



Title of report: Public Realm Services Annual Plan –2026/27

Decision maker: Cabinet Member Roads and Regulatory Services

**Cabinet Member Local Engagement and Community
Resilience**

Decision date: 10 March 2026

Report by: Major Contracts Programme Director

Classification

Open

Decision type

Key

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

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

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

Wards affected

(All Wards);

Purpose

To confirm the Public Realm Services Annual Plan for 2026/27.

Recommendation(s)

(a) the Public Realm Services Annual Plan is approved as the basis for service delivery to 31 May 2026 by Balfour Beatty Living Places, within the capital and revenue budgets as

detailed in Tables 1 and 2 and;

- (b) the fees and charges as set out in Appendix A of this report are approved and effective from 1 April 2026 and;
- (c) the Major Contracts Programme Director is authorised to agree, through the new Public Realm Contract governance arrangements, the Annual Plan as the basis for service delivery from 1 June 2026, within the capital and revenue budgets as detailed in Tables 1 and 2 and;
- (d) the Major Contracts Programme Director is authorised to spend the Department for Transport Highway Maintenance Block (Baseline) and Highway Maintenance Block (Incentive) Local Highways Maintenance Funding Allocations for 2026/27 of £23.697m in accordance with the Highway Asset Management Plan and Highway Maintenance Plan and;
- (e) the Major Contracts Programme Director be authorised to spend the Highways Infrastructure Investment, Resurfacing Herefordshire Highways, Public Rights of Way, Ash Die Back and Play Area Investment Council capital budget of £13.985m as detailed in Table 1 and;
- (f) the Major Contracts Programme Director be authorised to agree, through the Public Realm Contract governance arrangements, final adjustments to the entire 2026/27 programme, as set out in Appendix B, and budget allocation and any in-year adjustments to the plans, within the overall budget; including the Council capital budget and;
- (g) the Major Contracts Programme Director be authorised to spend up to £945,000 from ear marked reserves to support the delivery of the Parish Lengthsman Scheme, Parish Public Rights of Way Scheme and Parish Drainage Scheme as detailed in paragraphs 14 and 15 and;
- (h) the Major Contracts Programme Director be authorised to spend up to £290,678 from the commuted sum reserve to fund the maintenance of public realm assets as detailed in paragraph 17.

Alternative options

1. Not to approve the programme and delivery arrangements. This is not recommended as operating without approved delivery arrangements may put the management of budgets, performance and contract management arrangements at risk.
2. If in-year changes to the service as detailed in this annual plan are required, then these can be best managed from the baseline position established in the annual plan, through the change management processes that are in the Public Realm Services contracts and managed through the council's Highways team.
3. To approve alternative delivery arrangements for 2026/27; this option is not recommended as the development of the delivery plans have gone through a robust process with Balfour Beatty Living Places and the council's client team to ensure effective prioritisation and asset management have been applied within the overall budgets available.

Key considerations

Public Realm Contract Arrangements for 2026/27

4. In recent years, the annual plan has set out how Herefordshire Council supported by its contractor Balfour Beatty Living Places will deliver the public realm contract for the year.

5. The existing Public Realm Contact with Balfour Beatty Living Places comes to an end on 31 May 2026 and from 1 June 2026 the council will begin a new operating model. The delivery arrangements for 2026/27 will therefore be as follows:
- a. Up to and including 31 May 2026 – led by Balfour Beatty Living Places
 - b. From 1 June 2026 – led by Herefordshire Council
 - i. Supported by M Group Highways Ltd
 - ii. Supported by specialist contractors from the council’s own highways and public realm schemes framework and other external delivery frameworks

The contractual arrangements set out above enable the council to commission the Public Realm Services annual plan 2026/27 based on the priorities identified in the Forward Programme and deliver compliance as set out within the Highway Asset Management Plan and Highway Maintenance Plan.

The Asset Need for 2026/27

6. The council, in its approach to best practice, has developed and operates a risk-based approach to routine highway maintenance in accordance with the latest highway maintenance code of practice. The risk-based approach within the Highways Maintenance Plan has been in place for five years and the 2026/27 programme has been constructed in accordance with this risk-based approach and in line with the current council policy and priorities.
7. Like many councils the highways network has deteriorated over time. The road network has a backlog of maintenance with the values being 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 and the level of funding required to bring all assets back to a good condition.

