

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Quarter 2 2025/26 Finance Monitoring Report

Relevant Portfolio Holder	Councillor Ian Woodall – Portfolio Holder for Finance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Authors	Debra Goodall Assistant Director Finance and Customer Services Debra.goodall@bromsgroveandredditch.gov.uk
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Council Priority	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

SUMMARY

Regular budget monitoring and reporting forms the basis of good governance and best practice in budget management. Councillors and committees should be able to rely on the information provided to assist in sound decision making around budgets and spending plans for the Council.

1. RECOMMENDATIONS

The Executive is asked to RESOLVE that the following are noted:

- 1) There is a forecast revenue overspend position of £381k at Quarter 2;**
- 2) The current Capital spending of £1.806 million against a budget of £8.082 million as outlined in Appendix A;**
- 3) The current savings delivery is £1.197 million against an annual target of £2.342 million for 2025/26;**
- 4) Earmarked Reserves are £27.117 million as outlined in Appendix B;**
- 5) The Ward Budget allocation position to date is 20 approved allocations at £25,700, leaving a balance of £28,300 to be allocated before year end as included in Appendix C;**
- 6) There is an updated procurements position set out in Appendix E, with any new items over £200,000 to be included on the Executive Committee's Work Programme;**

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

7) The position on Council Tax and Business Rates be noted;

8) The position on benefits processing be noted.

The Executive is asked to RECOMMEND that:

9) the Balance Sheet Monitoring Position for Quarter 2 be noted (which is the Treasury Monitoring Report and required to be reported to Council (Appendix D));

10) the Council's Treasury performance for Quarter 2 of the financial year 2025/26 be noted; and

11) the position in relation to the Council's Prudential indicators be noted.

2 EXECUTIVE SUMMARY

2.1 This Quarter 2 Financial Monitoring Report for Redditch Borough Council (April–September 2025) provides a comprehensive overview of the Council's financial performance, budget delivery, and strategic project progress. The report supports informed decision-making and ensures transparency in financial governance.

2.2 Key highlights include:

- **Revenue Position:** An overspend of £381k is forecasted for the year, driven largely by a prudent adjustment to bereavement income levels, additional expenditure on Community Transport, costs relating to the installation of a new fire alarm system and additional insurance costs for Rubicon buildings. These have been offset by additional income in Development Control and additional Housing Subsidy income.
- **The position has moved adversely by £361k since Q1** - This relates mainly to Bereavement income of £313k due to prudent levels of income assumed over quarters 3 - 4, increased costs of servicing and maintenance of the cremator of £53k, the cost of the new fire alarm system of £137k, the repayment of COVID grant of £108k and other minor costs of £13k. These are offset by additional income from Development Control due to some large developments occurring of £263k..
- **Capital Programme:** £1.806 million has been spent against an annual budget of £8.082 million. Significant projects include the Innovation Centre and Public Realm improvements funded through the Town Deal and UK Shared Prosperity Fund.
- **Savings Delivery:** £1.197 million of the £2.342 million annual savings target has been achieved, primarily through vacancy management and efficiency measures.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- **Reserves:** The Council holds £27.117m in earmarked reserves, following a thorough review during the Medium-Term Financial Plan (MTFP) process.
- **Ward Budgets:** £25,700 has been allocated across 20 councillors, with £28,300 remaining to be distributed before year-end.
- **Treasury and Balance Sheet Monitoring:** No new borrowing has occurred; £5.8 million is held in short-term investments. The Council remains compliant with all prudential indicators and investment limits.
- **Collection Fund Performance:** Council Tax and Business Rates collection are slightly below target, with 55.36% and 51.53% collected respectively in Q2.
- **Benefits Processing:** Average processing times are 15 days for new claims and 7 days for changes, within acceptable thresholds.
- **Procurement Pipeline:** 25 contracts exceeding £200,000 are scheduled for procurement within the next 12 months, ensuring strategic resource planning.

2.3 The report also outlines risks and operational implications, with financial pressures and contract management flagged as key areas.

3 BACKGROUND

3.1 The purpose of this report is to set out the Council's draft Revenue and Capital Outturn position for the second quarter of the financial year (April – September 2025). This report presents:

- The Council's forecast yearly outturn revenue monitoring position for 2025/26 based on data to the end of Quarter 2 including delivery of the savings targets as set out in the MTFP.
- The position in respect of balance sheet monitoring as requested by the Audit, Governance and Standards Committee including the Treasury Management report for Quarter 2.
- The spending as of Q2 of Ward Budget Funds.
- The updated procurement pipeline of Council projects to be delivered over the next 12 months in order to properly resource plan for the delivery of these projects.

4. DETAILED PERFORMANCE

Financial Performance

4.1 As part of the monitoring process a detailed review has been undertaken to ensure that issues are considered, and significant savings and cost pressures are addressed. This report sets out, based on the position at the end of Quarter 2, the projected revenue outturn position for the 2025/26 financial year and explains key variances against budget.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 4.2 The £13.475m full year revenue budget included in the table below is the budget that was approved by Council in February 2025.

Service Description	2025-26 Approved Budget	2025-26 Revised Budget	2025-26 Revised Q2 Budget	Q2 Adjusted Spend	Full Year Projected Forecast	Full Year Projected Variance Q1	Full Year Projected Variance Q2
Business Transformation and Organisational Development	2,127,379	1,969,243	905,554	1,168,791	2,098,117	36,356	128,873
Community and Housing GF Services	2,978,979	2,608,197	1,138,552	945,436	2,689,825	95,068	81,628
Corporate Services	-4,390,100	-3,443,342	-1,312,295	-1,785,580	-3,260,069	394,896	183,272
Environmental Services	3,327,695	3,327,695	1,663,848	2,239,300	3,725,643	-60,912	397,948
Financial and Customer Services	3,151,803	3,078,726	1,743,223	1,641,531	2,680,519	-393,343	-398,207
Legal and Democratic Services	1,213,796	1,084,233	573,099	596,919	1,077,491	-72,390	-6,742
Planning and Leisure Services	1,272,841	1,140,141	503,721	145,289	831,253	-45,716	-308,888
Regeneration & Property	2,213,443	2,130,943	1,062,730	1,165,201	2,317,129	48,726	186,186
Regulatory Client	711,638	711,638	355,819	374,717	732,276	15,668	20,638
Rubicon Client	867,481	867,481	433,740	492,305	995,391	48,119	127,910
Starting Well	0	0	0	0	0	-14,524	0
Grand Total	13,474,955	13,474,955	7,067,991	6,983,909	13,887,575	51,948	412,618
Service Description	2025-26 Approved Budget	2025-26 Revised Budget	2025-26 Revised Q2 Budget	Q2 Adjusted Spend	Full Year Projected Forecast	Full Year Projected Variance Q1	Full Year Projected Variance Q2
Corporate Financing	-13,474,955	-13,474,955	-6,737,478	-7,178,317	-13,507,005	-32,048	-32,050
Grand Total	-13,474,955	-13,474,955	-6,737,478	-7,178,317	-13,507,005	-32,048	-32,050
TOTALS	0	0	330,513	-194,408	380,570	19,900	380,568
						Change	360,668

