

# REDDITCH BOROUGH COUNCIL

Executive

2nd March 2026

## Quarter 3 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 <a href="mailto:Debra.goodall@bromsgroveandredditch.gov.uk">Debra.goodall@bromsgroveandredditch.gov.uk</a>
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	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 **£399k** at Q3.
- 2) The current Capital spending of **£6.776 million** against an original budget of **£8.082 million** revised with carry forwards to **£19.921 million** as outlined in Appendix A
- 3) The current savings delivery is **£1.751 million** against an annual target of £2.342 million for 2025/26.
- 4) Forecast Earmarked Reserves at 31 March 2026 are **£17.294 million** as outlined in Appendix B.
- 5) The Ward Budget allocation position to date is 21 approved allocations at £32,100, leaving a balance of £21,900 to be allocated before year end as included in Appendix C.
- 6) There is an updated procurements position set out in Appendix D, with any new items over £200,000 to be included on the forward plan.
- 7) The position on Council Tax and Business Rates is noted
- 8) The position on benefits processing is noted.

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The Executive is asked to **RECOMMEND** that:

- 9) That the Balance Sheet Monitoring Position for Q3 is noted – which is the Treasury Monitoring Report and required to be reported to Council (Appendix E)
- 10) The Medium-Term Financial Plan is amended to include the Pride in Place Fund Allocation as set out in paragraph 4.60.

## **2 EXECUTIVE SUMMARY**

2.1 This Quarter 3 Financial Monitoring Report for Redditch Borough Council (April–December 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 £399k is forecasted for the year, driven largely by a prudent adjustment to bereavement income levels, large movements on the Housing Subsidy budget, pressures on Dial-a-ride and Shop Mobility and costs relating to the installation of a new fire alarm system. These have been offset by additional income in Development Control.
- **The position has moved adversely by £19k since Q2** - This relates mainly to movement in Housing Subsidy resulting in a £520k overspend due to housing subsidy budgets no longer aligning with received grant offset by £500k in Revenue Grants Received in Advance from 2024/25 now being recognised.
- **Capital Programme:** £6.776 million has been spent against an annual original budget of £8.082 million revised to £19.921 million following carry forwards from 2024/25. Significant projects include the Innovation Centre and Public Realm improvements funded through the Town Deal and UK Shared Prosperity Fund.
- **Savings Delivery:** £1.751 million of the £2.342 million annual savings target has been achieved, primarily through vacancy management and efficiency measures.
- **Reserves:** The Council holds £17.957m in earmarked reserves. Following a thorough review during the Medium-Term Financial Plan (MTFP) process these are expected to decrease to £17.294m by 31 March 2026.
- **Ward Budgets:** £32,100 has been allocated, with £21,900 available for allocation in the final quarter of the financial year.
- **Treasury and Balance Sheet Monitoring:** No new borrowing has occurred during Quarter 3; £5.2 million is held in short-term investments. The Council remained compliant with all prudential indicators and investment limits.

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- **Collection Fund Performance:** Council Tax and Business Rates collection are slightly below target, with 82.52% and 77.06% collected respectively in Q3. This is indicative of the ongoing cost of living pressures facing residents and business owners and I line with experiences of other peer councils.
- **Benefits Processing:** Average processing times are 15 days for new claims and 6 days for changes, well within the required 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 first nine months of the financial year (April – December 2025). This report presents:

- The Council's forecast yearly outturn revenue monitoring position for 2025/26 based on data to the end of Quarter 3 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 3.
- The spending as of Q3 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 3, the projected revenue outturn position for the 2025/26 financial year and explains key variances against budget.

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.

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Service Description	2025-26 Approved Budget	2025-26 Revised Budget	2025-26 Revised Q3 Budget	Q3 Adjusted Spend	Full Year Projected Forecast	Full Year Projected Variance Q2	Movement in Projected Variance Q2 to Q3	Full Year Projected Variance Q3
Business Transformation and Organisational Development	2,127,379	1,911,041	1,379,196	1,492,796	1,977,252	128,873	-62,662	66,211
Community and Housing GF Services	2,978,979	2,397,508	1,650,020	1,939,428	2,793,978	81,628	314,842	396,470
Corporate Services	-4,390,100	-2,862,339	-2,146,599	-2,056,081	-2,630,191	183,272	48,876	232,148
Environmental Services	3,327,695	3,175,207	2,343,283	2,880,351	3,790,588	397,948	217,433	615,381
Financial and Customer Services	3,151,803	3,036,655	2,539,274	3,251,908	3,724,830	-398,207	1,086,382	688,175
Legal and Democratic Services	1,213,796	1,084,233	806,536	837,086	1,064,768	-6,742	-12,723	-19,465
Planning and Leisure Services	1,272,841	1,075,593	725,927	446,144	784,594	-308,888	17,889	-290,999
Regeneration & Property	2,213,443	2,130,943	1,552,581	1,828,518	2,341,194	186,186	24,065	210,251
Regulatory Client	711,638	711,638	533,729	525,717	732,657	20,638	381	21,019
Rubicon Client	867,481	867,481	650,611	733,785	996,872	127,910	1,481	129,391
<b>Grand Total</b>	<b>13,474,955</b>	<b>13,527,960</b>	<b>10,034,558</b>	<b>11,879,652</b>	<b>15,576,542</b>	<b>412,618</b>	<b>1,635,964</b>	<b>2,048,582</b>
Service Description	2025-26 Approved Budget	2025-26 Revised Budget	2025-26 Revised Q3 Budget	Q3 Adjusted Spend	Full Year Projected Forecast	Full Year Projected Variance Q2	Movement in Projected Variance Q2 to Q3	Full Year Projected Variance Q3
Corporate Financing	-13,474,955	-13,527,960	-10,127,220	-9,193,297	-15,176,594	-32,048	-1,616,586	-1,648,634
<b>Grand Total</b>	<b>-13,474,955</b>	<b>-13,527,960</b>	<b>-10,127,220</b>	<b>-9,193,297</b>	<b>-15,176,594</b>	<b>-32,048</b>	<b>-1,616,586</b>	<b>-1,648,634</b>
<b>TOTALS</b>	<b>0</b>	<b>0</b>	<b>-92,662</b>	<b>2,686,355</b>	<b>399,948</b>	<b>380,570</b>	<b>19,378</b>	<b>399,948</b>