Asset Type	Current Estimated Backlog (Minimum Value)
Carriageways	c£108.7m
Footways and Cycleways	c£1.7m
Structures	c£82.5m
Highways Drainage	c£2.16m
Street Lighting	c£1.5m
Traffic Signals	c£2.4m
Road Markings	c£1.1m
Traffic Signs	c£2.9m
Vehicle Restraint Systems	c£1.3m
Trees and Verges	c£1.1m

8. When compared to 2025/26, need in both the carriageways and highway drainage asset groups have reduced from c£119.2m and c£7.8m respectively. The carriageway asset has improved as a result of the investment made by the council in recent years and improvement is expected to continue as the survey cycles capture more of the resurfacing and surface dressing that has been delivered, and sustained investment continues. The highway drainage asset group has seen a significant reduction in backlog, in part due to a shifting approach to the maintenance of the asset group, and an improved approach to the management of data.
9. Whilst the level of investment contained within the 2026/27 programme is to be welcomed, a backlog does exist across the carriageway asset group, which is considered the most visible part of the service. Although the carriageway asset has improved as a result of the investment made by the council, demand continues to be high as a result of deterioration, particularly after cold and or wet winter periods. As such, difficult decisions on priorities for investment have to be made, and the programme will reflect the funding reality facing the service.
10. However, by concentrating on statutory services and duties, and following the council's asset management strategy and policy and the Highways Maintenance plan, the council aims to minimise this deterioration. Service levels for non-statutory services are delivered on the basis of best endeavours and available budget.

Creating and Delivering the Annual Plan for 2026/27

11. The council has worked with Balfour Beatty Living Places to develop the part of the annual plan that is to be delivered up to the end of the current contract on 31 May 2026. This part of the annual plan has been fully evaluated by the council's client team who have confirmed that the annual plan meets the council's objectives and ensures its delivery within the assigned budgets and the service and programme requirements to 31 May 2026.
12. In conjunction with the above, officers have developed a further part of the annual plan which will be led from 1 June 2026 through to 31 March 2027 by Herefordshire Council, ensuring a seamless transition of services between contract arrangements. Delivery will be through M Group Highways Ltd or by issuing contracts to deliver works across the public realm via specialist contractors from the council's own highways and public realm schemes framework, forming part of a mixed economy model approach. In order to provide clear, auditable decisions, officers will develop an internal process to assist with determining the most appropriate route to market.

Supporting the Annual Plan for 2026/27

13. Supporting work undertaken by the council's contractors is that completed through the council's Lengthsman scheme, an initiative that has run successfully for several years and devolves some minor public realm works to town and parish councils under Section 101 of the Local Government Act 1972.
14. Since 2024/25, the Lengthsman scheme has been expanded to incorporate both Public Rights of Way and Drainage elements, enabling more works to be completed by Parish/Town Councils. In 2026/27, £945,000 will be distributed through this mechanism, with the ability for Parish/Town Councils to contribute match funding.
15. Whilst the allocation of grants to Parish/Town Councils is discretionary, the Lengthsman scheme provides for the award of up to £25,000 per Parish/Town per annum to enable local priorities to be delivered. Details of the Lengthsman Public Rights of Way and Drainage schemes are issued by officers each year and are subject to a Record of Officer Decision.

Fees and Charges and use of Commuted Sums during 2026/27

16. As part of its duty to manage and maintain the highway network, the council provides a variety of chargeable services. A review of fees and charges has been undertaken by officers ahead of April 2026 and all have been increased as set out in Appendix A. Any surplus income received from chargeable services is reinvested into the work programme.
17. In addition to the fees and charges set out above, the council collects commuted sums from private developers as part of its highway and public realm adoption process, helping to ensure that the costs of maintaining new assets are funded over their lifetime. Commuted sums are held in a council reserve and in 2026/27, £290,678 will be drawn down in order to maintain assets within the public realm.

Community impact

18. There is clear evidence that the effective management of the public realm, which includes highways, parks and open spaces and public rights of way, is an important contributor to the county's health, wellbeing and economy.
19. A clear measurable annual plan provides a mechanism for monitoring performance and supports the council to achieve its corporate plan priority to secure better services, quality of life and value for money for the people of Herefordshire.
20. The services delivered support the council's key priorities in Herefordshire Council Plan 2024-2028 and Annual Delivery Plan.