Budget Variances

- 4.3 The draft position is set out in the above table.
- 4.4 Overall, the Council is currently forecasting a full year revenue overspend of £381k at Quarter 2. This position will continue to be reviewed particularly given the impact of the increasing costs linked to inflation and further updates will be provided to Councillors throughout 2025/26. This includes service projections as follows:

Business Transformation & Organisational Development £129k overspend

Business Transformation is forecasting a £129k due to increased central switchboard and server costs of £70k and other ICT purchases predicting a £68k overspend. This is offset by Salary savings in Transformation of £5k and various other savings of £4k.

Community and Housing GF Services £82k overspend

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Community & Housing Services is forecasting a £82k overspend due to additional CCTV Telephone Costs of £39k and underachieved income of £28k. Dial-a-Ride is overspending by £97k due to the Council decision to reduce fares income by 50%, hence, less income expected and other various overspends of £3k, Also, Shopmobility moved to a new location and will be spending more on electricity, service charge and advertisement. This is alongside a reduced income with pre covid customer numbers not returning, which is a national trend; only 42% of the income is expected creating an expected overspend of £103k These overspends are offset by £150k additional Homelessness Prevention income and £19k Community Safety grants together with other various underspends of £16k.

Corporate Services £183k overspend

Corporate Services is forecasting a £183k overspend due to additional Postage Charges of £32k, Lump Sum Pension Deficit payment of £26k, an HMRC fine of £13k, additional subscriptions of £8k and repayment of COVID grant of £108k. This is offset by other savings of £4k.

Environmental Services £398k overspend

Environmental Services is forecasting a £398k overspend due to underachieved bereavement income of £313k, increased business rates of £48k and increased servicing and maintenance costs of the cremator of £53k offset by £16k minor savings across the service.

Financial and Customer Services £398k underspend

Finance & Customer Services is forecasting a £398k underspend due to additional valuation and software costs of £79k and the loss of Council Tax Support Grant of £94k all offset by additional Housing Subsidy income of £549k and £22k of various other savings.

Legal and Democratic Services £7k underspend

Legal and Democratic Services is forecasting a small underspend £7k.

Planning and Leisure Services £308k underspend

Planning & Leisure Services is forecasting a £308k underspend due to additional Development Control income of £241k, salary savings in Arts and Development of £17k, increased Building Control income of £18k, reduced agency costs within Parks and Events and other various savings of £5k.

Regeneration and Property Services £186k overspend

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Regeneration & Property Services is forecasting a £186k overspend due costs to Wychavon District Council of £59k for Parking and the replacement of a fire alarm system costing £146k. The overspends have been offset by £19k of various other savings.

Regulatory Client overspend £20k overspend

Regulatory Client is forecasting a £20k overspend due to underachieved Efficiency Savings of £13k, Pest Control Fees of £3k recharge from WRS above budget and various other costs of £7k.

Rubicon Client £128k overspend

Rubicon Client (the costs incurred by Redditch BC, such as landlord and some salary expenses) is forecasting a £128k overspend due to additional Management Fees of £50k and increased Maintenance and Insurance costs of £78k due to Rubicon client not having an insurance budget for buildings.

Corporate Financing

Corporate Financing is forecasting £32k additional income due to extra Investment Interest amounting to £380k and Grant Income of £186k offset by additional Interest Payable of £362k and underachieved Fees & Charges Income of £172k.

Savings Targets

The Council had £2.342m of savings targets in 2025/26. The Council has delivered £1.197m of these savings in Q2. These are shown in the table below:

	2025/26 £m	Adjusted 2025/26 £m	Total 2025/26 £m	Savings YTD	
Service Reviews	(0.405)	0.405	0		Consolidated corporately
Finance Vacancies	(0.100)	0.100	0		Consolidated corporately
Environmental Service Partnerships	(0.050)	0.050	0		Consolidated corporately
Move to all out elections	(0.170)		(0.170)	0	Unlikely to be met
Town Hall	(0.400)		(0.400)	0	Work ongoing
2023/24 Items	(1.125)	0.555	(0.570)	0	
In year corporate target		(1.522)	(1.522)	(0.982)	£0.844m from vacancy management and £0.138m efficiencies

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Directorate savings		(0.250)	(0.250)	(0.215)	There is an expected outturn of £215k in savings
2025/26 Items	0	(1.722)	(1.772)	(1.197)	
Total Savings	(1.125)	(1.217)	(2.342)	(1.197)	

4.5 Cash Management

Borrowing

- As of the 30th September 2025, there were no short-term borrowings. The Council has long-term borrowings of £103.9m.

Investments

- On 30th September 2025 there were £5.8m short-term investments held.

Capital Monitoring

- 4.6 A capital programme of £8.082m was approved in the Budget for 2025/26 in February 2025. This has been fully reviewed as part of the MTFP using actual data as at the end of December 2024. The table below and detail in **Appendix A** set out the Capital Programme schemes that are approved for the MTFP time horizon.
- 4.7 Many of these schemes are already in partial delivery in the 2025/26 financial year. By approving this list, the Council also agreed sums not spent in 2024/25 (and 2023/24 by default if schemes originated earlier than 2024/25 as sums have been carried forward through to the 2024/25 MTFP Report) to be carried forward into 2025/26. The table also splits amounts by funding source, Council or third party.

