance and public realm improvements relating to accessibility, overall condition and active travel across the city & market towns that are not currently planned to be delivered during 2025/26 as part of existing investment plans or to supplement existing s106 funding that is insufficient to deliver the required projects.

Estimated costs and funding sources:

	2025/26	**2026/27**	**2027/28**	**Future Years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
Project Management, Sundry Costs	50				50
Build	1,150				1,150
TOTAL	**1,200**				**1,200**

Funding sources					
Corporate Funded Borrowing	1,200				1,200
TOTAL	**1,200**				**1,200**
Revenue budget implications					
TOTAL					

Benefits and risks:

Benefits:

- By investing capital in this way improvements will be made in the Public Realm across the market towns
- Customer satisfaction will be improved when a programme of improvements is announced

Risks:

- Deliverability within year. A detailed programme will be developed to ensure that the programme is delivered within the budgeted year.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**CCTV equipment upgrades (to facilitate move of the control room from the Shirehall to Maylords)**
Budget Holder	**Charles Yarnold**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

Due to the Shire Hall Refurbishment & Library and Learning Centre project (phase 1 and 2), the CCTV control room needs to move out of the building and be relocated in Maylords.

CCTV control room move project has been approved for "lift and shift" only, creating project risks and exclusion of costs that are effectively essential to retain the current level of service and provide for a safe and health workplace.

When the service is relocated, the Windows 11 upgrade has to happen as Hoople cannot reinstate outgoing / unsupported software (i.e. Windows 10). Due to software limitations, there are 25 CCTV cameras that will be impacted by the upgrade as they will not be compatible - 8 in Hereford, 6 in Ledbury, 5 in Leominster and 6 in Ross-on-Wye. If the cameras aren't upgraded all current cameras in the Market Towns would lose coverage, as would all the cameras around the Hereford FC football ground, Merton Meadow and key cameras at Garrick House Multi Storey Car Park, Hereford. A current quotation for upgrading impacted CCTV cameras is circa £45k with Hikvision potentially subsiding part of the costs leaving £33k to be covered by the council.

For an additional £3k the CCTV monitors in the new control room can be upgraded; this would mean instead of a number of screens taking up large amounts of space there would be a smaller number of large wall screens. This is essential rather than desirable for health and safety ergonomic reasons.

Lastly, to facilitate consolidation of the CCTV monitoring console, CCTV cameras in the Maylords need to be replaced. This has not been factored into the CCTV control room move project costs, and is again essential rather than desirable for health and safety ergonomic reasons due to the small size of the room. A recent quotation for upgrading CCTV cameras in Maylords is circa £45k.

Strategic Alignment (as per phase 1 and 2 of the Shirehall refurbishment works):

- **Protect and enhance our environment** – restore and bring back into use a landmark historic building in the city which will otherwise remain boarded up in a state of ongoing deterioration; protect and maintain the county's heritage assets; reduce carbon emissions through more efficient space heating provision.
- **Strengthen communities** – create a central hub able to host a complementary range of community-focused council services, third-sector activity, community skills development and cultural offerings; manage council assets to optimise their use and potential.
- **Support the economy –** create a destination building which will bring people to the city centre, supporting the local retail economy with footfall to the area; provide a venue for community skills development, and the support for people to access it.
- **Herefordshire Council Plan 2024-28** – contributes to the objectives of '*supporting our local culture and heritage and make Herefordshire a thriving, safe and attractive place to live and visit'* and '*supporting residents to access skills development, training and employment opportunities'*.
- **Herefordshire City Masterplan** – supports the objectives across Community and Culture, Economy and Opportunities and Places and Spaces; '*Celebrating and growing our best places, reinvigorating our less-loved ones, rediscovering our historic places, adapting places for the future and planning new places that excite us'*
- **Herefordshire Big Economic Plan 2050 –** supports the identified themes of People, Community and Partnerships and Enterprise.

Estimated costs and funding sources:

	2025/26	2026/27	Total
	£'000	**£'000**	**£'000**
Capital Cost of Project:			
CCTV screens upgrade	3	0	3
CCTV Camera upgrades (due to Windows 11)	33	0	33
Maylord CCTV camera upgrade	45	0	45
10% contingency	8.1		8.1
TOTAL	**89.1**	**0**	**89.1**
Funding Source:			
New capital budget	89.1	0	89.1
TOTAL	**89.1**	**0**	**89.1**
Revenue Budget Implications:			
Increased running/service costs			0
TOTAL			**0**

Benefits and risks (as per phase 1 and 2 of the Shirehall refurbishment works):

The anticipated benefits and risks of the proposed project plus risks of not going ahead with the scheme.