\* see note on Corporate Financing within the body of the report on Page 8

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## *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 £399k at Quarter 3. 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 £66k overspend**

- 4.5 Business Transformation is forecasting a £66k overspend in total.
- 4.6 This is due to the forecasted overspend on telephone charges of £70k due to increases in the contract charge. This has been addressed in the budget for next year. There are also additional IT purchases of £69k. This is offset by additional street naming and numbering income of £13k, HR savings on salaries of £20k and training cost of £40k as BDC is recharged 50% for these reducing pressure on Redditch.

### **Community and Housing GF Services £396k overspend**

- 4.7 Community & Housing Services is forecasting a £396k overspend.
- 4.8 There are additional Lifeline and CCTV costs of £98k due to increased BT charges, Sim charges and new equipment purchase. The increased equipment costs will be offset by increased income for the sale or hiring by customers. A budget pressure bid of £75k has been put forward for 2026/27 and ongoing, and some of the Sim charges will be offset by the increased weekly lifeline charges introduced via fees and charges. Dial-a-Ride income has reduced by £97k this should be offset by the £44k additional allocation approved by Executive Committee part of the council's commitment to reduce fares by 50%, this allocation has been built into the new budget from 26/27. The Bus Service Operators Grant income has reduced as it is based on mileage, and a service redesign has reduced the mileage of the vehicles. 2026/27 will also see a reduction in bus maintenance costs as 3 new vehicles are to be purchased through the fleet capital programme.
- 4.9 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 £111k. The allocation of £30k by Executive Committee to offset these identified additional costs has been incorporated in the 26/27 budget. In addition, Officers are looking to increase income through the sale of aids and adaptations and to review the services business hours in 2026/27.
- 4.10 There is an overspend in housing options due to write-offs circa £56k, additional £8k for council tax for dispersed units, leased dwellings insurance of £18k above budget and other various overspends of £8k. Consideration is being given to the use of grant funding to offset costs where relevant.

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## **Corporate Services £232k overspend**

- 4.11 Corporate Services is forecasting a £232k overspend.
- 4.12 This comprises a combination of grant funding adjustments of £108k, Lump Sum Pension Deficit payment of £26k, additional HMRC costs of £13k, additional subscriptions of £8k, costs of £37k due to staffing change at Director level and agency costs of new S151 Officer, alongside other net costs of £28k. There are also pressures relating to additional Postage Charges of £25k. This will be addressed as part of the MTFP.
- 4.13 These have been offset by overachieved vacancy management savings of £13k across the whole Council.

## **Environmental Services £615k overspend**

- 4.14 Environmental Services is forecasting a £615k overspend above budget.
- 4.15 The variance is largely due to underachieved bereavement income of £374k due to the income budget being set higher than the service can currently achieve within the period, as such a prudent adjustment to bereavement expected income levels is warranted. There are also increased business rates of £48k and increased servicing and maintenance costs of the cremator of £53k.
- 4.16 Aside from bereavement services, there have also been increased agency costs for seasonal hedge cutting of £96k. This is addressed as part of the MTFP.
- 4.17 There have been one-off legal costs of a tree subsidence legal case of £60k offset by £16k minor savings across the service.

## **Financial and Customer Services £688k overspend**

- 4.18 Finance & Customer Services is forecasting a £688k overspend against budget.
- 4.19 Due to changes in national policy with a greater focus on prevention, Housing Subsidy budgets no longer align with received grant creating a service based overspend of £520k. This is a significant pressure facing all authorities and reflects ongoing risk.
- 4.20 The Council has had work carried out by the external auditor, Ernst and Young for both 2023/24 and 2024/25 accounts and this has resulted in increased audit costs based on actuals to date of £33k. There have also been pressures as a result of the use of agency staff costs to cover vacancies of £153k.
- 4.21 These pressures have been offset by various other savings of £18k.

## **Legal, Democratic and Elections Services £19k underspend**

- 4.22 Legal, Democratic and Elections Services are forecasting a £19k underspend.

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As a result of correcting an error with the shared service recharge which has reduced budgeted charges for Democratic Services by £43k, this has been reflected on an ongoing bases in 26/27 budgets. This saving is offset against a projected lower income on Land Charge Searches and increase in Electoral Services due to the licence for the Civica system. A budget pressure has been accommodated in the 26/27 budget setting process.

## **Planning and Leisure Services £291k underspend**

- 4.23 Planning and Leisure Services are forecasting a net underspend of £291k.
- 4.24 This is largely due to additional Development Control income of £249k due to high value planning applications received.
- 4.25 There have also been salary savings in Arts and Development of £19k due to grant receipt. There have been reduced agency costs within Parks and Events due to a planned review on Leisure Services. There are other various savings of £23k.