Year	Total Programme		Council Funded	Grant Funded
2024/5	20,114,366	32,428,717	4,792,886	15,036,480
Carry Fwd	12,314,351			
2025/6	8,082,320		3,176,213	4,906,107
2026/7	3,923,362		3,217,498	705,864
2027/8	2,559,172		1,853,308	705,864
2028/9	2,064,490		1,364,490	700,000
2029/30	2,496,248		1,790,384	705,864

- 4.8 Included in this funding the Council also have the following Grant Funded Schemes which are being delivered in 2025/26:

- The Town Deal schemes – the Innovation Centre and Public Realm improvements which are funded via £15.6m of Government Funding.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- For the Innovation Centre
 - Speller-Metcalf have been appointed as the design and build contractor up to Stage 4 design (with an option to extend into delivering the development in full), and have been working with the project team to undertake a value engineering (VE) exercise, to ensure the project is delivered on budget. Initial VE work has since been concluded, with costs based on contractor prices, rather than QS estimates. Whilst further VE will take place throughout Stage 4, we have reached a point where the project can be delivered within the existing Own Deal budget envelope. The next phase of public realm works has been paused so that we can confirm the full cost of building the innovation centre before entering into further expenditure of Town Deal funds..
 - The planning application was submitted on 31st July 2025. We have agreed to delay the final decision until December Planning Committee, owing to planning Capacity. Signage for the Innovation Centre has also been installed to keep the public informed.
 - VE works have led to slight programme slippage with construction now due to commence by end of March 2026.
 - The final business case for GBS LEP funding was submitted to Birmingham City Council on 23rd July 2025. BCC now require initial Stage 4 costings prior to final assessment. This delays the decision until January 2026, although still ensures that funds will be in place prior to commencement of the construction phase.
- For the Public Realm Scheme
 - All works to Unicorn Hill and Church Green West have been completed. The new traffic regulation order (TRO) came into place on the 14th August. Public comms around the new TROs have been circulated on social media and local papers.
 - The next phase of public realm work has been paused so that we can understand the full cost of building the innovation centre before entering into any further expenditure of Town Deal Funds.

- UK Shared Prosperity Schemes (USKPF) totalling £818,536 of which £152,000 is capital need to be completely spend by the end of the 2025/26 financial year. These funds are being spent in line with the approved UKSPF Investment Plan with £224,924 defrayed to the end of Q2.

4.9 The outturn spend is £1.806m against a capital budget totalling £8.082m and is detailed in **Appendix A**. It should be noted that carry forwards of £23.673m will be rolled forward from 2024/25 into 2025/26 to take account of slippage from 2024/25.

Housing Revenue Account

4.10 The table below details the financial position for the Housing Revenue Account (HRA) for the period April - September 2025. The major variances are due to the following:

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- Dwelling Rents – a higher than anticipated purchase of properties under the Right to Buy scheme has reduced the income level. This was due a backlog of approvals.
- Repairs and Maintenance – has been an increase in the incidence of repairs required.
- Supervision and Management – the variance is predominantly due to vacant posts as a consequence of a service review within Housing Services. A new structure will be implemented and posts recruited in quarter 3.

	2025/26 Original Budget £'000	2025/26 Working Budget £'000	2025/26 Budget Apr - Sept £'000	2025/26 Actual Apr - Sept £'000	2025/26 Variance Apr - Sept £'000	2025/26 Projected Outturn £'000	2025/26 Projected Variance £'000 Q1	2025/26 Projected Variance £'000 Q2
INCOME								
Dwelling Rents	-28,169	-28,169	-14,671	-14,240	431	-27,972	0	197
Non-Dwelling Rents	-534	-534	-278	-464	-186	-525	0	9
Tenants' Charges for Services & Facilities	-724	-795	-414	-406	8	-726	-16	69
Contributions towards Expenditure	-127	-155	-81	-23	57	-726	0	-571
							0	0
Total Income	-29,553	-29,653	-15,444	-15,133	311	-29,949	-16	-296
EXPENDITURE								
Repairs & Maintenance	7,844	8,011	4,006	4,685	680	8,088	-22	76
Supervision & Management	9,249	9,387	4,693	2,147	-2,547	9,036	-299	-351
Rent, Rates, Taxes & Other Charges	576	576	288	269	-19	755	0	179
Provision for Bad Debts	517	519	259	0	-259	519	0	0
Depreciation & Impairment of Fixed Assets	7,296	7,296	3,648	0	-3,648	7,296	0	0
Interest Payable & Debt Management Costs	4,179	4,179	2,090	-134	-2,224	4,179	0	0
Total Expenditure	29,662	29,968	14,984	6,966	-8,018	29,873	-321	-96
Net cost of Services	108	315	-460	-8,167	-7,707	-77	-130	-392
Net Operating Expenditure	108	315	-460	-8,167	-7,707	-77	-130	-392
Interest Receivable	-211	-211	-106	0	106	-211	0	0
Revenue Contribution to Capital Outlay	0	0	0	0	0	0	0	0
Planned use of Balances	103	-104	566	0	-566	288	130	392
Transfer to Earmarked Reserves	0		0	0	0	0	0	0

In HRA Capital:

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

		2025/26 Full Year Budget £	2025/26 Budget to Date Apr - Sept £	2025/26 Actuals & Comm Apr - Sept £	2025/26 Variance Apr - Sept £	2025/26 Forecast Outturn £	2025/26 Projected Variance £	
Project	Project Description							
	Housing 1-4-1 Purchases/Build	3,000,000	1,500,000	1,137,527	-	362,473	3,000,000	0
	Asbestos General	125,000	62,500	186,230		123,730	125,000	0
	Structural Repairs	15,000	7,500	45,556		38,056	60,000	45,000
	Electrical Upgrade	200,000	100,000	230,080		130,080	220,000	20,000
	Boiler Replacement	720,000	360,000	320,430	-	39,570	720,000	0
	Window Replacement	500,000	250,000	270,587			500,000	
	Disabled Adaptations	500,000	250,000	259,224		9,224	450,000	(50,000)
	Environmental Enhancement	100,000	50,000	25,021	-	24,979	100,000	0
	FRA Works	-	-	-	-	-	-	0
	Stock Condition Survey	150,000	75,000	122,208		47,208	150,000	0
	Housing Management System		-	130,667		130,667	220,000	220,000
	Capitalised Salaries	750,000	375,000	-	-	375,000	750,000	0
	Door Entry/CCTV	350,000	175,000	278,052		103,052	350,000	0
	HRA Hard Wire S	200,000	100,000	90,000	-	10,000	150,000	(50,000)
	Balcony Replacement	300,000	150,000	301,483		151,483	300,000	0
100081	HRA Fire Safety	-	-	-	-	-	-	
	HRA Compartmentation	1,500,000	750,000	726,604	-	23,396	1,500,000	0
	Major Voids Works	1,000,000	500,000	1,593,259		1,093,259	1,500,000	500,000
	HRA-Energy Efficiency	1,000,000	500,000	1,773,172		1,273,172	1,200,000	200,000
	HRA Stock Remodelling	275,000	137,500	116,483	-	21,017	150,000	(125,000)
	HRA Estates Garages	300,000	150,000	-	-	150,000	200,000	(100,000)
	Internal Refurbishment	3,000,000	1,500,000	2,545,855		1,045,855	2,500,000	(500,000)
	High Trees Project	800,000	400,000	792,664		392,664	800,000	0
	Disrepair Cases	100,000	50,000	568,816		518,816	650,000	550,000
	External Refurbishment	500,000	250,000	158,187	-	91,813	200,000	(300,000)
	Community Safety	-	-	-	-	-	-	0
110042	Lift Replacement	150,000	75,000	135,036		60,036	260,000	110,000
110045	Vehicle Replacement	900,000	450,000				900,000	0
		16,435,000	8,217,500	11,807,141	4,019,054	16,955,000		520,000

4.11 Across the HRA Capital Investment Programme issues have arisen that require variances to the budget lines for the following reasons.

