Herefordshire Council

Title of report: Western Bypass Phase One – Update Report

Meeting: Cabinet

Meeting date: 24 September 2026

Cabinet Member: Councillor Philip Price, Transport and Infrastructure

Director: Corporate Director, Economy and Environment

Report Author: Corporate Director, Economy and Environment

Classification

Open

Decision type

Key

Ward(s) affected

All Wards

Purpose

To note the progress made to date with the design of the Western Bypass Phase One in line with the first stage of the Pre-Contract Services Agreement (PCSA) and to delegate authority to the Corporate Director to implement the actions set out in this report.

Recommendation(s)

That Cabinet

a) **Notes the progress that has been made to date following the award of the Pre-Construction Services Agreement (PCSA) on 30 April 2026;**
b) **Receives an update from the Corporate Director Economy and Environment on the progress which has been made with land acquisition and the Compulsory Purchase Order;**
c) **Delegates authority to the Corporate Director Economy and Environment to conclude corrective action in the PCSA process with the contractor to achieve construction works and costs under the NEC4 Engineering and Construction Contract ('Construction Contract') within the agreed governance and budget;**

d) Following the conclusion of the Corporate Director Economy and Environment's review in recommendation c), then delegates authority to the Corporate Director to implement the actions in paragraph 24 or 25 of this report in consultation with the Cabinet Member Infrastructure and Transport.

Alternative options

1. To not ask the Corporate Director Economy and Environment to conclude the corrective action within the PCSA process, which will result in a bid from the contractor for the construction works. This is not recommended as the council would receive an incomplete bid under the PCSA which may not keep the final costings within the agreed governance and budget.

Key considerations

Background:

2. In July 2025 Cabinet agreed to the Western Bypass Phase 1 Procurement Strategy (the Procurement Strategy) and delegated to the Corporate Director Economy and Environment to undertake a two-stage procurement process and award of a Pre-Construction Services Agreement (PCSA) to a contractor through a compliant framework for design and early contractor involvement on the Western Bypass Phase 1 (the Project). This report provides a progress update on the PCSA.

3. In July 2025 Cabinet delegated authority to the Commercial and Investment Manager Property Services to agree the Heads of Terms and subsequent acquisition of land, within the approved budget. In December 2025 Cabinet agreed to resolve that the Council make *The County of Herefordshire District Council (Hereford Western Bypass – Phase One) Compulsory Purchase Order 2026* (the CPO) and *The County of Herefordshire District Council (Hereford Western Bypass – Phase One) Side Road Order 2026* (the SRO) and Cabinet delegated authority to the Corporate Director Economy and Environment to take the operational steps to progress both of these. This report provides a progress update on the CPO and the acquisition of land by negotiation.

4. In April 2026, Cabinet approved the criteria by which the full business case would be assessed against (Assessment Criteria). With the design phase of the PCSA nearing completion, it is now prudent for the council to seek assurance that the corrective action in the PCSA, which is set out in paragraphs 18 to 23, will result in works and costings within the agreed governance and budget. This will enable an assessment of the full business case against the Assessment Criteria.

Progress Under the Pre-Construction Services Agreement

5. The PCSA authorised by Cabinet in July 2025 allowed the contractor to be brought on board at an early stage and enable the necessary design works to be undertaken in parallel with construction preparations.

6. The contractor has been working to finalise a design since their appointment on 30 April and, alongside Herefordshire Council Officers, they have engaged with third parties who are necessary for the progression of the scheme including National Highways and Network Rail. During this engagement it has become apparent that revisions to the scheme were required to accommodate changes to road and bridge standards implemented by National Highways through the revised Design Manual for Roads and Bridges.

7. It is expected that the final design works and costings will be completed during the Autumn.

Update on Land Acquisition and the Compulsory Purchase Order

8. The Council has engaged in negotiations with landowners for the acquisition of land by private treaty since the start of the project. These negotiations have, by nature, been confidential and it is not proposed to give a case by case update in this report.