- Continue the process of bringing the building back into full productive use with the improvement/opening up of further spaces, also supporting the ancillary aims for the new LLC.
- Further curtail deterioration of the building condition, reducing repair and maintenance costs and ultimately making the building a city showpiece rather than an eyesore.
- Display an ongoing public commitment to the council's long-term aspiration to a full and proper restoration of the building, acting responsibly as custodian of a key heritage asset.
- Achieve financial economies by progressing phases 1 & 2 as one, with opportunities to sequence works together and overlap time-related contractor preliminary and professional service/project management costs.
- Phase 2 is likely to be more appealing to prospective contractors when let along with phase 1 than would be the case if it were procured in isolation.
- Opportunity to extend the low-carbon features to include LED lighting throughout and solar photovoltaic panels, with resultant benefits in running cost and carbon load.

Risks associated with not proceeding have been identified as:

- Continuing deterioration of elements of the building not addressed in phase 1 leading to higher ongoing repair and maintenance needs and higher ultimate restoration costs.
- Reputational risk of the Council perceived to be failing in its duty as custodian of a grade 2-star heritage asset, and not making best use of the space created by phase 1.
- Failure to maximise the productive value of the building as an asset.

Wider Project Risks Considered:

- Financial: the age and condition of the building means a high risk of uncovering previously unknown defects once work starts and hidden elements of the structure are exposed. Listed building constraints may mean higher cost repairs than might be expected in a more standard building, with less scope for value engineering to omit or reduce the specification of work.
- Financial: construction markets remain volatile reflecting rising material and labour costs, labour shortages restricting industry capacity and high interest rates on borrowing. Construction costs therefore continue to be elevated and unpredictable. High instances of contractor insolvency in this unstable environment are also influencing contractor's tolerance for risk, reflected in tender bids with high risk allowances. There is a risk that RIBA stage 2 cost estimates are not reflected in market reality at the time of contractor procurement, or that no bids are forthcoming. This may be exacerbated by the specialist heritage nature of these works, which further limits the pool of suitable contractors.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Corporate**
Scheme Name	**Shirehall Refurbishment Phase 2**
Budget Holder	**Hilary Hall**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

The second phase of the ongoing refurbishment to restore the Shirehall building and bring it back into productive use.

Phase 1 of the refurbishment, already part of the capital programme and in delivery, focuses on the essential work necessary to make the building safe, useable and legally compliant. That phase also incorporates the establishment of the new Library and Learning Centre (LLC) along with any wider building works necessary to accommodate this, funded separately as part of the Stronger Towns grant programme,. Subject to funding however, the council's stated aspiration has been to go beyond this phase and ultimately complete a full refurbishment and restoration of Shirehall.

With this in mind, the scope for further phases 2 to 5 was also defined in outline, to follow on from phase 1 as and when capital funding could be made available. These subsequent phases would go beyond the essential-only scope of phase 1, building progressively towards a point when the Shirehall can be considered fully refurbished. This business case concerns a proposal to progress phase 2 as part of that longer-term aspiration. With the exception of areas where these works are already included as part of the LLC fit-out in phase 1, the phase 2 scope broadly includes:

- Refurbishment and thermal upgrade of windows.
- Lighting upgraded to LED throughout.
- Demolition of the vacant CCTV room and reinstatement/strengthening of the flat roof below.
- Solar photovoltaic panels fitted to the newly formed and strengthened flat roof (panels funded from a separate environment capital budget).
- New and remodelled kitchen along with associated multi-use spaces (e.g. functions, life-skills training and the like).
- New platform lift/improved accessibility to the lower level kitchen area.
- Improvements to courtroom 2 following on from phase 1 works, to secure its use as a coroner's court.

To avoid repeat work and multiple applications, the scope of restoration works for phases 2-5 were included in the design scope, planning and listed building consent for phase 1, providing a smoother path into subsequent phases.

With contractor procurement likely to begin in March/April 2025, the allocation of funding for phase 2 in 2025/26 would allow both phase 1 and 2 to be included in that procurement process. This would provide opportunity for cost benefits by enabling both phases to be sequenced together through the construction phase and by allowing overlap of project management and contractor preliminary costs.

For information, further works identified for phases 3-5 (unless already carried out as part of the LLC fit-out) and so not within scope of this business case include new/refurbished floor finishes, wall/ceiling plaster repairs, full redecoration throughout, further remodelling of courtroom 2 depending on further user requirements, repair and cleaning of external masonry facades, remodelling of modern additions to the entrance foyer, external works/furniture/ external lighting.