Housing 1-4-1 Purchases – These occur on a reactive basis and as such budget estimating can be difficult, in the current year we have identified £2.4m of Persimmon properties together with buybacks.

Structural Repairs – These repairs are essentially reactive, and the value of each occurrence is unknown. To date a pressure of £35k has been identified.

Housing Management System – Residual costs as the end of the project is imminent. Additionally, there are Keyfax costs of £56k.

Major Voids Works – Void repairs happen as and when they occur. £550k more costs will be needed to complete in this year

Disrepair Cases – We have experienced increased levels of Disrepair Cases over the last two financial years which has now resulted in a pressure to carry out corrective works to affected properties.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Earmarked Reserves

- 4.12 The updated position, taking account of the now submitted draft accounts for 2024/25, are set out in **Appendix B**. As part of the MTFP all reserves were thoroughly reviewed for their requirement and additional reserves set up as per that report. At the 30 September 2025, based on the present MTFP that was approved by Council on the 19th February, the Council holds £27.117m of General Fund Reserves.

Ward Budgets

- 4.13 This report is the quarterly report to show what has been spent to date on Ward budgets. Each Ward Member has £2,000 to spend on Ward Initiatives subject to the rules of the Scheme which were approved by Council. As of the 30th September there have been applications from 21 Members approved totalling £25,700. There are still 6 Members who have not allocated any funding and overall £28,300 is still to be allocated. This year's funding allocations must be spent by the 31st March 2026. Full detail is set out in **Appendix C**.

Balance Sheet Monitoring Position

- 4.14 There has been the request from Audit Committee that the Council include Balance Sheet Monitoring as part of this report.
- 4.15 This initial balance sheet reporting is set out as the Q1 Treasury Report which is attached as **Appendix D**. This report sets out the Council's debt and borrowing position for Q2 2025/26. Included in this is how the Council is using its working capital as well as measurement of the Council's Prudential Indicators, this appendix will need to be noted and approved that Council note the position.

Procurement Pipeline

- 4.16 The Procurement pipeline is shown in **Appendix E**. The Council's Procurement Pipeline includes details of contracts expected to be repurchased and new procurement projects expected to be undertaken in the future. Those happening in the next 12 months and over £200k will need to be put on the Forward Plan. The pipeline is refreshed quarterly.
- There are 25 contracts that are over the key decision threshold of £200k
 - There are 3 contracts procured by Redditch Borough Council on behalf of Bromsgrove District Council.

Collection Fund

- 4.17 The Council acts as collecting authority for itself, other major preceptors and the parishes for Council Tax. The Council also collects business rates on behalf of central government, the County Council and for itself. The Council's own precept accounts for

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

about 12% of monies collected from Council tax and about 40% of business rates collected after paying government levies, additional tariff to central government and 10% across to Worcestershire County Council.

- 4.18 The Council aims to collect 98.5% of Council Tax receipts (national average is 95.8%) which equates to a total sum of £60.748 million. Performance against this target for this financial year is shown in the table below:

	Target %age (cumulative)	Actual %age (cumulative)	Amount collected (cumulative) £ millions
Quarter 1	28.50	27.99	22.963
Quarter 2	55.75	55.36	34.144
Quarter 3			
Quarter 4	98.5		

- 4.19 Due to the use of ten monthly collections the percentage for each quarter is not a simple 25%. Government reforms are proposing enforcing a move to monthly collections (in twelfths).

- 4.20 The Council aims to collect 98.0% of business rate receipts (national average is 95.8%) which equates to a total sum of £39.408 million. Performance against this target for this financial year is shown in the table below:

	Target %age (cumulative)	Actual %age (cumulative)	Amount collected (cumulative) £ millions
Quarter 1	25.57	25.29	10.310
Quarter 2	53.92	51.53	20.723
Quarter 3			
Quarter 4	98.0		

Benefits

- 4.21 Benefit claim statistics are summarised in the table below:

New claims	Qtr 1	Qtr 2		Qtr 1	Qtr 2
Average processing time	18 days	15 days	Number processed this quarter	105	222
Changes to claims					
Average processing time	8 days	7 days	Number processed this quarter	1380	2647

- 4.22 Recent changes to benefits has meant that many of the simpler claims have been transferred to DWP, leaving the more complex cases with local authorities – this has impacted on average processing time. DWP expect new claims to be processed within a 30-day timeframe.

5. Financial Implications

- 5.1 These are contained in the main body of the report.

6. Legal Implications

- 6.1 No Legal implications have been identified.

7. Strategic Purpose Implications

Relevant Strategic Purpose

- 7.1 The Strategic purposes are included in the Council's corporate plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the borough and our communities. Our Financial monitoring and strategies are integrated within all of our Strategic Purposes.

8 Climate Change Implications

- 8.1 The green thread runs through the Council plan. The Financial monitoring report has implications on climate change, and these will be addressed and reviewed when relevant by climate change officers to ensure the correct procedures have been followed to ensure any impacts on climate change are fully understood.

9. Other Implications

Customer / Equalities and Diversity Implications

- 9.1 None as a direct result of this report.

Operational Implications

- 9.2 Managers meet with finance officers to consider the current financial position and to ensure actions are in place to mitigate any overspends.

10. RISK MANAGEMENT

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

10.1 Items identified in the Finance monitoring is included in a number of the Corporate Risks. These are listed below. The mitigations to these risks are set out in the Risk Report, of which the Quarter 1 Report is reported to Audit, Governance and Standards Committee in July:

- COR 10 - Decisions made to address financial pressures and implement new projects.
- COR16 – Management of Contracts.
- COR17 – Resolution of the Approved Budget Position.
- COR19 – Adequate Workforce Planning.
- COR20 – Financial Position Rectification.
- COR22 - Delivery of Levelling Up and UK SPF Initiatives
- COR23 – Cost of Living Crisis
- COR25 – The new Environment Bill

11. APPENDICES

Appendix A – Capital Outturn

Appendix B – Reserves Position

Appendix C – Ward Budget Position

Appendix D – Treasury Management Position

Appendix E – Procurement Pipeline

AUTHOR OF REPORT

Name: Debra Goodall – Head of Finance and Customer Services (Acting S151)