Environmental impact

21. The environmental impact of this proposal has been considered and appropriate requirements have been made of the council's contractors to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity.
22. It should be noted that the new public realm contract includes a carbon reduction and management action plan for delivery of the public realm services in line with the council's net zero carbon initiatives. This includes year on year targets to reduce carbon emissions and the delivery of circular economy principles. The new contract will also introduce Ultra Low Emission Vehicle (ULEV) and Electric Vehicle (EV) fleet, with the contract mandating that any vehicle used with a weight of 3.6 tonnes or more must be fuelled by Hydrotreated Vegetable Oil (HVO) and that any vehicle with a weight of less than 2 tonnes be required to be electric.

Equality duty

23. 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.
24. The mandatory equality impact screening checklist has been completed for this decision, and it has been found to have a high impact for equality.
25. Due to the scope of this decision and its potential impact on certain protected characteristics, an Equality Impact Assessment has been undertaken and is attached at Appendix C.

26. In summary, the programme impacts on protected characteristics as follows:
- a) Includes provision for maintenance and improvement of the active travel routes in the county.
 - b) Prioritises works based on usage and aims to improve active travel access to key community facilities (including educational facilities for younger people in education) and destinations.
 - c) Includes improvements of routes which provide accessibility to the public transport network.
27. Contractors and suppliers are made aware of their contractual requirements in regard to equality legislation and are proactive in considering their duty when commissioned by or working with the council to implement projects. The effective management of the highway and public realm supports equality through the improvement of access to public spaces and maintenance (lighting, footways etc) of public rights of way. This supports persons that share a protected characteristic in particular disabled people and women.
28. The council manages its responsibilities by requiring contractors to provide a full set of their policies and procedures each year and advise the council if there are any revisions or amendments. Any recorded incidents/complaints that relate to a protected characteristic would be reported through the contract governance. This decision will have no negative impact on the council or contractors' compliance with this duty.
29. There are no negative impacts identified from this project.

Resource implications

30. Delivery of the annual plan will make best use of the available capital and revenue resources, as well as ensuring delivery of revenue savings required by the Medium-Term Financial Strategy. Capital and revenue funding resources are set out below.

Capital Funding for 2026/27

31. On 18 December 2025 the Department for Transport announced its Local Highways Maintenance Block Funding Allocations for 2026/27 and confirmed that Herefordshire will receive £17,297,000 (baseline) and an additional £6,400,000 (incentive).
32. The DFT confirmed that it is for individual local highway authorities to determine how best to use this funding across their highway networks to the benefit of all road users. The funding is not just for fixing potholes, but for resurfacing roads and cycleways, mending broken pavements, and looking after bridges, tunnels, retaining walls and other structures.
33. On 13 February 2026, Full Council approved the 2026/27 Capital Investment Budget and Capital Strategy Update report. As part of this report, additional capital budgets were approved for 2026/27 including £5,000,000 for Resurfacing Herefordshire Highways, £1,000,000 for Public Rights of Way and £242,000 for Ash Die Back tree work.
34. Table 1 sets out the capital budget for 2026/27 for the public realm service.

Table 1: Capital Budget 2026/27

Capital	2026/27 (£)
Funding	
DfT Highway Maintenance Block (Baseline)	17,297,000
DfT Highway Maintenance Block (Incentive)	6,400,000
HC Highways Infrastructure Investment	6,385,000
HC Resurfacing Herefordshire Highways	5,000,000
HC Public Rights of Way	1,000,000
HC Ash Die Back Works	600,000
HC Play Area Investment	1,000,000
Total	37,682,000
Herefordshire Council Costs	
Employee Costs	3,100,000
Land Owners / Easements /License Payments	125,000
£20m Road Infrastructure Principal Repayments	554,000
Total	3,779,000
2026/27 Programme Spend (Contracts)	
Public Realm Contracts	6,794,520
Balance for Additional Schemes	27,108,480
Total	33,903,000

35. From Table 1, it should be noted that employee costs are subject to the recording of time spent on capital activities through a timesheet process.
36. The provisional capital programme is detailed in Appendix B.

Revenue Funding for 2026/27

37. On 13 February 2026, Full Council approved the 2026/27 Revenue Budget of which the Public Realm Services budget was £6.929 million.
38. The approved budget includes 3% estimated inflationary uplift for the estimated 2026/27 pay-award and 7.4% (average) inflationary uplift on fees and charges. No inflationary uplift for contract inflation has been included in the approved budget and will be subject to approval from the Corporate Inflationary Fund (CIF) earmarked reserve, if there is a need for the service to make an application.
39. The costs included for the transferred TUPE staff and associated operational costs are based on indicative estimates from Human Resources, Insurance and Risk and Hoople ICT, and are pending final agreements and commissioning. Any adverse cost variance(s) will need to be mitigated and absorbed within the overall £6.929 million approved budget.
40. Table 2 sets out the 2026/27 approved revenue budget for the Public Realm Service.

