

# Agenda

## Cabinet

Date: **Tuesday 20 January 2026**

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Time: **2.30 pm**

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Place: **Conference Room 1 - Herefordshire Council, Plough Lane Offices, Hereford, HR4 0LE**

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Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

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# **Agenda for the meeting of Cabinet**

## **Membership**

<b>Chairperson</b>	<b>Councillor Jonathan Lester, Leader of the Council</b>
<b>Vice-Chairperson</b>	<b>Councillor Elissa Swinglehurst, Deputy Leader of the Council</b>
	<b>Councillor Graham Biggs</b>
	<b>Councillor Harry Bramer</b>
	<b>Councillor Barry Durkin</b>
	<b>Councillor Carole Gandy</b>
	<b>Councillor Dan Hurcomb</b>
	<b>Councillor Ivan Powell</b>
	<b>Councillor Philip Price</b>
	<b>Councillor Pete Stoddart</b>

## Agenda

	Pages
<b>1. APOLOGIES FOR ABSENCE</b> To receive any apologies for absence.	
<b>2. DECLARATIONS OF INTEREST</b> To receive declarations of interests in respect of Table A, Table B or Other Interests from members of the committee in respect of items on the agenda.	
<b>3. MINUTES</b> To approve and sign the minutes of the meeting held on 18 December 2025.	11 - 28
<b>HOW TO SUBMIT QUESTIONS</b> <i>The deadline for submission of questions for this meeting is:</i>  <i>5pm on Wednesday 14<sup>th</sup> January 2026.</i>  <i>Questions must be submitted to <a href="mailto:councillorservices@herefordshire.gov.uk">councillorservices@herefordshire.gov.uk</a> Questions sent to any other address may not be accepted.</i>  <i>Accepted questions and the response to them will be published as a supplement to the agenda papers prior to the meeting. Further information and guidance is available at <a href="https://www.herefordshire.gov.uk/getinvolved">https://www.herefordshire.gov.uk/getinvolved</a></i>	
<b>4. QUESTIONS FROM MEMBERS OF THE PUBLIC</b> To receive questions from members of the public.	
<b>5. QUESTIONS FROM COUNCILLORS</b> To receive questions from councillors.	
<b>6. REPORTS FROM SCRUTINY COMMITTEES</b> To receive reports from the Council's scrutiny committees on any recommendations to the Cabinet arising from recent scrutiny committee meetings.	
<b>7. 2026/2027 DRAFT BUDGET - REVENUE</b> To present the draft 2026/27 revenue budget, Medium Term Financial Strategy and the Treasury Management Strategy.  <i>Appendices A and D to follow.</i>	29 - 90
<b>8. DRAFT - 2026/27 CAPITAL INVESTMENT BUDGET AND CAPITAL STRATEGY UPDATE</b> To recommend to Council for approval the revised capital investment budget and capital strategy for 2026/27 onwards.	91 - 174





## The Public's Rights to Information and Attendance at Meetings

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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.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
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- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title. Information about councillors is available at [www.herefordshire.gov.uk/councillors](http://www.herefordshire.gov.uk/councillors)
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The location of the office and details of city bus services can be viewed at:

<http://www.herefordshire.gov.uk/downloads/file/1597/herford-city-bus-map-local-services->

## Guide to Cabinet

The Executive or Cabinet of the Herefordshire Council consists of a Leader and Deputy Leader and eight other Cabinet Members each with their own individual programme area responsibilities. The current Cabinet membership is:

Cllr Jonathan Lester (Leader)	Corporate Strategy and Budget
Cllr Elissa Swinglehurst (Deputy Leader)	Environment
Cllr Ivan Powell	Children and Young People
Cllr Harry Bramer	Community Services and Assets
Cllr Pete Stoddart	Finance and Corporate Services
Cllr Carole Gandy	Adults, Health and Wellbeing
Cllr Graham Biggs	Economy and Growth
Cllr Barry Durkin	Roads and Regulatory Services
Cllr Philip Price	Transport and Infrastructure
Cllr Dan Hurcomb	Local Engagement and Community Resilience

The Cabinet's roles are:

- To consider the overall management and direction of the Council. Directed by the Leader of the Council, it will work with senior managers to ensure the policies of Herefordshire are clear and carried through effectively;
- To propose to Council a strategic policy framework and individual strategic policies;
- To identify priorities and recommend them to Council;
- To propose to Council the Council's budget and levels of Council Tax;
- To give guidance in relation to: policy co-ordination; implementation of policy; management of the Council; senior employees in relation to day to day implementation issues;
- To receive reports from Cabinet Members on significant matters requiring consideration and proposals for new or amended policies and initiatives;
- To consider and determine policy issues within the policy framework covering more than one programme area and issues relating to the implementation of the outcomes of monitoring reviews.

### Who attends cabinet meetings?

- Members of the cabinet, including the leader of the council and deputy leader – these are the decision makers, only members of the cabinet can vote on recommendations put to the meeting.
- Officers of the council – attend to present reports and give technical advice to cabinet members
- Chairpersons of scrutiny committees – attend to present the views of their committee if it has considered the item under discussion

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- Political group leaders attend to present the views of their political group on the item under discussion. Other councillors may also attend as observers but are not entitled to take part in the discussion.

## **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 Cabinet held at Conference Room 1 - Herefordshire Council, Plough Lane Offices, Hereford, HR4 0LE on Thursday 18 December 2025 at 2.30 pm**

**Cabinet Members Physically Present and voting:** Councillor Jonathan Lester, Leader of the Council (Chairperson)  
Councillor Elissa Swinglehurst, Deputy Leader of the Council (Vice-Chairperson)

Councillors Graham Biggs, Carole Gandy, Dan Hurcomb and Philip Price

**Cabinet Members in remote attendance** None

*Cabinet members attending the meeting remotely, e.g. through video conferencing facilities, may not vote on any decisions taken.*

Group leaders / representatives in attendance

Councillors Simmons (in person), Stark (representative for Councillor James online) and Hitchiner (representative for Councillor Harvey (in person))

Scrutiny chairpersons in attendance

Councillors Pauline Crockett, Toni Fagan and Louis Stark

Officers in attendance:

Ed Bradford, John Coleman, John Hobbs, Claire Porter, Donna Thornton, and Scott Tompkins

## **43. APOLOGIES FOR ABSENCE**

- Apologies from councillors Bramer, Durkin and Stoddart
- There were also apologies from Councillors James, Davies and Harvey

## **44. DECLARATIONS OF INTEREST**

- Cllr Hitchiner, substituting for Cllr Harvey, declared an interest in item 8 for which [a dispensation has been granted](#) by the council's Monitoring Officer

## **45. MINUTES**

**Resolved:** That the minutes of the meeting held on 20 November be approved as a correct record and signed by the Chairperson.

## **46. QUESTIONS FROM MEMBERS OF THE PUBLIC**

Questions received and responses given are attached as appendix 1 to the minutes.

## **47. QUESTIONS FROM COUNCILLORS**

There were no questions from councillors.

## **48. REPORTS FROM SCRUTINY COMMITTEES**

There were no reports from scrutiny committees for consideration at this meeting.

## **49. THE NEW PUBLIC REALM SERVICE**

The Cabinet report marks the conclusion of a process to find and appoint a new contractor for the council's largest single contract. Council officers were thanked for managing the procurement process, which has been completed on time and under budget. Special acknowledgment is also given to a former councillor John Harrington

who initiated the review of the previous contractor, Balfour Beatty, which set the direction for the current changes.

This decision seeks to avoid repeating past approaches, to providing Public Realm Services. The council has explored five different contractual models and selected a hybrid option. This new model will transfer several key services—such as asset management, network management, locality stewards, highways inspections, design and project management, customer services, communications, fleet management, and health and safety directly into the council.

As a result, 60 roles will move in-house, giving the council greater control and the ability to align activities with its own priorities and strategies. This approach provides the best outcome for Herefordshire. The successful bidder will be announced in the new year.

### **The Cabinet discussed questions about:**

#### **The environmental standards required of the new contractor.**

- It was explained that government-mandated standards apply to works contracts. The procurement process included specific environmental questions, such as whether the bidder holds a valid ISO 14001 certification (an internationally recognised standard for environmental management systems (EMS)), or an equivalent from a mutually recognised UK organisation. The Cabinet had also looked for additional requirements such as access to competent environmental advice, their legal obligations to report carbon emissions under the Streamlined Energy and Carbon Reporting regulations, and industry recognised sustainability standards.
- Bidders were also required to submit a draft carbon reduction and management action plan, outlining how they would deliver carbon reduction initiatives by 2030, in line with the council's commitments.

#### **How the public will see a difference in the new arrangements**

- Under the new public realm contract, locality stewards who previously worked for Balfour Beatty will now work directly for the council. Their role will be to inspect roads and identify necessary jobs for the new contractor. Potholes remain a high priority for the council, as well as our communities, this arrangement means the council can ensure that work is completed within agreed timescales and in accordance with the council's highways maintenance plan. Identified works will be reviewed by council staff before being ordered, to make sure the right work is requested and to avoid inefficiencies, such as repeatedly chasing defects along the same road.
- The new contract introduces a clear specification for repairs, for example how pothole repairs should be carried out. Payment will be made on a 'per-pothole' basis to illuminate increased costs for the council. The final repair work will be inspected by council staff, specifically highways inspectors, to ensure quality.

#### **What opportunities will there be for the apprenticeships for young people**

The council has built a strong social value and skills commitment into the new public realm contract. Specifically, the contract requires:

- Six contracts per year to be awarded to local small and medium-sized enterprises (SMEs) to help deliver the contract.
- 450 apprentice weeks per year for local people.
- Practical work experience and volunteering opportunities for up to eight young people in Herefordshire (aged 14–24), including those from underrepresented groups.
- A commitment to support up to five recognized care leavers per year in accessing full-time, sustainable employment in Herefordshire.



- Creation of up to five new full-time, sustainable local jobs in heritage and leadership roles.
- An annual social value commitment to support supply chain development for up to four SMEs per year through dedicated supply chain training, ensuring the supply chain maximizes social value opportunities each contract year.

These measures are designed to boost local employment, skills, and social value as part of the contract's delivery.

**A litmus test for how well the Public Realm contractors are performing is the feedback we receive from Parish Councils – how will community commissioning improve outcomes**

- The new public realm contract will allow parish councils to commission extra services directly from the council if they wish. Previously, the process was slow and costly, parish councils would request a service, receive a high quote, sometimes wait up to two years for delivery, and often regret the decision due to delays and costs.
- Now, with the service brought back in-house and a new contract in place, the contractor will be paid at pre-agreed rates for each item of work. A schedule of these rates will be made available to parish councils, making it easier for them to understand the costs and financial commitments involved when ordering extra services.

**Group Leaders were invited to offer their views:**

The Liberal Democrat Group outlined their views and noted that:

- Given this decision to award the council's largest contract, potentially involving up to £200m of public funds it's one of the most significant decisions the administration will make. Although the Cabinet is legally entitled to make this decision, it should have been referred to the full council to allow all members the opportunity to fully examine or comment on the proposals.
- Advocacy for stronger requirements for annual reviews and the establishment of a resident focus group to provide direct feedback on contract performance is something that was missing.

The Green Group outlined their views and noted that:

- The new approach will be more responsive, provide greater control, and deliver better value for money, however
- Questions remain regarding policies like "verging on wild" and ensuring that requirements such as ISO 14001 certification are included in the contract
- Existing Herefordshire Council policies are fully captured and implemented within the new maintenance contract.
- The new contract will allow members to see detailed programmes of works in a level of transparency and detail that can enable accountable challenge and scrutiny.

The Independents for Herefordshire outlined their views and noted that:

- General support for the approach taken, noting that the decision to award the contract is appropriately being made by officers, not politicians, following a thorough evaluation process supported by external lawyers.
- Concerns remain, such as how locality stewards will fit into the new scheme, the effectiveness of enforcement (especially regarding riparian rights), and the need for improvements in the transfer process of services.
- The importance of learning from past experiences and ensuring that future transfers work more effectively.

- Overall, they commend the council's approach and look forward to positive changes, particularly in parish council meetings where the impact of the new arrangements will be most visible.

**In responding to the comments raised, the Cabinet Member noted that:**

- The process has followed constitutional and democratic procedures, with proposals reviewed by Connected Communities Scrutiny Committee before Cabinet approval.
- The cabinet remain open to collaboration and invites councillors from all parties to share their views and concerns, especially regarding policies like "verging on wild," which will be implemented as part of the new contract.
- Performance reviews will occur regularly, with contractual remedies available if standards are not met.
- Enforcement responsibilities are coming in-house, and the council will work to strengthen these processes.
- New multi-year settlement for highways funding, which will improve planning and visibility of works, will strengthen transparency, collaboration, and a commitment to continuous improvement in service delivery.

The Leader of the Council concluded the discussions by inviting a proposer and seconder for the decision before them which is that:

- a) **Cabinet approves the award of a contract (the Contract) for the provision of the new Public Realm Services to the successful bidder in accordance with the Cabinet report approved on 28 November 2024 and the updated Public Realm Services model as set out in Appendix 1 for an initial period of 6 years and 10 months (so as to align with Council financial years) and with the option for the Council to extend for a further 3-year period subject to and in accordance with the performance review mechanism set out in the contract.**
- b) **Cabinet delegates authority to the Corporate Director Economy and Environment to:**
  - i. **Finalise the contract and any ancillary contract documents;**
  - ii. **In consultation with Property Services, agree and enter into the necessary leases to the successful bidder to enable the provision of the Public Realm Services;**
  - iii. **On receipt of payment from the successful bidder, transfer the Council's existing equipment (plant and fleet but excluding the winter maintenance fleet) to the successful bidder so as to enable the provision of the Public Realm Services;**
  - iv. **Accept the transfer of identified roles (circa 60) pursuant to the Transfer of Undertakings Protection of Employment Rights (TUPE) from the incumbent; and**
- c) **Cabinet delegates authority to the Corporate Director Economy and Environment to make all operational decisions necessary to implement recommendations a) and b).**

The Cabinet Member for Local Engagement and Community Resilience proposed the vote, the Cabinet Member for Environment seconded.

**The recommendations were unanimously approved.**

## **50. HEREFORD WESTERN BYPASS PHASE ONE LAND ACQUISITION CPO**

- The proposed Cabinet decision begins the process of acquiring land, aiming first to reach agreements with landowners and their agents through negotiation, to

purchase land to pave the way for the Western Bypass – Phase 1 infrastructure project.

- If negotiations are unsuccessful, the Compulsory Purchase Order (CPO) process approved by Cabinet will serve as a backstop to ensure land acquisition stays on schedule.
- Where individual land parcels are acquired through negotiation, they will be removed from the CPO process.
- It was noted that some land was already owned by Hereford Council, while National Highways and Network Rail have interests in smaller parcels.
- The land to be acquired matches that of a previous CPO process concluded in 2019, but that order has now expired.
- If Cabinet approves the new CPO and Side Roads Order (SRO), the draft statement of reasons will be finalised and served on all relevant parties, along with the orders and recommendations as outlined in the report.

### **Group Leaders were invited to offer their views:**

The Liberal Democrat Group outlined their views and noted that:

- They support the Cabinet's recommendations regarding land acquisition - they view the measures as prudent precautions, ensuring that if there are any difficulties during negotiations for acquiring land, the council will have the ability to trigger further action to secure the required land.
- The group expresses their support for the recommendations to safeguard the process.

The Green Group outlined their views and noted:

- Significant concerns about the Hereford Western Bypass Phase 1 land acquisition process, criticizing the lack of transparency and detail regarding costs, risks, and the strategic business case.
- Additional concerns that the council is borrowing an additional £30 million, leading to a long-term financial burden for local taxpayers.
- Members do not have clear visibility on likely costs or risks of overspending which in turn is frustrated by the absence of a full strategic business case.
- The lack of clarity within the Compulsory Purchase Order process, biodiversity net gain (BNG) requirements, and up-to-date transport modelling opens the council up to the risk of being in breach of Department for Transport appraisal guidance.
- That the group would be more supportive if there were realistic prospects of the project staying within budget and if information were provided in a timely and transparent manner.

The Independent for Herefordshire Group outlined their views and noted:

- Concerns about the speed of the Compulsory Purchase Order (CPO) process for the Hereford Western Bypass, warning that rushing could lead to mistakes as happened in 2019.
- A challenge to the claims in the report about the bypass removing significant traffic from the A465/A49 junction, citing personal observations and a self-conducted traffic survey that found little evidence to support these statements.
- A contention around the factual accuracy in the report and questions the validity of claims about road collisions and the availability of supporting data.
- A lack of transparency, noting that some referenced data in the modelling had not been published or made available to councillors or the public. They request that all relevant documents be listed and accessible for scrutiny.
- That the administration is intent on proceeding with the bypass and associated housing developments without sufficient evidence.

- That the governance process for approving the final business case should involve a full council meeting due to the public interest and use of taxpayer money.

The Leader of the Council concluded the discussions noting that:

- Having a western bypass is an obvious necessity, despite differing views among councillors.
- There has been a commitment to provide and publish all the information in due course when that is appropriate. It is misplaced to insinuate that information has been hidden. It was confirmed that when officers have had the opportunity to process all the information and it is deemed necessary, the information will be published and will be transparent.
- The decision proposed at this meeting is not about debating the merits of the bypass but about putting in place a necessary backstop process in case negotiations for land acquisition do not proceed as hoped.

The Leader of the Council invited a proposer and seconder for the decision before them which is:

**To agree to resolve that the Council**

- a) **note the draft Statement of Reasons (at Appendix 1);**
- b) **makes The County of Herefordshire District Council (Hereford Western Bypass – Phase One) Compulsory Purchase Order 2026 (CPO) pursuant to sections 239, 240, 246, 250 and 260 of the Highways Act 1980 and the Acquisition of Land Act 1981 for the acquisition of all interests (both residential and commercial), and any other interests as may arise, which are not already owned by the Council and new rights within the areas shown edged red and shaded pink and blue on the plans attached at Appendix 2**
- c) **note The County of Herefordshire District Council (South Wye Transport Package – A4194 Southern Link Road) (Classified Road) (Side Roads Order) Order 2018 (2018 SRO) attached at Appendix 3 which was confirmed by the Secretary of State in March 2019.**
- d) **Delegate authority to the Corporate Director for Economy and Environment to**
  - a. **make The County of Herefordshire District Council (Hereford Western Bypass – Phase One) Side Road Order 2026 (SRO) (if required) under Section 14 and 125 of The Highways Act 1980 and all other purposes necessary to**
    - i) **Improve the lengths of highway referred to in the SRO and the corresponding plan**
    - ii) **Stop up each length of the highway as referred to the SRO and the corresponding plan**
    - iii) **Construct a new highway along each route as referred to in the SRO and the corresponding plan;**
    - iv) **Stop up each private means of access to premises as referred to in the SRO and the corresponding plan;**
    - v) **Provide new means of access to premises as referred to in the SRO and the corresponding plan which will be as per the plan appended to the 2018 SRO (subject to any amendments to the said plan the Corporate Director for Economy and Environment shall determine as being necessary if the SRO is required);**
  - b. **to make such minor or technical amendments to the CPO and or SRO (together “the Orders”) and associated plans as the Corporate Director for Economy and Environment shall determine**

- c. take all necessary and ancillary steps, including preparing and finalising all necessary documentation (including the Orders and supporting statements of reasons), the submission of the Orders to the Secretary of State for confirmation, publication and service of all statutory notices and the presentation of the Council's case at any public inquiry to secure the confirmation of the CPO and SRO by the Secretary of State;
- d. acquire all interests in land within the areas of the CPO either compulsorily or by agreement;
- e. deal with objections to the Orders including agreeing terms for the withdrawal of objections in order to secure the delivery of Phase One of the Hereford Western Bypass Scheme;
- f. negotiate and enter into agreements or undertakings with persons with any interest in the land affected by or relating to the Orders;
- g. remove from the CPO any plot (or interest therein) no longer required to be acquired compulsorily and to amend the interests scheduled in the CPO (if so advised) and to alter the nature of the proposed acquisition from an acquisition of existing property interests to an acquisition of new rights;
- h. make any minor amendments as are considered necessary to the Orders arising as a result of negotiations with affected persons or further design work to enable the delivery of Phase One of the Hereford Western Bypass Scheme
- i. make any amendments to the Statement of Reasons a draft version of which is annexed at Appendix 1 to this report as are considered necessary prior to its submission to the Secretary of State;
- j. confirm the CPO if granted power to do so by the Secretary of State;
- k. to implement the CPO, SRO and 2018 SRO, including the acquisition of all necessary land and interests and new rights and to take all steps to secure the settlement of compensation arising from the implementation of the Orders including referral to the Upper Tribunal Lands Chamber.
- l. to pay such compensation and to carry out any other additional steps needed for the implementation of the CPO, SRO and 2018 SRO and make any other operational decisions to implement these recommendations

The Cabinet Member for Transport and Infrastructure proposed the vote, the Leader seconded.

**The recommendations were unanimously approved.**

The meeting ended at 15:37

**Chairperson**



#### Agenda item no. 4 - Questions from members of the public

Question No.	Questioner	Question	Question to
PQ 1.	Mr Pdraig Kelly, HR1 1HX	<i>What assurances can Cabinet offer that major financial commitments — including land acquisition and procurement initiation — are being made with proper democratic oversight?</i>	Leader of the Council
<b>Response:</b> All major financial decisions are agreed at full Council meetings. Cabinet acts only within approved plans and the constitution. Procurement follows strict rules to ensure transparency, value for money, and integrity. Scrutiny and Audit committees provide further oversight and accountability. For further information please see the Council's Constitution: <a href="#">Browse - Constitution - Herefordshire Council</a>			
<b>Supplementary Question:</b>  None			
<b>Supplementary Response:</b>			
PQ 2.	Mr Jeffrey Hancorn, Hereford	<i>As Cabinet prepares to commit to substantial capital spending on bypass procurement, land acquisition, and the redesign of public realm services, can Cabinet explain how these priorities align with the urgent and still unresolved needs of local SEND families.</i>  <i>Herefordshire's SEND provision has been highlighted by MPs as being under serious strain, and it has now been more than 18 months since the Department for Education reviewed funding requests for specialist school rebuilding — with no meaningful progress or update for families.</i>  <i>Why major capital investment is being advanced for transport and public realm schemes while families awaiting SEND support continue to experience delays, uncertainty, and an absence of any published plan or timetable for improvement?</i>  <i>I would be grateful for Cabinet's explanation of how its financial and strategic priorities reflect the needs of local children and families at this time</i>	Cabinet Member: Children and Young People

<p><b>Response:</b> Special Educational Needs and Disability (SEND) remains a top priority. We have increased local capacity, strengthened support for Education, Health and Care Plans and improved school facilities. It is deeply disappointing the government withdrew funding to build a new school and we will continue to press the Department for Education to fulfil their obligations to fund SEND provision adequately, taking into account our growing and more complex needs and our rural setting. And, like all councils, we are waiting for the government to publish their SEND strategy.</p> <p>At the same time, the council must invest in infrastructure that underpins growth and prosperity for all residents - including those with SEND. The Hereford Bypass and other infrastructure projects and acquisitions are strategic investments that will unlock growth, housing, attract inward investment, create jobs and improve transport for all users. This growth strengthens the council's ability to deliver better public services and reduces long-term costs by ensuring Herefordshire remains economically resilient. Cabinet must balance priorities across a fixed budget, but the principle is clear: strong infrastructure enables strong services. We remain committed to improving SEND provision and will continue to work with partners and government to secure the funding our families deserve.</p>			
<p><b>Supplementary Question:</b></p> <p><i>Given the Council's public acknowledgement of severe and urgent SEND pressures — including rising demand, escalating costs, and the recent withdrawal of funding for a proposed SEND school — can Cabinet explain what assessment was made of alternative capital priorities before committing £13 million to the Aylestone School expansion, which delivers no new SEND places, and whether Cabinet is satisfied that this decision represents best value and appropriate prioritisation in the current circumstances?</i></p>			
<p><b>Supplementary Response:</b></p> <p>Cabinet's decision to proceed with the Aylestone School expansion reflects the Council's statutory duty to secure sufficient school places and the evidence of very limited secondary school place headroom in the city (approximately 2.4% surplus only). The scheme is funded through the Department for Education's Basic Need capital grant, which is specifically intended to support the creation of mainstream places. Cabinet is satisfied that using Basic Need for this purpose represents appropriate prioritisation and best value against the identified mainstream demand and delivery considerations.</p> <p>Special educational needs pressures are being addressed in parallel through the appropriate High Needs grant route. Aylestone also supports pupils with additional needs in mainstream classes and hosts a Specialist Resourced Provision, which the Council expanded from 8 to 24 places over the summer using High Needs capital. This demonstrates that the Council is progressing both mainstream place sufficiency and targeted SEND capacity through the relevant funding streams.</p>			
<b>PQ 3.</b>	<b>Rhys Griffiths, Hereford</b>	<b><i>What is happening to the white house community hub now the council have taken the building back, is it going to be repaired and turned back</i></b>	<b>Cabinet Member: Economy and Growth</b>



		<i>into a community hub or do the residents that live opposite it have to stare at a part derelict building for the foreseeable future until more damage occurs in the storms we are having a more regular basis?</i>	
<b>Response:</b> We fully recognise how important centres like the Whitehouse Community Hub are for local residents. Supporting community hubs across the county is a priority for the council, and we are committed to ensuring that communities can continue to deliver the valued activities, services and support that take place in spaces like this. Our aim is to see the building brought back into safe, active community use as soon as is practicable.			
<b>Supplementary Question:</b>  <i>The white house hub has been fenced off for nearly a year now what does the council see as a practical timeline to have the building repaired and fit for use again, thank you.</i>			
<b>Supplementary Response:</b>  Thank you for your supplementary question. Subject to conducting a building survey and addressing compliance, the council will identify capital budget to complete the works as soon as practical as previously stated.			
<b>PQ 4.</b>	<b>Hayden Osborne-Brooks, Leominster</b>	<i><b>“The Statement of Reasons at para 5.5 says that of the problems in the South Wye area “Significant daily variation in journey times arising from impacts upon the current A49 and lack of alternative routes available” and also “Reliance on car journeys for short trips by some residents”. From the 2025 traffic modelling referred to in the Statement for Reasons how many car trips on the A49 would be reduced daily at peak times if there were increased bus services between Ross-on-Wye &amp; Hereford, particularly those bus services for students and school children who need to travel independently to access education?”</b></i>	<b>Cabinet Member: Transport and Infrastructure</b>
<b>Response:</b> Whilst it is accepted in the Statement of Reasons that an increase in bus services could proportionately reduce some congestion, it would not be enough to have a meaningful impact in the volume of car travel/freight or significantly diminish the case for the bypass.			
<b>Supplementary Question:</b>			

*No modelling data has been published with the papers for today's Cabinet meeting. No traffic modelling reports have been published to support the recently adopted Local Transport Plan which includes the ambition for a Western Bypass. Would the cabinet member please advise me where I may find the empirical evidence/data that supports his answer that increased bus services, particularly for students and children, would have no meaningful impact on congestion vs the construction of the new Southern Link Road?"*

**Supplementary Response:**

Thank you for your supplementary question. The council has nothing further to add. Whilst it is accepted in the Statement of Reasons that an increase in bus services could proportionately reduce some congestion, it would not be enough to have a meaningful impact in the volume of car travel/freight or significantly diminish the case for the bypass.

PQ 5.	Tracy Bowes, Hereford	<p><b><i>The original business case for the Southern Link Road was that it would help bring forward housing in the Bullingham urban extension and open up the expansion of the HEZ, as per the adopted Local Plan, with developers contributing up to £5Million towards the cost of the new road.</i></b></p> <p><b><i>In his recent letter to the Dept for Transport, the council leader highlighted that the Southern Link road scheme will require local service cuts and increase Council tax bills across Herefordshire for the next 40 years. To reduce the impact on local taxpayers of the cost of the prudential borrowings for the Southern Link Road, what contribution is anticipated to be forthcoming from developers?</i></b></p>	Cabinet Member: Transport and Infrastructure
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**Response:** At present no specific developer funding has been identified for phase one. The decision of the previous administration to cancel the bypass at a cost of circa £20m has meant that any developer contributions that were allocated at the time are no longer available.

**Supplementary Question:**

*The Statement of Reasons says that Phase 1 of the Western Bypass "will enable additional housing provision"(para 1.4(vii)). An outline planning application (ref P242558/O) for part of the Southern Urban Extension from Bloor Homes for 540 new homes, employment land, etc. is currently awaiting section 106 agreement. To reduce the cost to Herefordshire Taxpayers of the new road, which will undoubtedly help improve access to this new development, why has Herefordshire Council not identified any funding from this specific developer or other future developers?*

**Supplementary Response:**

Thankyou for your supplementary question. The council will provide you with a written response, it is quite complex about the specific developer and any other future developers that we don't yet know about.

Supplementary written response:

Having reviewed the draft Statement of Reasons document it is clear that the elements about the Bloor Homes site needs to be revised before the document is finalised for publication. Some of Bloor developments in the area have already been delivered and the reference too it from the 2018 document should reflect this. This will be revised before the CPO consultation starts. The construction of Phase One could potentially lead to some of the constraints on the Bloor Homes site being reduced allowing for more houses and the potential for S106 funding to be sought to support the costs of construction of Phase One.

PQ 6.	Gian Carlo Paganozzi, Bosbury Ledbury	<p><i>Currently there are activities/ services in the public realm like grounds maintenance (for instance but there are others) that BBLP are undertaking for the council. However, likewise Hoople manage and or undertake similar activities and services on assets that Property Services are responsible to maintain and for instance ground maintenance to mention one activity.</i></p> <p><i>So have any of those activities/ services on Property services assets have been included or will be transferred into the new Public Realm Contract so as to reduce Hoople's costs to Property Services in no longer having to manage those services/ activities but at the same time the council will no doubt get better value and reduced costs on those activities/ services form whoever manages the new public realm contract due to economy of scale.</i></p>	Cabinet Member: Local Engagement and Community Resilience
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**Response:** Thank you for your question Mr Paganozzi. Appendix 1 of Agenda Item 7, the New Public Realm Service, provides a list of “core services” that the successful bidder will deliver. The contract documentation itself sets out where the services listed may be provided, including on but not limited to corporate property amongst others. However, no services are proposed to transfer from Hoople to the successful bidder as part of this contract award.