E Mail: Debra.Goodall@bromsgroveandredditchbc.gov.uk

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Appendix A - Capital Outturn

Capital Project	Description	2025/26 Total (Original) £	2025/26 Total £ (including carried forward)	25/26 Spend £
	Large Schemes			
	Towns Fund			
200053	- Innovation Centre	1,000,000	7,091,046	322,242
200053	- Innovation Centre	1,948,000	1,948,000	0
100133	- Digital Manufacturing & Innovation Centre Digital Manufa	0	-159,306	0
200054	- Library	0	2,320,634	-22,764
200055	- Public Realm	0	3,777,926	0
200055	- Public Realm	0	439,000	0
100102				
100108	Town Hall Redevelopment	0	5,123,121	552,756
100111				
	Schemes Agreed to Continue in Tranche 1	0	0	0
100004	Car Park Maintenance	150,000	212,672	50,459
110036	Footpaths	75,000	47,264	0
100007	Disabled Facilities Grant	1,185,745	1,332,340	192,928
100008	Energy & Efficiency Installs.	0	209,345	0
100009	GF Asbestos	0	75,467	5,975
100014	Improved Parking Scheme (includes locality funding)	0	400,000	0
100026	Morton Stanley Play, Sport and Open Space Improvements	0	1,500	0
100032	Public Building	250,000	139,324	119,969
100035	Fleet Replacement new line	0	1,960,669	85,525
100037	Removal of 5 weirs through Arrow Valley Park	0	414,000	0
100040	Sports Contributions to support improvements to Outdoor	0	3,000	0
100043	Wheelie Bin purchase	100,000	210,635	42,336
100044	New Digital Service	0	-119,732	0
100047	Environmental Services Computer System	0	-38,857	15,214
100064	Green Lane Studley	0	-52,905	0
100088	Improvement Holly trees childrens centre	0	6,000	0
100089	Greener Homes	0	-8,925	0
100010	Grassland Mitigation measures- recreating and monitoring	5,864	11,727	0
100011	Hedgerow Mitigation measures by restoration and hedge la	0	21,500	0
100012	HMO Grants	25,000	86,500	0
100013	Home Repairs Assistance	40,000	160,000	0
100018	Improvement to original Pump Track at AVCP	0	56,364	0
100045	Replacing 3 fuel pumps and upgrading tank monitoring equi	0	25,000	0
110018	Cisco Network Update	47,339	53,273	0
110019	Server Replacement Est(Exact known Q2 2022)	18,500	196,000	67,038
110020	Laptop Refresh	5,000	37,775	4,909
100140	Cyber Security Updats	25,000	50,000	0
100141	Morgan Stanley Footpaths	0	16,500	0
110021	New Cemetary Provision-Ipsley road	195,000	635,963	0

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Capital Project	Description	2025/26 Total (Original) £	2025/26 Total £ (including carried forward)	25/26 Spend £
100127	Provide the Crossgate Depot site with a new and Compliant	0	56,000	0
100097	Widen access road to Arrow Valley Country park	0	-9,074	0
100136	Lifeline Improvements	0	120,000	0
100144	PRS Housing ICT System	0	30,000	0
100119	Play Areas - Surface Replacement	10,000	-79,994	0
100147	AVCP - Parking Bays near Visitor Centre	0	12,000	0
100121	AVCP - Car Park Extension 25 Spaces	0	-15,745	0
100148	Increased Building Maintenance Costs	150,000	300,000	0
100134	Arrow Valley Car Park	0	63,840	0
100135	Arrow Valley park Visitor Centre Improvements	0	193,251	81,559
100143	Fleet Costs	26,000	611,000	0
100137	Final Play Area Changes	191,477	435,576	155,200
100139	Movement of ICT Cyber Capital Works Forward	0	-50,000	0
100142	Hedge and Shrub Removal	40,000	80,000	0
110007	Forge Mill and Bordelsey Open Space Improvements	0	5,859	0
110009	MUGA at Greenlands Sports Pitches. 2018/169/FUL Land o	0	43,078	0
110012	Play Area improvements at Birchfield Road, /Headless Cro	0	7,575	0
110013	Play area (£34,583.39), Open space (£12,001.36) and Sport (£	0	1,172	0
100001	Arrow Valley Country Park - Play, Open Space and Sports In	0	-4,500	0
	Play Area Changes - Pre Audit	0	382,000	0
100146	Play Audit funding	191,447	454,833	0
100020	Improvement to Sports Pitches infrastructure in Morton St	0	23,002	-1,998
100112	Fire compartmentation works in Corporate buildings	250,000	240,157	1,163
110044	New Food Waste Collection - DEFRA Funding	766,498	785,955	0
	Abavus Software Integration	30,000	30,000	0
	Abavus Licensing	10,200	10,200	0
	Update Town Hall Fire Wall	16,250	16,250	0
	Replacement Track - Abbey Stadium	300,000	300,000	0
	Energy Performance Certificate Requirements	100,000	100,000	0
	Abbey Stadium Roof Replacement	250,000	250,000	0
	Abbey Stadium - refurbish indoor Changing Rooms and Toile	300,000	300,000	0
	Forge Mill - New outdoor Kiosk and Toilet Replacement	90,000	90,000	0
	PitcherOak, refurbish Male Changing and rebuild 2nd Green	90,000	90,000	0
	Salary Capitalisation	200,000	200,000	0
100128	Cycle Route 5 Improvements Cycle Route 5 Improvements	0	0	15,912
100150	Redditch Market	0	0	37,396
110028	Support to Local Business - UKSPF		0	8,000
110041	Resurfacing and pathway improvement on St Stephen Chur	0	0	22,764
100110	NHS Refurbishment Town Hall		0	25,360
110056	Hawthorn Road - New Build		0	6,394
110060	North Moons Moat Industrial Decarbonisation		0	14,348
100120	Morton Stanley Park Facilities Improvements		0	1,998
100123	Arrow Valley Park Litter Bins		0	998
	Total	8,082,320	31,755,256	1,805,681

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Appendix B - Earmarked Reserves