## **Regeneration and Property Services £210k overspend**

- 4.26 There is a forecast overspend position of £210k on Regeneration and Property Services.
- 4.27 As reported in Quarter 2 a large part of this variance relates to essential works to replace the fire alarm system at the Town Hall costing £146k. There are also above budget costs of £54k relating to parking enforcement and a budget bid has been agreed to address this in 26/27.
- 4.28 The engineering and design service has pressures relating to insurance claims of £64k, as well as fleet maintenance and overtime costs of £15k. A reserve has been set up to meet the insurance claims going forward.  
The service has pressures relating to building and maintenance cost for the business centres of £41k, some of which relates to improvements in the safety and security of the buildings. There is a £24k pressure relating to staffing, fleet, materials and income as the new market establishes itself. There are also £12k reflecting a timing delay in efficiency savings that will be met in Quarter 4.
- 4.29 The overspends have been offset by £21k in vacancy management savings, additional roundabout sponsorship income of £8k, insurance claim income of £53k for Greenlands, UKSPF vacancy management savings of £43k, an underspend on the recharge to Wyre Forest of £21k and various other savings of £7k.

## **Regulatory Client £21k overspend**

- 4.30 Regulatory Client is forecasting a £21k overspend due to underachieved efficiency savings of £11k, Pest Control Fees of £2k recharge from WRS above budget and various other costs of £8k.

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## Rubicon Client £129k overspend

- 4.31 Rubicon Client (the costs incurred by the Council, such as landlord and some salary expenses) is forecasting a £129k overspend. The variance is due to additional Management Fees of £41k, increased Maintenance and Insurance costs of £76k due to Rubicon client not having an insurance budget for buildings and efficiency savings of £15k that has not yet been met. These are offset by other minor savings of £3k.

## Corporate Financing

- 4.32 Corporate Financing reflects sums centrally held outside of service budgets and allocated to services for the period. The position is forecasting £1,649k additional income arising from: additional Investment Interest amounting to £404k and Grant Income of £916k together with £500k of Revenue Grants Received in 24/25 recognised in 25/26 offset by lower-than-expected Fees & Charges Income of £171k.

## Savings Targets

- 4.33 The Council had £2.342m total savings targets in 2025/26 (including prior year carry forwards). The Council has delivered £1.751m of these savings in Q3. 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
<b>2023/24 Items</b>	<b>(1.125)</b>	<b>0.555</b>	<b>(0.570)</b>	<b>0</b>	
In year corporate target		(1.522)	(1.522)	(1.536)	£1.386m from vacancy management and £0.150m efficiencies
Directorate savings		(0.250)	(0.250)	(0.215)	There is an expected outturn of £215k in savings
<b>2025/26 Items</b>	<b>0</b>	<b>(1.722)</b>	<b>(1.772)</b>	<b>(1.751)</b>	
<b>Total Savings</b>	<b>(1.125)</b>	<b>(1.217)</b>	<b>(2.342)</b>	<b>(1.751)</b>	

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## Cash Management

### 4.34 Borrowing

- As of the 31st December 2025, there were no short-term borrowings. The Council has long-term borrowings of £103.9m.

### 4.35 Investments

- On 31st December 2025 there were £5.2m short-term investments held.

## Capital Monitoring

4.36 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.

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

4.38 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.
- 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.
  - The value engineering (VE) exercise has been concluded, with costs based on contractor prices rather than QS estimates. Stage 4 design work is now advancing rapidly. Whilst further VE will take place throughout Stage 4, we have reached a

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point where the project can be delivered on budget. Note that VE savings have been achieved without the need to reduce the building in size, or compromise on overall quality.

- MHCLG have confirmed the deadline to spend Town Deal funding has been extended until end of March 2028, providing additional time if needed.
- Planning permission was granted on December 11th. We are now working through pre-commencement and other conditions as needed.
- The extension of time from MHCLG however allows further market testing to be undertaken with construction sub-contractors. The Town Deal Board have been consulted and support this approach in order to maximise cost certainty with quotes based on final specifications. This will take an additional 2 months (estimated) with construction now profiled to commence June 2026.
- The final business case for GBS LEP funding was signed off by Birmingham City Council on 20<sup>th</sup> January 2026. The grant funding agreement for £2.425m will now be put in place.

- 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 14 August. Public comms around the new TROs have been circulated on social media and local papers.
- Additional public realm works have been paused so that remaining Town Deal funding can be utilised as contingency for the Innovation Centre. Public realm works to Church Green East have been costed at and will proceed in the event that sufficient contingency remains unutilised.
- The extended timescales allow public realm works to be delayed until we can be certain that remaining Town Deal (contingency) funds are not required for the Innovation Centre.

4.39 In December 2024, the Government announced that the UK Shared Prosperity Fund (UKSPF) would be extended by 6 months. No additional funding has been provided but the 2025/26 allocation of £818,536 (of which £152,000 is capital) now needs to be completely spent by the 30/9/26. These funds are being spent in line with the approved UKSPF Investment Plan with £360,316 defrayed to the end of Q3.