**Supplementary Question:**

None

**Supplementary Response:**

PQ 7.	Jeremy Milln, Hereford	<p><b><i>Back in January I asked of Cabinet about the Council's updated environmental assessments for its proposed Southern Link Road (aka 'bypass phase 1') and how their findings are being translated into revisions of the scheme's design, essential for cost benefit calculation without which a full business case cannot be developed.</i></b></p> <p><b><i>The Cabinet Member said the Environmental studies had not been completed but would be in place later this year with the full business case review</i></b></p> <p><b><i>We have now reached the end of this year. As this is the last meeting of the Cabinet or any meeting of the Council for 2025 please would you advise where the Full Business Case review and Environmental Studies report on the SLR can be found?</i></b></p>	Cabinet Member: Transport and Infrastructure
<p><b>Response:</b> We have always been clear that the full business case and the environmental studies will be provided next year ahead of the construction contract award. These will be published on our public website.</p>			
<p><b>Supplementary Question:</b></p> <p><i>Your response is untruthful. You did not say the full business case (and by implication the underlying environmental studies, options appraisal, impact assessment and updated transport model) for the proposed Southern Link Road (aka Bypass Phase 1) would be provided next year.</i></p> <p><i>On the contrary the Cabinet member in his responses both to mine and Ms Morawiecka's questions at Cabinet on 23<sup>rd</sup> January said this would be available later this year, specifically May, June, July time. This is what he said. Its in the minutes which you approved.</i></p> <p><i>You have two options: either correct your untruthful response or make good on your promise to provide the SLR's FBC and supporting studies this year by spending the remaining 13 days of it at work on them. Which is it to be?</i></p>			
<p><b>Supplementary Response:</b></p> <p>I refer to the fact that we keep moving through this project, we do meet time delays on various things, and it will be available in due course and I will write to you with the answer to your question.</p> <p><b><u>Supplementary written response:</u></b></p>			

I have reviewed the January 23<sup>rd</sup> questions and responses. My response should have clarified that I was speaking of May, June, July 2026 which is the date that officers have consistently been working to. The modelling and ecology data was being collected in 2025 to inform the and update the business case but the intention has always been to provide the full business case by summer 2026 ahead of the Cabinet making a decision on the construction contract award.

PQ 8.	Jackie Morris, Hereford	<i>As the Statement of Reason makes clear that the Compulsory Purchase Orders are for the Hereford Wester Bypass- Phase 1, would the cabinet member please confirm the cost of the scheme and that Herefordshire Council has all the funding in place necessary for completion of the new road.</i>	Cabinet Member: Transport and Infrastructure
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**Response:** The outline business case informed the allocation of £30m with the budget to be revised following a market engagement process. The Council is currently out to tender and in Q1 of 2026 we hope to bring on board a contractor to commence early preparation works to complete the design work. These returns will determine the required budget envelope. The council has the ability to meet the funding requirement.

**Supplementary Question:**

None

**Supplementary Response:**

PQ 9.	Mrs Morawiecka, Hereford	<p><i>The written answer to my previous question to Cabinet leaves residents to assume that the administration are taking no action to mitigate the 33% increase in risk on capital projects from level 9 to a level 12, particularly in relation to the Southern Link Road.</i></p> <p><i>With UK road scheme costs increasing by at least 10%, undoubtedly reflected in the developing business case, would the Cabinet member confirm that Phase 1 of the Western Relief Road, can still be delivered inside the budget of £40million and that the Council has allocated a budget for any residents claiming blight on their properties that lie within the route of the Western Relief Road scheme?</i></p>	Cabinet Member: Transport and Infrastructure
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**Response:** The Council recognises the impact of construction inflation on major projects and has a robust risk management process in place. A fully quantified risk assessment is reviewed monthly with technical advisors, ensuring contingency allowances reflect current conditions. The project

team is developing risk-adjusted cost estimates rather than fixed budgets, and mitigation strategies are being prepared to manage potential challenges. We can confirm that provision has also been made for any legal obligations relating to property blight within the Hereford Bypass.

**Supplementary Question:**

*Herefordshire Council has approved £40.3m in its Medium-Term Financial Strategy for Phase 1 of the Western bypass. That's the link between the A49 and the A465. In view of the detailed answer provided to my question, including that risk assessment viewed monthly and that contingency allowances reflect current conditions, why won't the cabinet member confirm that Phase 1 of the Western Relief Road can be designed, constructed and completed inside the cost envelope of £40.3m. Will he confirm it or not?*

**Supplementary Response:**

Thank you for your question. I think we have said every time we publish anything or say anything on this subject that this is an amount of money that is put on the side whilst we build the full business case. You know that the full business case will be available next year along with all the documentation for it and we will be able to satisfy ourselves to the full price once the contractor has reviewed the design and come forward with a price to build it. So, we expect it to be built within the price that we've put aside but if anything changes you will probably be the first to read about it. Thank you.

<b>PQ 10.</b>	<b>Emil Morfett, Hereford</b>	<b><i>With the loss of ancient woodland, venerable trees, and high-grade agricultural land with the construction of the Hereford Southern Link Road, how much has been budgeted for the scheme to achieve Biodiversity Net Gain and how will this be delivered?</i></b>	<b>Cabinet Member: Transport and Infrastructure</b>
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**Response:** The council has set aside budget within estimated costs to accommodate the required level of BNG needed to meet any statutory requirements.

**Supplementary Question:**

*How much is budgeted in Phase I for BNG and what physical surveys were conducted for this evidence based approach? If you do not have a budget for BNG at this stage, please explain why not.*

**Supplementary Response:**

Thank you for your supplementary question. The council has nothing further to add to our original response. The council has set aside budget within estimated costs to accommodate the required level of BNG needed to meet any statutory requirements.

PQ 11.	Susie Laan, Hereford	<p><b><i>With all the talk about road infrastructure, there is no mention as to what is happening about the redevelopment of the Hereford Museum and the reopening of a permanent library in the Hereford Shirehall.</i></b></p> <p><b><i>Can the cabinet member confirm that both projects are proceeding at pace and in line with the various funding agreements and that there is no risk in completing these projects within budget and on time?</i></b></p>	Cabinet Member: Economy and Growth
<p><b>Response:</b> Thank you for your question. In line with original project proposals, contractors have been engaged under Pre-Construction Services Agreements (PCSAs) to develop designs and refine budgets to address any challenges that arise. This work is proceeding at pace and we will be in a position to provide further updates in the new year.</p>			
<p><b>Supplementary Question:</b></p> <p><i>I understand that the Council now has a robust capital project monitoring system which can show how the costs are tracking both against budget and the expected completion date. This administration previously announced that the new library to be located in the Shirehall would open in August 2026 and the new Museum in Broad Street would open in late 2026. Can the cabinet member confirm that these dates will still be achieved, and if not, when?</i></p>			
<p><b>Supplementary Response:</b></p> <p>Thank you for your supplementary question. The council has nothing further to add. As we stated in our original response, contractors have been engaged under Pre-Construction Services Agreements (PCSAs) to develop designs and refine budgets to address any challenges that arise.</p>			
PQ 12.	Jim Hardy, Hereford	<p><b><i>The Statement of Reasons for the Southern Link Road CPO (5.26) states that "Further modelling was undertaken in 2025 applied to an updated 2023 base model to assure that the benefits identified at the planning application stage remain valid."</i></b></p> <p><b><i>As no modelling reports were published to support the new Local Transport Plan 2025-2041 where can the 2025 modelling be found that is referred to in the Statement of Reasons?</i></b></p>	Cabinet Member: Transport and Infrastructure

**Response:** The further modelling that is referred to has not yet been published. It is the intention to publish this in due course.

**Supplementary Question:**

*Under Codes and Regulations for Local Government and in line with the Nolan Principles, objective and factual data on which the Council relies as evidence for decision making should be made public. As the Statement of Reasons for the Compulsory Purchase Orders refers to the “modelling undertaken in 2025” this data should be available to Councillors and members of the public. Why has the Cabinet member not made the traffic modelling publicly available if it provides robust evidence to councillors that the benefits identified over 6 years ago for the Southern Link Road remain valid?*

**Supplementary Response:**

Thank you for your supplementary question. As has been stated the further modelling that is referred to has not yet been published. It is the intention to publish this in due course. Thank you.





# Title of report: 2026/27 Draft Budget - Revenue

**Meeting: Cabinet**

**Meeting date: Tuesday 20 January 2026**

**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**

Budget and policy framework

## **Wards affected**

All Wards

## **Purpose**

To present the draft 2026/27 revenue budget, Medium Term Financial Strategy and the Treasury Management Strategy.

The Council has a statutory responsibility to set a Budget and Council Tax in advance of the new financial year. The 2026/27 Revenue Budget and Medium Term Financial Strategy 2026/27 to 2029/30 will be recommended to Council in February 2026.

## **Recommendation(s)**

**That Cabinet:**

- a) **approves the 2026/27 draft revenue budget, which includes the key pressures for each Directorate and savings proposals, for consultation with Members, the council's relevant scrutiny committees, business rate payers and the public; and**
- b) **acknowledges that the funding assumed in this draft budget is an estimate of expected funding; to be confirmed following publication of the Final Local Government Finance Settlement for 2026/27 expected in February 2026.**

## Alternative options

1. It is open to Council to recommend alternative spending proposals or strategies; however, given the legal requirement to set a balanced budget, should additional expenditure be proposed compensatory savings proposals must also be identified. If it is proposed to spend less, the impact on service delivery of the proposed reduction should be considered.
2. Council can agree a council tax increase above the referendum principle levels. This is not recommended as doing so would require the increase to be subject to a local referendum, incurring additional costs to the council.

## Key considerations

3. A balanced draft revenue budget which totals £234.1 million is proposed for 2026/27. 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 2026.
4. The draft 2026/27 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 £2,067.63, representing an increase of £8.19 per month (£1.89 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 £3.0 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. To manage rising costs and demand for services alongside reductions in the council's allocation of funding from Central Government via the Fair Funding Review, the draft revenue budget includes savings proposals of £20.0 million, measures to manage Directorate inflationary pressures via a centrally held Contract Inflation Fund, and £3.2 million proposed use of the Business Rates Risk Reserve to mitigate the reduction in the council's funding allocation in 2026/27.
7. Nationally, local authorities continue to face significant financial pressures whilst demand and cost of statutory services continue to rise; increasing the challenge of delivering transformation and improvements in the delivery of services for residents and businesses in Herefordshire. The proposed budget and strategy for 2026/27 builds on the prudent approach and robust financial management now embedded across the council: to preserve and protect the council's future financial resilience and sustainability through robust and reliable management of the revenue budget and capital programme and delivery of realistic, achievable and recurrent savings on time and in full.
8. A sustainable financial strategy has been developed for 2026/27 and onwards, to ensure the council can achieve an ambitious programme of investment, service improvements and transformation to deliver the best for Herefordshire.

## Fair Funding Assessment and Estimated Core Spending Power

9. On 20 November 2025, the Minister of State for Local Government and Homelessness at the Ministry for Housing, Communities and Local Government (MHCLG) Alison McGovern MP, announced the publication of the Government's 2026-27 to 2028-29 Local Government Finance Policy Statement in a Written Ministerial Statement, marking the start of the Settlement process.

10. Alongside the November Policy Statement, the Government published its response to the Fair Funding Review 2.0 consultation and the Business Rates Reset Delivery document.
11. On 17 December 2025, the Minister delivered a Written Ministerial Statement to Parliament on the provisional local government finance settlement 2026/27. The provisional settlement, for the first time in a decade, is a multi-year settlement outlining multiple years' allocations of funding covering the three-year period from 2026/27 to 2028/29.
12. On this date, the MHCLG also published a Business Rate Information Letter outlining the arrangements and impact of business rates reset, revaluation and multiplier reform, including 2026 Transitional Relief (TR) regulations, 2026 Supporting Small Business (SSB) scheme guidance and further information on Retail Hospitality and Leisure multipliers.
13. Government calculations of the increase in Core Spending Power (CSP) for Herefordshire highlight an increase of £13.4 million in CSP over the settlement period. This increase assumes the council will increase council tax in line with the maximum permitted increase of 5% in each of the three years of the multi-year settlement.
14. **With a total £17.3 million reduction in Herefordshire's allocation of Central Government funding following redistribution through the Fair Funding Review** compared with 2025/26 baseline levels, this means that the estimated increase in CSP, as calculated by Government, is expected be funded entirely by local taxpayers via maximum annual increases in council tax.

Funding source	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Government Estimated Core Spending Power</b>	<b>231.8</b>	<b>237.1</b>	<b>240.9</b>	<b>245.2</b>
Council Tax Requirement	143.4	153.0	163.2	174.1
Non-Council Tax (Settlement Funding Assessment)	88.4	84.1	77.7	71.1
Movement in Non-Council Tax CSP		-4.3	-6.4	-6.6
<b>Total reduction in Non-Council Tax CSP to 2028/29</b>				<b>-17.3</b>
Movement in Council Tax CSP		+9.6	+10.2	+10.9
<b>Total increase in Council Tax CSP to 2028/29</b>				<b>+30.7</b>
<b>Net increase in Core Spending Power to 2028/29</b>				<b>13.4</b>

15. This latest reduction in funding compounds the financial pressures already faced by the council, following the abolition of the Rural Services Delivery Grant and Services Delivery Grant representing a total loss of funding of £7.1m in 2025/26.
16. The further reduction to the council's allocation in 2026/27, following redistribution of funding through the Fair Funding Review, exacerbates the challenge of maintaining delivery of services to residents in a rural county.
17. The Medium Term Financial Strategy (MTFS) for 2025/26 to 2028/29 published as part of the 2025/26 revenue budget assumed a rate of increase in council tax at a reduced level of 3.99%. As a result of the outcome of the impact of the Fair Funding Review and reduction in the council's allocation of funding from Central Government, the council is forced to make the maximum permitted increase in each of the MTFS period to ensure delivery of services can be sustained.

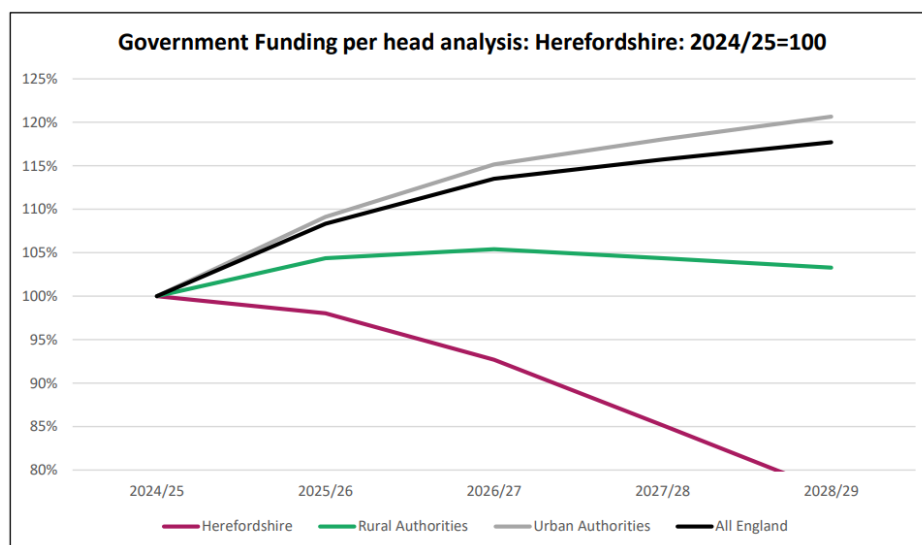
## Redistribution of Funding through the Fair Funding Review

18. The MHCLG Consultation on local authority funding reform through the Local Government Finance Settlement from 2026/27 ran from 20 June to 15 August 2025. The Fair Funding Review 2.0 attempts to refresh the methodology for distributing a fixed pot of funding between local authorities covered by the Local Government Finance Settlement.
19. The last time the underlying distribution methodology was refreshed through changes to formulae and data was in 2013, at the time the business rates retention system was set up. This means that the last full assessment of relative needs and resources is 12 years old and the relationship between the assessment and actual allocations through the Settlement Funding Assessment (SFA) has weakened over this period.
20. The allocation of the new Settlement Funding Assessment is made up of an assessment of relative need and an assessment of the relative resources; these are the two key determinants of the outcome of FFR 2.0 for each authority.
21. The Relative Needs Assessment determines the share of 'total need' attributable to each authority as a proportion of the fixed pot available. This is driven by the results of a series of relative needs formulae which calculate the extent to which a local authority's characteristics are likely to drive demand for a particular service, relative to other authorities providing the same service. The most consequential factors include population cohort size, deprivation-linked metrics and specific metrics for highways maintenance.
22. The Relative Resources Adjustment is an assessment by Central Government of each authority's ability to raise income locally from council tax, informed by the attributable taxbase multiplied by an amount per unit of taxbase.
23. An authority's share of the fixed pot, allocated based on its relative need, is adjusted by the Relative Resources Adjustment to determine the Settlement Funding Assessment allocation.
24. The November Policy Statement and Written Ministerial Statement published alongside the Provisional Settlement are clear that the purpose of the funding review is to reconnect local authority funding with deprivation to target resources in a more effective way, such that "local authorities in the most deprived placed will now see significant funding increases".
25. Despite robust evidence, and multiple case studies, submitted in response to the Consultation by the council and professional bodies advocating for fairer funding, including the Council Councils Network (CCN), Rural Services Network (RSN) and Society of County Treasurers (SCT), highlighting the impact of remoteness, the revised funding formulae places greater weighting on factors reflecting urban pressures, ignoring the additional costs of delivering services across sparsely populated rural communities.
26. The November Policy Statement confirmed that a remoteness factor will only be applied to the Adult Social Care Relative Needs Formula, but not to formulae more broadly, despite previously being considered for all Area Cost Adjustment (ACA) measures.
27. In its Consultation response, Government stated that the "best evidence indicates remoteness may have a particular impact on adult social care services" and that it has made "a judgement that remoteness should be accounted for when assessing the cost of delivering adult social care services". This judgement ignores the additional costs incurred in rural areas that are more distant from larger markets, typically in urban areas.
28. 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.

29. Further emphasis on deprivation targeted was announced in the Policy Statement through the continuation of 2025/26 Recovery Grant allocations, directing £600 million of funding to areas of high deprivation to provide “un-ringfenced funding to areas with greater need and demand for services” using the ratio of council taxbase as a proxy. This had previously been identified as a one-off grant prior to the Fair Funding Review and proposed continuation of this, with an unchanged distribution, was not included in the Consultation for consideration and response prior to the Provisional Settlement.
30. In its response to the Policy Statement the Institute of Fiscal Studies (IFS), who peer-reviewed the work which informed the Fair Funding Review, highlighted the lack of transparency in the decision to retain the Recovery Grant stating: “it is difficult to see a principled basis for these decisions other than to achieve an overall allocation in line with the government’s subjective judgement. Government should avoid such formula bypasses becoming a habit”. The impact of this decision redirects £600 million of funding which would otherwise be available for distribution via the revised funding formulae and reduces the overall pot of funding and allocation for Herefordshire.
31. The reduction in Central Government grant funding over the multi-year settlement period 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.
32. The analysis below, prepared by the Rural Services Network, highlights how the council’s funding per head will be impacted by the Provisional Settlement. This analysis highlights that Government funding per head of population (indexed to 2024/25 levels) will change over the multi-year Settlement period for all English local authorities, urban authorities, rural authorities and the individual change for Herefordshire Council.

**Figure 1: RSN Analysis of Government Funding per head**



33. Whilst urban authorities can expect a significant increase in Government funding per head compared with indexed 2024/25 funding (121% by 2028/29) and English local authorities (118% by 2028/29), the analysis shows the position for rural authorities with a minimal increase funding per head (103% by 2028/29) and Herefordshire’s position as drastically disadvantaged by the outcome of the Fair Funding Review (77% by 2028/29).

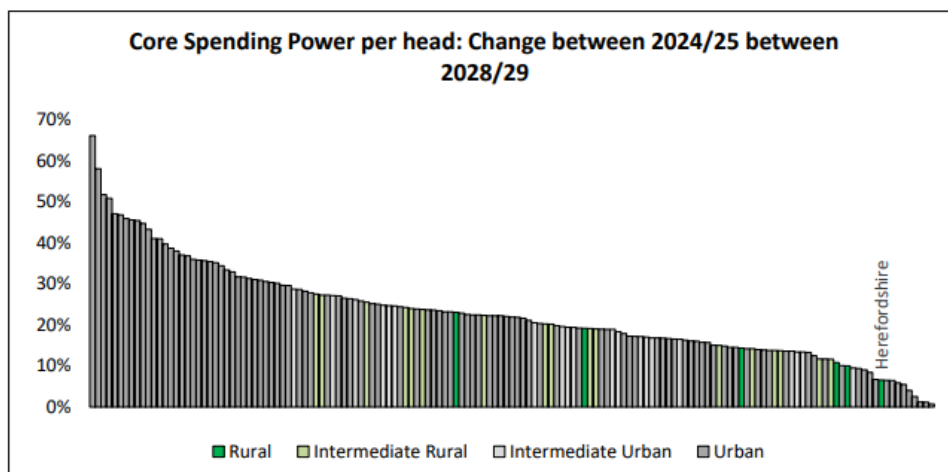
34. Initial assessments by the RSN, comparing the most rural with the most urban councils indicates that:
- the most urban councils are expected to receive around 41% more per head in Government-funded spending power than the most rural councils in 2026/27;
  - in 2026/27, residents in the most rural areas are projected to pay around 20% more in council tax on average than most urban residents;
  - by 2028/29, the most urban authorities' spending power is expected to allow them to spend around £100 more per resident on services than the most rural councils;
  - between 2024/25 and 2028/29, Government-funded spending power for the most urban authorities is estimated to rise by around 21%, compared with around 1% for the most rural councils; and
  - by 2028/29, these changes would result in the most urban councils having around 8% more overall spending power than the most rural councils.
35. The outcome of the Fair Funding Review has serious implications for the council's funding position and delivery of services and improvements to residents over the medium-term period.

**Figure 2: RSN Analysis of Core Spending Power (CSP) per head**

**Core Spending Power per head analysis: Herefordshire**

	2024/25	2025/26	2026/27	2027/28	2028/29
Core Spending Power	224.697	231.819	237.077	240.901	245.205
Projected Population	200,768	202,013	203,232	204,416	205,583
Per head	1119.19	1147.54	1166.54	1178.48	1192.73
<i>Indexed: 2024/25</i>					
Herefordshire	100%	103%	104%	105%	107%
Rural Authorities	100%	106%	111%	115%	120%
Urban Authorities	100%	108%	114%	120%	125%
All England	100%	108%	114%	119%	124%

**Figure 3: RSN Analysis of Change in Core Spending Power per head**





## Funding Sources

36. The Provisional Settlement confirmed that the council tax referendum limits would remain unchanged. The table below outlines the sources of funding included in the council's draft revenue budget for 2026/27 with explanation of changes detailed in subsequent paragraphs.

<b>Funding Source</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
Council tax	146,451	153,657
Fair Funding Allocation (FFA) of which: Baseline Funding Level of which: Revenue Support Grant of which: LA Better Care Fund Grant*		30,149 41,867 -
Legacy Funding Allocation (LFA) of which: Legacy Business Rates of which: Legacy Grant Funding of which: LA Better Care Fund Grant	47,567 29,085 1,585	
Business rates surplus income 2025/26	-	1,400
Enterprise zone business rates income	1,282	1,750
Extended producer responsibility grant*	3,538	-
Collection fund surplus	2,000	2,000
Business rates risk reserve	-	3,233
<b>TOTAL</b>	<b>231,508</b>	<b>234,056</b>

\*accounted for within Directorate net budgets in 2026/27

## Council Tax Income

37. The Provisional Settlement confirmed that the council tax referendum limits would remain unchanged for 2026/27: 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.
38. Each 1% increase in council tax generates approximately £1.5 million of recurrent funding to meet demand pressures and deliver the council's services. The proposed draft revenue budget for 2026/27 assumes the maximum increase of 4.99% in 2026/27.
39. 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 £153.7 million in the 2026/27 draft revenue budget includes estimated income of £3.1 million in premiums applied to second homes and empty properties.
40. 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 November 2025. A series of verification checks to confirm occupancy and ownership status has been undertaken during 2025/26 to provide assurance in respect of the value of this budgeted income. A range of compliance measures are in place and will be strengthened during 2026/27 to ensure that council tax premiums are charged on all relevant dwellings.

## Fair Funding Assessment (FFA) & Business Rates Retention

41. The Fair Funding Assessment (FFA), previously known as the Settlement Funding Assessment (SFA), is the sum of the Revenue Support Grant (RSG) and Baseline Funding Level, including previously separate grants now proposed to be consolidated or 'rolled in' to the FFA.
42. In addition to business rates income, the council also receives a number of other grants which Central Government include within the determination of local authority Core Spending Power. As a result of the fundamental review of funding allocations and method of distribution through

FFR, the council's breakdown of CSP has changed substantially in 2026/27 and many grants have been rolled into the council's Settlement Funding Assessment. This restricts comparison of funding sources with previous years' allocations.

43. Grants previously distributed and accounted for as funding separate from CSP are now part of the Revenue Support Grant and these include: Section 31 Business Rates grants, New Homes Bonus, Social Care Grant, Market Sustainability and Improvement Fund, Domestic Abuse Safe Accommodation Grant, Employer National Insurance Contributions Grant, War Pensions Disregard Grant, Deprivation of Liberty Safeguards Grant and Virtual Schools Head Grant.
44. The Public Health Ringfenced Grant remains a separate funding source and the value of grant in 2026/27 of £12.2 million (£10.8 million received in 2025/26) consolidates four separate grants into the total allocation, with additional ringfenced expenditure requirements in respect of smoking cessation (£0.4 million) and drugs and alcohol treatment and recovery services (£2.8 million).
45. The Children, Families and Youth grant consolidates five funding streams into a single consolidated grant including: Children's Social Care Prevention Grant, Families First Partnership programme funding, Holidays, Activities and Food (HAF) Grant, the Pupil Premium Plus Post-16 Grant and new funding for children's social care reform per the Spending Review announcement and Policy Statement.
46. Of these grants, the Holidays, Activities and Food (HAF) Grant, the Pupil Premium Plus Post-16 Grant are outside of Core Spending Power.

### **Business Rates Income**

47. 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 under the Business Rate Retention Scheme (BRRS). Business rates income collected by the council is accounted for separately from the council's revenue budget in the Collection Fund.
48. The Business Rates Retention Scheme has been reset as part of the Fair Funding Review. The resetting of Business Rates Baselines from 1 April 2026 aims to ensure funding is targeted where it is needed most; the balance between aligning funding with need and rewarding business rates growth.
49. The 2026 reset will be delivered alongside significant changes to the business rates tax system. New business rate multipliers will be introduced into the business rates system, with the introduction of additional business rates multipliers, and a revaluation of business rates will also be delivered.
50. The business rates reset has resulted in a reduced budget for business rates income of £31.5 million for 2026/27, comprising £30.1 million baseline funding level (assessed need) and £1.4 million surplus from 2025/26. This budget is significantly lower than the £47.6 million budgeted income in 2025/26 as a result of the system reforms as part of which £11.5 million has been rolled into the Revenue Support Grant for 2026/27, representing the above baseline growth in 2025/26 plus the compensation for under-indexing the multiplier in previous years.

### **Business Rates Pooling**

51. In 2023/24 the council joined the Herefordshire and Worcestershire Business Rates Pool; a voluntary arrangement between a group of local authorities 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.

52. In the financial years 2023/24 to 2025/26, the council received additional benefit totalling £2.1 million from the Business Rates Pool (£0.7 million in each of the three years 2023/24 to 2025/26).
53. Due to the full reset of the BRRS and changes to levy and safety net calculations, the Herefordshire & Worcestershire Business Rates Pool will not continue in 2026/27 and the council will no longer benefit from pooling gains. The council will continue to review pooling arrangements for 2027/28 to consider future options.

### **Enterprise Zone Business Rates Income**

54. 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.
55. 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.
56. 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 2026/27 revenue budget includes additional business rate income retained from the HEZ of £1.8 million.
57. In 2025/26, a programme of initiatives and activity to support growth in skills, business and tourism was agreed by Cabinet, funded by additional rates collected and retained from HEZ businesses in the council's Earmarked Reserves. This separate allocation of £1.4 million will support economic growth and development locally with expenditure planned in 2025/26 and 2026/27.

### **Other Funding Sources: Extended Producer Responsibility Grant**

58. The council will receive an allocation of £4.2 million in 2026/27 from the extended producer responsibility for packaging (pEPR) scheme, first 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.
59. This funding is un-ringfenced compensation to cover local authority existing costs of recycling and disposal of packaging. The council's allocation has been included in the Economy & Environment net directorate budget in 2026/27 to support relevant costs for waste and recycling services.
60. The November Policy Statement confirmed Government's commitment to supporting local authorities to deliver weekly food waste collections with ongoing funding to be allocated through the Spending Review and provided in the Settlement rather than as a separate new burdens grant.
61. This funding was not separately identifiable within the Settlement and, instead, is included in the overall Settlement Funding Assessment allocated to the council through the Fair Funding Review and the new funding formulae.

62. A review of the requirements and contract arrangements is currently underway and activity and associated expenditure will be monitored during 2026/27 with costs above budget to be funded from the waste reserve in the first year of delivery.

### Exceptional Financial Support (EFS)

63. In the financial year 2025/26, Government agreed to provide Exceptional Financial Support (EFS) to 30 councils to manage their financial pressures and budget gaps (19 in 2024/25, 8 in 2023/24 and 5 in 2022/23). Of these 30, 6 had previously issued a Section 114 Notice (often referred to as a bankruptcy notice).
64. Continuing pressures in costs and demand for services alongside changes in funding allocations mean that the sector is expecting a further increase in requests for support to manage financial pressures, with between 50 and 100 councils expected to apply for EFS to balance revenue budgets in 2026/27.
65. EFS is a form of temporary financial assistance to support a council to meet its financial obligations and continue to deliver essential services. The EFS framework allows councils to cover day-to-day running costs by borrowing or through the use of capital receipts generated from the sale of assets. Councils granted EFS may also be given dispensation to increase council tax rates above the referendum threshold without a local referendum.
66. The typical process for Government to assess requests for EFS is set out below:
- **Formal request:** A local authority approaches MHCLG (the Department) seeking EFS, typically via a capitalisation direction. The local authority provides the amount of capitalisation sought and the rationale behind why this is required.
  - **Assessment:** The request is considered by the Department and includes an assessment of whether the authority has taken **every possible step** at local level to minimise the need for support to be funded by national taxpayers.
  - **Agreement of 'in principle' support:** Subject to Ministerial decision, Ministers will write to the authority setting out that they are 'minded to' issue a capitalisation direction subject to certain conditions. These conditions typically include the authority being required to undergo an external assurance review.
  - **Confirmation and legal direction:** Confirmation of legal directions is required to enable an authority and the external auditor to close its financial accounts for that year. There is not a set time of year when directions must be formalised. Previously, subject to demonstration that the authority has progressed against the conditions set out in the 'in-principle' offer of support, directions have been formalised at the end, or just after the end of the financial year to which the capitalisation applies. When formal directions are issued, conditions are attached.

### Revenue Budget Proposals 2026/27

67. The base budget proposed for 2026/27 is summarised below. Directorate Savings Proposals are detailed at Appendix B and key revenue budget pressures, challenges and risks outlined in the individual Directorate Budget Position Statements at Appendix C.