Table 2: Revenue Budget 2026/27

2026/27 Public Realm Services Budget	2026/27 Budget before savings £'000	Saving Proposals £'000	2026/27 Approved Budget £'000
Employees	2,465	(79)	2,386
Employees	2,465	(79)	2,386
Transport	136	-	136
ICT	372	-	372
Salt Stock	445	-	445
Insurance	275	-	275
Other Expenditure	897	(38)	859
Other Public Realm	1,348	(50)	1,298
Public Realm Contract	5,443	(375)	5,068
Expenditure	8,916	(463)	8,453
Gross Costs	11,381	(542)	10,839
NRSWA	(1,096)	(100)	(1,196)
s38 and s278	(393)		(393)
Commuted Sum	(291)		(291)
Permit Schemes	(230)		(230)
Fees and Charges	(84)	(27)	(111)
Income	(2,094)	(127)	(2,221)
Earmarked Reserves	(744)	(945)	(1,689)
Net Costs	8,543	(1,614)	6,929

41. From Table 2, it should be noted that the council has been required to reduce its revenue budget for Public Realm Services for 2026/27 by £375k, as part of its Medium Term Financial Strategy. The 2026/27 annual plan has been designed to deliver this as part of the transition to the new contract operating model. This reduction replaces the requirement for a 3% cashable saving within the Balfour Beatty Living Places annual plan (or whatever equivalent efficiency measure that may be placed upon the employer by central government or reasonably agreed between the employer and the provider during the contract period).
42. The provisional revenue programme is detailed in Appendix B.
43. Through the various routes to market that the council has available, it is confirmed that the service costs are aligned with the approved revenue and capital budgets. There is a risk that the provision of service cost could exceed the approved budget as services are delivered throughout 2026/27. To mitigate these risks, costs will be monitored regularly by the client team to prevent overspend against budget. If costs are forecast to exceed the above budget the programme will be reviewed to reprioritise works required to maintain service delivery. Any in year adjustments shall be in line with scheme of delegation and financial procedure rules. Any adjustment above that value would be subject to a separate governance decision.

Ensuring Value for Money

44. As set out in paragraphs 11 and 12 of this report, a number of routes to market have been established by the council to deliver the annual plan during 2026/27 as part of its mixed economy model, including through the Public Realm Contracts with Balfour Beatty Living Places and M Group Highways Ltd and also through the council's own highways and public realm schemes framework.
45. The contract with M Group Highways Ltd was awarded in December 2025 following a significant procurement exercise that was conducted under the competitive procedure with negotiation in accordance with the Regulation 29 of the Public Contracts Regulations 2015. As of 1 June 2026, the arrangement with M Group Highways Ltd will be through a form of contract that utilises a schedule of rates from a price list. This provides greater certainty of costs and is considered to offer better value for money than through a cost reimbursable plus fee model.
46. The contract with M Group Highways Ltd also allows for the construction of individual Improvement Schemes (defined as 'work that extends, modifies or enhances the Affected Property') with a construction cost of no more than £250,000.
47. Whilst the Council is under no obligation to issue orders for additional Improvement Schemes, under the contract with M Group Highways Ltd it may request works above the £250,000 threshold where:
 - a. value for money can be demonstrated; and
 - b. there are advantages to the Client for this work being commissioned through this contract; and
 - c. the Task Order does not exceed £1 million including fees
48. As part of a mixed economy model, the council operates its own highways and public realm schemes framework, which offers a pre-competed, compliant way of commissioning works quickly and efficiently with direct award and mini-competition provisions. A new framework is in the process of being established for use in 2026/27 and will include the ability to undertake general civil engineering works, resurfacing, surface dressing and other thin surface treatment works, structures schemes, traffic signal improvement and maintenance works, tree surveys and inspections and tree works.
49. Any works that are required that cannot be procured through the new public realm contract, the council's own highways and public realm schemes framework or external specialist frameworks, shall be put through open competition. These improvements will strengthen and support delivery, ensure compliance to the council's Contract Procurement Rules and reduce reliance on individual procurement activities as works can be placed directly through the new contract and framework.

Legal implications

50. This is an Executive function under the Council's Constitution Part 3 Section 3 and is a key decision because it is likely to be significant having regard to the strategic nature of the decision; and/ or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards in Herefordshire) affected.