4.40 The outturn spend is £6.776m against an original in year 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**

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

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- Dwelling Rents – a higher than anticipated, however the timing of purchase of properties under the Right to Buy scheme has reduced the income received 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 - Dec £'000	2025/26 Actual + comm Apr - Dec £'000	2025/26 Variance Apr - Dec £'000	2025/26 Projected Outturn £'000	2025/26 Projected Variance £'000
<b>INCOME</b>							
Dwelling Rents	-28,169	-28,169	-21,713	-21,151	563	-28,051	118
Non-Dwelling Rents	-534	-534	-412	-476	-64	-534	-0
Tenants' Charges for Services & Facilities	-724	-795	-613	-645	-32	-794	1
Contributions towards Expenditure	-127	-155	-119	-109	11	-146	9
<b>Total Income</b>	<b>-29,553</b>	<b>-29,653</b>	<b>-22,858</b>	<b>-22,380</b>	<b>477</b>	<b>-29,525</b>	<b>128</b>
<b>EXPENDITURE</b>							
Repairs & Maintenance	7,844	8,011	6,009	6,688	680	8,152	141
Supervision & Management	9,249	9,387	7,040	3,182	-3,858	9,260	-127
Rent, Rates, Taxes & Other Charges	576	576	432	770	338	788	211
Provision for Bad Debts	517	519	389	0	-389	400	-119
Depreciation & Impairment of Fixed Assets	7,296	7,296	5,472	0	-5,472	7,296	0
Interest Payable & Debt Management Costs	4,179	4,179	3,134	-134	-3,269	4,179	0
<b>Total Expenditure</b>	<b>29,662</b>	<b>29,968</b>	<b>22,476</b>	<b>10,506</b>	<b>-11,970</b>	<b>30,075</b>	<b>107</b>
<b>Net cost of Services</b>	<b>108</b>	<b>315</b>	<b>-381</b>	<b>-11,874</b>	<b>-11,493</b>	<b>550</b>	235
<b>Net Operating Expenditure</b>	<b>108</b>	<b>315</b>	<b>-381</b>	<b>-11,874</b>	<b>-11,493</b>	<b>550</b>	<b>235</b>
Interest Receivable	-211	-211	-159	0	159	-211	0
Revenue Contribution to Capital Outlay	0	0	0	0	0	0	0
Planned use of Balances	103	-104	540	0	-540	-339	-235
Transfer to Earmarked Reserves	0	0	0	0	0	0	0

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In HRA Capital:

Project	Project Description	2025/26 Full Year Budget £	2025/26 Budget to Date Apr - Dec £	2025/26 Actuals & Comm Apr - Dec £	2025/26 Variance Apr - Dec £	2025/26 Forecast Outturn £	2025/26 Projected Variance £
Various	Housing 1-4-1 Purchases/Build	3,000,000	2,250,000	1,688,997	- 561,003	3,000,000	0
100053	Asbestos General	125,000	93,750	187,501	93,751	140,000	15,000
100054	Structural Repairs	15,000	11,250	212,491	201,241	75,000	60,000
100055	Electrical Upgrade	200,000	150,000	293,848	143,848	400,000	200,000
100056	Boiler Replacement	720,000	540,000	445,377	94,623	735,000	15,000
100058	Window Replacement	500,000	375,000	406,632		400,000	(100,000)
100059	Disabled Adaptations	500,000	375,000	328,584	46,416	350,000	(150,000)
100060	Environmental Enhancement	100,000	75,000	85,447	10,447	100,000	0
100062	Stock Condition Survey	150,000	112,500	122,208	9,708	150,000	0
100063	Housing Management System		-	212,662	212,662	220,000	220,000
100066	Capitalised Salaries	750,000	562,500	-	562,500	750,000	0
100067	Door Entry/CCTV	350,000	262,500	294,768	32,268	350,000	0
100068	HRA Hard Wire S	200,000	150,000	127,941	22,059	150,000	(50,000)
100074	Balcony Replacement	300,000	225,000	304,286	79,286	300,000	0
100083	HRA Compartmentation	1,500,000	1,125,000	797,164	327,836	800,000	(700,000)
100084	Major Voids Works	1,000,000	750,000	2,658,519	1,908,519	2,500,000	1,500,000
100098	HRA-Energy Efficiency	1,000,000	750,000	1,849,314	1,099,314	1,500,000	500,000
100115	HRA Stock Remodelling	275,000	206,250	245,991	39,741	150,000	(125,000)
100116	HRA Estates Garages	300,000	225,000	11,000	214,000	20,000	(280,000)
110001	Internal Refurbishment	3,000,000	2,250,000	2,529,199	279,199	2,500,000	(500,000)
110003	High Trees Project	800,000	600,000	1,152,037	552,037	1,000,000	200,000
110004	Disrepair Cases	100,000	75,000	820,597	745,597	650,000	550,000
110005	External Refurbishment	500,000	375,000	168,533	206,467	200,000	(300,000)
110042	Lift Replacement	150,000	112,500	156,757	44,257	160,000	10,000
110045	Vehicle Replacement	900,000	675,000	900,000	-	900,000	0
		<b>16,435,000</b>	<b>12,326,250</b>	<b>15,999,851</b>	<b>3,416,969</b>	<b>17,500,000</b>	<b>1,065,000</b>

- 4.42 Across the HRA Capital Investment Programme issues have arisen that are summarised below in relation to progress in priority areas, or where they require variances to the budget lines for the following reasons.
- 4.43 **Fire Doors and Compartmentation** - The fire door upgrade and compartmentation programme is improving fire safety across council housing with additional works from Fire Risk Assessments also in progress. Meanwhile, caretakers help ensure no combustible materials remain in communal areas.
- 4.44 **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.
- 4.45 **Structural Repairs** – These repairs are essentially reactive, and the value of each occurrence is unknown. To date a pressure of £60k has been identified.
- 4.46 **Housing Management System** – The core functions are complete, with upcoming modules set to enhance ASB case tracking. Key fix, the repairs diagnostic tool, will improve work identification accuracy. Total expenses are £56k.

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- 4.47 **Major Voids Works** – Void repairs are carried out as required. An additional £1,050k in funding will be necessary for completion within the current year. Furthermore, there will be a significant financial impact from extensive Buyback refurbishment costs.
- 4.48 **Disrepair Cases** – We have experienced increased levels of Disrepair Cases over the last two financial years which has now resulted on a pressure to carry out corrective works to affected properties.

### Earmarked Reserves

- 4.49 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 31 December 2025, based on the present MTFP that was approved by Council on the 19<sup>th</sup> February, the Council holds £17.957m of Earmarked Reserves and is forecasting to hold £17.294m by 31 March 2026.

### Ward Budgets

- 4.50 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 31st December there have been applications from 21 Members approved totalling £32,100, £21,900 is still to be allocated. This year's funding allocations must be spent by the 31<sup>st</sup> March 2026. Full detail is set out in **Appendix C**.