	2025/26 Base Budget	Unfunded Pressures	Mitigations	Savings	2026/27 Proposed Budget
Detail	£'000	£'000	£'000	£'000	£'000
Community and Wellbeing	90,366	9,396	(2,720)	(7,375)	89,667
Children and Young People	58,873	3,545	(657)	(3,348)	58,413
Economy and Environment	40,992	7,303	(2,800)	(7,204)	38,291
Corporate Services	22,222	1,856	(53)	(1,529)	22,496
<b>Sub Total</b>	<b>212,453</b>	<b>22,100</b>	<b>(6,230)</b>	<b>(19,456)</b>	<b>208,867</b>
Central	19,055	7,196	(500)	(498)	25,253
<b>TOTALS</b>	<b>231,508</b>	<b>29,296</b>	<b>(6,730)</b>	<b>(19,954)</b>	<b>234,120</b>
<b>Funded by:</b>					
Council tax	146,451				153,657
Legacy Funding Assessment (LFA)	78,237				-
Settlement Funding Assessment (SFA)					
of which: Baseline Funding Level					30,149
of which: Revenue Support Grant					41,867
Business rates surplus income	-				1,400
Enterprise zone business rates income	1,282				1,750
Extended producer responsibility grant	3,538				-
Collection fund surplus	2,000				2,000
Business rates risk reserve funding	-				3,297
<b>TOTALS</b>	<b>231,508</b>				<b>234,120</b>

### Directorate Key Budget Pressures 2026/27

68. A summary of pressures of £29.3 million included in the draft revenue budget for 2026/27, by Directorate, is noted in the table below.

**Pay Award:** This pressure represents an impact of the estimated pay award for 2026/27 on staffing expenditure across each Directorate.

**Inflation:** This pressure represents the impact of inflation across contractual and non-contractual commitments in 2026/27. Inflation is estimated based on a variety of relevant inflation and price indices as well as contract specific rates.

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

Directorate	Pay Inflation	Net growth in demand/activity	TOTAL
	£'000	£'000	£'000
Community Wellbeing	447	8,949	9,396
Children & Young People	520	3,025	3,545
Economy & Environment	319	6,984	7,303
Corporate Services	216	1,640	1,856
Central Budgets	-	7,196	7,196
<b>TOTAL</b>	<b>1,502</b>	<b>27,794</b>	<b>29,296</b>

### Contract Inflation Fund

69. Inflation estimated at £7.1 million in contracts for expenditure on supplies, services and third-party payments for will not be allocated directly to services as an increase in Directorate base budgets in 2026/27.
70. Each Directorate has been set a target to manage inflationary pressures within Directorate budgets. A centrally managed Contract Inflation Fund will be established in 2026/27 to manage inflationary increases which cannot be managed within Directorate budgets, with amounts transferred to Directorates through existing expenditure control processes when evidence of need has been demonstrated.
71. The centrally managed fund will be established from Directorate Earmarked Reserve balances and balance sheet provision amounts which have been assessed as not committed for use or required to manage future expenditure.

<b>Reserve/provision</b>	<b>TOTAL £'000</b>
Budget resilience reserve	4,200
Additional pension costs reserve	547
Uncommitted Economy & Environment directorate reserves	506
Uncommitted Children & Young People directorate reserves	255
Uncommitted Balance Sheet provisions/sums	1,564
<b>TOTAL</b>	<b>7,072</b>

72. This measure recognises the inflationary pressures in 2026/27 and makes adequate provision to meet the expenditure requirements of each Directorate whilst strengthening financial controls to ensure increased challenge and transparency over contract expenditure. Inflation will only be awarded up to a maximum level, as previously estimated, and any efficiencies or reductions in inflation estimates realised will be retained in the Contract Inflation Fund to be carried forward for use in future years.

### Business Rates Risk Reserve Funding

73. The draft revenue budget assumes funding of £3.2 million from the Business Rates Risk Reserve. As reported in the council's Earmarked Reserves and General Balances Policy Statement 2025/26, this reserve is held to manage risks in the business rate regime including the impact of changes in the level of business rates income and uncertainty over appeals.
74. The audited reserve balance at 1 April 2025 was £13.3 million. It is proposed that this reserve is used in 2026/27 to mitigate the loss of funding to the council through the Fair Funding Review; this being the risk that the reserve was established to mitigate. Allocation of funding in 2026/27 will reduce the reserve balance by £3.2 million.
75. It is expected that further use of this reserve may be required over the multi-year Settlement period to manage continuing, further reductions in the council's allocation of funding from Central Government. The balance remaining in the reserve is considered appropriate to manage and mitigate future funding risks.

### Community Wellbeing

76. The Directorate faces continued challenge in 2026/27 as a result of increasing complexity of need and intensity of care support 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.

77. The budget requirement for 2026/27 reflects future cost pressures including increasing demand, acuity and complexity of care and price inflation including general inflation and the impact of wage increases on health and social care provider contracts.
78. The Directorate will continue to respond to these challenges in 2026/27 through control of costs to secure reductions across care contracts, managing demand through increased community engagement and review of care packages and increasing income, ensuring fair and timely charges and contributions for services. Savings proposals are detailed in the Community Wellbeing 2026/27 Directorate Budget Position Statement at Appendix C.
79. As part of the council's Future Financial Strategy, the council will work with external specialist partners in 2026/27 to identify, design and implement transformation activity that delivers sustainable, recurrent savings over the MTFS period.
80. This will be undertaken through diagnostic work in early 2026/27 moving to an implementation phase to support the delivery of identified opportunities. Diagnostic work will be informed by collection of detailed evidence and data to form the basis of an opportunities and transformation plan, including the complexities in addressing the key levers to effective change, and the gaps in data, technology, people and leadership to deliver required digital transformation.

### **Children & Young People**

81. The 2024/25 revenue budget included additional investment of £10.8 million for Children & Young People services to provide sufficient funding to meet the costs of service delivery. 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.

### **Children & Young People 3 Year Financial Plan (as at 2024/25 Budget Setting)**

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

82. In 2025/26 the original savings plans were refreshed to ensure that planned activity was aligned to future improvements and service priorities, recognising progress to date and extending the plan to a 4-year plan covering 2024/25 to 2027/28. The review identified realistic and achievable savings proposals of £3.9 million for 2025/26 resulting in total savings in Years 1 and 2 of £6.4 million (63% of the required savings per the original Financial Plan).
83. Savings proposed for 2026/27 of £3.9 million represent continued reductions in the number of agency social workers and agency hourly pay rates, management of high-cost placements and delivery of efficiencies through reshaping of services. These proposals are detailed in the Children & Young People 2026/27 Directorate Budget Position Statement at Appendix C.
84. The total of savings delivered and proposed for the Directorate over the original three-year plan period is £9.8 million. In addition to the delivery of savings, the Revenue Outturn Report presented to Cabinet in June 2025 confirms the Children & Young People Directorate delivered an underspend of £2.7 million against approved budget in 2024/25. This identifies that the

Directorate has delivered on its commitment to reduce the base budget requirement and return the investment originally approved by full Council in the 2024/25 Revenue Budget.

85. Savings requirements in future years in the Children & Young People Directorate will form part of the wider council savings proposals for 2027/28 and onwards, as the savings targets per the original 3 Year Financial Plan have been met.

#### Summary of savings delivered and proposed 2024/25 to 206/27

	<b>Total £'000</b>	<b>Total £'000</b>
Total 3 Year Financial Plan savings (approved 2024/25)		<b>10,166</b>
2024/25 Year 1 savings (delivered)	2,503	
2025/26 Year 2 savings (forecast)	3,929	
2026/27 Year 3 savings (proposed)	3,348	
<b>Total revised savings</b>	<b>9,780</b>	
2024/25 Revenue Outturn underspend	2,721	
<b>TOTAL return by Directorate</b>	<b>12,501</b>	

#### Dedicated Schools Grant (DSG)

86. 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 2028. This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts.
87. The Provisional Settlement published in December 2025 advised that, beyond the period of the statutory override, funding for Special Educational Needs and Disabilities (SEND) will be managed within the overall Central Government departmental expenditure limits (DEL) envelope such that local authorities would not be expected to fund future special educational needs costs from general funds.
88. In respect of DSG deficits which will continue to increase during the override period, the Settlement highlighted government's expectation that councils will continue to work to keep deficits as low as possible. Whilst it is not expected that the council will be required to meet the cumulative deficit at 31 March 2028, in full, from its own resources, confirmation of specific arrangements and conditions attached to future support have not yet been provided.
89. Government has confirmed that it will bring forward a full Schools White Paper early in the new year to set out financially sustainable plans for reform of SEND provision. The council awaits confirmation of adequate funding for SEND services in Herefordshire and a real solution to address the cumulative DSG deficit at the end of the statutory override period in March 2028 to minimise the impact on the council's financial position.
90. 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 £6.0 billion across English councils, projected to rise to £10.0 billion by 2026/27 and £14.0 billion by the end of the statutory override period.
91. Whilst future deficits would not accrue beyond the end of the statutory override period, the requirement to recognise historic, cumulative deficits of £14.0 billion across the sector is likely to result in many local authorities issuing Section 114 notices being unable to set a balanced revenue budget.



92. At 1 April 2025, the cumulative deficit brought forward was £20.0 million. The Q2 (September) 2025/26 forecast reports an overspend of £17.5 million within the High Needs block of the DSG; increasing the cumulative deficit to £37.5 million by 31 March 2026. A focused review to quantify the impact of emerging demand in 2026/27 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 2027.
93. This cumulative deficit has a further impact on the council's treasury position as general cash balances are used to meet the in-year costs of SEND provision not funded by Central Government. The depletion of cash balances forces the council to undertake increased external borrowing, incurring increased interest costs which create pressure in the annual revenue budget.
94. Measures to contain the deficit and mitigate future cost and demand pressures continue to be managed by the Service through the DSG Deficit Management Plan and the financial impact of agreed mitigations will be monitored and reported throughout the year as part of the council's routine budget monitoring processes.
95. Any deficit not funded through planned SEND reform and support from Central Government will have a significant impact on the council's overall financial position once the override period ends on 31 March 2028. 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.

### **Economy & Environment**

96. The Directorate will be sufficiently resourced to support growth in the economy in 2026/27 and delivery of major and capital projects. The Directorate will embed the new operating model for public realm services and continue to 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 Unitary Payments.
97. Savings proposed for 2026/27 of £7.2 million will be achieved by maximising commercial activity and returns from traded services to increase income, managing demand by increased engagement with communities and partners and delivering efficiencies by maximising the application of grant funding. These proposals are detailed in the Economy & Environment 2026/27 Directorate Budget Position Statement at Appendix C.

### **Home to School and SEND Transport**

98. There are significant pressures in the provision of mainstream home to school transport and SEND transport services nationally, being experienced in Herefordshire. Growth in Education, Health and Care Plans (EHCPs) for SEND students and increases in more costly travel such as individual taxis and passenger assistants, intensify the challenge of delivering services within approved budgets.
99. The Provisional Settlement notes that Government intends to set out plans to reform the SEND system in further detail early this year. Ahead of any substantive reform, the council must continue to 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.
100. An external review was commissioned by the Chief Executive in 2025/26 to identify efficiencies across the council's transport routes, reduce costs and introduce a new operating model for

transport services. The outcome of this review is expected to deliver savings of £0.5 million in 2025/26 and, as work continues, an additional savings target of £2.0 million is proposed in the 2026/27 draft revenue budget.

### **Corporate Services**

101. The budget requirement for 2026/27 reflects investment in the Corporate Services Directorate to support continued delivery of service improvements and transformation across the council; enabling the delivery of major and capital projects and providing high quality corporate services to support delivery of Council Plan priorities across Finance, Legal & Governance, HR & Organisational Development and Transformation teams.
102. The Corporate Services budget includes an allocation of £1,000 per Ward Member to allocate to community groups and projects within their Ward area in 2026/27 to align to the priorities of the Council Plan.
103. Transformation expenditure in the Corporate Services Directorate will be mitigated in 2026/27 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 2026/27 represents modest use of this flexibility by the council.

### **Central**

104. 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, the council's Treasury Management Strategy, routine cashflow monitoring and the external borrowing requirement.

### **Delivery of approved and brought forward savings in 2025/26**

105. Council approved a total of £19.5 million of savings in the 2024/25 revenue budget, comprising Directorate savings of £11.6 million and £7.9 million of Council-wide savings. In the year ended 31 March 2025, £10.9 million (56%) of the approved savings were delivered.
106. Savings not delivered recurrently in previous years have been carried forward into 2025/26 for continued monitoring of delivery. As set out in the 2024/25 Quarter 4 Outturn Report to Cabinet in June 2025, a focused review of the original proposals and planned activity has been undertaken during Quarter 1 and revised savings plans have been developed, where appropriate, to confirm activity to deliver savings in 2025/26.
107. The council has made significant progress in the delivery of approved savings for 2025/26 and savings brought forward from previous financial years as reported in the Quarter 2 Budget Report presented to Cabinet at the meeting held 20 November 2025. At Quarter 2 (September) 2025/26, 51% of total savings have been delivered, with a further 40% assessed as on target for delivery and the balance of 9% assessed to be at risk.

### **Proposed Directorate Savings 2026/27**

108. Total savings of £20.0 million are proposed in the 2026/27 budget. These savings include a range of proposals to:
  - Control costs of service delivery



- Increase income from fees and charges
- Manage demand for council services in high-cost, demand-led budgets
- Deliver efficiencies through review and transformation of services

Directorate	Control of costs £'000	Managing Demand £'000	Increasing Income £'000	Delivering Efficiencies £'000	TOTAL £'000
Community Wellbeing	4,100	455	1,620	1,200	7,375
Children & Young People	1,310	1,966	-	72	3,348
Economy & Environment	2,875	500	1,200	2,629	7,204
Corporate Services*	1,449	-	-	578	2,027
<b>TOTAL</b>	<b>9,734</b>	<b>2,921</b>	<b>2,820</b>	<b>4,479</b>	<b>19,954</b>

\*includes Central Budgets

109. Details of individual proposals and a description of planned activity for Directorate savings are included at Appendix B and in individual Directorate Budget Position Statements at Appendix C.
110. The process to identify savings for 2026/27 included a review of discretionary, preventative, enabling and mandatory services and the levels of service provision by reference to legislative and regulatory requirements. This review considered options to stop, reduce or identify alternative funding sources for non-mandatory services, opportunities for savings and efficiencies in services with cost pressures, and options to increase income generated from services where permitted.
111. Delivery of savings at a time of increasing demand and budget pressures remains a significant challenge for the council. 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 council's Future Financial Strategy, to ensure a financial stable and resilient council. This strategy is underpinned by robust financial management and continued expenditure controls, accuracy in forecasting and effective collaboration between service and finance teams.

## Community impact

112. 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.
113. 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

114. 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.

115. 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**

116. Equality Impact Assessments for the savings options and budget proposals will be made available as part of the 2026/27 Draft Revenue Budget Report appendices ahead of the meeting of Cabinet on 20 January 2026.

### **Resource implications**

117. 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.
118. 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.
119. 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.
120. For the 2024/25 financial year, the council was the first council in the country to receive an audit opinion on the financial statements and its value for money arrangements by 30 September 2025.
121. The Auditor's Annual Report for 2024/25 notes that there are no significant weaknesses in respect of arrangements for financial planning, alignment of financial plans to other operational planning and in identifying and managing risks to financial resilience. These arrangements, assessed by external audit, underpin the 2026/27 budget setting process to support the preparation of a realistic balanced budget.
122. The audit report highlights an improvement recommendation in respect of the achievement of savings in 2024/25. The council has made significant progress in the delivery of approved savings for 2025/26 and savings brought forward from previous financial years and this is noted in the Quarter 2 Budget Report presented to Cabinet 20 November 2025 and highlighted above in this report.
123. The audit report, and the timely unqualified opinion on the 2024/25 financial statements, provide 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**

124. 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.

125. 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).
126. 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.
127. 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.
128. Best estimates must 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.
129. 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.
130. 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.
131. 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.
132. 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**

133. 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.
134. The budget has been informed by the best available information; current spending, anticipated pressures and estimates in respect of the provisional 2026/27 funding settlement.

135. 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.
136. The council maintains a general fund reserve balance above the minimum requirement, earmarked reserves and an annual contingency budget to manage these risks.
137. 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.

<b>Key Financial Risk</b>	<b>Likelihood</b>	<b>Impact (Potential Severity)</b>	<b>Mitigating Action</b>
<b>Unexpected events and emergencies</b> 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 2025 was £10.1 million (4.4% of 2025/26 revenue budget). Additionally, national resources have historically been provided to support national issues.
<b>Not delivering required improvements</b> The council must address the statutory direction and improvements across Children's Services	Low	Medium	Improvements in Children's Services have been recognised with an overall 'Good' rating by Ofsted following the Inspection of Local Authority Children's Services (ILACS) that took place from 10 to 21 November 2021.  Phase 3 of the Herefordshire Children's Services and Partnership Improvement Plan was endorsed by Cabinet in July 2025. Performance against the Improvement Plan is monitored and reported on a quarterly basis.
<b>Increasing demand for Adult and Children's Social Care</b> 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 2026/27. 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.
<b>Potential overspend and non-delivery of savings required to balance the budget</b>	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.

<b>Volatility in Government funding streams</b> The government settlement for 2026/27 is a multi-year settlement; the assumed funding for the MTFS period is at levels per the Provisional Settlement.	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.  The MTFS will be updated to reflect the impact for the council of the multi-year Settlement and in-year funding allocations as further information is released.
<b>Interest and Inflation</b> 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 managed by reference to in-year approved budgets in line with the Treasury Management Strategy.
<b>Dedicated Schools Grant</b> The future cumulative deficit requires direct financial support from council core budgets if the period of statutory override is not extended beyond 31 March 2028.	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. Plans to reform funding arrangements and a future decision on the statutory override to manage the national deficit and minimise the impact on local authority financial positions are expected in early 2026.

## Budget Timetable

138. The high-level timetable to approval of the 2026/27 revenue budget by Council is set out below:

Date	Activity
20 January 2026	Draft 2026/27 revenue budget to Cabinet
23 January 2026	Meeting of Scrutiny Management Board to consider revenue budget for 2026/27
5 February 2026	Meeting of Cabinet to recommend 2026/27 revenue budget to Council
Early Feb	Final Local Government Finance Settlement
13 February 2026	Meeting of Council to approve 2026/27 revenue budget

## **Consultees**

139. 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.
140. Regular briefings to share information on the potential outcome of the fair funding review and its impact on the council's revenue budget and capital programme, have been delivered to Group Leaders, and their political groups, Scrutiny Committee Members and council employees throughout the 2026/27 budget development process.
141. In 2026/27, the council invited residents and stakeholders to consider funding choices and the impact of changes in income and expenditure on the delivery of services through an online budget consultation. Engagement also asked for feedback on priorities for the 2026/27 budget and council tax increase options. The consultation ran from 9 December 2025 to 4 January 2026.
142. The results of consultation activities will be included in the updated 2026/27 Budget Report for the meeting of Cabinet on 5 February 2026.
143. Scrutiny Management Board will be consulted with on 23 January 2026; any resulting recommendations will be considered by Cabinet ahead of its scheduled meeting on 5 February 2026.

## **Appendices**

Appendix A: Medium Term Financial Strategy  
Appendix B: Total Directorate Savings Proposals 2026/27  
Appendix C: Directorate Budget Position Statements  
Appendix D: Treasury Management Strategy

## **Background papers**

None identified.

# **Saving Proposals**

## **2026/27**

**Community Wellbeing  
Children & Young People  
Economy & Environment  
Corporate Services & Central Budgets**

Total Savings Proposals 2026/27: £19,954k

Directorate	Source of Saving Proposal				TOTAL
	Control of Costs £'000	Managing Demand £'000	Increasing Income £'000	Delivering Efficiencies £'000	2026/27 £'000
Community Wellbeing	4,100	455	1,620	1,200	7,375
Children & Young People	1,310	1,966	-	72	3,348
Economy & Environment (inc Transport)	2,875	500	1,200	2,629	7,204
Corporate Services & Central Budgets	1,449	-	-	578	2,027
TOTAL	9,734	2,921	2,820	4,479	19,954



## Community Wellbeing Directorate Savings Proposals 2026/27: £7,375k

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £4,100k</b>		
<b>C1</b>	<b>Partnership working:</b> increased and robust market engagement to secure cost savings, improved value for money and increased capacity	<b>2,500</b>
<b>C2</b>	<b>Voluntary &amp; Community Sector:</b> development of micro-provider market and Voluntary & Community Sector commissioning framework	<b>300</b>
<b>C3</b>	<b>Hoople Community Equipment:</b> remodelling of community equipment contract for delivery of goods and services to achieve increased value for money in 2026/27	<b>400</b>
<b>C4</b>	<b>Hoople Learning Disability Service:</b> remodelling of learning disability service using CareCubed to determine and model appropriate fees	<b>250</b>
<b>C5</b>	<b>Shaw Contract:</b> reset of the current contract (contract end date of 2033) to secure services at no additional cost to offset spot purchases	<b>250</b>
<b>C6</b>	<b>CareCubed:</b> application of benchmarking tool to support improved negotiations with providers and agree a fair cost of care	<b>400</b>
<b>INCREASE INCOME £1,620k</b>		
<b>I1</b>	<b>Review charging for self-funders:</b> to establish and promote an enhanced offer for residents in line with neighbouring authorities	<b>120</b>
<b>I2</b>	<b>Financial assessments:</b> review to ensure all assessments are conducted efficiently and fairly, enabling contributions to the council to be identified and collected in a timely manner	<b>1,000</b>
<b>I3</b>	<b>Fees and charges:</b> review of fees and charges across the directorate	<b>250</b>
<b>I4</b>	<b>Direct payment cap changes:</b> to align with other rates	<b>250</b>
<b>MANAGE DEMAND £455k</b>		
<b>D1</b>	<b>Front door:</b> improvements to self-referral portal including online forms and improved technology enabled communities (TEC) offer	<b>50</b>
<b>D2</b>	<b>Review of long-term cases:</b> to ensure right size packages of care	<b>405</b>
<b>DELIVER EFFICIENCIES £1,200k</b>		
<b>E1</b>	<b>Magic Notes:</b> implementation of software to support social worker assessments	<b>400</b>
<b>E2</b>	<b>Maximise existing Copilot functionality:</b> to support non-social work staff, enabling improved contract management and administration	<b>200</b>
<b>E3</b>	<b>Culture, Museum, Libraries reshape:</b> to deliver service efficiencies	<b>100</b>
<b>E4</b>	<b>Talk Community reshape:</b> to deliver service efficiencies	<b>250</b>
<b>E5</b>	<b>Vacancy management:</b> deletion of vacant posts across Directorate	<b>250</b>
		<b>7,375</b>

## Children & Young People Directorate Savings Proposals 2026/27: £3,348k

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £1,310k</b>		
<b>C1</b>	<b>Reduction in Social Worker Agency posts:</b> planned reduction based on requirements of current cohort	<b>800</b>
<b>C2</b>	<b>Early Help Service:</b> planned removal of Head of Service post (currently vacant) as part of locality model changes	<b>70</b>
<b>C3</b>	<b>SEND Staff:</b> removal of posts not currently filled to deliver savings in staffing costs	<b>123</b>
<b>C4</b>	<b>Agency Cap Recruitment:</b> reduction in existing agency hourly rates for social workers to move the service closer to CAP rates whilst retaining experienced social workers	<b>79</b>
<b>C5</b>	<b>Staffing review/vacancies:</b> reshaping of services to deliver net savings in staffing budgets	<b>238</b>
<b>MANAGE DEMAND £1,966k</b>		
<b>D1</b>	<b>Complex needs budget:</b> reduction to reflect decrease in complex needs placements in 2026/27 within the Section 75 budget (pooled funding arrangement across Health, Education and Social Care)	<b>1,265</b>
<b>D2</b>	<b>Unaccompanied Asylum-Seeking Children (UASC) budget:</b> reduction in average weekly placement costs for UASC supported lodgings placements	<b>235</b>
<b>D3</b>	<b>Supported Accommodation budget:</b> reduction in budget to reflect decrease in required placements for internal supported accommodation in 2026/27	<b>83</b>
<b>D4</b>	<b>Independent Foster Agency budget:</b> reduction in budget to reflect movement of current cohort turning 18 in 2026/27 who will move to internal/external supported accommodation	<b>383</b>
<b>DELIVER EFFICIENCIES £72k</b>		
<b>E1</b>	<b>Safeguarding Board:</b> Reduction in business unit costs as agreed by the partnership with each partner receiving benefit from this efficiency proposal	<b>72</b>

## Economy & Environment Directorate Savings Proposals 2026/27: £7,204k

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £2,875k</b>		
<b>C1</b>	<b>SEN and Home to School transport:</b> review of contract prices to secure reductions in taxi journey costs, increased partnership working with schools to explore shared transport options, development of in-house delivery model to provide a council managed service for routes transporting 1-4 passengers	<b>2,000</b>
<b>C2</b>	<b>Service budget reductions:</b> 5% reduction in controllable spend across directorate budgets	<b>500</b>
<b>C3</b>	<b>Public Realm contract:</b> LEAN efficiencies in services delivered through public realm contract	<b>375</b>
<b>INCREASE INCOME £1,200k</b>		
<b>I1</b>	<b>Car-parking:</b> income arising from increased activity from existing sources	<b>900</b>
<b>I2</b>	<b>Inflationary uplifts:</b> to increase income from fees and charges across the directorate	<b>200</b>
<b>I3</b>	<b>Income generation:</b> additional income from S278 (Highways Act) developer fees and fees and commuted sums from developers from S38 agreements under the Highways Act 1980	<b>100</b>
<b>MANAGE DEMAND £500k</b>		
<b>D1</b>	<b>Subsidised public transport:</b> review of public transport subsidised routes to reflect demand and usage of current routes	<b>500</b>
<b>DELIVER EFFICIENCIES £2,629k</b>		
<b>E1</b>	<b>Vacancy management:</b> deletion of vacant posts across Directorate	<b>500</b>
<b>E2</b>	<b>Grant utilisation:</b> additional utilisation of the Local Transport grant (LTG)	<b>50</b>
<b>E3</b>	<b>Reallocation of directorate reserves:</b> to maintain expenditure for Public Rights of Way (£250k), Drainage (£445k) and Lengthsman Scheme (£250k) added to base budget in 2024/25 on receipt of additional funding at Final Local Government Settlement	<b>945</b>
<b>E4</b>	<b>Waste stock:</b> reduction in levels held of household waste collection stock	<b>60</b>
<b>E5</b>	<b>Energy costs:</b> reduction in energy budget resulting from efficient usage and lower kw prices	<b>80</b>
<b>E6</b>	<b>Grant utilisation:</b> review of application of the Public Health Ringfenced Grant (PHRG) against eligible directorate expenditure	<b>294</b>
<b>E7</b>	<b>Grant utilisation:</b> utilisation of Bus Services Improvement grant (BSIP) on Public Subsidised Routes	<b>500</b>
<b>E8</b>	<b>Transfer:</b> transfer of toilet facilities to parish council	<b>200</b>

## Corporate Services Directorate Savings Proposals 2026/27: £2,027k

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £1,449k</b>		
<b>C1</b>	<b>Revenue cost reduction:</b> capitalisation of Finance Team costs for staff activity supporting delivery of capital projects	<b>75</b>
<b>C2</b>	<b>Revenue cost reduction:</b> capitalisation of Legal Service costs for staff activity supporting delivery of capital projects	<b>150</b>
<b>C3</b>	<b>Staffing costs reduction:</b> reduced staffing costs in ICT/Transformation budgets following removal of Director of Transformation & Strategy post and reallocation of budget to Chief Digital & Information Officer post	<b>96</b>
<b>C4</b>	<b>Revenue cost reduction:</b> application of capital receipts to fund eligible transformation expenditure permitted via Flexible Capital Receipts permissions	<b>600</b>
<b>C5</b>	<b>Revenue cost reduction:</b> reduction in employers' deficit pension contributions linked to actuarial valuation	<b>498</b>
<b>C6</b>	<b>HR &amp; OD Services:</b> review to deliver service efficiencies	<b>30</b>
<b>DELIVERING EFFICIENCIES £578k</b>		
<b>E1</b>	<b>Corporate Performance &amp; Intelligence Service review and reshape:</b> to deliver service efficiencies	<b>200</b>
<b>E2</b>	<b>Communications review and reshape:</b> to deliver service efficiencies	<b>198</b>
<b>E3</b>	<b>Vacancy management:</b> review of service delivery and deletion of vacant posts in Legal Services	<b>180</b>

# **Community Wellbeing Directorate**

**2026/27**

## **Budget Position Statement**

Key pressures, challenges and savings proposals for 2026/27

# Community Wellbeing Directorate

## Key Revenue Budget Pressures

- Increasing complexity of need and intensity of care support for adult social care provision
- Demographic changes with the county’s ageing population living longer in ill health
- Increasing demand for temporary accommodation
- Impact of high hospital occupancy rates
- Increases in the number of individuals unable to fund their own care linked to inflation and rises in the cost of living
- Market conditions including care provider fee uplifts and care worker’s pay

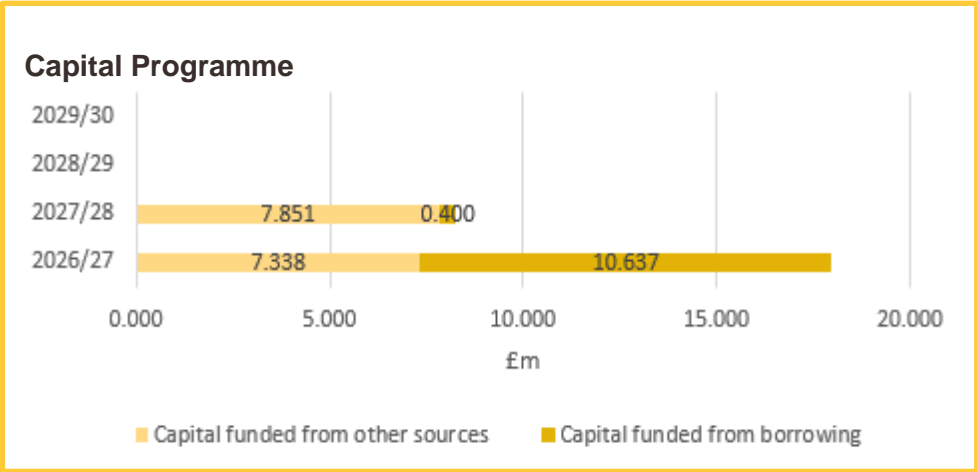
## Key Savings Proposals

- Control of costs to secure reductions across care contracts
- Increasing income, ensuring fair and timely charges and contributions for services
- Managing demand through increased community engagement and review of care packages
- Delivering efficiencies through increased use of technology and reshaping of services

## Key Capital Projects

- Hereford Museum & Art Gallery
- Hereford Library & Learning Centre
- Strategic Housing Acquisition Fund
- Disabled Facilities Grant

Revenue Budget	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Opening budget	90,366			
Pressures:				
Demographic growth	8,242			
Inflation	447			
Other pressures	(2,013)			
Savings				
Cost control	(4,100)			
Increasing income	(1,620)			
Managing demand	(455)			
Delivering efficiencies	(1,200)			
Closing budget	89,667			



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# Community Wellbeing Directorate

## Strategic Priorities

The council's priority is to protect and improve the lives of vulnerable people and to enable residents to live healthy lives within supportive communities. The Community Wellbeing directorate aims to support individuals to live as independently and healthily as possible through investment in prevention, early intervention and the use of technology and to encourage communities to help each other through a network of community hubs.