9. These negotiations have been complex, in part, due to the need to resolve issues around future land access, separation of land parcels, accommodation works and in addition to these to work around other issues associated with farming cycles.

10. As the draft programme of construction works has emerged changes have also had to be made which impacted on the areas of land required for temporary use whilst the scheme is under construction and these have also taken time to resolve.

11. There are seven parcels of land required to construct the Phase One scheme. One is already in council ownership. Substantial progress has been made to acquire the remaining parcels by negotiation with the landowners. The council has Heads of Terms with four, is currently finalising the Heads of Terms with one and has received confirmation from the remaining landowner that they do not wish to negotiate with the council any further. Progress has been made towards making the CPO order which would acquire the final piece of land.

12. As the negotiations for acquiring the land and access rights by agreement have continued (and one landowner has publicly stated they would not agree to a sale), the CPO and Side Roads Order (SRO) must now continue to ensure that all necessary ownership rights are obtained and third-party rights (including unknown rights) are extinguished.

13. The decision to progress the CPO and SRO (together the Orders) for the scheme was authorised previously by Cabinet in December 2025 with authorisation delegated to the Corporate Director for Economy and Environment to make any minor or technical amendments required to the Orders before they are made.

14. The PCSA has identified the need to include further land and rights identified during the design work and the Orders will be revised accordingly.

15. The timeline for the conclusion of the Orders process will depend on whether they are contested, however any final decision by the Secretary of State is still expected to take 12-18 months (from the point that the Orders are ready to be issued).

16. Despite the potential need to rely on the Orders for the acquisition of one parcel of land and to remove any unknown legal rights, the Council has been advised that the Contract for the construction of the Western Bypass Phase 1 can be signed prior to the acquisition of all parcels of land providing any remaining land needed is included within the Orders.

17. It should be noted that due to the seasonal nature some of the key pre-construction works such as ecology surveys and vegetation clearance, where entry works have not been completed by October for vegetation clearing/fencing, then it is likely that the construction works for those areas cannot commence until May 2027.

Corrective Action in the PCSA

18. The PCSA contains a mechanism to ensure that the risk of cost increases is handled in an appropriate manner and envisages that where these arise they will be managed through corrective action.

19. As highlighted earlier in the report, changes to the design have been required to bring elements up to the latest standards mandated by National Highways and Network Rail. The resulting impact of these changes has been to increase the estimated cost of the works.

20. Work to validate the proposed full business case Value Engineering (VE) options has also identified that planned savings to reduce total scheme cost are not achievable as they would require additional planning consents or impact on the extant, principal planning consent.

21. Seeking additional planning consents is not a viable option as the delays caused by the planning process would increase scheme costs and erode the savings being sought. The result is a reduction in the amount of savings VE options can have on the construction budget.

22. In addition to the above, since the procurement strategy was agreed by Cabinet in July 2025 and the PCSA was awarded in March 2026 there has been significant disruption to global supply chains due to conflict in the Middle East. This has led to significant construction inflation with the Department of Business and Trade publishing preliminary figures showing that Construction materials prices for "All Work" rose by 6.0% in the 12 months to June 2026[1].

23. The Council's external Quantity Surveyors are supporting the processes set out in the PCSA which require the contractor to take corrective action in these situations however, due to the nature and extent of developments highlighted above, it is now recommended that assurance is sought by the Corporate Director for Economy and Environment that this process continues and will still result in a bid from the contractor for the construction works within the agreed governance and budget.

Scope of Mitigating Actions Proposed

24. Where the Corporate Director of Economy and Environment determines that the corrective action in the PCSA **will** result in a Construction Contract within the agreed governance and budget, then prior to the award of the Construction Contract, the Corporate Director will report back to Cabinet seeking approval of the full business case and the evaluation against the Assessment Criteria.