### Balance Sheet Monitoring Position

- 4.51 There has been the request from Audit Committee that the Council include Balance Sheet Monitoring as part of this report.
- 4.52 This initial balance sheet reporting is set out as the Q3 Treasury Report which is attached as **Appendix D**. This report sets out the Councils debt and borrowing position for Q3 2025/26. Included in this is how the Council is using its working capital as well as measurement of the Councils Prudential Indicators, this appendix will need to be noted and approved that Council note the position.

### Procurement Pipeline

- 4.53 The Procurement pipeline is shown in **Appendix E**. The Council's Procurement Pipeline includes details of contracts expected to be reprocured 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 8 contracts procured by Redditch Borough Council on behalf of Bromsgrove District Council.

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## Collection Fund

- 4.54 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 just under 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.
- 4.55 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	28.68	27.99	22.963
Quarter 2	55.61	55.36	34.144
Quarter 3	84.28	82.52	50.838
Quarter 4	98.5		

- 4.56 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).
- 4.57 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	25.78	25.29	10.310
Quarter 2	54.36	51.53	20.723
Quarter 3	80.95	77.06	31.222
Quarter 4	98.0		

## Benefits

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

<b>New claims</b>	Qtr 1	Qtr 2	Qtr 3		Qtr 1	Qtr 2	Qtr 3
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Average processing time	18 days	15 days	15 days	Number processed this quarter	105	222	75
<b>Changes to claims</b>							
Average processing time	8 days	7 days	6 days	Number processed this quarter	1380	2647	1211

- 4.59 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.
- 4.60 The Pride in Place funding is confirmed as £19,660,000 (capital £12,470,000 and revenue £7,190,000) over 10 years and includes the current year’s capacity fund of £150,000, which has already been received.
- 4.61 The figures for the current year and years 1-4 are below:

	2025/26	2026/27	2027/28	2028/29	2029/30
Capital		£120,000	£670,000	£1,460,000	£1,460,000
Revenue	£150,000	£270,000	£690,000	£690,000	£770,000
Total	£150,000	£390,000	£1,360,000	£2,150,000	£2,230,000

- 4.62 The first 4 years of funding are guaranteed, but the latter years are subject to future spending reviews.

### **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.

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## Climate Change Implications

- 7.2 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.

## **8. Other Implications**

### Customer / Equalities and Diversity Implications

- 8.1 None as a direct result of this report.

### Operational Implications

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

## **9. RISK MANAGEMENT**

- 9.1 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 3 Report is reported to Audit, Governance and Standards Committee in July:

- COR10 - 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

## **10. APPENDICES**

Appendix A - Capital Outturn  
Appendix B - Reserves Position  
Appendix C - Ward Budget Position  
Appendix D - Treasury Management Position  
Appendix E - Procurement Pipeline

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## Appendix A - Capital Outturn

Capital Project	Description	2025/26 Total (Original) £	2025/26 Total (Incl C/Fs) £	2025/26 Spend £
	<b>Large Schemes</b>			
	<b>Towns Fund</b>			
200053	- Innovation Centre	1,000,000	7,091,046	
200053	- Innovation Centre	1,948,000	1,948,000	482,334
100133	- Digital Manufacturing & Innovation Centre Digital Manufacturing & Innovat	0	-159,306	
200054	- Library	0	2,320,634	
200055	- Public Realm	0	3,777,926	
200055	- Public Realm	0	439,000	
100102				
100108	Town Hall Redevelopment	0	5,123,121	1,481,971
100111				
	<b>Schemes Agreed to Continue in Tranche 1</b>			
100004	Car Park Maintenance	150,000	212,672	50,459
110036	Footpaths	75,000	47,264	70,855
100007	Disabled Facilities Grant	1,185,745	1,332,340	201,539
100008	Energy & Efficiency Installs.	0	209,345	
100009	GF Asbestos	0	75,467	63,467
100014	Improved Parking Scheme ( includes locality funding)	0	400,000	
100026	Morton Stanley Play, Sport and Open Space Improvements (General)	0	1,500	
100032	Public Building	250,000	139,324	282,090
100035	Fleet Replacement new line	0	1,960,669	994,983
100037	Removal of 5 weirs through Arrow Valley Park	0	414,000	
100040	Sports Contributions to support improvements to Outdoor facilities at Terry	0	3,000	
100043	Wheelee Bin purchase	100,000	210,635	73,163