51. It is also likely to result in the council incurring expenditure which is, or the making or savings which are, significant having regard to the Council's budget for the service or function concerned. This key decision is delegated to the Cabinet Member as it relates to their portfolio. Cabinet member approval provides governance for the programme and confirmation of the programme and enables the council to issue the relevant contract instructions and orders.
52. The programme and contracts enable the council to discharge a number of significant statutory duties to provide a number of services relating to the public realm. A list of the relevant legislation and policy context, together with the approved policies and procedures to be used by contractors in the delivery of the programme plan are retained by the council's client team. In addition, the council has a general duty to secure best value in the exercise of all of its functions. The development and review of the annual plan is a key mechanism for the discharge of these legal duties.
53. The delegation to the Major Contracts Programme Director, recommendations (c) and (f), is permissible and allows the officer to make changes to the actual services delivered during 2026/27 as agreed within the budget. Once the cabinet member has made the decision to agree the delivery programme as the basis for the service delivery, any changes to the programme will be operational decisions and will require a record of officer decision to be published.
54. Procurement undertaken in accordance with recommendation (d), (e) and (g) must be in accordance with the council's Contract Procedure Rules.

Risk management

55. Risk is managed formally each month at a Risk Management Board to provide contract compliance with links and escalations to the council's corporate risk management regimes.
56. The strategic risks associated with the programme have been reviewed and will be managed in accordance with the Council's Risk Management Strategy. Oversight of risk mitigations will continue through Herefordshire Councils established governance and assurance frameworks to ensure risks are effectively monitored, escalated, and addressed.
57. The risks and mitigations of the programme are detailed in the table below:

Risk / opportunity	Mitigation
<p>Transition Risk There is a risk that the change of contractor causes a loss of programme delivery.</p>	<p>Robust mobilisation and demobilisation plans are in place with contractors to ensure the transition period is monitored and handover milestones are clearly set out.</p>
<p>Financial risk. There is a risk that costs overrun due to inflationary pressures, unforeseen service demands or supplier underperformance resulting in strains on the allocated budgets.</p>	<p>Inflation is allowed for in the budget. Regular budget control meetings give assurance on the robustness of budget control and monitoring, highlight key risks and identify any mitigation to reduce the impact of pressures on the council's overall position.</p>
<p>Financial Risk There is a risk that income from fees is not realised causing a budget shortfall</p>	<p>Regular budget control meetings give assurance on the robustness of budget control and monitoring, highlight key risks and identify any mitigation to reduce the impact of pressures on the council's overall position.</p>
<p>Financial Risk There is a risk that value for money is not achieved.</p>	<p>An integral part of the procurement of the contract and framework has been the evaluation of value for money as part of the procurement process. Contract mechanisms have been included in the new contract for the council to instruct works to contractors at the costs in compliance with the council's procurement rules.</p>
<p>Performance Risk There is a risk of underperformance by contractors.</p>	<p>Detailed performance management frameworks are in place to monitor key objectives and the risks associated with underperformance. Such objectives will be monitored through a RAG status system on a monthly basis.</p>
<p>Performance Risk There is a risk of contractual disputes arising within the contract and framework with unforeseen risks identified.</p>	<p>Dispute resolution procedures are built into the contracts and framework to manage any disputes. Regular risk control meetings give assurance on the robustness of risk control and monitoring, highlight key risks and identify any mitigation in compliance to the council's risk management procedures. This mechanism enables the council to identify and manage any disputes early in the process.</p>
<p>Public dissatisfaction There is a risk that people are dissatisfied in the levels of service</p>	<p>Customer services (enquiries and complaints) will be handled directly by the Council. The council's website will be updated to provide information on the services to be delivered.</p>

Consultees

58. As part of the development of the annual plan an engagement event was held for members and Town/Parish Councils on 12th February 2026. To ensure that there is continuous opportunity to discuss the annual plan over the course of the year, quarterly meetings are typically scheduled and which allow for their knowledge and understanding, as well as confidence in dealing with highway related matters, to be increased.
59. Given the above, it was agreed by Group Leaders that a Political Group Consultation was not required for this report.

Appendices

Appendix A – 2026/27 Fees and Charges
Appendix B – Provisional Capital and Revenue Programme
Appendix C - Equality Impact Assessment

Background papers

None identified

Glossary of terms, abbreviations and acronyms used in this report

None.