	Balance	Transfers In	Transfers Out	Balance	Transfers In	Transfers Out	Balance
	01-Apr-23	2023/24	2023/24	31-Mar-24	2024/25	2024/25	31-Mar-25
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Business Rates Retention Scheme	4,560	0	0	4,560	0	0	4,560
Community Development	74	0	0	74	0	0	74
Community Safety	211	0	0	211	0	0	211
Corporate Services	4,652	0	(2,058)	2,594	0	0	2,594
Customer Services	183	0	0	183	0	0	183
Economic Growth	718	0	0	718	123	0	841
Electoral Services	63	0	0	63	0	0	63
Environmental Vehicles	29	0	0	29	0	0	29
Equipment replacement	25	0	0	25	0	0	25
Financial Services	149	0	0	149	442	(131)	460
General Risk reserve	45	0	0	45	0	0	45
Housing Benefit Implementation	270	0	0	270	0	0	270
Housing Support	1,535	0	0	1,535	0	(116)	1,419
Land Charges	9	0	0	9	0	0	9
Land Drainage	129	0	0	129	0	0	129
Parks & Open spaces	8	0	0	8	0	0	8
Planning Services	692	0	0	692	0	0	692
Sports Development	(18)	0	0	(18)	0	0	(18)
Town Centre	7	0	0	7	0	0	7
Warmer Homes	16	0	0	16	0	0	16
Transformational Growth	123	0	0	123	0	0	123
Pensions	201	0	0	201	0	0	201
Regeneration Income	602	0	0	602	0	0	602
Restart Grants	2,900	0	0	2,900	24	0	2,924
Covid-19 (General)	580	1,426	0	2,006	429	0	2,435
Covid-19 (Collection Fund)	55	0	0	55	0	0	55
TOTALS	17,818	1,426	(2,058)	17,186	1,018	(247)	17,957
HRA							
Housing Capital	11,771	0	(870)	10,901	0	(1,741)	9,160
Total HRA	11,771	0	(870)	10,901	0	(1,741)	9,160
Total Earmarked Reserves	29,589	1,426	(2,928)	28,087	1,018	(1,988)	27,117

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Appendix C - Ward Budget Spending Q2 - Funds Allocated to 30 September

Councillor Ward Fund Balances – 25/26

Activity	Spend	Balance £2,000
Cllr Joe Baker	2,000.00	0
Cllr Juliet Barker-Smith	300.00	1,700.00
Cllr Juma Begum	1,450.00	550.00
Cllr William Boyd	200.00	1,800.00
Cllr Brandon Clayton	1,500.00	500.00
Cllr Claire Davies	900.00	1,100.00
Cllr Matthew Dormer	0	2,000.00
Cllr James Fardoe	0	2,000.00
Cllr Andy Fry	650.00	1,350.00
Cllr Bill Hartnett	1,900.00	100.00
Cllr Sharon Harvey	1,200.00	800.00
Cllr Chris Holtz	1,000.00	1,000.00
Cllr Joanna Kane	1,350.00	650.00
Cllr Sid Khan	0	2,000.00

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Activity	Spend	Balance £2,000
Cllr Wanda King	2,000.00	0
Cllr Alan Mason	2,000.00	0
Cllr Sachin Mathur	0	2,000.00
Cllr Gemma Monaco	0	2,000.00
Cllr David Munroe	1,200.00	800.00
Cllr Rita Rogers	0	2,000.00
Cllr Gary Slim	2,000.00	0
Cllr Jen Snape	2,000.00	0
Cllr Jane Spilsbury	1,050.00	950.00
Cllr Monica Stringfellow	2,000.00	0
Cllr Craig Warhurst	500.00	1,500.00
Cllr Ian Woodall	0	2,000.00
Cllr Paul Wren	500.00	1,500.00
Total	25,700.00	28,300.00

Appendix D - Treasury Management Position

1. SUMMARY

The purpose of this report is to set out a quarterly update on the Council's Capital and Treasury Management Strategies, including all prudential indicators.

2. RECOMMENDATIONS

(As detailed in the covering report above) The Executive are asked to:

- **Note the Council's Treasury performance for Q2 of the financial year 25/26.**
- **Note the position in relation to the Council's Prudential indicators.**

3. BACKGROUND

Introduction

- 3.1 The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 3.2 This quarterly report provides an additional update and includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Authority's normal quarterly revenue report.

External Context

- 3.3 **Economic background:** The first quarter was dominated by the fallout from the US trade tariffs and their impact on equity and bond markets. The second quarter, still rife with uncertainty, saw equity markets making gains and a divergence in US and UK government bond yields, which had been moving relatively closely together.
- 3.4 . From late June, amid a UK backdrop of economic uncertainty, concerns around the government's fiscal position and speculation around the autumn Budget, yields on medium and longer-term gilts pushed higher, including the 30-year which hit its highest level for almost 30 years.
- 3.5 UK headline annual consumer price inflation (CPI) increased over the period, rising from 2.6% in March to 3.8% in August, still well above the Bank of England's 2% target. Core inflation also rose, from 3.4% to 3.6% over the same period, albeit the August reading was down % from 3.8% the previous month. Services inflation also fell from July to August, to 4.7% from 5.0%.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 3.6 The UK economy expanded by 0.7% in the first quarter of the calendar year and by 0.3% in the second quarter. In the final version of the Q2 2025 GDP report, annual growth was revised upwards to 1.4% y/y. However, monthly figures showed zero growth in July, in line with expectations, indicating a sluggish start to Q3.
- 3.7 Labour market data continued to soften throughout the period, with the unemployment rate rising and earnings growth easing, but probably not to an extent that would make the more hawkish MPC members comfortable with further rate cuts. In addition, the employment rate rose while the economic inactivity rate and number of vacancies fell.
- 3.8 The BoE's Monetary Policy Committee (MPC) cut Bank Rate from 4.5% to 4.25% in May and to 4.0% in August after an unprecedented second round of voting. The final 5-4 vote was for a 25bps cut, with the minority wanting no change. In September, seven MPC members voted to hold rates while two preferred a 25bps cut. The Committee's views still differ on whether the upside risks from inflation expectations and wage setting outweigh downside risks from weaker demand and growth.
- 3.9 The August BoE Monetary Policy Report highlighted that after peaking in Q3 2025, inflation is projected to fall back to target by mid-2027, helped by increasing spare capacity in the economy and the ongoing effects from past tighter policy rates. GDP is expected to remain weak in the near-term while over the medium term outlook will be influenced by domestic and global developments.
- 3.10 Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would be cut further as the BoE focused on weak GDP growth more than higher inflation. One more cut is currently expected during 2025/26, taking Bank Rate to 3.75%. The risks to the forecast are balanced in the near-term but weighted to the downside further out as weak consumer sentiment and business confidence and investment continue to constrain growth. There is also considerable uncertainty around the autumn Budget and the impact this will have on the outlook.
- 3.11 Against a backdrop of uncertain US trade policy and pressure from President Trump, the US Federal Reserve held interest rates steady for most of the period, before cutting the Fed Funds Rate to 4.00%-4.25% in September. Fed policymakers also published their new economic projections at the same time. These pointed to a 0.50% lower Fed Funds Rate by the end of 2025 and 0.25% lower in 2026, alongside GDP growth of 1.6% in 2025, inflation of 3%, and an unemployment rate of 4.5%.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 3.12 The European Central Bank cut rates in June, reducing its main refinancing rate from 2.25% to 2.0%, before keeping it on hold through to the end of the period. New ECB projections predicted inflation averaging 2.1% in 2025, before falling below target in 2026, alongside improving GDP growth, for which the risks are deemed more balanced and the disinflationary process over.
- 3.13 **Financial markets:** After the sharp declines seen early in the period, sentiment in financial markets improved, but risky assets have generally remained volatile. Early in the period bond yields fell, but ongoing uncertainty, particularly in the UK, has seen medium and longer yields rise with bond investors requiring an increasingly higher return against the perceived elevated risk of UK plc. Since the sell-off in April, equity markets have gained back the previous declines, with investors continuing to remain bullish in the face of ongoing uncertainty.
- 3.14 Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.70%. However, these six months saw significant volatility with the 10-year yield hitting a low of 4.45% and a high of 4.82%. It was a broadly similar picture for the 20-year gilt which started at 5.18% and ended at 5.39% with a low and high of 5.10% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.19% over the six months to 30th September
- 3.15 **Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.
- 3.16 Early in the period, Fitch upgraded NatWest Group and related entities to AA- from A+ and placed Clydesdale Bank's long-term A- rating on Rating Watch Positive. While Moody's downgraded the long term rating on the United States sovereign to Aa1 in May and also affirmed OP Corporate's rating at Aa3.
- 3.17 Then in the second quarter, Fitch upgraded Clydesdale Bank and also HSBC, downgraded Lancashire CC and Close Brothers while Moody's upgraded Transport for London, Allied Irish Banks, Bank of Ireland and Toronto-Dominion Bank.
- 3.18 After spiking in early April following the US trade tariff announcements, UK credit default swap prices have since generally trended downwards and ended the period at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024.
- 3.19 European banks' CDS prices has followed a fairly similar pattern to the UK, as have Singaporean and Australian lenders while Canadian bank CDS prices remain modestly elevated compared to earlier in 2025 and in 2024.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 3.20 Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.
- 3.21 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