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Capital Project	Description	2025/26 Total (Original) £	2025/26 Total (Incl C/Fs) £	2025/26 Spend £
100044	New Digital Service	0	-119,732	
100088	Improvement Hollytrees childrens centre	0	6,000	
100089	Greener Homes	0	-8,925	
100010	Grassland Mitigation measures- recreating and monitoring grassland habitats	5,864	11,727	
100011	Hedgerow Mitigation measures by restoration and hedge laying with associated	0	21,500	
100012	HMO Grants	25,000	86,500	
100013	Home Repairs Assistance	40,000	160,000	
100018	Improvement to original Pump Track at AVCP	0	56,364	
100045	Replacing 3 fuel pumps and upgrading tank monitoring equipment	0	25,000	
110018	Cisco Network Update	47,339	53,273	
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 Updates	25,000	50,000	
100141	Morgan Stanley Footpaths	0	16,500	
110021	New Cemetary Provision-Ipsley road	195,000	635,963	
100127	Provide the Crossgate Depot site with a new and Compliant Deisel Fuel instal	0	56,000	
100097	Widen access road to Arrow Valley Country park	0	-9,074	
100136	Lifeline Improvements	0	120,000	
100144	PRSHousing ICT System	0	30,000	
100119	Play Areas - Surface Replacement	10,000	-79,994	
100147	AVCP - Parking Bays near Visitor Centre	0	12,000	
100121	AVCP - Car Park Extension 25 Spaces	0	-15,745	
100148	Increased Building Mainenance Costs	150,000	300,000	
100134	Arrow Valley Car Park	0	63,840	
100135	Arrow Valley park Visitor Centre Improvements	0	193,251	223,482
100143	Fleet Costs	26,000	611,000	
100137	Final Play Area Changes	191,477	435,576	155,200
100139	Movement of ICT Cyber Capital Works Forward	0	-50,000	
100142	Hedge and Shrub Removal	40,000	80,000	
110007	Forge Mill and Bordelsey Open Space Improvements	0	5,859	
110009	MUGA at Greenlands Sports Pitches. 2018/169/FUL Land off Green Lane	0	43,078	
110012	Play Area improvements at Birchfield Road,/ Headless Cross Rec Ground. 1	0	7,575	
110013	Play area (£34,583.39), Open space (£12,001.36) and Sport (£8,516) impro	0	1,172	
100001	Arrow Valley Country Park - Play, Open Space and Sports Improvements.	0	-4,500	
100146	Play Area Changes - Pre Audit	0	382,000	
100146	Play Audit funding	191,447	454,833	
100020	Improvement to Sports Pitches infrastructure in Morton Stanley Park	0	23,002	
100112	Fire compartmentation works in Corporate buildings	250,000	240,157	205,366
110044	New Food Waste Collection - DEFRA Funding	766,498	785,955	
	Abavus Software Integration	30,000	30,000	
	Abavus Licensing	10,200	10,200	
	Update Town Hall Fire Wall	16,250	16,250	
	Replacement Track - Abbey Stadium	300,000	300,000	
	Energy Performance Certificate Requirements	100,000	100,000	
	Abbey Stadium Roof Replacement	250,000	250,000	
	Abbey Stadium - refurbish indoor Chaging Rooms and Toitets	300,000	300,000	
	Forge Mill - New outdoor Kiosk and Toilet Replacement	90,000	90,000	
	Pitcher Oak, refurbish Male Changing and bebuild 2nd Green	90,000	90,000	
	Salary Capitallisation	200,000	200,000	
		<b>8,082,320</b>	<b>19,920,931</b>	<b>6,775,619</b>

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## Appendix B - Earmarked Reserves

	Balance at 31/3/25	Transfers in 2025/26	Transfers out 2025/26	Balance at 31/3/26	Transfers to general fund at 31/03/2026	Transfers from general fund at 31/03/2026	Balance at 31/3/26
General Fund	6,866	(2,662)	338	4,542	10,576	(7,589)	7,529
<b>General Fund Earmarked Reserves:</b>							
Business Rates Retention Scheme	4,560		(260)	4,300	(2,150)		2,150
Community Development	74	73		147			147
Community Safety	211	450		661			661
Corporate Services	2,594			2,594	(1,937)		657
Customer Services	183			183			183
Economic Growth	841			841			841
Electoral Services	63			63			63
Environmental Vehicles	29			29	(29)		0
Equipment replacement	25			25			25
Financial Services	460	260		720			720
Finance Revenues Reserve	0			0			0
General Risk reserve	45			45	(45)		0
Housing Benefit Implementation	270			270			270
Council Tax Benefit	605			605			605
Essential Living Fund	135			135			135
Homelessness	12			12			12
Homelessness Prevention	519			519			519
Universal Credit	56		(18)	38	(38)		0
Gypsy and Traveller Assessment	67			67	(67)		0
Mortgage Rescue Scheme	24			24	(24)		0
Land Charges	9			9			9
Land Drainage	129			129			129
Parks & Open spaces	8			8	(8)		0
Planning Services	465			465	(465)		0
Business Improvement District	209			209			209
Town Centre	7			7	(7)		0
Warmer Homes	16			16			16
Transformational Growth	123			123	(123)		0
Pensions	201			201	(201)		0
Regeneration Income	603	18		621	(68)		553
Restarts Grant	2,924			2,924	(2,924)		0
Covid-19 (General)	2,435			2,435	(2,435)		0
Financial Resilience Reserve				0			0
EPR Funding Allocation		814		814			814
EPR Comms Funding				0			0
Ward Budgets		180	(60)	120			120
Covid-19 (Collection Fund)	55			55	(55)		0
Starting Well		178		178			178
Ukrainian Support		232		232			232
Local Plan Professional Fees Underspend		457		457			457
<b>New Reserves - MTFP 2026</b>							
Health and Safety Capital Works						603	603
Town Hall Works Reserve						1,000	1,000
Library Work - Town Hall Write Off						667	667
Planning Reserve for planning applications						100	100
Insurance costs for non-adopted roads						100	100
Risk and Resilience Reserve						2,500	2,500
LGR Reserve						1,000	1,000
Community Investment Fund						1,600	1,600
Legal Costs for Skerry, Boultons Lane						19	19
<b>Total General Fund Earmarked Reserves</b>	<b>17,957</b>	<b>2,662</b>	<b>(338)</b>	<b>20,281</b>	<b>(10,576)</b>	<b>7,589</b>	<b>17,294</b>

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## **Appendix C - Ward Budget Spending Q3 - Funds Allocated to 31 December**

### Councillor Ward Fund Balances – 25/26

<b>Activity</b>	<b>Spend</b>	<b>Balance £2,000</b>
Cllr Joe Baker	2,000.00	0
Cllr Juliet Barker-Smith	800.00	1,200.00
Cllr Juma Begum	1,450.00	550.00
Cllr William Boyd	1,200.00	800.00
Cllr Brandon Clayton	2,000.00	0
Cllr Claire Davies	1,200.00	800.00
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	2,000.00	0
Cllr Sharon Harvey	1,950.00	50.00
Cllr Chris Holtz	1,000.00	1,000.00
Cllr Joanna Kane	2,000.00	0
Cllr Sid Khan	0	2,000.00
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	1,600.00	400.00
Cllr Rita Rogers	1,500.00	500.00
Cllr Gary Slim	2,000.00	0
Cllr Jen Snape	2,000.00	0