In common with the key considerations for phase 1, key objectives identified for the subsequent phases include:

- Continue the return of a key council built asset to productive use.
- Fulfil the responsibilities of the council as keeper and custodian of a key heritage asset.
- Improve the city-centre townscape by reinstating a prominent heritage building.

- Support the local retail economy by creating facilities which give people additional reason to be in the city-centre zone.
- Further support the aims of the Hereford Town Investment Plan by providing improved facilities and user-space around the new Library.
- Honour the commitment made to full restoration of the building.

Strategic Alignment:

- **Protect and enhance our environment –** restore and bring back into use a landmark historic building in the city which will otherwise remain boarded up in a state of ongoing deterioration; protect and maintain the county's heritage assets; reduce carbon emissions through more efficient space heating provision.
- **Strengthen communities** – create a central hub able to host a complementary range of community-focused council services, third-sector activity, community skills development and cultural offerings; manage council assets to optimise their use and potential.
- **Support the economy** – create a destination building which will bring people to the city centre, supporting the local retail economy with footfall to the area; provide a venue for community skills development, and the support for people to access it.
- **Herefordshire Council Plan 2024-28 –** contributes to the objectives of '*supporting our local culture and heritage and make Herefordshire a thriving, safe and attractive place to live and visit'* and '*supporting residents to access skills development, training and employment opportunities'*.
- **Herefordshire City Masterplan –** supports the objectives across Community and Culture, Economy and Opportunities and Places and Spaces; '*Celebrating and growing our best places, reinvigorating our less-loved ones, rediscovering our historic places, adapting places for the future and planning new places that excite us'*
- **Herefordshire Big Economic Plan 2050 –** supports the identified themes of People, Community and Partnerships and Enterprise.

Estimated costs and funding sources:

	2025/26	**2026/27**	**Total**
	£'000	**£'000**	**£'000**
Capital Cost of Project:			
Construction Costs	650	250	900
Professional Fees	60	30	90
Internal staff, PM & sundry costs	5	5	10
TOTAL	**715**	**285**	**1,000**
Funding Source:			
New capital budget	715	285	1,000
TOTAL	**715**	**285**	**1,000**
Revenue Budget Implications:			
Increased running/service costs			0
TOTAL			**0**

Benefits and risks:

The anticipated benefits and risks of the proposed project plus risks of not going ahead with the scheme.

- Continue the process of bringing the building back into full productive use with the improvement/opening up of further spaces, also supporting the ancillary aims for the new LLC.
- Further curtail deterioration of the building condition, reducing repair and maintenance costs and ultimately making the building a city showpiece rather than an eyesore.
- Display an ongoing public commitment to the council's long-term aspiration to a full and proper restoration of the building, acting responsibly as custodian of a key heritage asset.
- Achieve financial economies by progressing phases 1 & 2 as one, with opportunities to sequence works together and overlap time-related contractor preliminary and professional service/project management costs.

- Phase 2 is likely to be more appealing to prospective contractors when let along with phase 1 than would be the case if it were procured in isolation.
- Opportunity to extend the low-carbon features to include LED lighting throughout and solar photovoltaic panels, with resultant benefits in running cost and carbon load.

Risks associated with not proceeding have been identified as:

- Continuing deterioration of elements of the building not addressed in phase 1 leading to higher ongoing repair and maintenance needs and higher ultimate restoration costs.
- Reputational risk of the Council perceived to be failing in its duty as custodian of a grade 2-star heritage asset, and not making best use of the space created by phase 1.
- Failure to maximise the productive value of the building as an asset.

Wider Project Risks Considered:

- Financial: the age and condition of the building means a high risk of uncovering previously unknown defects once work starts and hidden elements of the structure are exposed. Listed building constraints may mean higher cost repairs than might be expected in a more standard building, with less scope for value engineering to omit or reduce the specification of work.
- Financial: construction markets remain volatile reflecting rising material and labour costs, labour shortages restricting industry capacity and high interest rates on borrowing. Construction costs therefore continue to be elevated and unpredictable. High instances of contractor insolvency in this unstable environment are also influencing contractor’s tolerance for risk, reflected in tender bids with high risk allowances. There is a risk that RIBA stage 2 cost estimates are not reflected in market reality at the time of contractor procurement, or that no bids are forthcoming. This may be exacerbated by the specialist heritage nature of these works, which further limits the pool of suitable contractors.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Environment & Economy**
Scheme Name	**Purchase of Minibuses/ 6 Seater Vehicles**
Budget Holder	**Interim Chief Operating Officer (Residents and Business Services)**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

The council spends over £9.2 million on home to school transport, including special education needs transport. There are approximately 250 routes, with an average spend of £40,000.