25. Should the Corporate Director of Economy and Environment determine that the corrective action in the PCSA **will not** result in a Construction Contract within the agreed governance and budget, then the Corporate Director of Economy and Environment shall:

    a. Conduct a procurement process with the intention to award a new Construction Contract to build the Western Bypass Phase 1 and prior to the award of the Construction Contract, will report back to Cabinet seeking approval of the full business case and the evaluation against the Assessment Criteria; or

    b. Revert to Cabinet with alternative proposals if a. cannot be achieved

Community impact

26. The full business case for Phase One has shown that the scheme will reduce traffic on Walnut Tree Avenue, Holme Lacy Road and on a section of the Belmont Road bringing improvements to these communities.

27. The proposals would directly impact those who own land along the route. This comprises seven different landowners. The Council Plan 2024 to 2028 notes that 'We will create the conditions to deliver sustainable growth across the county; attracting inward investment,

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[1] Latest construction materials prices | BCIS

building business confidence, creating jobs, enabling housing development and provide the right infrastructure'. The 2026/27 Delivery plan has the objective to expand and maintain the transport infrastructure network in a sustainable way and improve connectivity across the county; and continue the construction of Phase One and the development of Phase Two of the Hereford Western Bypass

Environmental impact

28. 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.

29. The environmental impact will be considered in full during approval of the full business case and forms part of the Assessment Criteria.

30. The environmental impact of this proposal has been considered through the service specification and includes appropriate requirements on the contractor / delivery partner to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity. This will be managed and reported through the ongoing contract management.

31. The development of this project has sought to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance.

Equality duty

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

34. The scheme includes changes and rerouting of some of the public footpaths in the area. Public footpaths can often be utilised by people on low incomes and disabled people as a method of accessing education or employment. Therefore, any public footpaths retained within the ownership of the council will need to continue to be maintained to ensure accessibility to all users and any newly diverted/ created footpaths retained by the council or returned to the landowner will need to ensure that accessibility is improved or maintained within ongoing maintenance requirements. Any enhanced maintenance of land returned to landowners will need to be considered within acquisition costs.

35. At the planning stage none of the objections to the scheme were related to equality issues. The scheme has received planning consent and objections to the scheme have been taken into consideration as part of that process.

36. The previous compulsory purchase order process received several objections from members of the public not directly impacted by the proposals. Valid concerns raised at that time by landowners and other stakeholders were taken on board and included within the final version of proposals and remain included within the current scheme. Further impacts may come to light as part of this process and consideration will be given at all stages to ensure that any reasonable impacts are mitigated by the final proposals.

Resource implications

37. There are no direct resource implications arising from the recommendations of this report. The total approved budget for this scheme is £45.3 million.

38. As identified in paragraph 24 and 25 above, the Corporate Director will report back to Cabinet prior to any decision to award the contract for construction works.

39. The budget for Phase One has previously been approved in the following governance decisions:

    a. £10.3m addition approved by Council (December 2023)
    b. £30.0m addition approved by Council (February 2025)
    c. £5.0m addition approved by Council (February 2026)

40. Total expenditure of £4.0m has been incurred to date (September 2026) with further commitments of £1.6m.

Legal implications

41. The recommendations is essentially an update to Cabinet on the current works and costings being performed under the PCSA and the status in relation to the land acquisitions.

42. The recommendations remain within the original authority from Council during approval of the capital budget. The recommendation d) delegates instruction to the corporate director to either proceed with actions to approve the full business case/assessment criteria or reprocure depending on the outcome of the review.

43. Construction can commence in advance of any residual land acquisitions providing that there remains a realistic route to acquiring the residual land (whether through conclusion of private negotiations or through compulsory purchase).

44. Any further procurements will be carried out in accordance with the Council's Contract Procedure Rules and current procurement legislation.

Risk management

45. The key risks associated with the PCSA phase leading to the full business case assessment are largely relate to the full project risks – those that move the project to the construction phase are set out below

Ref	Risk	Potential Impact	Mitigation
1	Full Business Case is found to be inaccurate or based on inaccurate data bringing the value for money case into question.	The council is unable to proceed with the construction of the scheme	The Full Business case includes a model validation report which demonstrates the accuracy, methodology and efficacy of the data that has been collected.