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<b>Activity</b>	<b>Spend</b>	<b>Balance</b> <b>£2,000</b>
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	1,200	800
<b>Total</b>	<b>32,100.00</b>	<b>21,900.00</b>

**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**

**Cabinet are asked to:**

- **Note the Council's Treasury performance for Q3 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:** Early in the first quarter was dominated by US trade tariffs and the negative impact on equity and bond markets. While this was reversed somewhat in the second quarter with equity markets making gains, it also saw a divergence in US and UK government bond yields. UK yields persisted at higher levels as investors demanded higher returns in the form of term premia due to the more uncertain UK fiscal and economic position.

3.4 The latter part of the period included the government's November autumn Budget. Despite much speculation and drip-feeding of potential policies in the weeks leading up to the event, what was ultimately announced was generally deemed more muted than had been anticipated, helping ease investors' fears of significantly higher government borrowing.

3.5 UK consumer price inflation (CPI) inflation was 3.2% in November 2025, down from 3.6% in the previous month and lower than the 3.5% expected, but still well above the Bank of

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England (BoE) target. Core CPI eased to 3.2% from 3.4%, against forecasts of it staying at 3.6%.

- 3.6 According to the Office for National Statistics (ONS), the UK economy expanded by 0.7% in the first quarter of the calendar year, by 0.3% in Q2 and by 0.1% in Q3. Of the subsequent monthly figures, the ONS estimated that GDP fell by 0.1% In October.
- 3.7 The labour market continued to ease over the period as unemployment rose, vacancies fell and inactivity remained flat. In the three months to October 2025, the unemployment rate rose to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%.
- 3.8 The Bank of England's Monetary Policy Committee (MPC) voted 5-4 to cut Bank Rate to 3.75% in December 2025, as was expected. Policymakers wanting a cut judged that disinflation was established while those preferring to hold Bank Rate at 4% argued that inflation risks remained sufficiently material to leave it untouched at this stage.
- 3.9 The November BoE Monetary Policy Report projected GDP would expand by a modest 0.2% in calendar Q4 2025. Estimates of inflation in the report were quickly out of date when CPI fell quicker than expected in November. Predictions of a modestly growing economy were echoed by the Office for Budget Responsibility in its Economic and Fiscal Outlook published with the Autumn Statement which revised down its estimate of annual GDP to around 1.5% between 2025 and 2030.
- 3.10 Arlingclose, the authority's treasury adviser, held a central view that Bank Rate would be cut further in 2025/26 with most BoE policymakers remaining more worried about weak GDP growth than higher inflation. In line with Arlingclose's central forecast, Bank Rate was reduced to 3.75% in December. Further cuts are expected in 2026, with the central forecast being that Bank Rate will be eased to around 3.25%.
- 3.11 The US Federal Reserve continued cutting rates, reducing Fed Funds Rate target range by 0.25% at its December meeting to 3.50%-3.75%. The meeting minutes noted that most policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease, however they were still divided in their assessment of the risks between inflation and unemployment.
- 3.12 The European Central Bank (ECB) held its key interest rates in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to

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expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

- 3.13 **Financial Markets:** After declining sharply early in the period, sentiment in financial markets has been mostly buoyant, but risky assets remained volatile. Bond yields initially declined early in the period, but increasing uncertainty around the UK's economic and fiscal outlook caused medium and longer yields to rise. Yields remained elevated until the third quarter when the potential negative impact of the UK Budget were deemed less than expected and yields eased modestly.
- 3.14 Equity markets gained the previous declines seen in the April sell-off and have continued to rise, even in the face of ongoing uncertainty around the existence of an AI-related 'bubble' and concentration in US and global stock markets.
- 3.15 Over the period, the 10-year UK benchmark gilt yield started at 4.65% and ended at 4.48%. However, these nine months saw significant volatility with the 10-year yield hitting a low of 4.39% and a high of 4.82%. It was a similar picture for the 20-year gilt which started at 5.18% and ended at 5.11% with a low and high of 5.05% and 5.55% respectively. The Sterling Overnight Rate (SONIA) averaged 4.10% over the nine months to 31<sup>st</sup> December.
- 3.16 **Credit review:** Arlingclose maintained its recommended maximum unsecured duration limit on most of the banks on its counterparty list at 6 months. The other banks remain on 100 days.
- 3.17 Earlier 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. Fitch later upgraded Clydesdale Bank and HSBC, but downgraded Lancashire CC and Close Brothers.
- 3.18 In May, Moody's downgraded the United States sovereign long-term rating to Aa1 and affirmed OP Corporate's rating at Aa3. Moody's later upgraded Transport for London, Allied Irish Banks, Bank of Ireland, Toronto-Dominion Bank, DZ Bank, Nordea and HSBC and downgraded Close Brothers.
- 3.19 S&P upgraded Clydesdale Bank, Allied Irish Banks and Bank of Ireland, and assigned Warrington Council a BBB+ rating.
- 3.20 After spiking in April following the US trade tariff announcements, UK credit default swap (CDS) prices trended down before picking up modestly in October and November. They

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declined again in December and ended the year in line with levels seen in the first half of the year and most of 2024.

