



# Treasury Management Quarterly Report to 30 June 2025

## EXECUTIVE SUMMARY

- Treasury Management is the management of the Council's cash flows on a day-to-day basis and is carried out in accordance with legislation and Codes of Practice. The Treasury Management Strategy for 2025-26 was approved by Council on 26 February 2025.
- Inflation at 30 June 2025 as measured by the Consumer Price Index (CPI) continued to stay above the Bank of England's target of 2% at 3.6%, a rise from 2.6% in March 2025.
- The Bank of England base rate was reduced to 4.25% in May.
- Total external borrowing at 30 June 2025 was £98.61 million, a slight reduction from the previous quarter of £103.80 million due to repayment of £5m of short-term borrowing and Salix loan repayments.
- Total investments at 30 June 2025 were £64 million, an increase from £36.75 million at the year end. This is in part due to the Council receiving 2 payments of Welsh Government Revenue Support Grant (RSG) in April, so an additional grant of £17.226 million in the month which will increase short term cash resources.
- Average interest rates on investments as at 30 June 2025 were 4.08%, a reduction from those at 31 March 2025 of 4.39%. This reduction is as expected given the reduction in the Bank of England base rate.
- The Council's investments are diversified across a number of institutions, including Money Market Funds and banks. Security of the Council's cash resources is always the primary factor when investing cash resources.
- Based on the approved capital programme the Council may need to borrow long term during 2025-26, however, this is dependent on the actual expenditure incurred on capital projects and the use of earmarked reserves. In the short term the Council uses the cash available from earmarked reserves to finance capital expenditure, known as internal borrowing. This is prudent whilst the Council has resources available, but these will need to be replaced with borrowing as the reserves are used.
- The liability benchmark indicates the Council may need to borrow up to £18 million during 2025-26, but this will be closely monitored during the year to ensure borrowing is taken when necessary.
- The Council has operated within the approved limits set out in the Treasury Management Strategy 2025-26.

## 1.0 INTRODUCTION

Treasury management activities are the *'management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.'* (Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice (2021) (CIPFA TM Code).

The definition of 'Investments' includes:

- Treasury Management investments (held for the prudent management of financial affairs), and
- non-Treasury Investments, undertaken as part of a Capital Strategy either in the course of provision of services, or made for commercial reasons purely to make a financial gain. These are managed outside of normal treasury management activity.

The Council carries out its treasury management function in accordance with the CIPFA TM Code and the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code and Welsh Government Guidance.

The Council has an integrated Treasury Management Strategy where borrowing and investments are managed in accordance with best professional practice, which is assessed either from internal expertise or consultation with our external advisers. The Council will look to borrow money if needed to either meet short term cash flow needs or to fund capital schemes approved within the capital programme. Therefore, any actual loans taken are not generally associated with particular items of expenditure or assets.

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer. The Governance and Audit Committee are responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies and regular reports will be presented to the Committee for their consideration.

## 2.0 ECONOMIC CONTEXT

UK headline consumer price inflation (CPI) increased over the quarter, rising from an annual rate of 2.6% in March to 3.6% in June, well above the Bank of England's 2% target. The core measure of inflation also increased, from 3.4% to 3.7% over the same period.

Data released during the period showed the UK economy expanded by 0.7% in the first quarter of the calendar year, following three previous quarters of weaker growth. UK Gross Domestic Product (GDP) is estimated to have increased by 0.3% in the April – June quarter, showing growth in the second quarter of the calendar year not as strong as the first.

Labour market data appeared to show a softening in employment conditions as weaker earnings growth was reported for the period April to June 2025 with regular earnings (excluding bonuses) at 5.0% while total earnings was 4.6%. Employment rates fell during the quarter whilst unemployment rates increased, while the economic inactivity rate and number of vacancies fell.

Having started the financial year at 4.5%, the Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 4.25% in May. The 5-4 vote was split with the majority wanting a 25bps cut, two members voting to hold rates at 4.5% and two voting for a 50bps reduction. At the June MPC meeting, the committee voted by a majority of 6-3 to keep rates on hold. The three dissenters wanted an immediate reduction to 4%, however they would have to wait until August. At its meeting ending on 6 August 2025, the MPC voted by a majority of 5-4 to reduce Bank Rate by 0.25 percentage points, to 4%, rather than maintaining it at 4.25%. The committee is next due to meet on 17 September 2025.

The June Monetary Policy Report highlighted the Bank of England's view that disinflation in domestic inflation and wage pressures were generally continuing and that a small margin of excess supply had opened in the UK economy, which would help inflation to fall to the Bank's target of 2% over the medium term. While near-term GDP growth was predicted to be higher than previously forecast in the second quarter of calendar year 2025, growth in the same period the following year was trimmed back, partly due to ongoing global trade developments.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would continue to fall, and that the Bank of England would focus more on weak GDP growth rather than stickier and above-target inflation. Another cut to Bank Rate is expected during 2025, taking the main policy rate to 3.75%, however the balance of risks is deemed to be to the downside as weak consumer sentiment and business confidence and investment impact economic growth.