- 3.22 On 30th June 2025, the Authority had £29.49m net borrowing arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.6.25	30.9.25
	Actual	Actual
	£m	£m
General Fund & Regeneration CFR	28.82	28.82
HRA CFR	127.60	127.60
Total CFR	156.42	156.42
External borrowing**	103.93	103.93
Internal borrowing	52.49	52.49
Less: Usable reserves	-18.10	-18.10
Less: Working capital	-4.90	-4.90
Net borrowing	29.49	29.49

* Finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 3.23 The treasury management position at 30th September and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.6.25 Balance £m	Movement £m	30.6.25 Balance £m	30.9.25 Rate %
Long-term borrowing				
- PWLB	98.93	0	98.93	3.35%
- LOBOs				
- Other	5.00	0	5.00	4.71%
Short-term borrowing				
Total borrowing	103.93	0	103.93	4.03%
Long-term investments				
Short-term investments	6.50	-1.00	5.50	4.92%
Cash and cash equivalents				
Total investments				
Net borrowing	97.43	-1.00	98.43	

Borrowing Strategy and Activity

- 3.24 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.
- 3.25 Policy interest rates have risen substantially since 2021 although they have largely plateaued over the last year. Over the last quarter gilt yields have risen slightly overall, having had a number of peaks and troughs. There has been downward pressure from lower inflation figures, but also upward pressure from unexpectantly positive economic data. Data from the US continues to impact global markets including UK gilt yields.
- 3.26 The PWLB certainty rate for 10-year maturity loans was 5.10% at the beginning of the period and 4.80% at the end. The lowest available 10-year maturity rate was 4.70% and the highest was 5.10%. Rates for 20-year maturity loans ranged from 5.30% to 5.50%

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

during the period, and 50-year maturity loans from 5.10% to 5.30%. The cost of short-term borrowing from other local authorities has been similar to Base Rate during the period at 4.0% to 4.5%.

- 3.27 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.
- 3.28 **Loans Portfolio:** On 30th June, the Authority held £103.93m of loans, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30th June 2025 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.6.25 Balance £m	Net Movement £m	30.9.25 Balance £m	30.9.25 Weighted Average Rate %	30.9.25 Weighted Average Maturity (years)
Public Works Loan Board	98,93		98,93	3.35%	23
Banks (LOBO)					
Banks (fixed term)	5.00		5.00	4.71%	25
Local authorities (long-term)					
Local authorities (short-term)					
Total borrowing	103.93		103.93		

Treasury Investment Activity

- 3.29 The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 3.30 The Authority does not hold any invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period, the Authority's investment balances ranged between £5.3 and £11.0 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.6.25 Balance £m	Net Movement £m	31.9.25 Balance £m	31.9.25 Income Return %	31.9.25 Weighted Average Maturity days
Banks & building societies (unsecured)					
Banks & building societies (secured deposits)					
Covered bonds (secured)					
Government	0.0	0.0	0.0	0.0	0.0
Local authorities and other govt entities					
Corporate bonds and loans					
Money Market Funds	5.5	0.3	5.8	2.9%	30
Total investments	5.5	0.3	5.8	0.0	0.0

- 3.31 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 3.32 As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

services.

- 3.33 Bank Rate was reduced to 4.00% in August 2025 and remained at that level through the rest of the quarter. Short-term interest rates largely followed this trend, staying close to the Bank Rate. The rates on DMADF deposits have been constant at 4.21%.

Non-Treasury Investments

- 3.34 The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 3.35 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

Treasury Performance

- 3.36 The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 5 below.

Table 5: Performance

	Actual £m	Budget £m	Over/ under
<i>PWLB Maturity Loan 1</i>	15.00		
<i>PWLB Maturity Loan 2</i>	25.00		
<i>PWLB Maturity Loan 3</i>	40.00		
<i>PWLB Maturity Loan 4</i>	18.93		
<i>Barclays Loan</i>	5.00		
Total borrowing	103.93	175.00	-71.07
<i>Short-term Investments</i>	5.80	10.00	-4.20

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Total treasury investments	5.80	10.00	-4.20
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MRP Regulations

- 3.37 On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding Capital Financing Requirement (CFR) in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.
- 3.38 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

Compliance

- 3.39 The Director of Resources and Section 151 officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.

Table 6: Investment Limits

	2025/26 Maximum	30.9.25 Actual	2025/26 Limit	Complied? Yes/No
Any single organisation, except the UK Government	£4m each			
UK Central Government	Unlimited			
Unsecured investments with banks and building societies	£2.5m in total			
Loans to unrated corporates	£1m in total			
Money Market Funds	£20m in total	5.8m		Yes
Foreign countries	£5m per country			
Real Estate Investment Trusts	£2.5m in total			

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 3.40 Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 7 below.