- 3.21 European banks' CDS prices have generally been flatter and lower compared to the UK, as have Singaporean and Australian lenders while some Canadian bank CDS prices have remained elevated since the beginning of the period in part due to ongoing trade tensions with the US.
- 3.22 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.
- 3.23 Financial market volatility is expected to remain, and CDS 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

- 3.24 On 31st December 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

	30.9.25 Actual £m	31.12.25 Actual £m
General Fund & Regeneration CFR	28.82	28.82
HRA CFR	127.60	127.60
<b>Total CFR</b>	<b>156.42</b>	<b>156.42</b>
External borrowing**	103.93	103.93
<b>Internal borrowing</b>	<b>52.49</b>	<b>52.49</b>
Less: Usable reserves	-18.10	-18.10
Less: Working capital	-4.90	-4.90
<b>Net borrowing</b>	<b>29.49</b>	<b>29.49</b>

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

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

3.25 The treasury management position at 31st December and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	30.9.25 Balance £m	Movement £m	31.12.25 Balance £m	30.12.25 Rate %
Long-term borrowing				
- PWLB	98.93	0	98.93	3.35%
- LOBOs				
- Other	5.00	0	5.00	4.71%
Short-term borrowing				
<b>Total borrowing</b>	<b>103.93</b>	<b>0</b>	<b>103.93</b>	<b>4.03%</b>
Long-term investments				
Short-term investments	5.80	-0.60	5.20	4.72%
Cash and cash equivalents				
<b>Total investments</b>				
<b>Net borrowing</b>	<b>98.73</b>	<b>-0.60</b>	<b>98.13</b>	

## Borrowing Strategy and Activity

3.26 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.

3.27 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 unexpectedly positive economic data. Data from the US continues to impact global markets including UK gilt yields.

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- 3.28 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.34% at the end. The lowest available 10-year maturity certainty rate was 5.17% and the highest was 5.62%. Rates for 20-year maturity loans ranged from 5.71% to 6.30% during the period, and 50-year maturity loans from 5.46% to 6.14%. 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%.
- 3.29 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.
- 3.30 **Loans Portfolio:** On 31<sup>st</sup> December, the Authority held £103.93m of loans, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31<sup>st</sup> December 2025 are summarised in Table 3 below.

Table 3: Borrowing Position

	30.9.25 Balance £m	Net Movement £m	31.12.25 Balance £m	31.12.25 Weighted Average Rate %	31.12.25 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)					
<b>Total borrowing</b>	<b>103.93</b>		<b>103.93</b>		

### Treasury Investment Activity

- 3.31 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

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activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

- 3.32 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

	30.9.25 Balance £m	Net Movement £m	31.12.25 Balance £m	31.12.25 Income Return %	31.12.25 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	5.8	-0.6	5.2	2.9%	30
<b>Total investments</b>	<b>5.8</b>	<b>-0.6</b>	<b>5.2</b>	<b>0.0</b>	<b>0.0</b>

- 3.33 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.
- 3.34 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

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additional risk is accepted in return for higher investment income to support local public services.

- 3.35 Bank Rate was reduced to 3.75% in December 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 3.95%.

### Non-Treasury Investments

- 3.36 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).
- 3.37 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

- 3.38 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		
<b>Total borrowing</b>	<b>103.93</b>	<b>175.00</b>	<b>-71.07</b>
<i>Short-term Investments</i>	5.20	10.00	-4.80
<b>Total treasury investments</b>	<b>5.20</b>	<b>10.00</b>	<b>-4.80</b>

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## MRP Regulations

- 3.39 On 10<sup>th</sup> 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 7<sup>th</sup> 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.
- 3.40 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

- 3.41 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	31.12.25 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	5.2m		Yes
Foreign countries	£5m per country			
Real Estate Investment Trusts	£2.5m in total			

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

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Table 7: Debt and the Authorised Limit and Operational Boundary

	<b>2025/26 Maximum</b>	<b>31.12.25 Actual</b>	<b>2025/26 Operational Boundary</b>	<b>2025/26 Authorised Limit</b>	<b>Complied? Yes/No</b>
Borrowing	175.00	103.93	170.00	180.00	Yes
PFI and Finance Leases	1.50	0	1.50	1.50	Yes
<b>Total debt</b>	<b>176.50</b>	<b>103.93</b>	<b>171.50</b>	<b>181.50</b>	

- 3.43 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

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

#### Liability Benchmark

- 3.45 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

	<b>31.3.25 Actual</b>	<b>31.3.26 Forecast</b>	<b>31.3.27 Forecast</b>	<b>31.3.28 Forecast</b>
Loans CFR	149.26	153.79	158.21	159.98
Less: Balance sheet resources	-21.80	-22.10	-23.20	-22.90
<b>Net loans requirement</b>	<b>127.46</b>	<b>130.69</b>	<b>135.01</b>	<b>137.08</b>
Plus: Liquidity allowance	0.20	0.20	0.20	0.20
<b>Liability benchmark</b>	<b>127.66</b>	<b>130.89</b>	<b>135.21</b>	<b>137.28</b>
<b>Existing borrowing</b>	<b>103.93</b>	<b>113.22</b>	<b>116.87</b>	<b>117.54</b>

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- 3.46 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

- 3.47 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	31.12.25 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

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- 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	31.12.25 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.

	31.12.25 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	31.12.25 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

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

	<u>30/09/25</u>	<u>31/12/25</u>
Bank Rate	4.00%	3.75%
1-year PWLB certainty rate, maturity loans	4.58%	4.37%
5-year PWLB certainty rate, maturity loans	4.95%	4.78%
10-year PWLB certainty rate, maturity loans	5.53%	5.34%
20-year PWLB certainty rate, maturity loans	6.14%	5.88%
50-year PWLB certainty rate, maturity loans	5.98%	5.71%

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.

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**6. APPENDICES**

None

**7. BACKGROUND PAPERS**

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

**AUTHOR OF REPORT**

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## 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

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