### 3.0 EXTERNAL DEBT AND INVESTMENT POSITION

The Council's external debt and investments at 30 June 2025 is set out in Table 1 below. The Council held £98.61 million of Long Term Borrowing comprising:

- Public Works Loan Board (PWLB - UK government) at fixed rates and duration
- Lender's Option Borrower's Option (LOBO) which may be rescheduled ahead of their maturity of 22 July 2054 (no call was made in July 2025)
- £2.32 million of Salix interest-free loans

The Council borrowed £5 million from the PWLB in February 2025 over a 16-month period for cash flow purposes and to replace a £5m PWLB long term loan that was repaid on 31 March 2025.

At 30 June 2025 the Council had £64 million of investments for treasury management purposes and £4.89 million of investments for commercial purposes.



**Table 1: Council's external debt and investment position as of 30 June 2025**

Investments for Treasury Purposes	Principal as at 31/03/2025 £m	Principal as at 30/06/2025 £m	Average Rate 30/06/2025 %
<b>External Long Term Borrowing</b>			
Public Works Loan Board (PWLB)	77.04	77.04	4.70
Lenders Option Borrowers Option (LOBO)	19.25	19.25	4.65
Salix Loans (Interest Free)	2.51	2.32	NIL
<b>Short Term Borrowing</b>	5.00	NIL	NIL
<b>Total External Borrowing</b>	<b>103.80</b>	<b>98.61</b>	<b>4.69*</b>
<b>Other Long Term Liabilities</b>			
Private Finance Initiative**	11.97	10.89	
IFRS 16 Leases	3.69	3.69	
<b>Total Other Long Term Liabilities</b>	<b>15.66</b>	<b>14.58</b>	
<b>Total Gross Debt</b>	<b>119.46</b>	<b>113.19</b>	
<b>Investments for treasury management purposes</b>			
Debt Management Office	18.00	32.50	4.21
Money Market Funds (instant access)	12.75	23.50	4.29
Banks	6.00	8.00	2.93
<b>Total Treasury Investments</b>	<b>36.75</b>	<b>64.00</b>	<b>4.08</b>
<b>Net Debt</b>	<b>82.71</b>	<b>49.19</b>	

Investments for Commercial Purposes	Fair Value as at 31/03/2025 £m	Anticipated return 31/03/2026 £m
Investments	4.890	0.458

\* Excluding Salix loans which are interest free and Short Term borrowing

\*\* (PFI) arrangement for the provision of a Secondary School in Maesteg 8.75 years remaining term

The current profile of repayment of the Council's long-term debt is set out in the Liability Benchmark chart below. The table assumes that the Public Works Loan Board and Lender's Option Borrower's Option loans will be repayable on their maturity date. However, although shown as maturing in 2054, the £19.25 million of Lender's Option Borrower's Option loans may be called sooner than this, the next call date being 22 January 2026.

PWLB lending criteria requires that the Council does not invest purely for financial return if it wishes to access any new PWLB borrowing. The CIPFA TM Code sets out that it is not prudent for local authorities to invest for financial return.

All borrowing by the Council is as a single pool of debt rather than having loans specific to individual schemes. Where a Council finances capital expenditure by debt, it must put aside revenue to repay that debt in later years, known as Minimum Revenue Provision (MRP). The forecast MRP for 2025-26 as set out in the Capital Strategy is

£4.624 million, which includes supported and unsupported borrowing, the PFI for Maesteg School and leases recognised on the balance sheet as from 1 April 2024.