The directorate mission is to enable diverse, inclusive, vibrant, connected communities where people feel safe, keep well and look out for each other.

## Key Services

- Social care provision and support services for:
  - Older people
  - Adults with learning disabilities
  - Adults with physical disabilities
  - Adults living with mental health illnesses
  - Family carers
- Working with the Voluntary & Community sector to support residents and communities across the county.
- Safeguarding services for vulnerable adults.
- Working with NHS partners to deliver integrated services.
- Housing provision including homelessness outreach
- Talk Community operations including library services, museums, archives and information.
- Advice and guidance for the residents of Herefordshire through the Talk Community Directory.

## Key Challenges and Risks to Service Delivery

- Demography: Herefordshire has a higher proportion of residents aged 65 and over, at 27% compared with 19% across England and Wales, and 57% aged 16 to 64, compared with 63% nationally.
- The ageing population leads to increased demand for complex and high-acuity care and support services.
- Providing the right care, to the right people, at the right time and in the right place, is a key challenge. Our transport connectivity issues also have a disproportionate impact on an ageing population living in the rural areas who find it difficult to access services.
- Health inequalities are evident across the county with improvements needed in areas such as dental health, mental wellbeing, diet and inactivity.
- Increasing costs for care contracts, additionality of costs to deliver services to a sparsely populated, rural population result in financial pressures to the Community Wellbeing budget.
- Increased demand for temporary accommodation. A shortage of affordable homes in Herefordshire and increasing demand for temporary accommodation means the council is reliant upon costly bed & breakfast/hotel accommodation to supplement existing supply.

# Community Wellbeing Directorate

## Appendices

Appendix A: Revenue Budget by Service  
Appendix B: Revenue Budget Movements  
Appendix C: 2026/27 Savings Proposals  
Appendix D: Capital Projects



Appendix A: Revenue Budget by Service

Service Description	Net Budget 2025/26 £'000	Gross Budget 2026/27 £'000	Income £'000	Earmarked Reserves £'000	Net Budget 2026/27 £'000	Net Budget 2027/28 £'000	Net Budget 2028/29 £'000	Net Budget 2029/30 £'000
Director and Community Services	2,891	3,308	(521)	(3)	2,784			
Better Care Fund	(13,692)	-	(16,252)	-	(16,252)			
Adult Social Care and Housing	82,015	115,481	(29,834)	(322)	85,325			
All Ages Commissioning	18,220	18,326	(1,467)	-	16,859			
Public Health	932	11,828	(10,718)	(159)	951			
Total	90,366	148,943	(58,792)	(484)	89,667	-	-	-

Appendix B: Revenue Budget Movements

Title	Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Physical Support clients	2025/26 growth	4,747			
Physical Support clients	2026/27 growth	1,016			
Learning Disabilities clients	2025/26 and 2026/27 growth	1,661			
Memory & Cognition clients	2025/26 and 2026/27 growth	620			
Transitions from Children and Young People	Growth in clients	337			
Mental Health clients	2025/26 and 2026/27 reduction	(139)			
Consolidated grants	RSG Settlement	544			
Improved Better Care Fund	Additional grant	(1,585)			
Better Care Fund	Additional grant	(996)			
Pay Inflation	Estimated pay award	447			
Miscellaneous	Various	24			
Total		6,676	-	-	-

## Appendix C: 2026/27 Savings Proposals £7,375k

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £4,100k</b>		
<b>C1</b>	<b>Partnership working:</b> increased and robust market engagement to secure cost savings, improved value for money and increased capacity	<b>2,500</b>
<b>C2</b>	<b>Voluntary &amp; Community Sector:</b> development of micro-provider market and Voluntary & Community Sector commissioning framework	<b>300</b>
<b>C3</b>	<b>Hoople Community Equipment:</b> remodelling of community equipment contract for delivery of goods and services to achieve increased value for money in 2026/27	<b>400</b>
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<b>C5</b>	<b>Shaw Contract:</b> reset of the current contract (contract end date of 2033) to secure services at no additional cost to offset spot purchases	<b>250</b>
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<b>INCREASE INCOME £1,620k</b>		
<b>I1</b>	<b>Review charging for self-funders:</b> to establish and promote an enhanced offer for residents in line with neighbouring authorities	<b>120</b>
<b>I2</b>	<b>Financial assessments:</b> review to ensure all assessments are conducted efficiently and fairly, enabling contributions to the council to be identified and collected in a timely manner	<b>1,000</b>
<b>I3</b>	<b>Fees and charges:</b> review of fees and charges across the directorate	<b>250</b>
<b>I4</b>	<b>Direct payment cap changes:</b> to align with other rates	<b>250</b>
<b>MANAGE DEMAND £455k</b>		
<b>D1</b>	<b>Front door:</b> improvements to self-referral portal including online forms and improved technology enabled communities (TEC) offer	<b>50</b>
<b>D2</b>	<b>Review of long-term cases:</b> to ensure right size packages of care	<b>405</b>
<b>DELIVER EFFICIENCIES £1,200k</b>		
<b>E1</b>	<b>Magic Notes:</b> implementation of software to support social worker assessments	<b>400</b>
<b>E2</b>	<b>Maximise existing Copilot functionality:</b> to support non-social work staff, enabling improved contract management and administration	<b>200</b>
<b>E3</b>	<b>Culture, Museum, Libraries reshape:</b> to deliver service efficiencies	<b>100</b>
<b>E4</b>	<b>Talk Community reshape:</b> to deliver service efficiencies	<b>250</b>
<b>E5</b>	<b>Vacancy management:</b> deletion of vacant posts across Directorate	<b>250</b>
		<b>7,375</b>

Appendix D: Capital Projects 2026/27 to 2029/30

Project	2026/27		2027/28		2028/29		2029/30	
	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000
Disabled Facilities Grant	2,200	-	2,200	-	-	-	-	-
Empty Property Investment & Development	286	286	-	-	-	-	-	-
Acquisition Fund for Housing Provision	2,300	2,300	-	-	-	-	-	-
Merton Meadow - Brownfield Land Release Fund*	-	-	-	-	-	-	-	-
Swimming Pool Support Fund*	-	-	-	-	-	-	-	-
Libraries Improvement Fund*	-	-	-	-	-	-	-	-
Hereford Museum & Art Gallery Redevelopment	10,525	8,051	5,581	400	-	-	-	-
Library & Learning Centre relocation to Shirehall	2,064	-	450	-	-	-	-	-
Community Capital Grants Scheme	600	-	20	-	-	-	-	-
Total	17,975	10,637	8,251	400	-	-	-	-

\*Spend in prior years



# **Children & Young People Directorate**

**2026/27**

## **Budget Position Statement**

Key pressures, challenges and savings proposals for 2026/27

# Children & Young People Directorate

## Key Revenue Budget Pressures

- Rising demand and increasing costs to support and protect children and young people in care as a result of increasing complexity of need and risk and limited market sufficiency.
- Increasing demand and costs to support children with Special Educational Needs and Disabilities (SEND) required to fulfil statutory responsibilities to provide education provision that meets need.
- Increased demand and costs associated with school transport costs for children with Education, Health and Care Plans and SEND.
- The impact of the Dedicated Schools Grant (DSG) High Needs Block overspend on the council's cash and borrowing position.

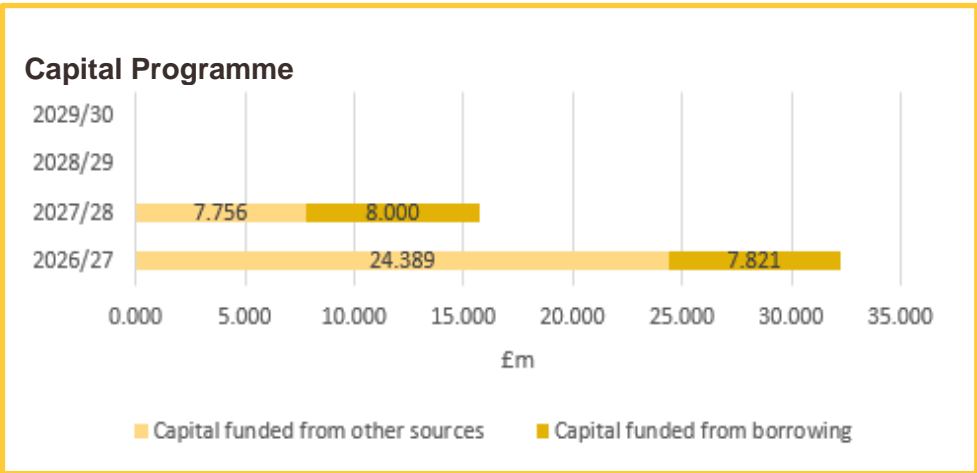
## Key Savings Proposals

- Continued reduction in both the number of agency social workers and agency hourly pay rates to minimise pressure on staffing budgets.
- Managing expenditure of high-cost residential and complex needs placements through continued management oversight, review and challenge of outcomes for children.
- Delivering efficiencies through reshaping of services to promote Family Help reducing the need for specialist care and protection.

## Key Capital Projects

- Peterchurch Area School Investment
- School Improvement Works to Brookfields School and Aylestone School
- Relocation of Herefordshire Pupil Referral Units
- Establishment of new Alternative Provision centre

Revenue Budget	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Opening budget	58,873			
Pressures:				
Demographic growth	2,047			
Inflation	520			
Other pressures	321			
Savings				
Cost control	(1,310)			
Increasing income	-			
Managing demand	(1,966)			
Delivering efficiencies	(72)			
Closing budget	58,413			



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# Children & Young People Directorate

## Strategic Priorities

The council's priority is to support children and young people to thrive and achieve their potential, to ensure that all children have the best start in life.

The Children and Young People Partnership (CYPP) and Families First delivery programme are coordinated to promote Family Help; supporting parents and the wider family network to provide safe, nurturing care to their children in the first instance, reducing risk and preventing the need for care.

Using a resorptive approach the directorate continues to recognise the importance of working with children, young people and their families and the essential role of the wider partnership in meeting the vision as set out by the Families First Welfare reforms and our own CYPP plan.

## Key Services

- Early help and family support services including advice, guidance and training programmes to families and professionals.
- Children's social care services to children and young in need of Support, care and protection, including children who are care-experienced and those at risk of exploitation.
- Children with disabilities services providing early help, support and protection to those with complex needs.
- Adoption and fostering services providing safe, nurturing care.
- School place sufficiency, school admissions and attendance.
- Support and guidance to schools and education providers to promote high-quality education places for children in Herefordshire.
- Early years provisions support, guidance and quality assurance.
- Special educational needs and disabilities (SEND).
- Education support for vulnerable groups of children including those who are home educated and missing from education, and children who are looked after.

- Increasing care and support provider costs, and the impact of growing demand on the sufficiency of placements and provision, lead to financial pressures across the Children & Young People directorate budget.
- The annual and cumulative Dedicated Schools Grant (DSG) deficit position represents a significant financial pressure for the council over the medium-term period, in line with the national trend.
- National and local increases in Education, Health and Care Plans (EHCPs), driven by complex needs including autism and speech and language issues, leading to increased demand for individualised specialist placements, result in both cost and workforce pressures for the directorate with a corresponding impact on Special Educational Needs (SEN) and Home to School Transport budgets.
- The recruitment and retention of social workers represent a challenge to both service delivery and staffing budgets. The directorate continues to manage workforce pressures with a focus on permanent recruitment retention.
- Challenges in the recruitment of in-house, local foster carers, including for sibling groups and children with disabilities and complex and additional needs. A lack of capacity means the council is increasingly reliant on higher-cost provision from the independent market.

## Key Challenges and Risks to Service Delivery

# Children & Young People Directorate

## Appendices

Appendix A: Revenue Budget by Service  
Appendix B: Revenue Budget Movements  
Appendix C: 2026/27 Savings Proposals  
Appendix D: Capital Projects



Appendix A: Revenue Budget by Service

Service Description	Net Budget 2025/26 £'000	Gross Budget 2026/27 £'000	Income £'000	Earmarked Reserves £'000	Net Budget 2026/27 £'000	Net Budget 2027/28 £'000	Net Budget 2028/29 £'000	Net Budget 2029/30 £'000
Central Children's Directorate	1,845	4,509	(1,501)	-	3,008			
Education Skills and Learning	4,045	7,875	(3,043)	(471)	4,361			
Corporate Parenting	41,975	44,301	(4,744)	-	39,557			
Safeguarding and Family Support	11,008	11,488	-	-	11,488			
Total	58,873	68,173	(9,288)	(471)	58,413			

Appendix B: Revenue Budget Movements

Title	Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Earmarked reserve funding	Social Resilience reserve	1,442			
Consolidated grants	RSG Settlement	722			
Pay Inflation	Estimated pay award	520			
Movement in Pay estimates	Various	329			
DSG Budget	Change in recharge	318			
Supported Accommodation	Increased support	169			
Out of County Foster Carers	Council tax support	46			
Earmarked reserve funding	Movement in year of funding	(157)			
Whitecross PFI	Increased income	(227)			
Miscellaneous	Various	(273)			
Total		2,889			

## Appendix C: 2026/27 Savings Proposals £3,348k

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £1,310k</b>		
<b>C1</b>	<b>Reduction in Social Worker Agency posts:</b> planned reduction based on requirements of current cohort	<b>800</b>
<b>C2</b>	<b>Early Help Service:</b> planned removal of Head of Service post (currently vacant) as part of locality model changes	<b>70</b>
<b>C3</b>	<b>SEND Staff:</b> removal of posts not currently filled to deliver savings in staffing costs	<b>123</b>
<b>C4</b>	<b>Agency Cap Recruitment:</b> reduction in existing agency hourly rates for social workers to move the service closer to CAP rates whilst retaining experienced social workers	<b>79</b>
<b>C5</b>	<b>Staffing review/vacancies:</b> reshaping of services to deliver net savings in staffing budgets	<b>238</b>
<b>MANAGE DEMAND £1,966k</b>		
<b>D1</b>	<b>Complex needs budget:</b> reduction to reflect decrease in complex needs placements in 2026/27 within the Section 75 budget (pooled funding arrangement across Health, Education and Social Care)	<b>1,265</b>
<b>D2</b>	<b>Unaccompanied Asylum-Seeking Children (UASC) budget:</b> reduction in average weekly placement costs for UASC supported lodgings placements	<b>235</b>
<b>D3</b>	<b>Supported Accommodation budget:</b> reduction in budget to reflect decrease in required placements for internal supported accommodation in 2026/27	<b>83</b>
<b>D4</b>	<b>Independent Foster Agency budget:</b> reduction in budget to reflect movement of current cohort turning 18 in 2026/27 who will move to internal/external supported accommodation	<b>383</b>
<b>DELIVER EFFICIENCIES £72k</b>		
<b>E1</b>	<b>Safeguarding Board:</b> Reduction in business unit costs as agreed by the partnership with each partner receiving benefit from this efficiency proposal	<b>72</b>
		<b>3,348</b>

Appendix D: Capital Projects 2026/27 to 2029/30

Project	2026/27		2027/28		2028/29		2029/30	
	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000
Schools' Capital Maintenance Grant	2,770	-	1,200	-	-	-	-	-
Aylestone School Improvement Works	1,790	-	1,000	1,000	-	-	-	-
Peterchurch Area School Investment	3,377	3,377	-	-	-	-	-	-
Brookfield School Improvements*	-	-	-	-	-	-	-	-
High Needs Grant	6,784	-	-	-	-	-	-	-
Basic Needs Funding	11,810	251	5,006	-	-	-	-	-
Relocation of Herefordshire Pupil Referral Units	1,500	1,500	3,500	3,500	-	-	-	-
New Alternative Provision Centre	1,500	1,500	3,500	3,500	-	-	-	-
Childcare Expansion Capital Grant 2023/24	130	-	-	-	-	-	-	-
School Accessibility Works	1,193	1,193	-	-	-	-	-	-
Children's Residential Homes for 11 to 18 year olds*	-	-	-	-	-	-	-	-
Residential overnight short breaks refurbishment	60	-	-	-	-	-	-	-
Children & Families S106	1,297	-	1,550	-	-	-	-	-
Total	32,211	7,821	15,756	8,000	-	-	-	-

\*Spend in prior years



# **Economy & Environment Directorate**

**2026/27**

## **Budget Position Statement**

Key pressures, challenges and savings proposals for 2026/27

# Economy & Environment Directorate

## Key Revenue Budget Pressures

- Demographic changes driving increased tonnage and additional costs in waste collection and disposal services
- Increasing demand and costs of home to school transport service provision and subsidised public transport routes
- Achievement of development planning income targets linked to planning reform and conditions in the county
- Reduced occupancy resulting in reduced Commercial Services rental income
- Climate change and severe weather events which result in flooding, road defects and impact on seasonal gritting services

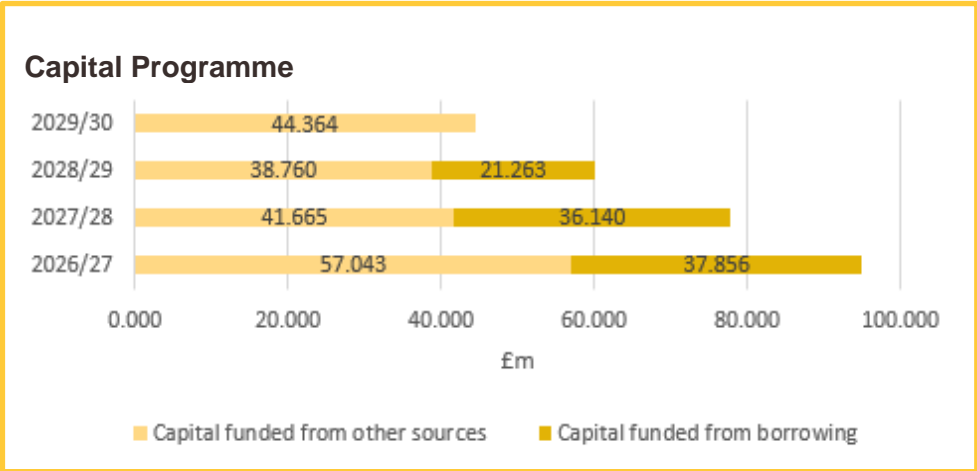
## Key Savings Proposals

- Control of costs to secure reductions and efficiencies across service budgets
- Increasing income, to maximise commercial activity and return in traded services
- Managing demand through increased community engagement and partnership working
- Delivering efficiencies through grant utilisation and reallocation and review of directorate staffing vacancies

## Key Capital Projects

- Resurfacing Herefordshire Highways
- Hereford Western Bypass Phase 1
- Strategic/Emergency Housing Capital Projects
- Historic Building Fund
- Estates Building Improvement Programmes
- Levelling Up Fund (LUF) Projects

Revenue Budget	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Opening budget	40,992			
Pressures:				
Demographic growth	6,984			
Inflation	319			
Other pressures	(2,800)			
Savings				
Cost control	(2,875)			
Increasing income	(1,200)			
Managing demand	(500)			
Delivering efficiencies	(2,629)			
Closing budget	38,291			



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# Economy & Environment Directorate

## Strategic Priorities

The council's priority is to create the conditions to deliver sustainable growth across the county and to protect and enhance our environment and ensure that Herefordshire is a great place to live.

The Economy & Environment directorate aims to develop Herefordshire as a place for growth and prosperity where communities thrive; by expanding infrastructure, improving connectivity, increasing opportunities for housing, inward investment and supporting residents to access skills development, training and employment opportunities.

The directorate mission is to support Herefordshire's vision for a sustainable and successful future: as a vibrant, healthy, zero carbon and inclusive place to live, work, study and visit at all stages in life.

## Key Services

- Highways and transport services: including public and home to school transport, flood response, street cleansing, parks and highways maintenance.
- Technical services: including building control, parking, CCTV, property services, bereavements, registrations, coroners and markets, fairs and street trading.
- Regulatory, environment and waste services: including planning and regulatory services (environmental health, trading standards and licensing, school attendance and absence), waste collection and disposal services, climate and sustainability activities.
- Enabling housing development and growth.
- Economic development programme prioritising conditions for economic growth, business support, advice and guidance, development of skills and inward investment.
- Infrastructure delivery: including flood alleviation, cycling, walking and highway improvements and schemes.

## Key Challenges and Risks to Service Delivery

- The number of homeless households is increasing in Herefordshire; driven by increased eviction notices, lack of appropriate private rental accommodation and lack of affordable housing. Whilst responding to this need is a key priority for the council, future mandatory targets for housing growth will place pressure on existing infrastructure and resident services.
- Herefordshire has the lowest county tier productivity (Gross Value Added per hour) in England and the second lowest in the UK, with averages wages 13% below the national average, which affects quality of life, health and living standards.
- With the fourth lowest population density in England, the residents of Herefordshire are unevenly distributed over a large area and this, alongside poor transport connectivity, represents challenges for inward investment, travel, productivity and economic growth.
- Continued investment to improve and maintain the condition and resilience of the road infrastructure across the county is essential.
- The costs of providing home to school transport services has significantly increased; attributable to both increases in the number of children and young people becoming eligible for this service, including those with complex needs who require specialist transport and economic factors including inflation, wage costs and fuel prices.
- Responding to flood and severe weather events which cause disruption across the county represents a continuing challenge for the council; requiring partnership working and engagement to strengthen community resilience and improve support for residents.
- Regulatory and legislative changes, including proposed reforms and changes to the National Planning Policy Framework, will have an impact on the delivery of key services in the Economy & Environment directorate.
- Coordination of elements required to deliver growth across Herefordshire including economic growth, housing, transport and infrastructure requires collaboration across a variety of stakeholders and local partners.

# Economy & Environment Directorate

## Appendices

Appendix A: Revenue Budget by Service  
Appendix B: Revenue Budget Movements  
Appendix C: 2026/27 Savings Proposals  
Appendix D: Capital Projects



Appendix A: Revenue Budget by Service

Service Description	Net Budget 2025/26 £'000	Gross Budget 2026/27 £'000	Income £'000	Earmarked Reserves £'000	Net Budget 2026/27 £'000	Net Budget 2027/28 £'000	Net Budget 2028/29 £'000	Net Budget 2029/30 £'000
Directorate Management	141	808	-	(137)	671			
Resident Services: Highways, Environmental & Waste	23,063	45,474	(19,116)	(6,701)	19,657			
Commercial Services	3,309	8,514	(5,848)	-	2,666			
Economy and Growth	1,679	5,906	(3,516)	(988)	1,402			
Resident Services: Regulatory and Technical	60	4,015	(4,215)	(15)	(215)			
Sub-total	28,252	64,717	(32,695)	(7,841)	24,181	-	-	-
Resident Services: SEN and HTST Transport	12,735	15,798	(1,688)	-	14,110			
Total	40,987	80,515	(34,383)	(7,841)	38,291	-	-	-

## Appendix B: Revenue Budget Movements

Title	Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Waste Reserve - new Waste Collection contract	Withdrawn 2025/26 one-off reserve funding	2,014			
Phosphate Reserve	Withdrawn 2025/26 one-off reserve funding	500			
Extended Producer Responsibility (EPR) grant	New grant allocated to Directorate	(4,200)			
New weekly soft plastics collection	Funded from EPR grant	800			
Contribution to Waste Reserve	Funded from EPR grant	600			
New weekly food waste collection service	New service to commence in 2026/27	2,607			
Waste Reserve - new Food Collection service	One-off reserve funding in 2026/27	(2,607)			
New weekly food waste collection service	New service to commence in 2026/27	809			
Waste Reserve - new Food Collection service	Reserve funding will off-set subscription fees	(809)			
SEN transport - increase in students and costs	2025/26 growth and projected 2026/27 growth	2,736			
Public transport subsidised routes	Additional retendered contracts commissioned	751			
HTST transport - increase in students and costs	2025/26 growth and projected 2026/27 growth	491			
Pay Inflation	Estimated pay award	319			
HTST - Extended Rights for Free Transport grant	Grant withdrawn	196			
Flood Risk Management	New service - establishment costs	107			
Transportation ICT	Flexi-route replacement software	77			
Movement in Pay estimates	Various	40			
Miscellaneous	Various	72			
<b>Total</b>		<b>4,503</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Appendix C: 2026/27 Savings Proposals £7,204k

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £2,875k</b>		
<b>C1</b>	<b>SEN and Home to School transport:</b> review of contract prices to secure reductions in taxi journey costs, increased partnership working with schools to explore shared transport options, development of in-house delivery model to provide a council managed service for routes transporting 1-4 passengers	<b>2,000</b>
<b>C2</b>	<b>Service budget reductions:</b> 5% reduction in controllable spend across directorate budgets	<b>500</b>
<b>C3</b>	<b>Public Realm contract:</b> LEAN efficiencies in services delivered through public realm contract	<b>375</b>
<b>INCREASE INCOME £1,200k</b>		
<b>I1</b>	<b>Car-parking:</b> income arising from increased activity from existing sources	<b>900</b>
<b>I2</b>	<b>Inflationary uplifts:</b> to increase income from fees and charges across the directorate	<b>200</b>
<b>I3</b>	<b>Income generation:</b> additional income from S278 (Highways Act) developer fees and fees and commuted sums from developers from S38 agreements under the Highways Act 1980	<b>100</b>
<b>MANAGE DEMAND £500k</b>		
<b>D1</b>	<b>Subsidised public transport:</b> review of public transport subsidised routes to reflect demand and usage of current routes	<b>500</b>
<b>DELIVER EFFICIENCIES £2,629k</b>		
<b>E1</b>	<b>Vacancy management:</b> deletion of vacant posts across Directorate	<b>500</b>
<b>E2</b>	<b>Grant utilisation:</b> additional utilisation of the Local Transport grant (LTG)	<b>50</b>
<b>E3</b>	<b>Reallocation of directorate reserves:</b> to maintain expenditure for Public Rights of Way (£250k), Drainage (£445k) and Lengthsman Scheme (£250k) added to base budget in 2024/25 on receipt of additional funding at Final Local Government Settlement	<b>945</b>
<b>E4</b>	<b>Waste stock:</b> reduction in levels held of household waste collection stock	<b>60</b>
<b>E5</b>	<b>Energy costs:</b> reduction in energy budget resulting from efficient usage and lower kw prices	<b>80</b>
<b>E6</b>	<b>Grant utilisation:</b> review of application of the Public Health Ringfenced Grant (PHRG) against eligible directorate expenditure	<b>294</b>
<b>E7</b>	<b>Grant utilisation:</b> utilisation of Bus Services Improvement grant (BSIP) on Public Subsidised Routes	<b>500</b>
<b>E8</b>	<b>Transfer:</b> transfer of toilet facilities to parish councils	<b>200</b>
		<b>7,204</b>

## Appendix D: Capital Projects 2026/27 to 2029/30

Project	2026/27		2027/28		2028/29		2029/30	
	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000
Highway Maintenance Block DfT (previously LTP)	23,967	-	27,449	-	29,695	-	33,948	-
Resurfacing Herefordshire Highways	5,000	5,000	-	-	-	-	-	-
Highways Infrastructure Investment	6,385	6,385	-	-	-	-	-	-
Public Realm Improvements for Ash Die Back	482	482	118	118	-	-	-	-
E & E's S106	4,207	-	2,429	-	-	-	-	-
Play Area Investment	750	750	-	-	-	-	-	-
Public Realm Services Fleet	1,322	1,322	-	-	218	218	-	-
Public Realm Mobilisation	450	450	-	-	-	-	-	-
Public Rights of Way	1,000	619	-	-	-	-	-	-
Traffic Signal Obsolescence Grant and Green Light Fund*	-	-	-	-	-	-	-	-
Hereford City Centre Transport Package	3,029	774	-	-	-	-	-	-
Hereford ATMs and Super Cycle Highway	1,000	1,000	-	-	-	-	-	-
Active Travel Fund 4*	-	-	-	-	-	-	-	-
Active Travel Fund 5	99	-	-	-	-	-	-	-
Consolidated Active Travel Fund	499	-	234	-	234	-	234	-
Hereford Western Bypass Phase 1	13,584	11,040	11,700	11,700	17,560	17,560	-	-
Stronger Towns Fund - Greening the City*	-	-	-	-	-	-	-	-
LUF - Active Travel Measures (north of river)	716	716	926	926	-	-	-	-
LUF - Active Travel Measures (south of river)	6,000	-	-	-	-	-	-	-
Local Transport Grant	5,975	-	6,966	-	7,775	-	8,584	-
Bus Service Improvement Plan	900	-	918	-	936	-	954	-
Integrated Wetlands	398	-	-	-	-	-	-	-
Natural Flood Management	390	-	-	-	-	-	-	-
Local Electric Vehicle Infrastructure Capital Fund (LEVI)	120	-	240	-	120	-	644	-
LEVI Pilot Fund Grant	60	-	-	-	-	-	-	-
Wye Valley National Landscape (previously AONB)*	-	-	-	-	-	-	-	-
Solar Photovoltaic Panels	535	535	385	385	-	-	-	-
Yazor Brook*	-	-	-	-	-	-	-	-
Waste	-	-	6,200	6,012	-	-	-	-
Home Upgrade Grant*	-	-	-	-	-	-	-	-

Project	2026/27		2027/28		2028/29		2029/30	
	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000
Warm Homes Grant	1,003	-	982	-	-	-	-	-
Herefordshire Flood Risk Mitigation	1,805	1,055	-	-	-	-	-	-
UK Shared Prosperity Fund*	-	-	-	-	-	-	-	-
HWGTA - Development of Vocational Work Based Skills Investment*	-	-	-	-	-	-	-	-
Employment Land & Incubation Space in Market Towns	1,460	-	8,360	6,307	-	-	-	-
Rural Prosperity Fund*	-	-	-	-	-	-	-	-
Strategic/Emergency Housing Capital Projects	2,650	-	3,900	3,895	3,450	3,450	-	-
Historic Building Fund	-	-	5,000	5,000	-	-	-	-
Work to Shirehall Annex (Care Leavers Base)*	-	-	-	-	-	-	-	-
Estates Capital Programme 2019/22*	-	-	-	-	-	-	-	-
Residual property works (2019 condition reports)*	-	-	-	-	-	-	-	-
Estates Building Improvement Programme 22-25*	-	-	-	-	-	-	-	-
Estates Building Improvement Programme 23-25	990	756	-	-	-	-	-	-
Estates Building Improvement Programme 24-27	483	483	-	-	-	-	-	-
Building works from 2022 Condition Surveys	974	974	350	350	-	-	-	-
Shirehall Improvement Works	3,750	2,000	-	-	-	-	-	-
Property Improvements in Care Homes	484	484	-	-	-	-	-	-
Estates Building Improvement Programme 26-29	1,809	809	1,121	1,121	35	35	-	-
Estates Building Improvement Programme 25-28	2,622	2,222	526	326	-	-	-	-
<b>Total</b>	<b>94,898</b>	<b>37,856</b>	<b>77,804</b>	<b>36,140</b>	<b>60,023</b>	<b>21,263</b>	<b>44,364</b>	<b>-</b>

\*Spend in prior years



# **Corporate Services Directorate**

**(including Central Budgets)**

## **2026/27 Budget Position Statement**

Key pressures, challenges and savings proposals for 2026/27

# Corporate Services Directorate

## Key Revenue Budget Pressures (including Central Budgets)

- Interest rate uncertainty and impact on council’s interest payable budget driven by timing of external borrowing requirements and overall cash position
- Increase in corporate insurance premiums reflecting changes across council services and asset base
- Increases in professional subscriptions and licences across the directorate

## Key Savings Proposals

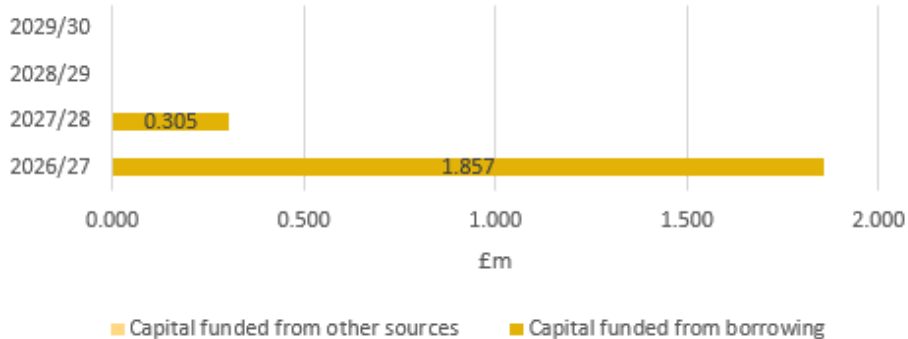
- Control of costs to secure reductions across Directorate budgets
- Review to deliver efficiencies in enabling teams aligned to wider council service delivery requirements and capital programme
- Maximising flexibility to use capital receipts to fund transformation costs
- Delivering efficiencies through increased use of technology and reshaping of services

## Key Capital Projects

- Device and ancillary kit replacement programme
- Planning and regulatory services software upgrades
- Essential ICT system updates and upgrades

Revenue Budget	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Opening budget	41,277			
Pressures:				
Demographic growth	8,283			
Inflation	216			
Other pressures	-			
Savings				
Cost control	(1,449)			
Increasing income	-			
Managing demand	-			
Delivering efficiencies	(578)			
Closing budget	47,749			

## Capital Programme





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# Corporate Services Directorate

## Strategic Priorities

The directorate aims to provide high quality corporate services to support and enable the council to deliver the priorities of the Council Plan.