2	Full Business Case information not correct or robust enough to provide assurance	Council proceeds with a scheme which isn't value for money	Consideration and challenge of the Full Business Case and summary assessment by scrutiny and with input from technical consultants.
3	The council is not successful in acquiring sufficient land either through negotiation or CPO.	The council is unable to proceed with the construction of the scheme	The council is working closely with landowners to incentivise the acquisition of the land through negotiation to ensure that the council receives good value for money and remove the need to acquire all the land by compulsory purchase order. A CPO will be sought and powers exercised if necessary to acquire the land.
4	The council is not successful in acquiring land through the CPO process.	The council is unable to proceed with the construction of the scheme on the unacquired land.	The council is looking to keep the land CPO requirements as close to the same requirements that were approved by the secretary of state previously when the Southern Link Road was being progressed. This should limit any potential challenge to the CPO given the previous CPO was approved.
5	Construction costs estimate exceeds available budget	The council is unable to proceed with the construction of the scheme	During the PCSA the quantity surveyor will work with the contractor to develop a series of further value engineering measures to ensure costs can be reduced and sufficient contingency is available in budgets before construction starts.
6	Required approvals from Network Rail, National Highways and Natural England are not achieved	The council is unable to proceed with the construction of the scheme	Officers have engaged early with key external organisations that need to approve elements of the scheme working towards design approvals.

7	Required planning permissions are not achieved	The council is unable to proceed with the construction of the scheme variation in costs that the council may be subject to.	Officers have carried out a pre-application review with the planning team to identify the key considerations and requirements.

Consultees

46. A Political Group Consultation was held on the 22nd July 2026 to consider the Full Business Case. A further PGC was held on 10th September 2026 to consider the issues that have emerged during the PCSA period. Similarly, comments received from members during the Political Group Consultation have helped inform the drafting of the summary report drawing out the following issues:

    a. Resolution of issues raised in scrutiny

    b. Timetable

    c. Business case and Assessment criteria

    d. Capital programme

    e. Value engineering

    f. Planning consent

    g. Traffic modelling

    h. Contracting method

47. Additionally, the Full Business Case for the Phase One project was considered by Connected Communities Scrutiny Committee on the 20 July 2026. The committee provided useful feedback on the Full Business Case and made nine recommendations for Cabinet to consider. These recommendations were considered by Cabinet on the 30 July and were accepted. This included the request that a high-level summary of the projects risk register be provided to Cabinet and that Cabinet consider increasing the amount of contingency budget. This matter is being picked up by the Council's external Quantity Surveyors.

Appendices

None

Background papers

Council Decisions

Council Meeting 08 December 2023
Capital Programme Review and Update
Proposed capital investment revisions from 2023-24

Outline Business Case

Council Meeting 09 February 2024
Capital Investment Budget and Capital Strategy Update
Current Status of the approved capital programme

Council Meeting 07 February 2025
Proposed Capital Investment Additions from 202526
Total Proposed Capital Programme
Outline business case

Council Meeting 13 February 2026
Capital Investment Budget and Capital Strategy Update
Proposed capital investment additions from 2627
Outline business case

Cabinet Decisions

Cabinet Meeting 28 March 2024
New Road Strategy for Hereford

Cabinet Meeting 17 July 2025
Procurement Strategy for Western Bypass

Cabinet Meeting 18 December 2025
Hereford Western Bypass Phase One Land Acquisition CPO

Cabinet Meeting 30 April 2026
Hereford Western Bypass Phase 1 – Assessment Criteria

Connected Communities Scrutiny Committee

CCSC Meeting 15 April 2026
Hereford Western Bypass Phase One – Assessment Criteria

CCSC Meeting 20 July 2026
Hereford Western Bypass Phase One - Full Business Case

Glossary of terms, abbreviations and acronyms used in this report

PCSA : Pre-Construction Services Agreement