There has been a significant increase in the cost of transport, due to a combination of higher operating costs and increases in number of pupils qualifying for free home to school transport due to placements away from catchment schools (capacity), and increases in pupils with Education Health and Care Plans. A significant part of the expenditure relates to solo-taxis and passenger assistants.

It is considered that by investing in 6-8 seater vehicles and mini-buses for in-house fleet or a joint venture would help to reduce the cost of school transport; mitigate future increases in expenditure; and build market sufficiency that would deliver better value to the council.

Assuming that approximately, 40-50 (around 20% of the total) routes would be covered from the new operating model for school transport, it is possible to save approximately £75K per annum. This figure is net of operating costs of the fleet.

A detailed business case will required for the decision to spend once full financial appraisal of the options has been completed.

Procurement will be through an approved Local Government Procurement Framework to ensure that best value is demonstrated.

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
Capital cost of project					
In-house fleet	350				350
TOTAL	350				350
Funding sources					
Corporate Funded Borrowing	350				350
TOTAL	350				350

Revenue budget implications					
Net Savings (excluding financing costs)	**75**	**75**	**75**	**75**	**300**
TOTAL					

Benefits and risks:

The anticipated benefits and risks of the proposed project plus risks of not going ahead with the scheme.

Benefits

- Spend to save imitative
- High rate of return, with a payback period of approximately 5 Years.
- Market sufficiency, and stronger competition in the market.

Risks

- Increasing costs without mitigation measures.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**Herefordshire Flood Risk Mitigation**
Budget Holder	**Ed Bradford, Head of Highways and Traffic**

This bid seeks to invest in a flood risk management programme to reduce the likelihood and impact of flooding for residents and communities and to enable the delivery of schemes that better protect properties across the county.

As recognised in the Herefordshire Council Plan (2024-2028), flooding causes significant disruption across the county and sadly leads to internal property flooding of homes, businesses and other properties, including schools and leisure centres.

In its role as Lead Local Flood Authority, Herefordshire Council is able to apply to the Environment Agency for Flood Defence Grant in Aid funding as part of DEFRAs Flood and Coastal Erosion Risk Management programme to help better protect properties from flooding. As part of the process, partnership contributions are required, which this funding from Herefordshire Council would provide. This funding would also provide additional Officer capacity within the team to develop technical business cases, engage with communities, deliver schemes and to provide wider support around flood risk management.

Links to County Plan priorities:

This bid will help the Council to deliver its priorities as follows:

People – enable residents to realise their potential, to be healthy and to be part of great communities

Place - protect and enhance our environment

Growth – providing the right infrastructure

This bid will help the Council to deliver its objectives as follows:

People - support all residents to live healthy lives within their communities. Work with residents and partners to build connected and resilient communities.

Place - make the county more resilient to the effects of climate change

Growth - work with our partners and businesses to facilitate growth across the county

Project aims and objectives:

- To reduce the likelihood and impact of flooding for residents and communities.
- To enable the delivery of schemes that better protect properties across the county.

Estimated costs and funding sources:

	2025/26	2026/27	2027/28	Future Years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital cost of project					
Scheme Delivery	1,000	945			1,945
Staff Costs	55	55			110
TOTAL	**1,055**	**1,000**			**2,055**
Funding sources					
Corporate Funded Borrowing	1,055	1,000			**2,055**
TOTAL	**1,055**	**1,000**			**2,055**
Revenue budget implications					
TOTAL					

Benefits and risks:

- By investing capital in this way more properties will be better protected from flooding
- Customer satisfaction will be improved when a programme of improvements is announced
- There are no dis-benefits associated with investing in flood protection measures.

Risks

- Scheme delivery (better protecting properties) will rely on the success of bidding for Flood Defence Grant in Aid from DEFRA and attracting Local Levy funding from the English Severn and Wye Regional Flood and Coastal Committee.

OUTLINE STRATEGIC BUSINESS CASE

Directorate	**Economy and Environment**
Scheme Name	**Hereford Western Bypass – Phase 1**
Budget Holder	**Scott Tompkins – Delivery Director - Infrastructure**

Project aims and objectives:

Scheme description and demonstration of links to corporate priorities and savings plans.