Corporate Services teams ensure the council remains financially stable and resilient; safeguarding resources to support the delivery of capital and major projects and key services to residents. The Legal & Governance team lead and promote the council's internal control and governance framework, to ensure the council is carrying out its functions effectively and in accordance with relevant laws and regulations.

The directorate supports workforce development with a mission to create a lean and resilient organisation with organisational values and behaviours in place to develop an engaged, agile and resilient workforce.

The council is committed to embracing best practice to transform and be fit for the future; delivering innovation through technology to become an intelligence-led, efficient organisation.

## Key Services

- Enabling services including:
  - Finance
  - HR & Organisational Development
  - Commercial & Procurement
  - Legal & Governance including Democratic and Member Services
  - Coroners & Registrars
  - Communications
  - Counterfraud, Risk and Assurance
  - Corporate Performance & Intelligence
  - IT, Transformation & Customer Services
  - Health & Safety

## Key Challenges and Risks to Service Delivery

- Ensuring enabling corporate service teams are adequately resourced and skilled to enable delivery of council services, capital programme projects and support wider organisational transformation and improvement within required timeframes.
- Maintaining quality of internal controls and governance framework to support robust management of revenue budget and capital programme whilst enabling transformation.
- Ensuring an effective risk management framework across services, capital and major projects and transformation activity to enable Members and Officers to identify and manage financial, legal, service delivery and community impact risks arising and to support robust, informed decision making.
- Continuing to attract, recruit, retain and develop an effective and engaged workforce that enables delivery of Council Plan priorities.

# **Corporate Services Directorate**

**(including Central Budgets)**

## **Appendices**

**Appendix A: Revenue Budget by Service**  
**Appendix B: Revenue Budget Movements**  
**Appendix C: 2026/27 Savings Proposals**  
**Appendix D: Capital Projects**

Appendix A: Revenue Budget by Service

Service Description – Corporate Services	Net Budget 2025/26 £'000	Gross Budget 2026/27 £'000	Income £'000	Earmarked Reserves £'000	Net Budget 2026/27 £'000	Net Budget 2027/28 £'000	Net Budget 2028/29 £'000	Net Budget 2029/30 £'000
Transformation	6,638	7,750	(798)	(600)	6,352			
Governance and Legal	6,382	7,946	(1,730)		6,216			
Strategic Finance	7,336	8,378	(345)		8,033			
Human Resources and Organisation Design	1,866	1,895	-		1,895			
Total	22,222	25,969	(2,873)	(600)	22,496	-	-	-

Service Description – Central	Net Budget 2025/26 £'000	Gross Budget 2026/27 £'000	Income £'000	Earmarked Reserves £'000	Net Budget 2026/27 £'000	Net Budget 2027/28 £'000	Net Budget 2028/29 £'000	Net Budget 2029/30 £'000
Total	19,055	53,675	(30,422)	2,000	25,253	-	-	-

## Appendix B: Revenue Budget Movements

Title – Corporate Services	Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Transformation	2025/26 Capital receipts funding for eligible transformation activities	600			
Insurance	Increase in the insurance premiums	549			
Pay Inflation	Estimated pay award	216			
Access/Pay-suite	Transaction costs and increased banking charges	180			
Customer Services	ICT additional licence costs	111			
Movement in Pay estimates	Various	74			
Elected Members Budget	Ward member allocations for community groups and projects	53			
Health and Safety	Contract funded from reserves in 2025/26	39			
Legal	Increased licences and subscriptions costs	34			
Miscellaneous	Various	(53)			
<b>Total</b>		<b>1,803</b>	<b>-</b>	<b>-</b>	<b>-</b>

Title – Central	Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Increased IP	Requirements of capital programme and DSG deficit	3,939			
Collection fund surplus	To repay business rates risk reserve	2,000			
Remove central income budgets	For interest receivable and business rates pooling	650			
West Mercia Energy Dividend	Moved from Corporate funding	(500)			
Increased MRP	Requirements of capital programme	385			
Council Tax discretionary fees budget	Council Tax discretionary fees budget	167			
Miscellaneous	Increased Housing Benefit administration and IT costs	55			
<b>Total</b>		<b>6,696</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Appendix C: 2026/27 Savings Proposals £2,027k (£1,529k Corporate Services and £498k Central)

Ref	Description/Activity	2026/27 £'000
<b>CONTROL COSTS £1,449k</b>		
<b>C1</b>	<b>Revenue cost reduction:</b> capitalisation of Finance Team costs for staff activity supporting delivery of capital projects	<b>75</b>
<b>C2</b>	<b>Revenue cost reduction:</b> capitalisation of Legal Service costs for staff activity supporting delivery of capital projects	<b>150</b>
<b>C3</b>	<b>Staffing costs reduction:</b> reduced staffing costs in ICT/Transformation budgets following removal of Director of Transformation & Strategy post and reallocation of budget to Chief Digital & Information Officer post	<b>96</b>
<b>C4</b>	<b>Revenue cost reduction:</b> application of capital receipts to fund eligible transformation expenditure permitted via Flexible Capital Receipts permissions	<b>600</b>
<b>C5</b>	<b>Revenue cost reduction:</b> reduction in employers' deficit pension contributions linked to actuarial valuation	<b>498</b>
<b>C6</b>	<b>HR &amp; OD Services:</b> review to deliver service efficiencies	<b>30</b>
<b>DELIVERING EFFICIENCIES £578k</b>		
<b>E1</b>	<b>Corporate Performance &amp; Intelligence Service review and reshape:</b> to deliver service efficiencies	<b>200</b>
<b>E2</b>	<b>Communications review and reshape:</b> to deliver service efficiencies	<b>198</b>
<b>E3</b>	<b>Vacancy management:</b> review of service delivery and deletion of vacant posts in Legal Services	<b>180</b>
		<b>2,027</b>

Appendix D: Capital Projects 2026/27 to 2029/30

Project	2026/27		2027/28		2028/29		2029/30	
	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000	Total £'000	Funded by borrowing £'000
Windows Server Upgrades*	-	-	-	-	-	-	-	-
Device and Ancillary kit replacement programme	578	578	185	185	-	-	-	-
M365 E5 Implementation*	-	-	-	-	-	-	-	-
Planning & Regulatory Services software	923	923	120	120	-	-	-	-
Contact Centre Telephony Replacement*	-	-	-	-	-	-	-	-
Wide Area Network (WAN) Replacement*	-	-	-	-	-	-	-	-
School Route Planning Software*	-	-	-	-	-	-	-	-
IT System Upgrades & Server Replacements 25-26	182	182	-	-	-	-	-	-
Essential system updates and upgrades	174	174	-	-	-	-	-	-
CCTV Equipment Upgrades*	-	-	-	-	-	-	-	-
Total	1,857	1,857	305	305	-	-	-	-

\*Spend in prior years



# Title of report: 2026/27 Capital Investment Budget and Capital Strategy Update

**Meeting:** Cabinet

**Meeting date:** Tuesday 20 January 2026

**Cabinet Member:** Peter Stoddart, Finance and Corporate Services

**Report by:** Director of Finance

**Report Author:** Strategic Capital Finance Manager

## Classification

Open

## Decision type

Budget and policy framework

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

## Wards affected

(All Wards);

## Purpose

To recommend to Council for approval the revised capital investment budget and capital strategy for 2026/27 onwards.

## Recommendation(s)

**That: Cabinet recommends the following to Council**

- a) To approve the revised capital programme for 2026/27 attached at appendix C;
- b) Approve the capital strategy at appendix D; and
- c) Approve the Flexible Use of Capital Receipts of up to £1.0 million in 2026/27, to support transformation to generate ongoing revenue savings and reduce service delivery costs in future years.

## Alternative options

1. It is open to Cabinet to recommend alternative capital investment options to Council. No alternative options have been brought forward to date and suggestions would require review and assessment, in line with those completed on the options presented in this report. In addition, as an amendment to proposals put forward by Cabinet, any amendment would either require the consent of the Leader of the Council or further consideration by Cabinet, and scrutiny, before a decision could be taken in accordance with budget and policy framework rules.
2. A capital strategy is required in accordance with the statutory guidance issued by Chartered Institute of Public Finance and Accountancy (CIPFA), there is discretion on content of the strategy but we have applied the guidelines within the draft.

## 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 7 February 2025 and the current capital programme included in this report is the base capital programme approved at that meeting.
5. The approved capital programme is provided at appendix B as at the start of January 2026. 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 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 2026/27 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 2026/27 represent projects which will:
  - a. deliver increased temporary and emergency accommodation to respond to homelessness and housing demand across the county;
  - b. mitigate key revenue budget pressures through alternative school provision and Pupil Referral Units;
  - c. improve the use of technology to deliver efficiencies and innovation in services to residents;
  - d. deliver new infrastructure to support growth opportunities for housing;
  - e. strengthen resilience of our school and property assets;
  - f. improve public rights of way access; and
  - g. 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. Fourteen capital investment budget proposals totalling £44.0 million have been identified, to be funded by prudential borrowing, capital receipts reserve and revenue reserves.
9. Responding to social and affordable housing needs across the county remains a high priority for the council. A further provision of £10.0m has been added to the capital programme 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 the high-cost dependence on temporary accommodation. The funding is based on borrowing which is repaid through the income from housing benefit and the reduced cost of temporary accommodation, along with applications for Homes England grants and some provision of corporate funded borrowing where required.

10. 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.
11. An Historic Building Fund of £5.0m has been added to fund future works to preserve and restore historic buildings in Hereford including the Museum & Art Gallery, Shirehall and Town Hall. The approved Capital Programme includes an existing allocation of £0.75m to fund Town Hall improvements. This Historic Building Fund will be held centrally, and it is delegated to the S151 officer to allocate funds to specific project budgets once final contract prices have been received to carry out the work required.
12. An informal review of all prospective capital funding requests has been completed to ensure the financial impact of the funding requests is taken account of in the medium term financial strategy.
13. A review of the current capital programme took place at the same time and it was agreed to remove a number of projects that were no longer needed or alternative funding identified to release borrowing and capital receipts for utilisation with the new bids. The projects that have been removed from the proposed capital programme at appendix c are:
  - a. Employment land in Market Towns £4.0m capital receipts use has been removed as there has been no projects come forward at present to spend this budget and any need will be reviewed in the future if business cases come forward
  - b. City and Market Town Public Realm Investment of £1.2m has been removed but this work will still be carried out but funded from the Local Transport Grant allocation
  - c. Road Safety Schemes £3.0m has been removed but this work will still be carried out but funded from the Local Transport Grant allocation
  - d. Council school transport fleet £0.35m has been removed as a result of the review and any future likely delivery model being based on leased vehicle and not purchases.
  - e. Estates Programme of works, there has been a review of all the various budgets in the capital programme and where work is not deemed as required presently the budget has been removed or the asset has been transferred then there is no longer a requirement. A total of £2.65m has been removed across a number of projects.
14. 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.
15. 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 £1.0 million in 2026/27 revenue transformation works will be funded from the use of the capital receipts reserve subject to receipt of the expected capital receipts in year.
16. 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.

17. 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.

### **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 £44.0 million over the next four years. This is to be financed from £36.3million prudential borrowing, of which £12.9 million is in addition to the

amount available through current levels of corporate funded borrowing and £8.2m is funded as a return on investment where income or savings benefits repay the cost of borrowing. £5 million is to be funded from the use of the capital receipts reserve and £2.7 million from capital grants to be applied for. 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
Property Improvements in Care Homes – Phase 3	0.0	0.0	198.8	0.0	0.0	198.8
Residential overnight short breaks refurbishment	0.0	0.0	60.0	0.0	0.0	60.0
Hereford Western Bypass Phase 1	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Strategic Housing Capital Projects	2,655.0	0.0	0.0	3,245.0	4,100.0	10,000.0
Relocate Herefordshire Pupil Referral Units	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Establish a new alternative provision (AP) centre	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Aylestone School Improvement Works	0.0	0.0	1,790.0	0.0	1,000.0	2,790.0
Schools Capital Maintenance	0.0	0.0	1,570.0	0.0	0.0	1,570.0
Resurfacing Herefordshire Highways 3	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Managing Ash Dieback in Herefordshire	0.0	0.0	0.0	0.0	242.0	242.0
Estates Building Improvement Programme 2026-29	0.0	0.0	1,000.0	0.0	1,964.6	2,964.6
Essential system updates and upgrades	0.0	0.0	0.0	0.0	174.0	174.0
Public Rights of Way	0.0	0.0	381.2	0.0	618.8	1,000.0
Historic Building Fund	0.0	0.0	0.0	5,000.0	0.0	5,000.0
<b>Total</b>	<b>2,655.0</b>	<b>0.0</b>	<b>5,000.0</b>	<b>8,245.0</b>	<b>28,099.4</b>	<b>43,999.4</b>

24. The corporate revenue implications of securing this new borrowing are 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	26/27	27/28	28/29	29/30	Total
<b>Total Corporate Borrowing Required</b>	<b>11,593.6</b>	<b>10,521.3</b>	<b>5,984.5</b>	<b>-</b>	<b>28,099.4</b>
Annual Funding Limit	6,700.0	6,700.0	6,700.0	6,700.0	26,800.0
Unspent 24/25 borrowing to reallocate	533.0				533.0
Unspent 25/26 borrowing estimated	804.0				804.0
Estates Projects Removed	2,652.1				2,652.1
Projects Removed	4,550.0				4,550.0
Allocated Previously	- 6,700.0	-6,700.0	- 6,700.0	-	- 20,100.0
<b>Total Funding Available</b>	<b>8,539.1</b>	<b>0.0</b>	<b>0.0</b>	<b>6,700.0</b>	<b>15,239.1</b>
<b>Funding Variance</b>	<b>-3,054.6</b>	<b>-10,521.3</b>	<b>-5,984.5</b>	<b>6,700.0</b>	<b>-12,860.3</b>

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 [20 January 2026] 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 £0.82 million repayments will continue until fully repaid.

<b>Revenue Repayment Costs</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>	<b>30/31</b>
	£000	£000	£000	£000
Annual amount	195.49	868.85	1,251.86	823.06

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 23 January 2026, 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 now closed and responses being analysed and the results of this will be published for the Council meeting in February 2026. 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 2026/27

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

Scheme	Current Capital Programme £000	Total 26/27 £000	Total 27/28 £000	Total 28/29 £000	Total 29/30 £000	Capital Grant funding £000	Redirected funding £000	Capital receipt funding £000	Funded by ROI £000	Corporate Funded PB £000	Total Request £000
Property Improvements in Care Homes – Phase 3	1,154.0	198.8	0.0	0.0	0.0	0.0	0.0	198.8	0.0	0.0	198.8
Residential overnight short breaks refurbishment		60.0	0.0	0.0	0.0	0.0	0.0	60.0	0.0	0.0	60.0
Hereford Western Bypass Phase 1	40,300.0	0.0	0.0	5,000.0	0.0	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Strategic/Emergency Housing Capital Projects		2,650.0	3,900.0	3,450.0	0.0	2,655.0	0.0	0.0	3,245.0	4,100.0	10,000.0
Relocate Herefordshire Pupil Referral Units	1,000.0	1,500.0	3,500.0	0.0	0.0	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Establish a new alternative provision (AP) centre	1,000.0	1,500.0	3,500.0	0.0	0.0	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Aylestone School Improvement Works		1,790.0	1,000.0	0.0	0.0	0.0	0.0	1,790.0	0.0	1,000.0	2,790.0
Schools Capital Maintenance	1,200.0	1,570.0	0.0	0.0	0.0	0.0	0.0	1,570.0	0.0	0.0	1,570.0
Resurfacing Herefordshire Highways 3		5,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,000.0	5,000.0
Managing Ash Dieback in Herefordshire		242.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	242.0	242.0
Estates Building Improvement Programme 2026-29		1,808.8	1,121.3	34.5	0.0	0.0	0.0	1,000.0	0.0	1,964.6	2,964.6
Essential system updates and upgrades		174.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	174.0	174.0
Public Rights of Way		1,000.0	0.0	0.0	0.0	0.0	0.0	381.2	0.0	618.8	1,000.0
Historic Building Fund		0.0	5,000.0	0.0	0.0	0.0	0.0	0.0	5,000.0	0.0	5,000.0
<b>Total</b>	<b>44,654.0</b>	<b>17,493.6</b>	<b>18,021.3</b>	<b>8,484.5</b>	<b>0.0</b>	<b>2,655.0</b>	<b>0.0</b>	<b>5,000.0</b>	<b>8,245.0</b>	<b>28,099.4</b>	<b>43,999.4</b>





## Capital Programme position January 2025/26

## Appendix B

Scheme Name	Spend in	2025/26	2026/27	2027/28	2028/29	2029/30	Total
		Prior Years £000	Total Budget £000	Total Budget £000	Total Budget £000	Total Budget £000	Scheme Budget £000
Highway Maintenance Block DfT (previously LTP)	0	21,348	23,967	27,449	29,695	33,948	136,407
Resurfacing Herefordshire Highways	0	10,081	0	0	0	0	10,081
City and Market Town Public Realm Investment	0	1,200	0	0	0	0	1,200
Highways Infrastructure Investment	7,354	7,301	6,385	0	0	0	21,040
Public Realm Improvements for Ash Die Back	581	477	240	118	0	0	1,416
E & E's S106	0	1,501	4,207	2,429	0	0	8,137
Play Area Investment	0	250	750	0	0	0	1,000
Public Realm Services Fleet	0	0	1,322	0	218	0	1,540
Public Realm Mobilisation	0	0	450	0	0	0	450
Road Safety Schemes	0	320	2,680	0	0	0	3,000
Traffic Signal Obsolescence Grant and Green Light Fund	3	538	0	0	0	0	541
<b>Total Economy &amp; Environment (Highways &amp; Public Space)</b>	<b>7,939</b>	<b>43,016</b>	<b>40,001</b>	<b>29,996</b>	<b>29,913</b>	<b>33,948</b>	<b>184,812</b>
Hereford City Centre Transport Package	38,908	5,042	3,029	0	0	0	46,979
Hereford ATMs and Super Cycle Highway	0	0	1,000	0	0	0	1,000
Active Travel Fund 4	134	172	0	0	0	0	306
Active Travel Fund 5	0	0	99	0	0	0	99
Consolidated Active Travel Fund	0	0	499	234	234	234	1,202
Hereford Western Bypass Phase 1	356	2,100	13,584	11,700	12,560	0	40,300
Stronger Towns Fund - Greening the City	116	288	0	0	0	0	404
LUF - Active Travel Measures (north of river)	1,097	1,727	716	926	0	0	4,466
LUF - Active Travel Measures (south of river)	533	2,663	6,000	0	0	0	9,197
Local Transport Grant	0	5,837	5,975	6,966	7,775	8,584	35,137
Council school transport fleet	0	0	350	0	0	0	350
Bus Service Improvement Plan	0	1,108	900	918	936	954	4,815
<b>Total Economy &amp; Environment (Transport)</b>	<b>41,144</b>	<b>18,937</b>	<b>32,152</b>	<b>20,744</b>	<b>21,505</b>	<b>9,772</b>	<b>144,255</b>
Integrated Wetlands	2,676	1,686	398	0	0	0	4,760
Natural Flood Management	555	329	390	0	0	0	1,274
Local Electric Vehicle Infrastructure Capital Fund (LEVI)	0	0	120	240	120	644	1,124
LEVI Pilot Fund Grant	24	36	60	0	0	0	120
Wye Valley National Landscape (previously AONB)	0	934	0	0	0	0	934
Solar Photovoltaic Panels	1,064	150	535	385	0	0	2,134
Yazor Brook	0	260	0	0	0	0	260
Waste	0	5,193	0	6,200	0	0	11,393
Home Upgrade Grant	0	70	0	0	0	0	70
Warm Homes Grant	0	501	1,003	982	0	0	2,485
Herefordshire Flood Risk Mitigation	0	250	1,805	0	0	0	2,055
<b>Total Economy &amp; Environment (Environmental)</b>	<b>4,318</b>	<b>9,409</b>	<b>4,311</b>	<b>7,807</b>	<b>120</b>	<b>644</b>	<b>26,609</b>

Capital receipts £000	Grant & funding cont £000	Prudential borrowing £000	Total £000	Prior Years £000	Total Funding £000
	136,407		136,407	0	136,407
0		10,081	10,081	0	10,081
		1,200	1,200	0	1,200
	1,580	12,106	13,686	7,354	21,040
		835	835	581	1,416
	8,137		8,137	0	8,137
		1,000	1,000	0	1,000
		1,540	1,540	0	1,540
		450	450	0	450
		3,000	3,000	0	3,000
	538		538	3	541
<b>0</b>	<b>146,662</b>	<b>30,212</b>	<b>176,874</b>	<b>7,939</b>	<b>184,812</b>
	7,296	774	8,071	38,908	46,979
		1,000	1,000	0	1,000
	172		172	134	306
	99		99	0	99
	1,202		1,202	0	1,202
4,644		35,300	39,944	356	40,300
	288		288	116	404
	869	2,500	3,369	1,097	4,466
	8,663		8,663	533	9,197
	35,137		35,137	0	35,137
		350	350	0	350
	4,815		4,815	0	4,815
<b>4,644</b>	<b>58,542</b>	<b>39,924</b>	<b>103,111</b>	<b>41,144</b>	<b>144,255</b>
	2,084		2,084	2,676	4,760
	719		719	555	1,274
	1,124		1,124	0	1,124
	96		96	24	120
	934		934	0	934
		1,070	1,070	1,064	2,134
		260	260	0	260
	5,382	6,012	11,393	0	11,393
	70		70	0	70
	2,485		2,485	0	2,485
1,000		1,055	2,055	0	2,055
<b>1,000</b>	<b>12,894</b>	<b>8,397</b>	<b>22,291</b>	<b>4,318</b>	<b>26,609</b>

UK Shared Prosperity Fund	0	401	0	0	0	0	401
HWGTA - Development of Vocational Work Based Skills Investment	0	2,000	0	0	0	0	2,000
Employment Land & Incubation Space in Market Towns	866	3,961	5,460	8,360	0	0	18,648
Rural Prosperity Fund	0	512	0	0	0	0	512
<b>Total Economy &amp; Environment (Economic Growth)</b>	<b>866</b>	<b>6,874</b>	<b>5,460</b>	<b>8,360</b>	<b>0</b>	<b>0</b>	<b>21,561</b>
Windows Server Upgrades	293	37	0	0	0	0	330
Device and Ancillary kit replacement programme	0	230	578	185	0	0	993
M365 E5 Implementation	491	79	0	0	0	0	570
Planning & Regulatory Services software	3	350	923	120	0	0	1,396
Contact Centre Telephony Replacement	15	67	0	0	0	0	82
Wide Area Network (WAN) Replacement	165	121	0	0	0	0	286
School Route Planning Software	0	50	0	0	0	0	50
IT System Upgrades & Server Replacements 2025-26	0	318	182	0	0	0	500
CCTV Equipment Upgrades	0	89	0	0	0	0	89
<b>Total Corporate Services (IT &amp; Transformation)</b>	<b>967</b>	<b>1,340</b>	<b>1,683</b>	<b>305</b>	<b>0</b>	<b>0</b>	<b>4,296</b>
Schools Capital Maintenance Grant	0	3,196	1,200	1,200	0	0	5,596
Peterchurch Area School Investment	953	6,523	3,377	0	0	0	10,853
Brookfield School Improvements	2,181	3,641	0	0	0	0	5,822
High Needs Grant	483	2,103	6,784	0	0	0	9,369
Basic Needs Funding	560	1,500	11,810	5,006	0	0	18,877
Childcare Expansion Capital Grant 2023-24	13	153	130	0	0	0	296
School Accessibility Works	759	551	1,193	0	0	0	2,503
Children's residential homes for 11 to 18 year olds	0	424	0	0	0	0	424
C & F's S106	0	819	1,297	1,550	0	0	3,665
<b>Total Childrens &amp; Young Peoples (Including Schools)</b>	<b>4,949</b>	<b>18,908</b>	<b>25,790</b>	<b>7,756</b>	<b>0</b>	<b>0</b>	<b>57,404</b>
Work to Shirehall Annex (Care Leavers Base)	85	15	0	0	0	0	100
Estates Capital Programme 2019/22	5,119	763	0	0	0	0	5,882
Residual property works identified in the 2019 condition reports	957	365	0	0	0	0	1,322
Estates Building Improvement Programme 22-25	1,927	1,079	0	0	0	0	3,007
Estates Building Improvement Programme 2023-25	1,558	519	1,450	0	0	0	3,527
Estates Building Improvement Programme 2024-27	689	997	1,080	0	0	0	2,766
Building works from 2022 Condition Surveys	4	196	1,910	350	0	0	2,460
Shirehall Improvement Works	0	250	3,750	0	0	0	4,000
Property Improvements in Care Homes	225	644	285	0	0	0	1,154
Estates Building Improvement Programme 2025-28	0	497	3,281	526	0	0	4,305
<b>Total Economy &amp; Environment (Council Asset Investment)</b>	<b>10,564</b>	<b>5,325</b>	<b>11,756</b>	<b>876</b>	<b>0</b>	<b>0</b>	<b>28,522</b>
Disabled facilities grant	0	3,373	2,200	2,200	0	0	7,773
Empty Property Investment & Development	0	580	286	0	0	0	866
Acquisition Fund for Housing Provision	111	2,589	2,300	0	0	0	5,000
Merton Meadow - Brownfield Land Release Fund	393	1,607	0	0	0	0	2,000
Swimming Pool Support Fund	0	60	0	0	0	0	60
Libraries Improvement Fund	31	31	0	0	0	0	62

401	401	0	401
2,000	2,000	0	2,000
11,475	0	6,307	17,782
512	512	0	512
<b>11,475</b>	<b>913</b>	<b>8,307</b>	<b>20,695</b>
	37	37	293
	993	993	0
43	36	79	491
	1,393	1,393	3
	67	67	15
	121	121	165
	50	50	0
	500	500	0
	89	89	0
<b>0</b>	<b>43</b>	<b>3,285</b>	<b>3,328</b>
	3,978	1,618	5,596
4,712	5,188	9,900	953
158	3,483	3,641	2,181
	8,886	8,886	483
	18,065	251	18,316
	283	283	13
	1,744	1,744	759
	424	424	0
	3,665	3,665	0
<b>4,869</b>	<b>38,360</b>	<b>9,225</b>	<b>52,455</b>
15	15	85	100
	763	763	5,119
	365	365	957
	1,079	1,079	1,927
752	1,216	1,969	1,558
	2,077	2,077	689
	2,456	2,456	4
2,000	2,000	4,000	0
	929	929	225
1,000	3,305	4,305	0
<b>2,015</b>	<b>1,752</b>	<b>14,190</b>	<b>17,957</b>
7,773	7,773	0	7,773
0	866	866	0
	4,889	4,889	111
1,607	1,607	393	2,000
60	60	0	60
31	31	31	62

Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	2,883	1,540	10,525	5,581	0	0	20,529
Stronger Towns Library & Learning Centre relocation to Shirehall	340	152	2,064	450	0	0	3,005
Community Capital Grants Scheme	4	1,376	600	20	0	0	2,000
<b>Total Community Wellbeing Including Housing</b>	<b>3,761</b>	<b>11,309</b>	<b>17,975</b>	<b>8,251</b>	<b>0</b>	<b>0</b>	<b>41,295</b>
<b>Total Capital Programme</b>	<b>74,508</b>	<b>115,118</b>	<b>139,129</b>	<b>84,096</b>	<b>51,538</b>	<b>44,364</b>	<b>508,753</b>

7,655	9,591	400	17,646	2,883	20,529
319	2,347		2,666	340	3,005
1,996			1,996	4	2,000
<b>9,970</b>	<b>21,409</b>	<b>6,155</b>	<b>37,534</b>	<b>3,761</b>	<b>41,295</b>
<b>33,973</b>	<b>280,576</b>	<b>119,696</b>	<b>434,245</b>	<b>74,508</b>	<b>508,753</b>