Table 7: Debt and the Authorised Limit and Operational Boundary

	2025/26 Maximum	30.9.25 Actual	2025/26 Operational Boundary	2025/26 Authorised Limit	Complied? Yes/No
Borrowing	175.00	103.93	170.00	180.00	Yes
PFI and Finance Leases	1.50	0	1.50	1.50	Yes
Total debt	176.50	103.93	171.50	181.50	

- 3.41 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure

Treasury Management Prudential Indicators

- 3.42 As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Liability Benchmark

- 3.43 This indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £2m required to manage day-to-day cash flow

	31.3.25 Actual	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
Loans CFR	149.26	153.79	158.21	159.98
Less: Balance sheet resources	-21.80	-22.10	-23.20	-22.90
Net loans requirement	127.46	130.69	135.01	137.08
Plus: Liquidity allowance	0.20	0.20	0.20	0.20
Liability benchmark	127.66	130.89	135.21	137.28

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Existing borrowing	103.93	113.22	116.87	117.54
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- 3.44 Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £118m, minimum revenue provision on new capital expenditure based on a 40-year asset life and income, expenditure and reserves all increasing by inflation of 2.0% p.a. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing. Presently borrowing has been delivered through the use of internal resources and the Council has no long-term borrowing.

Maturity Structure of Borrowing

- 3.45 This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	30.9.25 Actual	Complied?
Under 12 months	50%	0%	0%	Yes
12 months and within 24 months	50%	0%	0%	Yes
24 months and within 5 years	50%	0%	0%	Yes
5 years and within 10 years	50%	0%	0%	Yes
10 years and above	100%	0%	0%	Yes

- 3.46 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Long-term Treasury Management Investments

- 3.47 The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	£0.5m	£0.5m	£0.5m	£0.5m
Actual principal invested beyond year end	Nil	Nil	Nil	Nil
Complied?	Yes	Yes	Yes	Yes

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

- 3.48 Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

Security:

- 3.49 The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2025/26 Target	30.9.25 Actual	Complied?
Portfolio average credit rating	A	UK Govt	Yes

Liquidity:

- 3.50 The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.9.25 Actual	2025/26 Target	Complied?
Total cash available within 3 months	Nil	Nil	Yes
Total sum borrowed in past 3 months without prior notice	Nil	Nil	Yes

Interest Rate Exposures:

- 3.51 This indicator is set to control the Authority's exposure to interest rate risk.

Interest rate risk indicator	2025/26 Target	30.9.25 Actual	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	500,000	0	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	500,000	0	Yes

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

3.52 For context, the changes in interest rates during the quarter were:

	<u>30/06/25</u>	<u>30/09/25</u>
Bank Rate	4.25%	4.00%
1-year PWLB certainty rate, maturity loans	4.50%	4.58%
5-year PWLB certainty rate, maturity loans	4.70%	4.95%
10-year PWLB certainty rate, maturity loans	5.27%	5.53%
20-year PWLB certainty rate, maturity loans	5.88%	6.14%
50-year PWLB certainty rate, maturity loans	5.71%	5.98%

3.53 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

4. IMPLICATIONS

Legal Implications

4.1 A number of statutes governing the provision of services covered by this report contain express powers or duties to charge for services. Where an express power to charge does not exist, the Council has the power under Section 111 of the Local Government Act 1972 to charge where the activity is incidental or conducive to or calculated to facilitate the Councils statutory function.

Service / Operational Implications

4.2 Monitoring is undertaken to ensure that income targets are achieved, with Treasury Management activities taking place on a daily basis.

Customer / Equalities and Diversity Implications

4.3 The only impact of treasury transactions is in respect of ethical investment linked to the Councils investment counterparties. Presently the Council has a limited counterparty list based on financial risk to the Authority.

5. RISK MANAGEMENT

5.1 There is always significant risk in relation to treasury transactions, this is why Councils appoint Treasury advisors, which in the case of Redditch is Arlingclose. In addition, there is the requirement in this area to provide an Annual Strategy report containing indicators/limits that must be met, a quarterly update and closure report all of which must be reported to full Council.

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

6. APPENDICES

None

7. BACKGROUND PAPERS

MTFP 2025/26 – February 2025 which contains this year's Capital Strategy, Treasury Management Strategy and MRP Policy.

AUTHOR OF REPORT

Name: Debra Goodall – Assistant Director of Finance and Customer Services
(Deputy S151)

E Mail: Debra.Goodall@bromsgroveandredditchbc.gov.uk

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025

Appendix E - Procurement Pipeline

Title	Council	Contract Value £
DMIC Build	Redditch	10,000,000
Retrofit WAVE 3 Contractor	Redditch	6,000,000
Fleet Replacement	Redditch	5,895,000
Fire Safety Works Contract - CLC Renewal	Redditch	4,500,000
Fleet Replacement	Redditch	1,950,000
Remodel - Auxerre House	Redditch	1,500,000
Civil Engineering Works	Redditch	1,500,000
Loxley Close - Development	Redditch	1,300,000
Retrofit WAVE 3 Assessor and Designer	Redditch	1,000,000
Retrofit WAVE 3 Co-ordinator	Redditch	1,000,000
Void Contract	Redditch	1,000,000
Communal Boiler Replacement	Redditch	700,000
External Staircase	Redditch	500,000
Refurbishment of the Anchorage	Redditch	500,000
Roofing Repairs and Replacement	Redditch	500,000
Microsoft Licences	Redditch	483,000
Fire Alarm and Emergency Lighting Servicing, Repairs and Installation	Redditch	430,000
Commercial Heating Systems Servicing, Maintenance and Installations	Redditch	350,000
Lift Installation and Refurbishment	Redditch	300,000
Data SIMS	Redditch	300,000
Door Entry, Access Control Planned , Responsive Maintenance	Redditch	300,000
Supply of HVO Fuel	Redditch	300,000
Refuse and Recycling Products	Redditch	250,000
Fencing and Groundworks	Redditch	250,000
Vehicle Hire	Redditch	200,000
Domestic Food Collection	Joint	23,000,000
Hybrid Mail Solution - Sending Letters	Joint	2,500,000
Corporate Building Electrical Contract	Joint	2,500,000
Food Caddy Purchase and Delivery	Joint	1,300,000
Public Space CCTV Maintenance	Joint	400,000
Fire Alarm, Extinguisher Contract	Joint	380,000
Lifeline Call Handling	Joint	200,000
eFinancials RTU Extension	Joint	208,598

REDDITCH BOROUGH COUNCIL

Executive

25th November 2025