The Council is seeking to deliver the first phase of the Hereford Western Bypass (formerly Southern Link Road). The project was approved by Cabinet in March 2024 as part of the New Road Strategy. It is currently estimated that the scheme will cost in the region of £35m, however £10.3m has already been allocated to the scheme for its development from which it is anticipated that £5m will be available to contribute to the construction costs. A further £30m to deliver its construction is therefore required.

The cost of £35m is informed by applying industry inflation indices to the costs returned in tenders for the scheme in 2018, prior to its cancellation. A review of the scheme is currently being undertaken to ensure that the former scheme complies with current legislation and regulations in both its construction and a more refined cost will be determined at that stage. The review is expected to be completed by May 2025.

This capital bid is intended to deliver:

- The finalised design of the construction through a design and build contract.
- Fund the work required to submit a planning application for the required haul roads and compound for the scheme.
- Fund any advanced works such as utility diversions, landowner accommodations etc.
- Fund the construction of the approved scheme
- Fund a consultant to oversee the construction of the scheme
- Provide an element of contingency to ensure that unexpected issues that may arise are able to be addressed.

Links to County Plan priorities:

Community: The delivery of phase 1 of the Hereford Western Bypass will allow for the removal of a high proportion of traffic that currently accesses the Rotherwas Enterprise Zone via the A465 and A49 corridors and from Holme Lacey Road. This will help in restoring a sense of place to the Belmont Road, reducing the current community severance that exists on the A465.

A better quality network, with less traffic, will remove some of the blockers associated with decisions to not adopt sustainable modes of transport for short journeys.

Economy: The creation of a new network of roads around the City will ensure that business traffic is able to access the business parks and Enterprise Zone without impacting on the city. This will reduce cost and encourage investment to enable economic growth in and around Hereford.

The creation of the Southern Link Road, and the other revenue funded work that is coming forward, will give local businesses confidence to invest in the city's enterprise park and business hubs.

By removing unnecessary through traffic from the city centre local retail, leisure and hospitality businesses will be better placed to welcome visitors to the city.

Environment: Traffic levels in the city are high, and with that comes pollution in the form of NO_x and particulate pollution (PM10 and PM2.5). This pollution is known to affect the development of the young and to impact on the health of adults with respiratory illnesses.

The schemes will be designed such that they are sympathetic to the environment, with planting on site and on nearby sites planned as an integral part of the schemes.

Estimated costs and funding sources:

	2024/2025 £'000	2025/2026 £'000	2026/2027 £'000	2027/2028 £'000	Total £'000
Capital cost of project					
Phase 1 Hereford Western Bypass	0	5,000	15,000	10,000	30,000
TOTAL	**0**	**5,000**	**15,000**	**10,000**	**30,000**
Funding sources					
Capital Receipts	0	0	0	0	0
Corporate Funded Borrowing	0	5,000	15,000	10,000	30,000
TOTAL	**0**	**5,000**	**15,000**	**10,000**	**30,000**
Revenue budget implications					
Repayment of £30m is £1.5m per annum over 40 years					
TOTAL					

Benefits and risks:

The anticipated benefits and risks of the proposed project plus risks of not going ahead with the scheme.

- By investing capital in this way, starting with the first phase of a bypass, then the City will have started on its journey to create resilience, better control its traffic and will allow for space within the city centre to be re-purposed to provide a better sense of place.
- The residents of Herefordshire have long expected the delivery of a bypass for the city, customer satisfaction will be improved when work on the bypass is commenced.
- Businesses will welcome a reduction in lost time traversing busy city centre corridors, freeing up resource for investment in the various enterprises.
- A reduction in traffic in the city centre will allow for a more punctual bus service, giving residents the confidence to swap their travel modes.
- Less traffic will also improve the active travel choices of our residents. They will be able to travel on quieter streets with less pollution.

Risks

- If possible the council will seek to recover corporate funding from third parties such as DfT or developers to minimise the revenue impact on corporate budgets, however it may be that external funding is not forthcoming and therefore the council will be required to fully fund the project.
- Construction inflation has proven to be volatile over recent years and therefore actual costs may be subject to change when the scheme goes out to tender. The proposed budget may therefore require amendment up or down prior to the start of construction. A re-visit of the full business case will help minimise the level of uncertainty prior to tender.
- The second phase of the Western Bypass has yet to progress to the full business case stage and therefore the full potential benefits of phase 1 may not be realised should phase 2 not progress. A full business case for phase 1 to demonstrate that it represents value for money in its own right will be developed prior to spending commitments on construction.