**Key:**

RCCO

Project Complete

Approved at February 2025 Council	102,394	155,247	87,507	38,599	218	0	383,965
Reprofile Budget		(60,332)	24,979	22,029	12,680	644	0
24/25 Carry Forward		11,708	5,978				17,686
Grant/Funding Movement		14,495	20,665	23,468	38,640	43,720	140,988
Removal of WVT Project		(6,000)					(6,000)
Budget not carried forward for projects completed	(48,131)						(48,131)
Prior Year Spend adj (closed projects and 24/25 one off grant excluded)	20,245						20,245

**Change in Capital Programme**

<b>(0)</b>	<b>8,495</b>	<b>20,665</b>	<b>23,468</b>	<b>38,640</b>	<b>43,720</b>	<b>134,988</b>
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Note 1

**Overall Change Financed By**

	£000	£000	£000	£000	£000	£000	£000
Prudential Borrowing		(6,000)					(6,000)
Grant and funding contributions (Inc Reserves)		14,495	20,665	23,468	38,640	43,720	140,988
Capital receipts							0
	<b>0</b>	<b>6,274</b>	<b>27,866</b>	<b>22,449</b>	<b>38,640</b>		<b>134,988</b>

**Note 1**

Grant Amendments since February Council

	£000
MHCLG - UKSPS 25/26 Grant	401
DfT - Active Travel Fund 5 Grant	99
DfT - Additional 25/26 Highway Maintenance Block Grant	5,882
DfT - CATF Grant	265
DfT - BSIP Grant	1,108
DESNZ - Warm Homes Grant	2,485
DEFRA - Rural Prosperity Fund 25/26	512
Sport England - Swimming Pool Fund	60
DfE - Additional Schools Maintenance Grant 25/26	379
DfE - High Needs Grant	2,466

DfE - Basic Needs Grant	2,593
DfT - Local Transport Grant 25/26	5,837
Employment Land - unsecured grant	- 2,053
WVNL - Welsh Gov and DEFRA Grants	889
HMAG - Clore Duffield	200
HMAG - Salix	1,075
HMAG - NHLF	104
DfT - Local Transport Grant 26/27 to 29/30	29,300
MHCLG - Additonal DFG 25/26	615
DfT - Highway Maintenance Block 26/27 to 29/30	84,127
DfT - Active Travel Grant	937
DfT - Local Authority Bus Grant	3,707
	<u><b>140,988</b></u>

## Capital Programme position April 2026/27

## Appendix C

Scheme Name	Spend in	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	Prior Years £000	Total Budget £000	Total Budget £000	Total Budget £000	Total Budget £000	Total Budget £000	Scheme Budget £000
Highway Maintenance Block DfT (previously LTP)	0	21,348	23,967	27,449	29,695	33,948	136,407
Resurfacing Herefordshire Highways	0	10,081	5,000	0	0	0	15,081
Highways Infrastructure Investment	7,354	7,301	6,385	0	0	0	21,040
Public Realm Improvements for Ash Die Back	581	477	482	118	0	0	1,658
E & E's S106	0	1,501	4,207	2,429	0	0	8,137
Play Area Investment	0	250	750	0	0	0	1,000
Public Realm Services Fleet	0	0	1,322	0	218	0	1,540
Public Realm Mobilisation	0	0	450	0	0	0	450
Public Rights of Way	0	0	1,000	0	0	0	1,000
Traffic Signal Obsolescence Grant and Green Light Fund	3	538	0	0	0	0	541
<b>Total Economy &amp; Environment (Highways &amp; Public Space)</b>	<b>7,939</b>	<b>41,496</b>	<b>43,563</b>	<b>29,996</b>	<b>29,913</b>	<b>33,948</b>	<b>186,854</b>
Hereford City Centre Transport Package	38,908	5,042	3,029	0	0	0	46,979
Hereford ATMs and Super Cycle Highway	0	0	1,000	0	0	0	1,000
Active Travel Fund 4	134	172	0	0	0	0	306
Active Travel Fund 5	0	0	99	0	0	0	99
Consolidated Active Travel Fund	0	0	499	234	234	234	1,202
Hereford Western Bypass Phase 1	356	2,100	13,584	11,700	17,560	0	45,300
Stronger Towns Fund - Greening the City	116	288	0	0	0	0	404
LUF - Active Travel Measures (north of river)	1,097	1,727	716	926	0	0	4,466
LUF - Active Travel Measures (south of river)	533	2,663	6,000	0	0	0	9,197
Local Transport Grant	0	5,837	5,975	6,966	7,775	8,584	35,137
Bus Service Improvement Plan	0	1,108	900	918	936	954	4,815
<b>Total Economy &amp; Environment (Transport)</b>	<b>41,144</b>	<b>18,937</b>	<b>31,802</b>	<b>20,744</b>	<b>26,505</b>	<b>9,772</b>	<b>148,905</b>
Integrated Wetlands	2,676	1,686	398	0	0	0	4,760
Natural Flood Management	555	329	390	0	0	0	1,274
Local Electric Vehicle Infrastructure Capital Fund (LEVI)	0	0	120	240	120	644	1,124
LEVI Pilot Fund Grant	24	36	60	0	0	0	120
Wye Valley National Landscape (previously AONB)	0	934	0	0	0	0	934
Solar Photovoltaic Panels	1,064	150	535	385	0	0	2,134
Yazor Brook	0	260	0	0	0	0	260
Waste	0	5,193	0	6,200	0	0	11,393
Home Upgrade Grant	0	70	0	0	0	0	70
Warm Homes Grant	0	501	1,003	982	0	0	2,485
Herefordshire Flood Risk Mitigation	0	250	1,805	0	0	0	2,055
<b>Total Economy &amp; Environment (Environmental)</b>	<b>4,318</b>	<b>9,409</b>	<b>4,311</b>	<b>7,807</b>	<b>120</b>	<b>644</b>	<b>26,609</b>
UK Shared Prosperity Fund	0	401	0	0	0	0	401
HWGTA - Development of Vocational Work Based Skills Investment	0	2,000	0	0	0	0	2,000

Capital receipts £000	Grant & funding cont £000	Prudential borrowing £000	Total £000	Prior Years £000	Total Funding £000
	136,407		136,407	0	136,407
0		15,081	15,081	0	15,081
	1,580	12,106	13,686	7,354	21,040
		1,077	1,077	581	1,658
	8,137		8,137	0	8,137
		1,000	1,000	0	1,000
		1,540	1,540	0	1,540
		450	450	0	450
381		619	1,000	0	1,000
	538		538	3	541
<b>381</b>	<b>146,662</b>	<b>31,872</b>	<b>178,916</b>	<b>7,939</b>	<b>186,854</b>
	7,296	774	8,071	38,908	46,979
		1,000	1,000	0	1,000
	172		172	134	306
	99		99	0	99
	1,202		1,202	0	1,202
4,644		40,300	44,944	356	45,300
	288		288	116	404
	869	2,500	3,369	1,097	4,466
	8,663		8,663	533	9,197
	35,137		35,137	0	35,137
	4,815		4,815	0	4,815
<b>4,644</b>	<b>58,542</b>	<b>44,574</b>	<b>107,761</b>	<b>41,144</b>	<b>148,905</b>
	2,084		2,084	2,676	4,760
	719		719	555	1,274
	1,124		1,124	0	1,124
	96		96	24	120
	934		934	0	934
		1,070	1,070	1,064	2,134
		260	260	0	260
	5,382	6,012	11,393	0	11,393
	70		70	0	70
	2,485		2,485	0	2,485
1,000		1,055	2,055	0	2,055
<b>1,000</b>	<b>12,894</b>	<b>8,397</b>	<b>22,291</b>	<b>4,318</b>	<b>26,609</b>
	401		401	0	401
		2,000	2,000	0	2,000

Employment Land & Incubation Space in Market Towns	866	3,961	1,460	8,360	0	0	14,648
Rural Prosperity Fund	0	512	0	0	0	0	512
<b>Total Economy &amp; Environment (Economic Growth)</b>	<b>866</b>	<b>6,874</b>	<b>1,460</b>	<b>8,360</b>	<b>0</b>	<b>0</b>	<b>17,561</b>
Windows Server Upgrades	293	37	0	0	0	0	330
Device and Ancillary kit replacement programme	0	230	578	185	0	0	993
M365 E5 Implementation	491	79	0	0	0	0	570
Planning & Regulatory Services software	3	350	923	120	0	0	1,396
Contact Centre Telephony Replacement	15	67	0	0	0	0	82
Wide Area Network (WAN) Replacement	165	121	0	0	0	0	286
School Route Planning Software	0	50	0	0	0	0	50
IT System Upgrades & Server Replacements 2025-26	0	318	182	0	0	0	500
Essential system updates and upgrades	0	0	174	0	0	0	174
CCTV Equipment Upgrades	0	89	0	0	0	0	89
<b>Total Corporate Services (IT &amp; Transformation)</b>	<b>967</b>	<b>1,340</b>	<b>1,857</b>	<b>305</b>	<b>0</b>	<b>0</b>	<b>4,470</b>
Schools Capital Maintenance Grant	0	3,196	2,770	1,200	0	0	7,166
Aylestone School Improvement Works	0	0	1,790	1,000	0	0	2,790
Peterchurch Area School Investment	953	6,523	3,377	0	0	0	10,853
Brookfield School Improvements	2,181	3,641	0	0	0	0	5,822
High Needs Grant	483	2,103	6,784	0	0	0	9,369
Basic Needs Funding	560	1,500	11,810	5,006	0	0	18,877
Relocate Herefordshire Pupil Referral Units	0	0	1,500	3,500	0	0	5,000
Establish a new alternative provision (AP) centre	0	0	1,500	3,500	0	0	5,000
Childcare Expansion Capital Grant 2023-24	13	153	130	0	0	0	296
School Accessibility Works	759	551	1,193	0	0	0	2,503
Children's residential homes for 11 to 18 year olds	0	424	0	0	0	0	424
Residential overnight short breaks refurbishment	0	0	60	0	0	0	60
C & F's S106	0	819	1,297	1,550	0	0	3,665
<b>Total Childrens &amp; Young Peoples (Including Schools)</b>	<b>4,949</b>	<b>18,908</b>	<b>32,210</b>	<b>15,756</b>	<b>0</b>	<b>0</b>	<b>71,824</b>
Strategic/Emergency Housing Capital Projects	0	0	2,650	3,900	3,450	0	10,000
Historic Building Fund	0	0	0	5,000	0	0	5,000
Work to Shirehall Annex (Care Leavers Base)	85	15	0	0	0	0	100
Estates Capital Programme 2019/22	5,119	763	0	0	0	0	5,882
Residual property works identified in the 2019 condition reports	957	365	0	0	0	0	1,322
Estates Building Improvement Programme 22-25	1,927	1,079	0	0	0	0	3,007
Estates Building Improvement Programme 2023-25	1,558	519	990	0	0	0	3,067
Estates Building Improvement Programme 2024-27	689	997	483	0	0	0	2,169
Building works from 2022 Condition Surveys	4	196	974	350	0	0	1,524
Shirehall Improvement Works	0	250	3,750	0	0	0	4,000
Property Improvements in Care Homes	225	644	484	0	0	0	1,353
Estates Building Improvement Programme 2026-29	0	0	1,809	1,121	35	0	2,965
Estates Building Improvement Programme 2025-28	0	497	2,622	526	0	0	3,645
<b>Total Economy &amp; Environment (Council Asset Investment)</b>	<b>10,564</b>	<b>5,325</b>	<b>13,762</b>	<b>10,898</b>	<b>3,485</b>	<b>0</b>	<b>44,033</b>
Disabled facilities grant	0	3,373	2,200	2,200	0	0	7,773
Empty Property Investment & Development	0	580	286	0	0	0	866

7,475	0	6,307	13,782	866	14,648
512			512	0	512
<b>7,475</b>	<b>913</b>	<b>8,307</b>	<b>16,695</b>	<b>866</b>	<b>17,561</b>
		37	37	293	330
		993	993	0	993
43		36	79	491	570
		1,393	1,393	3	1,396
		67	67	15	82
		121	121	165	286
		50	50	0	50
		500	500	0	500
		174	174	0	174
		89	89	0	89
<b>0</b>	<b>43</b>	<b>3,459</b>	<b>3,502</b>	<b>967</b>	<b>4,470</b>
1,570	3,978	1,618	7,166	0	7,166
1,790		1,000	2,790	0	2,790
4,712		5,188	9,900	953	10,853
158	3,483		3,641	2,181	5,822
	8,886		8,886	483	9,369
	18,065	251	18,316	560	18,877
		5,000	5,000	0	5,000
		5,000	5,000	0	5,000
	283		283	13	296
		1,744	1,744	759	2,503
		424	424	0	424
60			60	0	60
	3,665		3,665	0	3,665
<b>8,289</b>	<b>38,360</b>	<b>20,225</b>	<b>66,875</b>	<b>4,949</b>	<b>71,824</b>
	2,655	7,345	10,000	0	10,000
		5,000	5,000	0	5,000
15			15	85	100
		763	763	5,119	5,882
		365	365	957	1,322
		1,079	1,079	1,927	3,007
	752	756	1,509	1,558	3,067
		1,480	1,480	689	2,169
		1,520	1,520	4	1,524
2,000		2,000	4,000	0	4,000
199		929	1,128	225	1,353
1,000		1,965	2,965	0	2,965
	1,000	2,645	3,645	0	3,645
<b>3,214</b>	<b>4,407</b>	<b>25,847</b>	<b>33,469</b>	<b>10,564</b>	<b>44,033</b>
	7,773		7,773	0	7,773
	0	866	866	0	866

Acquisition Fund for Housing Provision	111	2,589	2,300	0	0	0	5,000			4,889	4,889	111	5,000
Merton Meadow - Brownfield Land Release Fund	393	1,607	0	0	0	0	2,000	1,607			1,607	393	2,000
Swimming Pool Support Fund	0	60	0	0	0	0	60	60			60	0	60
Libraries Improvement Fund	31	31	0	0	0	0	62	31			31	31	62
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	2,883	1,540	10,525	5,581	0	0	20,529	7,655	9,591	400	17,646	2,883	20,529
Stronger Towns Library & Learning Centre relocation to Shirehall	340	152	2,064	450	0	0	3,005	319	2,347		2,666	340	3,005
Community Capital Grants Scheme	4	1,376	600	20	0	0	2,000	1,996			1,996	4	2,000
Total Community Wellbeing Including Housing	3,761	11,309	17,975	8,251	0	0	41,295	9,970	21,409	6,155	37,534	3,761	41,295
Total Capital Programme	74,508	113,598	146,941	102,117	60,023	44,364	541,551	34,973	283,231	148,838	467,043	74,508	541,551

Key:

Revenue Funded Borrowing

New or Amended Projects as listed in appendix A

Current 2024/25 Programme Budget January 2026	74,508	115,118	139,129	84,096	51,538	44,364	508,753	33,973	280,576	119,696
Projects Removed from the Capital Programme		(1,520)	(9,682)				(11,202)	(4,000)		(7,202)

Change in Capital Programme - New Bids	0	0	17,494	18,021	8,485	0	43,999	5,000	2,655	36,344
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Overall Change Financed By

	£000	£000	£000	£000	£000	£000	£000
Prudential Borrowing			12,089	16,896	7,360		36,344
Grant and funding contributions (Inc Reserves)			405	1,125	1,125		2,655
Capital receipts			5,000				5,000
	0	0	17,494	18,021	8,485	0	43,999





# Capital Strategy

2026 – 2031

# HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

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# HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

## 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 large capital projects through the delivery stage such as New Schools and Employment Land 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 budget. 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

## HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

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:

## HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

- Since 2021/22, Herefordshire Council has largely been 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

# HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

## 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

	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	Total Capital Programme Budgets £000s
<b>Economy &amp; Environment (Highways &amp; Public Space)</b>	41,496	43,563	29,996	29,913	33,948	<b>178,916</b>
<b>Economy &amp; Environment (Transport)</b>	18,937	31,802	20,744	26,505	9,772	<b>107,761</b>
<b>Economy &amp; Environment (Environmental)</b>	9,409	4,311	7,807	120	644	<b>22,291</b>
<b>Economy &amp; Environment (Economic Growth)</b>	6,874	1,460	8,360	0	0	<b>16,695</b>
<b>Corporate Services (IT &amp; Transformation)</b>	1,340	1,857	305	0	0	<b>3,502</b>
<b>Childrens &amp; Young Peoples (Including Schools)</b>	18,908	32,211	15,756	0	0	<b>66,875</b>
<b>Economy &amp; Environment (Council Asset Investment)</b>	5,325	11,112	1,998	35	0	<b>18,469</b>
<b>Community Wellbeing Including Housing</b>	11,309	20,625	17,151	3,450	0	<b>52,534</b>
<b>Total Capital Programme</b>	<b>113,598</b>	<b>146,941</b>	<b>102,117</b>	<b>60,023</b>	<b>44,364</b>	<b>467,043</b>

#### Financed by

<b>Capital Receipts</b>	<b>34,973</b>
<b>Grants &amp; Funding Contributions</b>	<b>283,231</b>
<b>Prudential Borrowing</b>	<b>148,838</b>
<b>Total Funding</b>	<b>467,043</b>

## 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

## HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

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 2027 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 £40.3m has been increased to £45.3m 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 highway's asset. This would be to bring all assets back to a new condition.

Asset Type	Current Estimated Backlog
Carriageways	c£108.7m
Footways and Cycle ways	c£1.7m
Structures	c£82.5m
Street Lighting	c£1.5m
Traffic Signals	c£2.4m
Road Markings	c£1.1m
Traffic Signs	c2.9m
Vehicle Restraint Systems	c1.3m
Trees and Verges	c1.1m

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.

### 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 Stronger Towns funding bid. The third council project was for greening the city and business cases for all were approved to 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 for which construction has started and significant works for a new unit and work within the existing site at Brookfield to increase capacity will complete within 2025/26.



## HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

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 provides 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 in mainstream schools.
  - **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 risk to the Council namely, if the development does not reach the trigger

## HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

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 2024/25 financial year there was a balance of £34.8m 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.

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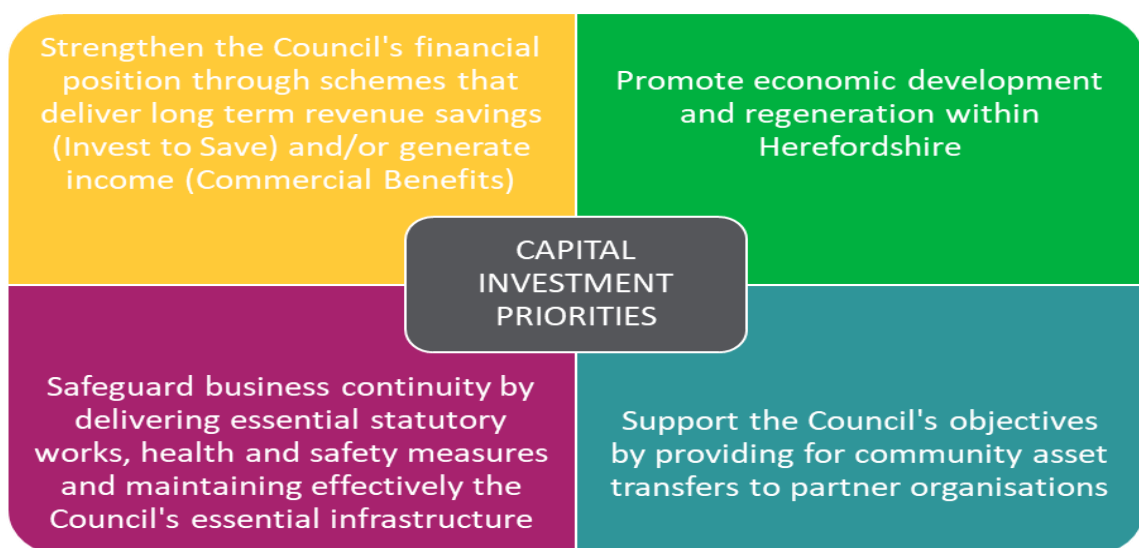
- 6.5 Where required, and with due diligence, the Council may also appoint external agents to advise on particular specialist matters or to access specialist expertise that may not be available 'in house.'

### 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

## HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

demonstrated through utilisation of the Procurement Policies and Framework for managing capital projects. Cabinet is 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 Corporate Leadership Team will review quarterly, progress of the projects being reported through the Directorate Leadership Teams.
- 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.
- 8.6 However the governance process embedded follows the following processes. The Designated 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 Directorate Leadership Teams 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 Directorate Leadership Teams who are in turn monitored by Corporate Leadership Team. Corporate Leadership Team represents the highest level of officer involvement and accountability, allocating feasibility funding and having oversight of all projects.

# Capital Programme position April 2026/27

Scheme Name	Spend in	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	Prior Years £000	Total Budget £000	Total Budget £000	Total Budget £000	Total Budget £000	Total Budget £000	Scheme Budget £000
Highway Maintenance Block DfT (previously LTP)	0	21,348	23,967	27,449	29,695	33,948	136,407
Resurfacing Herefordshire Highways	0	10,081	5,000	0	0	0	15,081
Highways Infrastructure Investment	7,354	7,301	6,385	0	0	0	21,040
Public Realm Improvements for Ash Die Back	581	477	482	118	0	0	1,658
E & E's S106	0	1,501	4,207	2,429	0	0	8,137
Play Area Investment	0	250	750	0	0	0	1,000
Public Realm Services Fleet	0	0	1,322	0	218	0	1,540
Public Realm Mobilisation	0	0	450	0	0	0	450
Public Rights of Way	0	0	1,000	0	0	0	1,000
Traffic Signal Obsolescence Grant and Green Light Fund	3	538	0	0	0	0	541
<b>Total Economy &amp; Environment (Highways &amp; Public Space)</b>	<b>7,939</b>	<b>41,496</b>	<b>43,563</b>	<b>29,996</b>	<b>29,913</b>	<b>33,948</b>	<b>186,854</b>
Hereford City Centre Transport Package	38,908	5,042	3,029	0	0	0	46,979
Hereford ATMs and Super Cycle Highway	0	0	1,000	0	0	0	1,000
Active Travel Fund 4	134	172	0	0	0	0	306
Active Travel Fund 5	0	0	99	0	0	0	99
Consolidated Active Travel Fund	0	0	499	234	234	234	1,202
Hereford Western Bypass Phase 1	356	2,100	13,584	11,700	17,560	0	45,300
Stronger Towns Fund - Greening the City	116	288	0	0	0	0	404
LUF - Active Travel Measures (north of river)	1,097	1,727	716	926	0	0	4,466
LUF - Active Travel Measures (south of river)	533	2,663	6,000	0	0	0	9,197
Local Transport Grant	0	5,837	5,975	6,966	7,775	8,584	35,137



# HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

Bus Service Improvement Plan	0	1,108	900	918	936	954	4,815
<b>Total Economy &amp; Environment (Transport)</b>	<b>41,144</b>	<b>18,937</b>	<b>31,802</b>	<b>20,744</b>	<b>26,505</b>	<b>9,772</b>	<b>148,905</b>
Integrated Wetlands	2,676	1,686	398	0	0	0	4,760
Natural Flood Management	555	329	390	0	0	0	1,274
Local Electric Vehicle Infrastructure Capital Fund (LEVI)	0	0	120	240	120	644	1,124
LEVI Pilot Fund Grant	24	36	60	0	0	0	120
Wye Valley National Landscape (previously AONB)	0	934	0	0	0	0	934
Solar Photovoltaic Panels	1,064	150	535	385	0	0	2,134
Yazor Brook	0	260	0	0	0	0	260
Waste	0	5,193	0	6,200	0	0	11,393
Home Upgrade Grant	0	70	0	0	0	0	70
Warm Homes Grant	0	501	1,003	982	0	0	2,485
Herefordshire Flood Risk Mitigation	0	250	1,805	0	0	0	2,055
<b>Total Economy &amp; Environment (Environmental)</b>	<b>4,318</b>	<b>9,409</b>	<b>4,311</b>	<b>7,807</b>	<b>120</b>	<b>644</b>	<b>26,609</b>
UK Shared Prosperity Fund	0	401	0	0	0	0	401
HWGTA - Development of Vocational Work Based Skills Investment	0	2,000	0	0	0	0	2,000
Employment Land & Incubation Space in Market Towns	866	3,961	1,460	8,360	0	0	14,648
Rural Prosperity Fund	0	512	0	0	0	0	512
<b>Total Economy &amp; Environment (Economic Growth)</b>	<b>866</b>	<b>6,874</b>	<b>1,460</b>	<b>8,360</b>	<b>0</b>	<b>0</b>	<b>17,561</b>
Windows Server Upgrades	293	37	0	0	0	0	330
Device and Ancillary kit replacement programme	0	230	578	185	0	0	993
M365 E5 Implementation	491	79	0	0	0	0	570
Planning & Regulatory Services software	3	350	923	120	0	0	1,396
Contact Centre Telephony Replacement	15	67	0	0	0	0	82
Wide Area Network (WAN) Replacement	165	121	0	0	0	0	286
School Route Planning Software	0	50	0	0	0	0	50
IT System Upgrades & Server Replacements 2025-26	0	318	182	0	0	0	500
Essential system updates and upgrades	0	0	174	0	0	0	174
CCTV Equipment Upgrades	0	89	0	0	0	0	89

# HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

<b>Total Corporate Services (IT &amp; Transformation)</b>	<b>967</b>	<b>1,340</b>	<b>1,857</b>	<b>305</b>	<b>0</b>	<b>0</b>	<b>4,470</b>
Schools Capital Maintenance Grant	0	3,196	2,770	1,200	0	0	7,166
Aylestone School Improvement Works	0	0	1,790	1,000	0	0	2,790
Peterchurch Area School Investment	953	6,523	3,377	0	0	0	10,853
Brookfield School Improvements	2,181	3,641	0	0	0	0	5,822
High Needs Grant	483	2,103	6,784	0	0	0	9,369
Basic Needs Funding	560	1,500	11,810	5,006	0	0	18,877
Relocate Herefordshire Pupil Referral Units	0	0	1,500	3,500	0	0	5,000
Establish a new alternative provision (AP) centre	0	0	1,500	3,500	0	0	5,000
Childcare Expansion Capital Grant 2023-24	13	153	130	0	0	0	296
School Accessibility Works	759	551	1,193	0	0	0	2,503
Children's residential homes for 11 to 18 year olds	0	424	0	0	0	0	424
Residential overnight short breaks refurbishment	0	0	60	0	0	0	60
C & F's S106	0	819	1,297	1,550	0	0	3,665
<b>Total Childrens &amp; Young Peoples (Including Schools)</b>	<b>4,949</b>	<b>18,908</b>	<b>32,210</b>	<b>15,756</b>	<b>0</b>	<b>0</b>	<b>71,824</b>
Work to Shirehall Annex (Care Leavers Base)	85	15	0	0	0	0	100
Estates Capital Programme 2019/22	5,119	763	0	0	0	0	5,882
Residual property works identified in the 2019 condition reports	957	365	0	0	0	0	1,322
Estates Building Improvement Programme 22-25	1,927	1,079	0	0	0	0	3,007
Estates Building Improvement Programme 2023-25	1,558	519	990	0	0	0	3,067
Estates Building Improvement Programme 2024-27	689	997	483	0	0	0	2,169
Building works from 2022 Condition Surveys	4	196	974	350	0	0	1,524
Shirehall Improvement Works	0	250	3,750	0	0	0	4,000
Property Improvements in Care Homes	225	644	484	0	0	0	1,353
Estates Building Improvement Programme 2026-29	0	0	1,809	1,121	35	0	2,965
Estates Building Improvement Programme 2025-28	0	497	2,622	526	0	0	3,645
<b>Total Economy &amp; Environment (Council Asset Investment)</b>	<b>10,564</b>	<b>5,325</b>	<b>11,112</b>	<b>1,998</b>	<b>35</b>	<b>0</b>	<b>29,033</b>
Disabled facilities grant	0	3,373	2,200	2,200	0	0	7,773
Empty Property Investment & Development	0	580	286	0	0	0	866

## HEREFORDSHIRE CAPITAL STRATEGY 2026-2031

Strategic/Emergency Housing Capital Projects	0	0	2,650	3,900	3,450	0	10,000
Acquisition Fund for Housing Provision	111	2,589	2,300	0	0	0	5,000
Merton Meadow - Brownfield Land Release Fund	393	1,607	0	0	0	0	2,000
Swimming Pool Support Fund	0	60	0	0	0	0	60
Libraries Improvement Fund	31	31	0	0	0	0	62
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment	2,883	1,540	10,525	5,581	0	0	20,529
Stronger Towns Library & Learning Centre relocation to Shirehall	340	152	2,064	450	0	0	3,005
Historic Building Fund	0	0	0	5,000	0	0	5,000
Community Capital Grants Scheme	4	1,376	600	20	0	0	2,000
<b>Total Community Wellbeing Including Housing</b>	<b>3,761</b>	<b>11,309</b>	<b>20,625</b>	<b>17,151</b>	<b>3,450</b>	<b>0</b>	<b>56,295</b>
<b>Total Capital Programme</b>	<b>74,508</b>	<b>113,598</b>	<b>146,941</b>	<b>102,117</b>	<b>60,023</b>	<b>44,364</b>	<b>541,551</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

<b>Directorate</b>	<b>Community Wellbeing</b>
<b>Scheme Name</b>	<b>Property Improvements in Care Homes – Phase 3</b>
<b>Budget Holder</b>	<b>Corporate Director Community Wellbeing</b>
<b>Council Plan Priority</b>	<b>People/Place</b>

A programme of building improvement works 2026/27 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 and efficiencies 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, impacting users of the building.
- 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 Herefordshire Council Plan 2024-28

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.

### Project aims and objectives:

### Estimated costs and funding sources:

	2024/25	2025/26	2026/27	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
<b>Essential Works 2026/27</b>			139,750		139,750
<b>Essential Equipment 2026/27</b>			25,000		25,000
<b>Improvement Works or Efficiency 2026/27</b>			34,000		34,000
<b>TOTAL</b>			198,750		198,750
<b>Funding sources</b>					
<b>Capital Receipts Reserve</b>			198,750		198,750
<b>TOTAL</b>					

**Benefits and risks:**

The anticipated benefits of the proposed programme are listed below:

- Statutory Compliance/ Quality Assurance
- 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

<b>Directorate</b>	<b>Children &amp; Young People</b>
<b>Scheme Name</b>	<b>Residential overnight short breaks home utilising capital funds for purchase and refurbishment and revenue for delivery of care via procurement.</b>
<b>Budget Holder</b>	<b>Tina Russell</b>
<b>Council Plan Priority</b>	<b>People/Place</b>

### Project aims and objectives:

Capital funding totalling £424,00 was made available in 2024-25 to deliver a registered residential children home project. Following a robust operational review of demand for such service a request was made to repurpose this funding and to purchase a property from which to deliver a minimum of 700 nights of care and support to children and young people with a disability as a short break 2025-26.

This provision is proven to prevent family breakdown, offering children and their families respite from daily challenging needs. This therefore reduces the risk of children coming into care permanently with families feeling they can't cope when they have an offer of overnight short breaks.

Currently no provision for overnight short breaks is available in county and those with the most complex needs are either unable to access a service or must travel significant distances. Is it considered likely that children have been accommodated directly because insufficient overnight short breaks are available.

Following approval of a decision report and signature by Tina Russell a multi-agency project team has progressed to identify a suitable property.

As of August 2025, funding has been secured as follows:

1. £424,000 capital funding
2. £35,000 strategic housing budget

A suitable property has been sourced at a total of £440,000. It is anticipated that purchase costs will total £10000 leaving £9000 This will be insufficient to deliver the outstanding adaptation and furnishing required to enable short breaks to be delivered. It is anticipated that a balance of £60,000 additional capital funding will be needed to cover:

1. Conversion of wet room
2. Hoist system in one room and wet room.
3. Appropriate industrial level white goods to allow laundry needs.
4. Furnishing of 3 bedrooms, living room, kitchen etc.
5. Garden toys to include adapted play/sensory equipment.

There are currently 32 children assessed as requiring OSB support. It is expected that in excess of 15 children and young people will benefit from this provision.

Analysis of current demand is challenging as some children are accessing an alternative service in lieu of overnight short breaks which may be sufficient, may delay accommodation or may be insufficient and exacerbate timescales for accommodation. Co-dependencies to include recruitment of foster carers/personal assistants and availability of community-based offers will influence the demand for overnight short breaks. As

such the numbers will increase/decrease over time. Offering an in-reach offer to families alongside overnight short breaks will provide flexibility, better value and improve business resilience.

The cost for overnight short breaks ranges from £550 to £1250 per night, including care and accommodation. Staffing ratio and requirement for clinical oversight vastly impact costs. A model that offers a range of skills, training and competency is likely to deliver the most cost effective and operationally useful service. Currently Herefordshire fund considerable travel for children to provision and or to school from their short break. This would be significantly reduced if the provision was in county and core home/school transport could be amended in a planned way. This will inform any future specification and tender requirement.

Current thinking indicates that a property offering in the region 700 bed nights per year will allow:

- 11 children identified as needing 391 ONSB but receiving an alternative offer to receive planned care.
- 4 children identified as needing 84 nights of ONSB and currently receiving direct payments as an alternative to receive planned care.
- Potential return home from 52/ week or reduction to 39-week care
- Timely support for children to avoid breakdown at points of crisis.

Without additional capital funds being made available the short break offer this home will not be able to be adapted to meet the needs of children currently accessed as requiring an overnight short break and Herefordshire will fail to meet their statutory duties.

Whilst it is recognised that this funding bid pertains to 2026-27 it is the specific request of Tina Russell that a bespoke decision allows consideration across 2025-26 to allow for works to be completed and provision to be offered as 1.1.26

**Our Sufficiency Strategy states that:**

“For those young people requiring residential care we intend to develop more local quality provision within 2024-25 and improve percentage of children placed in area annually.

**Herefordshire Improvement Plan for Children and Families highlights that our role as Corporate Parent is a priority area of focus and promotes the following outcomes:**

“Children and young people are central to decision making and planning within the council. They trust that the council has their best interest at heart and will prioritise resources to meet their needs.”

“Increased choice of placement to meet the needs of children in our care.”

“Matching of placement will be available to ensure needs are met and reduction in short term placements.”

**Estimated costs and funding sources:**

	2024/25	2025/26	2026/27	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
		60,000			60,000
<b>TOTAL</b>		60,000			60,000
<b>Funding sources</b>					
Capital Receipts Reserve		60,000			60,000

<b>TOTAL</b>		<b>60,000</b>			<b>60,000</b>

**Benefits and risks:****Benefits: -**

The provision within county is expected to deliver improved outcomes for children and young people, support families to care for their child at home, control costs, reduce transport costs, reduce officer travel time, maintain school placement and attendance and allow for effective collaborative working across partner agencies.

- The council would have full control of how the service was developed and delivered via specification.
- The council would manage referrals into the service and support conversations around matching, managing risk and occupancy. However, the provider would have the potential to veto subject to certain conditions i.e. safeguarding risk.
- Increased local options improving choice and matching.
- Retention of local connection with family/community and access to services within adult social care and housing
- Improved outcomes for children and recognition of the need to maintain trusted relationships.
- Increased access to local education and health services avoiding delay in assessment/ support.
- Improved engagement with providers mitigating breakdown, complaints and reputational risk.
- Reduced costs associated with transport, contact, travel, notice and uplifts.
- Reduced additionality of costs linked to spot/emergency arrangements.
- Reduced risk of unregistered placements.

**Risks: -**

Currently children are being placed into accommodation that does not fully meet their needs and is often out of area. The council is at risk of failing to meet our statutory duties and currently we anticipate legal challenge from a number of families. Costs are rising and quality cannot always be guaranteed. Placing children out of county creates challenges for maintaining family contact, local networks and disrupts education.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	<b>Economy and Environment</b>
<b>Scheme Name</b>	<b>Hereford Western Bypass – Phase 1</b>
<b>Budget Holder</b>	<b>Scott Tompkins – Delivery Director - Infrastructure</b>
<b>Council Plan Priority</b>	<b>Growth and Place</b>

### 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 and was estimated at that time to cost in the of £35m to construct. The recent procurement exercise has provided greater certainty to this estimation.

As part of the phase 1 review undertaken by Aecom however, it is anticipated that further works will be required to meet current construction and environmental regulations and standards. Furthermore, additional utility and network rail assets requiring diversion/ mitigation have been identified that were not previously captured in previous tenders have been identified. As a result, construction costs are likely to rise by approximately £1m. A further £300,000 is required to employ resources to support the council with contract management during the construction phase.

Council previously approved £10.3m to enable the scheme to progress to construction stage and to acquire land. It is anticipated that approximately £1.3m of this will be available to contribute to construction costs, subject to final land purchase costs.

A further £5m is therefore required in order to bring the budget up to £36.3m to ensure that the council is able to award a construction contract within the financial year 2026/27.

There are no additional revenue implications for ongoing maintenance as part of this proposal.

This capital bid is intended to deliver:

- The additional funding required to allow the construction of the scheme and the mitigation of impacted utility assets.
  - 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:

**People:** Traffic levels in the city are high, and with that comes pollution in the form of NO<sub>x</sub> 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. 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 will ensure that active travel is a more attractive alternative means of travel and will support uptake of use of the new cycling facilities being constructed along Holme Lacy Road.

- Place:** The scheme will be designed such that it is sympathetic to the environment, with planting on site and on nearby sites, as well as improved conditions to enhance biodiversity planned as an integral part of the scheme.  
As part of the wider Western Bypass the proposal will lay the foundation for additional housing required to support affordable living in the county to be located in a manner that mitigates the impact of additional car travel.
- Growth:** 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 costs and encourage investment to enable economic growth in and around Hereford.  
The creation of the first phase of the Western Bypass, 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.

**Estimated costs and funding sources:**

	2024/25	2025/26	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>							
Project development	356	2,100	6,544				9,000
Construction			9,940	19,840	6,220	0	36,000
Support resources			60	160	80	0	300
<b>TOTAL</b>	<b>356</b>	<b>2,100</b>	<b>16,544</b>	<b>20,000</b>	<b>6,300</b>	<b>0</b>	<b>45,300</b>
<b>Funding sources</b>							
Additional Corporate Funded Borrowing			0	0	5,000	0	5,000
Previously approved funding	2,800	8,500	17,500	11,500		0	40,300
<b>TOTAL</b>	<b>2800</b>	<b>8500</b>	<b>17,500</b>	<b>11,500</b>	<b>5,000</b>	<b>0</b>	<b>45,300</b>

**Benefits and risks:**

A full business case to outline the costs, benefits and risks will be developed prior to the drawdown of funding however it is anticipated that the following benefits will be realised and that there are risks that require mitigation as set out below.

**Benefits**

- By investing capital in the first phase of a western 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 and delivery of phase 1 will build confidence that the council is listening to its residents.

- Businesses, particularly those sited in Rotherwas, 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.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	<b>Community Wellbeing</b>
<b>Scheme Name</b>	<b>Strategic/Emergency Housing Capital Projects</b>
<b>Budget Holder</b>	<b>Hannah McSherry</b>
<b>Council Plan Priority</b>	<p><b>People</b> - We will enable residents to realise their potential, <b>to be healthy and benefit from communities that help people to feel safe and supported.</b></p> <p><b>Place</b> - We will protect and enhance our environment and ensure that Herefordshire remains a great place to live. <b>We will support the right housing in the right place</b> and do everything we can to improve the health of our rivers.</p>

### Project aims and objectives:

#### Financial Context

The Council has a statutory duty to prevent and relieve homelessness. In 2023/24 the Housing Solutions Team spent £3,415,832.27 on temporary accommodation (TA) solutions; £3,030,030.55 on Travelodge/ B&B style accommodation and £385,801.72 on private sector rental accommodation.

During this period the Council owed 314 households a prevention duty and 221 households a main housing duty. This gives an average TA cost of approx. £6384.73 per household owed a duty in 2023/24.

The limited supply of B&B/ Hotel accommodation in Herefordshire, along with increasing demand and seasonal variations mean the cost of securing short term accommodation continues to rise. A Travelodge room costs an average of £90.

The current average cost to the Council for an individual placed in the Travelodge is:

- 1 night £90
- 7 nights £630
- 30 nights £2,700
- 1 Year £32,850

Wherever possible housing benefit is used to offset this cost, but this is not always possible and doesn't cover the full cost.

The average cost of self-contained private sector rented accommodation used for TA are set out below alongside the Local Housing Allowance (LHA) rates that are used to offset these costs. Please note that LA's can only claim 90% of LHA rates for temporary accommodation.

Average Monthly Rent	Weekly LHA rates (90%)	Monthly LHA rates
1 bed - £520	1 bed - £86.19	1 bed - £373.49
2 bed - £631	2 bed - £109.04	2 bed - £472.51
3 bed - £755	3 bed - £129.81	3 bed - £562.51
4 bed - £1000	4 bed - £155.77	4 bed - £675.00

This table demonstrates that whilst the Council negotiates rents that are as close to LHA rates as possible, LHA rates do not come near to covering the whole cost. For self-contained private sector rented accommodation alone, this shortfall amounts to over £120,000 per annum, not taking into account voids, maintenance and repairs.

In 2023/24 the overspend on TA was 1.3m.

In 2024/25 the overspend on TA was £758K. This substantial decrease is down to proactive budget management and an increased focus on claiming Housing Benefit, however demand for temporary accommodation continues to significantly outstrip the budget. Escalating demand for TA is a national challenge and is a result of several factors including:

- Lack of social housing.
- Increasing cost of private rent.
- New legislation being introduced for private sector landlords, meaning many are leaving the market and evicting their tenants in the process.
- Ongoing impact of the cost-of-living crisis.

There are wider positive 'invest to save' implications linked to the accommodation solutions outlined in this request including:

- Ensuring that we have suitable accommodation for vulnerable families.
- Improving health and wellbeing outcome for families; Children living in temporary accommodation face a multitude of negative outcomes, including disruptions to their education, increased risk of mental health problems, and potential exposure to unsafe living conditions.
- Safe and secure accommodation mitigates the risk of escalating care and support needs and the cost of social care interventions for vulnerable adults and children.
- Reduction in avoidable hospital admissions.
- Reducing the risk and cost of the Council being fined by the Housing Ombudsman.
- Reduction in complaints, MP enquiries and wider reputational damage to the Council.
- Better use of existing housing stock.

#### **Link to corporate Plan / Priorities**

All the projects set out below link directly to the priorities set out in the corporate plan:

**People** - We will enable residents to realise their potential, **to be healthy and benefit from communities that help people to feel safe and supported.**

**Place** - We will protect and enhance our environment and ensure that Herefordshire remains a great place to live. **We will support the right housing in the right place** and do everything we can to improve the health of our rivers.

**Link to savings priorities** – Reduction in cost of temporary accommodation

#### **Bringing Empty Properties Back into Use**

*Request £750,000 to bring 15 empty properties back into use over 3 years.*



There are in excess of 350 long term empty homes in Herefordshire. In order to incentivise the owners of these properties to bring them back into use we propose to run an Empty Properties Grant Scheme.

Grants of up to £50,000 per property will be offered to bring up to 15 empty properties back into use across Herefordshire. Larger grants might be agreed by exception depending upon the property e.g. large family homes that need additional investment, but that would be a valuable resource to the TA team.

The focus will be on Hereford City and market towns as that is where accommodation is most needed. Grant's agreements will include conditions that the accommodation is offered for affordable rent for an agreed number of years depending upon the value of the investment. Nominations agreements will enable the Council to move families out of TA into these properties, reducing spend on expensive B&B/ chain hotels.

Bringing 15 properties back into use over 3 years as profiled in the table could, allowing for move on to permanent homes, take at least 20 households out of expensive and unsuitable B&B / Hotel accommodation. This scheme offers a potential saving of £159,619, less any costs offset by benefits.

#### **Local Area Housing Fund (LAHF) Round 4 – Match funding**

*Request £100,000 as match funding for LAHF 4*

The government has closed Afghan Resettlement Programme resettlement scheme to any further applications, but the number of refugees already committed to the scheme mean that we can expect several more years of active resettlement as new families continue to arrive in the UK. In an attempt to secure a fairer distribution across the country, the Government have introduced regional targets which have subdivided at a local authority level.

This year, the Council were able to meet the initial ask of 42 bedspaces / individuals through a combination of housing purchased through the LAHF (Round 2) and the delivery of 5 x new build properties negotiated with Connexus. However, this figure increases to 63 bedspaces / individuals for 2025/26. Strategic Housing have negotiated a further 5 units of resettlement accommodation with Stonewater for this period, but there will be a significant shortfall if we do not look at alternative models to deliver refugee resettlement in Herefordshire.

As a non-stock holding authority, we rely heavily on our Registered Provider (RP) partners to deliver a range of accommodation solutions for all our vulnerable groups of which refugees are just one.

The grant scheme has been delivered in partnership with local RP's who, to date, have provided approx. 50% of the match funding, with the Council contributing just a small amount of match as a gesture of our commitment to the funding and to our RP partners.

Working with Connexus and Stonewater Ltd, the Council have delivered 38 units of LAHF grant funded accommodation for resettlement and temporary accommodation over the last 2 years. These units of accommodation now form part of Herefordshire's social housing stock.

In preparation for LAHF Round 4 opening, we are requesting £5000 per property for up to 20 properties.

#### **Delivering affordable Temporary Accommodation for large families**

*Purchase and refurbishment of 3 large family homes to accommodate families of 7 or more currently being accommodated in TA. £450,000 each. Total request £1,350,000.*

We are currently accommodating 3 large families (6+) in TA with a 4<sup>th</sup> family still living in their existing unsuitable accommodation because we cannot find them suitable TA.

One of these families was accommodated in a local hotel during 2023, whilst a more suitable solution was sought. This cost £93,310 for 6 months. This family are now in leased accommodation at a cost of £30,000 per annum of which £22,000 cannot be recovered via housing benefit.

Two of the families are in Council owned accommodation, meaning that they cannot be used to generate an income.

The Council have been fined over £17,000 by the Housing Ombudsman because we cannot find suitable accommodation for these families. We have been notified of a further fine related to the family that we have not been able to find suitable TA for; we understand that this will be £3750 plus an additional £250 per month until we can find suitable TA. The demand for larger family accommodation is growing, and we have very few options at our disposal.

Following this latest complaint the Housing Ombudsman has asked that the Council produce a plan for procuring larger units of temporary accommodation. Investing in larger family homes will save money both in terms of B&B costs and by reducing fines from the Housing Ombudsman.

There is little prospect of these families being housed in social housing because Registered Providers do not develop homes that are large enough to accommodate them, so these families will continue to live in TA which is why we need flexible cost-effective solutions that we can manage directly.

It's difficult to quantify the exact savings that can be made from this approach as each of these families are a different size and makeup, but the only alternative we currently have is Hotel / B&B accommodation. The Homelessness Code of Guidance is clear that households with children should not be in B&B accommodation for any longer than 6 weeks. After this time the Council must secure alternative suitable accommodation. This is a huge challenge for large families.

### **Accessible Homes – Temporary Accommodation**

*Request £700,000 to purchase and refurbish two units of accessible temporary accommodation.*

We are seeking investment for two units of accessible accommodation for people that are homeless or in need of temporary accommodation before they can return home safely. Accessible housing stock is limited with demand outstripping supply.

Due to a lack of alternatives, we currently place people in accessible rooms in the Travelodge. This means that we are often sending people out of county and paying higher rates for accessible rooms. This solution is expensive and removes people from their established support networks, services and make access to healthcare very difficult. Experience shows that this approach can lead to otherwise preventable hospital admissions.

### **Accessible Homes – Larger Families**

*Request £900,000 for purchase two accessible homes for large families.*

A disproportionate number of disabled people live in social housing, with the Office for National Statistics (ONS, 2022) stating that 24.9% of disabled people lived in social renting in 2022 compared with 7.9% of non-disabled people.

The Council work closely with Registered Providers through the disabled facilities grant to make adaptations to existing housing stock to ensure that it is accessible for people with disabilities and accessibility issues. However, for some people / families this will never be a workable solution because their needs are so specific. The Council have an accessible homes register (AHR) for households that need bespoke housing solutions to meet their needs and works with developers through the planning system to develop homes to meet the specific needs of these households. There are over 70 households on the AHR.

This includes 7 families waiting for an accessible 4-bedroom unit, 3 families awaiting an accessible 5-bedroom unit and 1 family waiting for an accessible 6+ bedroom unit. Some of these families have more than one child with a disability or a life limiting illness, some as many as three.

Negotiating homes of this size on new development sites is very difficult as these are expensive units and take up more land. Where we have successfully negotiated a large accessible unit, the development process that can take 3 or more years to deliver the home. Some of the families on the accessible homes register have been waiting for over 6 years.

The families outlined above are living in accommodation that is not fit for purpose and will need increasing amounts of formal support from children's or adults social care to meet their escalating needs if we cannot provide them with a suitable home.

### **16/17 Homeless Young People**

*Request: Purchase of 4 x 2 bed units of accommodation for 16/17 young people that are experiencing homelessness. £1,000,000.*

When a YP aged 16/17 presents as homeless, they have an assessment and can chose to become children, looked after (CLA) or follow what is commonly referred to as the homelessness route, whereby they would be provided with accommodation but not supported or formally under the care of Children's Social Care.

The Council has no dedicated accommodation for YP choosing the homelessness route which means that more YP are becoming looked after. For some YP this is absolutely the right decision, but for others this decision may be influenced by the lack of wider, suitable, accommodation options. This proposal aims to provide YP with a suitable option. YP are not able to have a tenancy until they are 18, so this is transitional accommodation, and we it would be reasonable to expect a YP to occupy these units for at least 2 years.

The average annual cost of a supported housing placement for a looked after child during 2024/25 was £61,256 per annum, some of this cost is offset by housing benefit, but not all. Each of these units will accommodation 2 YP. Creating this accommodation for 16/17-year-olds who present as homeless but who don't need to become children that are looked after, could save the Council in excess of £1.1m in revenue spend in 3 years. This doesn't consider any reductions offset by housing benefit but excludes the wider costs of supporting children that are looked after until they are 25 years old.

Year 1 = 4 x £61256 = £254,024

Year 2 = 6 x £61256 = £367,536

Year 3 = 8 x £61256 = £490,048

Total potential saving is £1,111,608.

These are cumulative sums based on the annual cost for each person.

Should this scheme be approved, it is hoped that some of the potential savings may be used to deliver an increase in capacity for our existing floating support contract to support 16/17-year-olds in their independent accommodation, but this is only notional at this stage.

### Emergency Accommodation

*Request: £5.9m (capital borrowing) to develop council owned temporary accommodation to address the gap in provision and provide suitable accommodation for some of the county's most vulnerable people.*

The Housing Solutions Team are responsible for delivering the homelessness and housing advice service for Herefordshire Council. Homelessness has increased dramatically in recent years with approaches by those threatened with homelessness or homeless increasing - reflecting the national trend. There are currently 742 open cases being dealt with by the Housing Solutions Team and 177 households currently in temporary accommodation.

Based on analysis over the last 3 years, the council has an average emergency accommodation requirement of 150 units and thus a deficit of 100 units against this proven long-term demand. At a cabinet emergency accommodation working group in September, cabinet members agreed that in addressing this long-term issue, the council should seek to directly acquire and develop additional emergency accommodation to meet this deficit.

The rationale behind this proposal is one of spend to save, already adopted by the council in the recent acquisition of the John Venn Building in Hereford, using £5 million of funding allocated for provision of Temporary accommodation, to acquire and refurbish this vacant building to provide 28 No 1 bed apartments at a cost of £3.5 million but delivering revenue cost avoidance measures of circa £700,000 pa.

This proposal is to develop council owned land and buildings to provide 'fit for purpose' residential units to delivery emergency accommodation to meet the councils needs and thus fulfil its statutory obligations, and reduce service overspend on Emergency accommodation.

A 'pipeline' of 47, 1,2,3 and 4 bed units has been identified to be to be delivered over a 2 - 3-year period, allowing for the initial preconstruction design, planning and procurement phases.

The council will utilise the £5.9m to bring forward developments to meet the current and future need, utilising council owned land and buildings in the first instance. A full business case will be established for each development, setting out the need/ demand, and the income which will repay the borrowing (based on the John Venn building model established in the previous programme). The council will also seek Homes England grant funding wherever possible to support the business case for each investment.

### Estimated costs and funding sources:

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					

<i>Empty Property Grants</i>	250	250	250		750
<i>LAHF 4 Match Funding</i>	100				100
<i>TA for Large Families</i>	450	450	450		1,350
Accessible Homes for Large Families	450	450			900
Accommodation for Homeless 16/17-year-olds	500	250	250		1000
Emergency Accommodation	900	2,500	2,500		5,900
<b>TOTAL</b>	<b>2,650</b>	<b>3,900</b>	<b>3,450</b>		<b>10,000</b>
<b>Funding Stream</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Future Years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate funding borrowing	1,750	1,400	950		4,100
Homes England Grant	405	1,125	1,125		2,655
Borrowing funded from revenue Income (ROI)	495	1,375	1,375		3,245
<b>TOTAL</b>	<b>2,650</b>	<b>3,900</b>	<b>3,450</b>		<b>10,000</b>
<b>Revenue budget implications</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Future Years</b>	<b>Total</b>
<b>Potential savings</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>LAHF 4 Match Funding</i>					
<i>Empty Property Grants – potential savings</i>	31	51	76	76	234
<i>TA for Large Families – potential savings</i>	41	41	41	41	164
<i>Accessible Homes for Large Families</i>					
<i>Accommodation for homeless 16/17-year-olds – potential savings</i>	254	367	490	254	1,365
<b>TOTAL</b>	<b>326</b>	<b>459</b>	<b>607</b>	<b>371</b>	<b>1,763</b>

### Benefits and risks:

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

#### **Benefits**

There are a range of positive 'invest to save' benefits linked to the accommodation projects outlined in this capital request including:

- Savings associated with reducing the use of expensive B&B/ Hotel accommodation.
- Ensuring that we have suitable accommodation for vulnerable families.
- Improving health and wellbeing outcome for families; Children living in temporary accommodation face a multitude of negative outcomes, including disruptions to their education, increased risk of mental health problems, and potential exposure to unsafe living conditions.
- Safe and secure accommodation mitigates the risk of escalating care and support needs and the cost of social care interventions for vulnerable adults and children.

- Reduction in avoidable hospital admissions.
- Reducing the risk and cost of the Council being fined by the Housing Ombudsman.
- Reduction in complaints, MP enquiries and wider reputational damage to the Council.
- Better use of existing housing stock.

**Risks of not going ahead with the schemes set out above:**

- Continued escalation of cost of temporary accommodation.
- Continued use of unsuitable temporary accommodation and ongoing risk of fines from the Housing Ombudsman and associated reputational damage.
- LAHF 4 - Unable to meet our local quota for refugee resettlement.
- Unable to provide suitable long term accessible accommodation for large families, leading to escalation in need for children and adult social care intervention.

**Contribution to reducing risks identified on the corporate risk register:**

*R2 - Demand for client-based services continues to increase resulting in increased budget pressures and poor outcomes for those people in receipt of our services.*

Providing people with a warm, safe home has a significant impact on their health and wellbeing, supporting the council demand management approach. Households can be supported through the use of TEC, their local communities and preventative services, but suitable and safe accommodation is the foundation of this.

The development of suitable accommodation for 16/17 who chose not to become children that are looked after, will make a significant contribution to demand management as numbers are increasing.

*R5 - Failure to deliver a sustainable financial strategy that supports delivery of the Council Plan priorities. (Including delivery of savings, commercial income, capital receipts and ensuring resources are available to deliver statutory obligations and fund organisational development and transformation.)*

The delivery of these measures will contribute to the reduction in the cost of temporary accommodation, specifically the use of unsustainable B&B/ Hotel accommodation and offer a cost-effective alternative for young people who do not wish to become children that are looked after. These measures will contribute directly to the delivery of savings.



## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	<b>Children and Young People</b>
<b>Scheme Name</b>	<b>Relocate Herefordshire Pupil Referral Units</b>
<b>Budget Holder</b>	<b>Service Director, Education, Skills and Learning</b>
<b>Council Plan Priority</b>	<b>People</b>

### Project aims and objectives:

**Section 19 of the Education Act 1996** places a duty on local authorities to provide suitable alternative education for children of statutory school age who cannot attend school because of illness, exclusion, or any other reason. Where a child is permanently excluded, the authority must arrange full-time alternative provision from the sixth day of exclusion.

In addition, under the **Children and Families Act 2014**, Herefordshire Council has a statutory responsibility to secure sufficient, high-quality, and appropriate educational provision for children and young people with Special Educational Needs and Disabilities (SEND).

The increasing complexity and number of SEND cases, coupled with rising rates of permanent exclusions, is placing significant financial and operational pressure on Herefordshire's local provision.

### Project Aims and Objectives

This project will consolidate the Herefordshire Pupil Referral Service (HPRS) KS3 and KS4 provision from two under-compliant sites (St David's and Aconbury) into a single, fit-for-purpose location. The aim is to increase capacity from 47 to 100 places, ensuring statutory duties for excluded pupils are met while improving educational quality and outcomes.

The new provision will:

- Provide compliant, modern facilities with sufficient space for practical subjects, PE, and intervention work.
- Reduce reliance on costly, unregistered, and out-of-county placements.
- Create the potential for a small KS1/KS2 AP on the vacated St David's site to address emerging primary need.
- Co-locate multi-agency services to deliver integrated support and early intervention.
- Reduce home-to-school transport costs through better geographic placement.

### Scheme Description

The proposal is to acquire and refurbish a ready-built commercial building, offering a significantly faster and more cost-effective route than new build. Acquisition and refurbishment costs are estimated at £5–6m, compared with circa £15–18m for a comparable new school, and the facility could be operational within 6-12 months of purchase.

This project will:

- Replace two sub-standard PRU sites with a single high-quality education facility.
- Enable flexible, phased delivery to manage pupil cohort compatibility and maintain provision during transition.
- Free up one existing site for potential redevelopment into much-needed primary AP capacity.

- Provide space for an Alternative Provision Specialist Taskforce, aligning with the DfE's SEND and AP Improvement Plan

### Links to Corporate Priorities

This project directly supports a key deliverable in the Council's Delivery Plan:

*"Develop new Alternative Provision for children with needs that require additional support to enable them to remain and/or return to mainstream education."*

It also contributes to all four Council Plan priorities:

- **People** – Ensures excluded and at-risk pupils have timely access to education that meets their needs, improving life chances and wellbeing.
- **Growth** – Builds skills, qualifications, and pathways into post-16 education, training, and employment.
- **Place** – Strengthens local provision, reducing the need for pupils to travel long distances and supporting cohesive communities.
- **Transformation** – Maximises use of existing assets, delivers value for money, and reduces long-term high-needs expenditure.

### Savings Plan and Financial Impact

- **Cost avoidance:** Reduces reliance on unregistered AP and independent special school placements, mitigating rapid growth in high-needs block expenditure.
- **Capital efficiency:** Commercial acquisition/refurbishment estimated at one-third of new build costs.
- **Operational savings:** Decreased home-to-school transport costs through better geographic siting of provision.
- **Revenue funding:** Ongoing running costs met through the High Needs Block, with places funded at £10,000 per pupil plus top-up.

This project complements a second Business Case, which focuses on a Tier 2 intervention-based alternative provision centre to prevent exclusions and support reintegration. Together, they establish a joined-up system of early intervention, recovery, and reintegration aligned with the DfE's tiered AP model.

### Estimated costs and funding sources:

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
Property acquisition	2,500	1,500			4,000
refurbishment		2,000			2,000
<b>TOTAL</b>	<b>2,500</b>	<b>3,500</b>			<b>6,000</b>



Funding sources					
High Needs Capital Grant	1,000				1,000
Corporate Funded Borrowing	1,500	3,500			5,000
<b>TOTAL</b>	<b>2,500</b>	<b>3,500</b>			<b>6,000</b>
Revenue budget implications					
<b>TOTAL</b>					

### Benefits and risks:

#### Anticipated Benefits

- Increase capacity from 47 to 100 KS3/KS4 PRU places, ensuring statutory compliance and eliminating current breaches of capacity assessments.
- Improve quality and suitability of provision through modern, compliant facilities with appropriate space for practical learning, PE, and intervention work.
- Reduce reliance on costly unregistered and out-of-county placements, helping to control the growth of the High Needs Block deficit.
- Provide the potential to develop a primary AP facility at the vacated St David's site to meet emerging KS1/KS2 demand.
- Enable co-location of multi-agency teams to deliver integrated support for pupils and families, in line with the DfE's Alternative Provision Specialist Taskforce model.
- Reduce home-to-school transport costs by improving and bringing together geographic placement of provision to enable cost efficiencies.
- Deliver provision within 6-12 months of acquisition, compared to four years for a new build.

#### Risks of the Proposed Project

- **Availability of suitable property** – mitigated by maintaining an active search and engaging with agents early.
- **Planning/change of use refusal** – mitigated through early pre-application discussions with the planning authority.
- **Cohort compatibility issues** – mitigated by phased transition and careful placement planning.
- **Stakeholder resistance** – mitigated by proactive communication and engagement with pupils, parents, staff, and governors.
- **Recruitment challenges** – mitigated through workforce development planning and phased growth in pupil numbers.

#### Risks of Not Proceeding

- Continued breach of capacity limits at current PRU sites, risking quality and compliance issues.

- Escalating costs for unregistered AP and out-of-county placements, further increasing the DSG High Needs deficit.
- Inability to meet statutory duties for excluded pupils within the county.
- Higher home-to-school transport costs due to pupils travelling further afield.
- Missed opportunity to re-purpose existing sites for primary AP capacity.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	<b>Children and Young People</b>
<b>Scheme Name</b>	<b>establish a new alternative provision (AP) centre</b>
<b>Budget Holder</b>	<b>Service Director, Education, Skills and Learning</b>
<b>Council Plan Priority</b>	<b>People</b>

### Project aims and objectives:

**Section 19 of the Education Act 1996** places a duty on local authorities to provide suitable alternative education for children of statutory school age who cannot attend school because of illness, exclusion, or any other reason. Where a child is permanently excluded, the authority must arrange full-time alternative provision from the sixth day of exclusion.

In addition, under the **Children and Families Act 2014**, Herefordshire Council has a statutory responsibility to secure sufficient, high-quality, and appropriate educational provision for children and young people with Special Educational Needs and Disabilities (SEND).

The increasing complexity and number of SEND cases, coupled with rising rates of permanent exclusions, is placing significant financial and operational pressure on Herefordshire's local provision.

Although Herefordshire's attendance rates are above national averages, 3,968 pupils (16.8% of the cohort) are persistently absent and 441 attend less than 50%, with SEMH difficulties the most common cause. There is currently no registered, short-term intervention offer to address these needs across all phases, resulting in growing reliance on costly and often unregistered alternative provision.

The DfE's SEND and AP Improvement Plan promotes a three-tier AP model, with Tier 2 providing short-term, high-quality intervention placements to keep pupils in mainstream settings. This approach re-engages learners, reduces preventable exclusions, and lowers system costs — but is absent in Herefordshire.

This project will establish the county's first Tier 2 AP facility, offering 100 full-time equivalent places shared flexibly alongside outreach, advice, and multi-agency support. The site will also host a co-located Alternative Provision Specialist Taskforce and include vocational learning spaces for pupils disengaged from traditional academic pathways.

Delivery through the purchase and refurbishment of a commercial building will cost around one-third of a new build and can be operational within 6-12 months, providing urgent relief to local AP pressures and improving outcomes for children and young people.

### Aim:

To establish a registered Tier 2 Alternative Provision (AP) facility in Herefordshire providing short-term, high-quality intervention placements to re-engage pupils in learning, reduce preventable exclusions, and improve outcomes for children and young people with Social, Emotional and Mental Health (SEMH) needs.

### Objectives:

1. **Increase Sufficiency** – Provide up to 100 full-time equivalent Tier 2 AP places, shared flexibly across the week, to meet the needs of pupils who would otherwise be at risk of exclusion or long-term disengagement.
2. **Improve Inclusion** – Support pupils to remain in mainstream schools wherever possible through short-term interventions, outreach, and reintegration planning.
3. **Reduce System Costs** – Lower reliance on unregistered AP and costly external placements by delivering local, high-quality provision.

4. **Deliver Multi-Agency Support** – Create space for a co-located Alternative Provision Specialist Taskforce, enabling integrated and timely support across education, health, and social care.
5. **Enhance Skills Pathways** – Incorporate vocational and practical learning opportunities, including indoor/outdoor workshops, to prepare pupils for post-16 education, training, or employment.
6. **Accelerate Delivery** – Use a commercial acquisition and refurbishment model to achieve operational readiness within 6-12 months of purchase, at approximately one-third of the cost of a new build.

### Links to Corporate Priorities

This project directly supports a key deliverable in the Council's Delivery Plan:

*“Develop new Alternative Provision for children with needs that require additional support to enable them to remain and/or return to mainstream education.”*

It also contributes to all four Council Plan priorities:

- **People** – Ensures excluded and at-risk pupils have timely access to education that meets their needs, improving life chances and wellbeing.
- **Growth** – Builds skills, qualifications, and pathways into post-16 education, training, and employment.
- **Place** – Strengthens local provision, reducing the need for pupils to travel long distances and supporting cohesive communities.
- **Transformation** – Maximises use of existing assets, delivers value for money, and reduces long-term high-needs expenditure.

### Savings Plan and Financial Impact

- **Cost avoidance:** Reduces reliance on unregistered AP and independent special school placements, mitigating rapid growth in high-needs block expenditure.
- **Capital efficiency:** Commercial acquisition/refurbishment estimated at one-third of new build costs.
- **Operational savings:** Decreased home-to-school transport costs through better geographic siting of provision.

This proposal complements a parallel business case being submitted to consolidate and expand statutory PRU provision (Tier 3). Together, the two projects deliver a tiered system of support for pupils at risk of or experiencing exclusion, in line with the DfE's SEND and AP Improvement Plan.

### Estimated costs and funding sources:

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
Property acquisition	2,500	1,500			4,000
refurbishment		2,000			2,000
<b>TOTAL</b>	<b>2,500</b>	<b>3,500</b>			<b>6,000</b>
<b>Funding sources</b>					
High Needs Capital Grant	1,000				1,000
Corporate Funded Borrowing	1,500	3,500			5,000
<b>TOTAL</b>	<b>2,500</b>	<b>3,500</b>			<b>6,000</b>
<b>Revenue budget implications</b>					
none					

<b>TOTAL</b>					

**Benefits and risks:****Anticipated Benefits**

- Establish the county's first registered Tier 2 AP facility, providing up to 100 full-time equivalent intervention places (shared flexibly) to re-engage pupils and prevent exclusions.
- Improve quality and suitability of provision through a purpose-designed site with space for practical learning, vocational training, PE, and early interventions.
- Reduce reliance on unregistered and out-of-county provision, helping to control growth of the High Needs Block deficit.
- Enable earlier intervention for SEMH-related needs, improving pupil wellbeing, attendance, and progression back into mainstream education.
- Co-locate a multi-agency Alternative Provision Specialist Taskforce to deliver integrated, pupil-centred support.
- Reducing home-to-school transport costs.
- Deliver provision within 6-12 months of acquisition and refurbishment, compared to four years for a new build.

**Risks of the Proposed Project**

- Limited availability of suitable commercial property – mitigated by active property market engagement and early search activity.
- Planning/change of use challenges – mitigated through pre-application discussions with the planning authority.
- Integration with mainstream schools and alignment of referral processes – mitigated by clear operating protocols and partnership agreements.
- Recruitment of specialist AP staff – mitigated through targeted workforce planning and phased intake.
- Ensuring sustained quality – mitigated by robust commissioning, inspection readiness, and performance monitoring.

**Risks of Not Proceeding**

- Continued absence of registered short-term intervention provision, leading to increased exclusions and disengagement.
- Escalating costs for unregistered AP and out-of-county placements, worsening the DSG High Needs deficit.
- Inability to deliver the DfE's tiered AP model locally, missing an opportunity for systemic improvement.
- Higher home-to-school transport costs and reduced accessibility for pupils in rural areas.
- Missed opportunity to provide early intervention and prevent escalation to Tier 3 PRU placements.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	Children and Young People
<b>Scheme Name</b>	Aylestone Capital Works
<b>Budget Holder</b>	TBC – PMO Project Manager
<b>Council Plan Priority</b>	<b>People</b>

### Project aims and objectives:

Aylestone School is a Council maintained Community School in the heart of North Hereford. The school was established in the 1970s following the merger of two high schools in Hereford. At its peak the school used to cater for 1,250 pupils but now only has capacity for 450 places. The decrease in pupil capacity has led to a reduction in school funding over the years and has left the current site dated and in need of significant repairs.

The project will focus on three key areas where remedial works and upgrades are urgently required to ensure the school can continue to operate business as usual:

- Broadlands House
- Boiler Replacement (Campus wide)
- CDT Block

### Broadlands House:

Broadlands House is a Grade II listed, late 18th-century building forming part of Aylestone School. It serves as the main administration block and houses essential staff offices and pupil support spaces.

The building is now in critical disrepair and presents multiple urgent health and safety risks as evidenced by two independent structural engineer reports (June 2025).

### Key findings from structural reports:

- **Severe dry rot** with structural failure of floor joists (e.g., Room B2 joist ends completely rotted through), affecting multiple areas.
- **Main entrance canopy** joists rotted through, requiring a crash deck in reception to protect from falling debris.
- **Masonry hazards** including large loose stone blocks and parapet capping stones that could cause *fatal injury* if they fall.
- **Fenced-off external areas** due to unsafe stonework, particularly at the North end of the East elevation.
- Damp ingress from blocked parapet gutters and defective drainage, creating ideal conditions for continued decay.

As a **Grade II listed structure**, works must comply with listed building consent requirements, ensuring repairs preserve the building's historic character and fabric. This will necessitate specialist contractors, heritage-approved materials, and extended lead-in times, increasing both the complexity and cost of delivery.

Parts of the building are already closed to staff and pupils, and further closures are inevitable if works are not undertaken urgently. The structural engineer warns that without intervention; the building will become entirely unusable.

If Broadlands House closes, **temporary accommodation will be required to house displaced staff and pupil support functions**, at significant ongoing revenue cost, and with associated disruption to school operations.

#### **Objectives:**

1. Make Broadlands House structurally safe for occupation by pupils, staff, and visitors.
2. Eliminate immediate health and safety hazards from falling masonry and structural failure.
3. Address underlying damp ingress to prevent recurrence of dry rot and masonry decay.
4. Comply with statutory listed building obligations while preserving historic fabric.
5. Maintain operational continuity and avoid the cost and disruption of temporary accommodation.
6. Protect and extend the lifespan of a key Council-owned heritage and education asset.

#### **Boiler Replacement:**

The boiler system across the school campus is currently over lifespan and is in critical need of replacement in 2026.

Following the 2022 condition survey and advice from our design consultants, Six, the boiler system will struggle to operate beyond this winter (2025) and will place the significantly increase the risk of school closure next winter if the system is not updated with new plant equipment.

#### **Objectives:**

1. Replace the boiler system campus wide with like for like replacements.
2. Reduce overall carbon emissions produced by the school.

#### **CDT Block:**

The CDT Block is currently showing signs of wear and tear due to the structure's age. There are three main issues in the block that requires urgent attention within the next year following the 2022 condition report and recent school site visits:

**Roof** – The roof is currently leaking during heavy rainfall and urgently needs replacing. The roof is currently at its end of life with signs of debonding and blistering.

**Windows and Doors** – The current windows and doors are at their end of life. The wooden timber frames have now failed and have started to rot. Windows panes are also single glazed making the building thermally inefficient, causing increased heating costs to the school.

**Electrics** – Rewiring of the building has been recommended to ensure the buildings electrics remain safe for years to come. Works will include replacement of distribution boards, sockets and rewiring.

#### **Objectives:**

1. Like for like replacement of the roof and improvements to rainwater gully.
2. Replacement of windows and doors across the building with double glazed panes.

3. Rewiring of electrics across the building.

**Estimated costs and funding sources:**

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
Boiler Replacement Programme	1,090	0	0	0	1,090
Broadlands House Remedial Works	240	1,000	0	0	1,240
CDT Block	460	0	0	0	460
<b>TOTAL</b>	<b>1,790</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>2,790</b>
<b>Funding sources</b>					
Capital Receipts Reserve	1,790	0	0	0	1,790
Corporate Funded Borrowing	0	1,000	0	0	1,000
<b>TOTAL</b>	<b>1,790</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>2,790</b>
<b>Revenue budget implications</b>					
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Benefits and risks:**

**Benefits:**

- Removes *immediate life safety risks* to pupils, staff, and visitors.
- Prevents full closure of Broadlands House and the associated cost/disruption of temporary accommodation.
- Restores access to currently closed-off areas, increasing operational efficiency.
- Reduces the Council's liability exposure from potential injury or fatality.
- Preserves a Grade II listed heritage asset in line with statutory obligations.
- Enables a planned preventative maintenance approach, reducing future emergency repair costs.

**Risks if project proceeds:**

- Unexpected structural deterioration may be revealed during works, increasing costs.
- Tender prices for works are at risk of coming in 20% above or below current estimated budget values and cost will be dependent on the market at that time.
- Heritage consent processes may extend lead-in times.

**Risks if project does not proceed:**



- Escalating structural failure leading to full building closure.
- Significant ongoing revenue cost for alternative accommodation.
- Heightened corporate risk register score for health and safety, heritage asset management, and school estate condition.
- Increased likelihood of falling masonry causing serious injury or death.
- Loss or irreversible damage to a listed building, attracting regulatory scrutiny and reputational harm.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	Children and Young People
<b>Scheme Name</b>	Schools Capital Maintenance Projects
<b>Budget Holder</b>	Karen Amos - PMO
<b>Council Plan Priority</b>	<b>People</b>

### Project aims and objectives:

The Schools Capital Maintenance Programme (SCMP) is a strategic initiative led by the Council to address critical maintenance needs across the maintained school estate. Its primary objective is to eliminate all outstanding priority issues identified in the 2023 condition surveys and consultant site assessments, while also responding to current emergency maintenance requirements.

On average over the past five years, the Council has received an annual School Condition Allowance (SCA) of £1.195 million. However, this funding has not kept pace with inflation, or the growing maintenance demands of an aging school estate. As a result, a significant backlog of high-priority maintenance issues has developed, many of which pose risks to health and safety, disrupt school operations, and threaten the continued use of key teaching spaces.

The SCMP is informed by comprehensive condition surveys conducted in 2023 and consultant site visits, which assessed each school building's physical state and assigned urgency ratings to identified issues. Priority items, those requiring attention in 2026 to prevent serious failure or risk, currently remain unresolved due to funding constraints. The programme prioritises works that ensure schools remain safe, secure, and operational, with a focus on keeping buildings wind and watertight.

In recent years, the Council has seen a sharp rise in reactive emergency maintenance costs, from £60,000.00 in 2016 to over £705,786.50 in 2024/25 financial year. In this current financial year, the programme has already committed £165,000.00 in emergency maintenance costs. This trend reflects the consequences of underinvestment in planned maintenance and highlights the inefficiencies and escalating costs of a reactive approach.

Without additional investment, the Council risks further deterioration of the school estate, increased emergency interventions, and potential partial or full school closures. The situation also poses a growing risk to the safety of pupils, staff, and visitors, and is recognised as a significant concern on the Council's corporate risk register.

To mitigate these risks and transition to a more sustainable, planned maintenance model, the Council is seeking an additional £2,770,000.00. This funding will enable the removal of all priority items for 2026 within the Council's remit, support the delivery of essential capital projects, and reduce reliance on emergency works. The scope of the programme includes only those items that fall under the Council's responsibility; school-funded priority items are excluded unless they are directly linked to Council-led projects.

By addressing the maintenance backlog and investing in preventative measures, the SCMP aims to safeguard the long-term functionality and safety of the school estate, ensuring that educational environments remain fit for purpose for years to come.

**Estimated costs and funding sources:**

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
Ashfield Park – Heating	400	0	0	0	400
Bosbury – Drainage	50	0	0	0	50
Bosbury – Windows & door upgrades	120	0	0	0	120
Colwall – Flooding	140	0	0	0	140
Earl Mortimer – Roof	60	0	0	0	60
Gorsley Goffs – Rooflights, Windows & Doors	130	0	0	0	130
Hampton Dene – Heating	670	0	0	0	670
Much Birch – Drainage	50	0	0	0	50
St David's – Boiler	325	0	0	0	325
Trinity – Roof	480	0	0	0	480
Weobley Primary – Circulation pumps	55	0	0	0	55
Condition Surveys	90	0	0	0	90
Emergency Works 2026/27	200	0	0	0	200
<b>TOTAL</b>	<b>2,770</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,770</b>
<b>Funding sources</b>					
School Condition Allowance	1,200	0	0	0	1,200
Capital Receipts Reserve	1,570	0	0	0	1,570
<b>TOTAL</b>	<b>2,770</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,770</b>
<b>Revenue budget implications</b>					
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Benefits and risks:****Benefits:**

- By removing the backlog of priority maintenance items and emergency works, the risk of H&S issues and of school closures is reduced.
- The amount of reactive works will also reduce allowing for a proactive maintenance programme to be delivered in the future.

**Risks:**

- Risk of safety issues and or closure of schools. This has been mitigated by prioritisation of the programme to identify which risk is more likely to be realised by the contractor.

- Additional emergency works could occur during the programme. These will be raised at project board and prioritised where necessary.
- Tender prices for works are at risk of coming in 20% above or below current estimated budget values and cost will be dependent on the market at that time.
- Current defects will worsen over time if not rectified and will likely lead to an increase in cost to address the remedial works further down the line.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	<b>Economy and Environment</b>
<b>Scheme Name</b>	<b>Resurfacing Herefordshire Highways 3</b>
<b>Budget Holder</b>	<b>Ed Bradford, Major Contracts Programme Director</b>
<b>Council Plan Priority</b>	<b>Place</b>

The condition of the highway 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.

The Local Transport Plan Annual Plan budget cannot support the level of resurfacing and reconstruction type works required across the county. Without further investment, the network is effectively in a state of managed decline and requires support to prevent assets deteriorating further.

This bid seeks to invest in resurfacing and reconstruction activity on the county's road network and builds on the success of the 2024/25 and 2025/26 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 and 2025/26.

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 help to ensure a positive start to the new Public Realm Contract.

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 resident's 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:

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
Resurfacing Schemes	4,750				4,750
Internal Staff, PM and Sundry cost	250				250
<b>TOTAL</b>	<b>5,000</b>				<b>5,000</b>
<b>Funding sources</b>					
Corporate Funded Borrowing	5,000				5,000
<b>TOTAL</b>	<b>5,000</b>				<b>5,000</b>
<b>Revenue budget implications</b>					
<b>TOTAL</b>					

### Benefits and risks:

- Builds on the success of the existing Resurfacing Herefordshire Highways investment in 2024/25 and 2025/26.
- By investing capital in this way, the county's most valuable asset will be improved and associated revenue costs will be mitigated.
- Will help to ensure a positive start to the new Public Realm Contract.
- 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

<b>Directorate</b>	<b>Economy and Environment</b>
<b>Scheme Name</b>	<b>Ash Dieback removal programme</b>
<b>Budget Holder</b>	<b>Ed Bradford, Major Contracts Programme Director</b>
<b>Council Plan Priority</b>	<b>Place</b>

Ash dieback disease is caused by the fungus *Hymenoscyphus fraxineus*, formerly known as *Chalara fraxinea*. Ash is a prominent tree species in the Herefordshire landscape, and it is estimated that we are going to lose around 80% of ash trees in Herefordshire and the UK.

Ash Trees can decline rapidly once infected and become brittle and weak at the roots, especially if a secondary pathogen attacks the tree.

In 2024/2025 Herefordshire Council commenced an Ash Dieback inspection programme to include the inspection of 30,000+ Ash Trees on Herefordshire Council assets including Highway Verges/Public Open Space and Property assets and subsequent removal and replanting of alternative species as per the Ash Dieback Action Plan.

The Grounds Maintenance Annual Plan Budget cannot support that level of tree works required across the county. Without further investment, the tree stock will deteriorate as the disease effects the trees causing potential risks to the highway's network, Council assets and adjacent properties.

The funding is required to ensure the tree stock on the highway networks remain healthy. Enhancing public safety and mitigating risk where and when necessary, will ensure safety for all users of the road network. The loss will be alleviated by series of replanting of established trees in public open spaces and young whips when trees are removed to aid nature recovery.

Costs incurred to date from phases 1 and 2 of felling has demonstrated that insufficient budget exists for tree removal.

**Community:** The project ensures localities remain connected; there is a risk of severance where road safety contributes to resident's decisions not to use that part of the network.

A better quality, safer network will give homeowners and users confidence around tree safety issues.

**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, a programmed approach to tree safety and removal will ensure correct numbers of trees will be replanted back within the network as per the Ash Dieback Plan.

Minimising the risk of failure and closures will reduce the diversions needed for transport.

### Project aims and objectives:

### Estimated costs and funding sources:

	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Future Years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>



<b>Capital cost of project</b>					
Ash Tree Removal Programme and Replanting	242				242
<b>TOTAL</b>	<b>242</b>				<b>242</b>
<b>Funding sources</b>					
Corporate Funded Borrowing	242				242
<b>TOTAL</b>	<b>242</b>				<b>242</b>
<b>Revenue budget implications</b>					
<b>TOTAL</b>					

**Benefits and risks:**

- Builds on the success of the existing Ash Dieback inspection and removal programme with over 1000 diseased trees removed and over 2500 trees replanted on the highway network.
- By investing capital reduces the risk of accidents on the highway network
- Will help to ensure a positive start to the new Public Realm Contract.
- Customer satisfaction will be improved when a programme of improvements in condition is announced.
- Reduction in claims and other correspondence relating to tree failure.
- There are no dis-benefits associated with investing in the carriageway asset.

**Risks**

- Deliverability during the optimal period. A detailed programme will be developed to ensure that the programme is delivered before bird nesting season each year.
- Not addressing the existing risk of failure to the Ash stock on the network.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	<b>Economy &amp; Environment</b>
<b>Scheme Name</b>	<b>Estates Building Improvement Programme 2026-29</b>
<b>Budget Holder</b>	<b>John Hobbs – Corporate Director Economy &amp; Environment</b>
<b>Council Plan Priority</b>	

### Project aims and objectives:

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

A three year programme of building improvement works 2026/29 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:

	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Future Years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital cost of project</b>					
<b>Estate Improvement Works</b>	<b>1,809</b>	<b>1,121</b>	<b>35</b>		<b>2,965</b>
<b>TOTAL</b>	<b>1,809</b>	<b>1,121</b>	<b>35</b>		<b>2,965</b>
<b>Funding sources</b>					
<b>Corporate Borrowing</b>	<b>809</b>	<b>1,121</b>	<b>35</b>		<b>1,965</b>
<b>Capital Receipts Reserve</b>	<b>1,000</b>				<b>1,000</b>

<b>TOTAL</b>	<b>1,809</b>	<b>1,121</b>	<b>35</b>		<b>2,965</b>
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**Benefits and risks:**

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

- 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

<b>Directorate</b>	<b>Corporate Services</b>
<b>Scheme Name</b>	<b>Essential system updates and upgrades</b>
<b>Budget Holder</b>	
<b>Council Plan Priority</b>	<b>Transformation</b>

### Project aims and objectives:

Herefordshire Council relies on information systems to securely and efficiently provide services to residents, businesses and visitors. Core infrastructure elements need to be updated and upgraded during the 2026/27 financial year, and this requires capital funding (with associated revenue implications) as set out below.

The infrastructure elements being updated and upgraded includes **anti-virus for server infrastructure** and **data centre firewall hardware**. For these items we will procure hardware and a bundle of support and subscription costs together at the time of purchase. These have been listed separately as capital (hardware) and revenue (services) in the tables below. Should the council prefer to treat these as a single capital item the two sections can merely be combined.

The updates and upgrades also includes **telephony SIP gateways for council telephone systems**.

Due to high levels of fluctuation currently being experienced on IT hardware pricing, a 20% contingency has been included for the hardware items below. For service contingency 15% has been used.

### Estimated costs and funding sources:

	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Future Years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital cost of project</b>					
Anti-virus for server infrastructure	15.0				15.0
Telephony SIP gateways for council telephone systems	55.0				55.0
Data centre firewall hardware	75.0				75.0
Contingency (20%)	29.0				29.0
<b>TOTAL</b>	<b>174.0</b>				<b>174.0</b>
<b>Funding sources</b>					
Anti-virus for server infrastructure					
Telephony SIP gateways for council telephone systems					
Data centre firewall hardware					
Contingency (20%)					
<b>TOTAL</b>					
<b>Revenue budget implications</b>					
Anti-virus for server infrastructure	18.0	15.0	15.0	15.0	

Telephony SIP gateways for council telephone systems	2.5	7.0	7.0	7.0	
Data centre firewall hardware	14.0	14.0	14.0	14.0	
Contingency (15%)	5.2	5.4	5.4	5.4	
<b>TOTAL</b>	<b>39.7</b>	<b>41.4</b>	<b>41.4</b>	<b>41.4</b>	

**Benefits and risks:**

The infrastructure elements being updated and upgraded include anti-virus software for server infrastructure and data centre firewall hardware. Failure to implement these updates and upgrades will put the **information and systems that we rely on at increased risk of cyber-attack**, reducing our organisational cyber posture and risking the availability of core services.

The updates and upgrades also include Session Initiation Protocol [SIP] gateways for telephony. Failure to implement this update and upgrade will mean that **telephony provided through Microsoft Teams would need to be reconfigured to another service** at cost, **and we would not be compliant with card payment industry standards** when taking credit card payments by telephone.

Funding and progressing with this work will maintain our systems availability, cyber posture and compliance with payment card industry standards.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	Economy and Environment
<b>Scheme Name</b>	Public Rights of Way Bridges and Crossings
<b>Budget Holder</b>	Ed Bradford, Major Contracts Programme Director
<b>Council Plan Priority</b>	Place

Herefordshire Council's Public Rights of Way team has conducted a review of bridges and crossings along the 2,100 miles of Public Rights of Way network in the county. The Council is required to replace or repair defective bridges and crossings to ensure the network remains open and safe for members of the public to use.

There are 70 bridges requiring replacement county-wide, as detailed below:

- 31 under 6 metres
- 35 over 6 metres
- 4 Ditch Crossings

### **Connectivity and Accessibility**

Bridges allow uninterrupted passage across natural obstacles such as rivers, streams, and ditches. Without them, walkers, cyclists, and horse riders would face severance, making parts of the network inaccessible. This connectivity is essential for rural communities and tourism, ensuring people can safely and easily navigate the countryside.

### **Safety**

Crossing watercourses or steep banks without a bridge can be hazardous, especially during bad weather or flooding. Bridges provide a safe, stable route, reducing the risk of accidents and injuries.

### **Legal Obligation**

Herefordshire Council has a statutory duty to maintain its' Public Rights of Way network, so they remain open and usable. If bridges fail or are missing, the route becomes impassable, which can lead to legal challenges and reputational damage for the council.

### **Economic and Social Benefits**

A well-maintained Public Rights of Way network supports local businesses, tourism, and recreation. People are more likely to visit and spend in areas with safe, accessible routes. This also encourages healthier lifestyles and community engagement.

### **Environmental Considerations**

Bridges help protect sensitive habitats by directing foot traffic away from riverbanks and wetlands, reducing erosion and ecological damage.

Maintaining these assets ensures the network remains connected and supports economic growth and environmental sustainability.

The Public Rights of Way Budget cannot support this level of bridge related works required across the county. Without further investment, bridges and crossings will deteriorate causing potential risks to the network and the safety of its users.

The funding is required to ensure bridges and crossings are safe and the network open. Enhancing public safety and mitigating risk where and when necessary, will ensure safety for all users of the Public Rights of Way network.

#### Estimated costs and funding sources:

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
Public Rights of Way Bridges and crossings replacement and repairs.	950	0	0	0	950
Project management support.	50	0	0	0	50
<b>TOTAL</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>
<b>Funding sources</b>					
Corporate Funded Borrowing	618.8	0			618.8
Capital Receipts Reserve	381.2				381.2
<b>TOTAL</b>	<b>1,000.0</b>	<b>0</b>			<b>1,000.0</b>
<b>Revenue budget implications</b>					
<b>TOTAL</b>					

#### Benefits and risks:

##### Benefits:

- By investing capital reduces the risk of accidents on the Public Rights of Way network.
- Customer satisfaction will be improved when a programme of improvements in condition is announced.
- Reduction in claims and other correspondence relating to bridge and crossing failure.
- There are no dis-benefits associated with investing in Public Rights of Way assets.

##### Risks:

- Deliverability during the optimal period. A detailed programme will be developed to ensure that the programme is delivered during the financial year 2026/27.
- Contractor availability and capability for more complex works.

## OUTLINE STRATEGIC BUSINESS CASE

<b>Directorate</b>	<b>Economy &amp; Environment</b>
<b>Scheme Name</b>	<b>Historic Building Fund</b>
<b>Budget Holder</b>	<b>Roger Allonby</b>

### Project aims and objectives:

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

*Aim: To create a £5m historic building fund required to enable works to significant historic buildings in Hereford (Shirehall, Town Hall and Herefordshire Museum and Art Gallery), supporting their transformation.*

Three of the council's key historic buildings - Town Hall, Shirehall and Hereford Museum and Art Gallery (HMAG) - all require significant capital works to ensure they can remain operational, and/ or to support their transformation .

Shirehall and HMAG are both are subject to transformational projects to enable their redevelopment and to play a critical role in the regeneration and redevelopment of Hereford City Centre. Both of these projects have secured significant third party grant funds. Additional funds will be required to enable completion of these priority projects. Funds are also required in the short term to support the repair of Town Hall, to provide a basis for future development.

To address this need a £5m capital fund is requested for the 2027/28 financial year to enable the critical programme of repairs and to complete the proposed transformational project works.

The £5m is based on borrowing, to be repaid through additional income generated through wider council property asset income.

The Herefordshire Council Plan 2024 to 2028 Place Objectives state we will;

- Develop Herefordshire as a place for growth, prosperity and communities to thrive
- Support our local culture and heritage and make Herefordshire a thriving, safe and attractive place to live and visit.

It also states that '*Herefordshire has a remarkable and rich range of cultural, arts and heritage activities, buildings, organisations, and natural assets. Our plans for an innovative museum, art gallery and library will put learning and culture at the heart of the county*'.

The Herefordshire Council Delivery Plan 2025/26 includes the following actions;

- Continue the redevelopment of the Hereford Museum and Art Gallery
- Finalise the design proposals and start construction of the Shirehall Library and Learning Centre

A full business case will be developed as the plans and costs for each building are finalised for each building, and the level of support from the Historic Building Fund is identified. The full business case will further define the income to repay the loan via increased revenue generated through the council's property assets.

The Director for Finance (Section 151 officer) will take all related decisions in terms of the allocation of the loan funds to the historic building projects, including assurance as to the viability of income to repay any borrowing.



**Estimated costs and funding sources:**

	2026/27	2027/28	2028/29	Future Years	Total
	£'000	£'000	£'000	£'000	£'000
<b>Capital cost of project</b>					
<b>Historic Building Fund</b>		5,000			5,000
<b>TOTAL</b>					
<b>Funding sources</b>					
<b>PWLB Borrowing (40 years) to be repaid through income from property assets</b>		5,000			5,000
<b>TOTAL</b>					
<b>Revenue budget implications</b>					
<b>Loan repayment through property asset income</b>			238	9,296	9,535
<b>TOTAL</b>			238	9,296	9,535

**Benefits and risks:**

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

**Benefits**

- Transformation of historic buildings, supporting the regeneration of Hereford enabling growth.
- Addressing the long term decline of these local heritage assets and related liabilities.
- Establishing a long term civic use of the county's heritage assets.
- Increasing visitors to the county, through significantly enhancing the county's tourism assets.
- Leveraging multi-million pound grant investment into the county (currently totalling £15m for the HMAG and Shirehall projects).

**Risks**

- The £5m Historic Building Fund will not provide enough funding to address the required level of investment.
  - This is one part of a heritage building funding strategy, the council will also continue to seek additional grant funding.
- Public Works Loan Board interest rates increase during the loan repayment period

- Interest rates are set at the point of borrowing.
- The wider property estate cannot generate the income required to repay the borrowing
  - An Estate Strategy will be developed in support of the Full Business Case identifying the long term (40 years) source of income to repay the loan.