### Liability benchmark

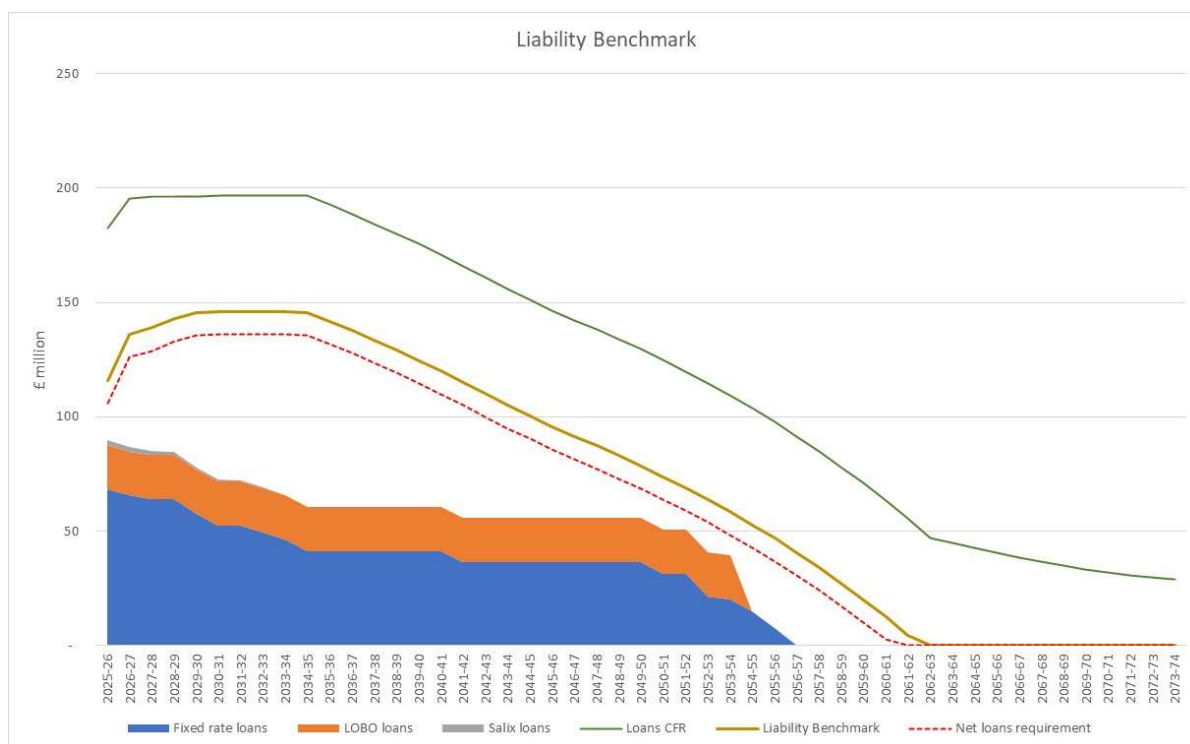
The liability benchmark is a tool which helps to assess the lowest level of borrowing the Council needs, taking into account available cash resources to fund capital expenditure in the short term. A minimum level of investments is factored into the calculation, set at £10 million, which are held as reasonably liquid to ensure the Council has available cash resources to meet day-to-day cash flow requirements. Forecast borrowing needs are based on capital expenditure estimates and available usable reserves. The underlying need to borrow to fund capital expenditure (known as the Capital Financing Requirement or CFR) is the amount of capital expenditure which is not funded via grants, capital receipts or contributions from revenue and earmarked reserves.

Table 2 below shows the Capital Financing Requirement and the calculation of the liability benchmark. It is important to note that the graph is based on the current approved capital programme and the borrowing associated therewith. Any new schemes which require debt financing will increase the CFR and loans requirement.

**Table 2: Liability benchmark**

	31 March 2025 actual	31 March 2026 estimate (TMS)	31 March 2026 forecast	31 March 2027 forecast	31 March 2028 forecast
	£m	£m	£m	£m	£m
Capital Financing Requirement	181.09	183.22	196.85	208.56	207.85
Less: Other debt liabilities	(15.65)	(15.12)	(14.36)	(12.97)	(11.50)
<b>Loans Capital Financing Requirement</b>	<b>165.44</b>	<b>168.10</b>	<b>182.49</b>	<b>195.59</b>	<b>196.35</b>
Less: Balance Sheet Resources	(130.25)	(58.52)	(76.64)	(69.59)	(67.47)
Plus: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
<b>Liability Benchmark</b>	<b>45.19</b>	<b>119.58</b>	<b>115.85</b>	<b>136.00</b>	<b>138.88</b>

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. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its **current** capital plans while keeping treasury investments at the minimum level to manage day-to-day cash flow.



It is forecast that the Council may need to borrow long term in 2025-26 although this is based on a number of assumptions including the forecast capital programme expenditure and the level and use of reserves.

The Section 151 Officer will monitor and update the liability benchmark assumptions on an on-going basis and report any significant changes within the treasury management monitoring reports to Cabinet, the Governance and Audit Committee and Council as appropriate. This could be as a result of changes in the level of usable reserves at year end, slippage within the Capital Programme or changes within the working capital assumptions which may affect the Council's need to take new long-term borrowing.

#### 4.0 BORROWING

As at 30 June 2025 the Council held £98.61 million of Long-Term Borrowing, £96.29 million of which is fixed long term loans as part of its strategy for funding previous years' capital programmes.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLb) and this was the case when the Council borrowed £5m for duration of 16 months in February 2025. The Council will however consider long term loans from other sources including banks, pension funds and other local authorities if appropriate. The Council will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA TM Code.

The Council has loans from PWLB maturing within the next 3 financial years that it will need to repay. Given the anticipated level of expenditure within the capital programme over the current and next financial years, it is likely that new borrowing will be required to replace these maturing loans. The value of the loans due to be repaid over the next 3 years is shown in Table 3.

**Table 3: Value of PWLB maturing debt**

	2025-26 £ million	2026-27 £ million	2027-28 £ million
Value of maturing debt	3.709	7.790	1.395

The £3.709 million due for repayment during 2025-26 is for two loans maturing during the year. £2.790 million is due for repayment on 30 September 2025 and £0.919 million on 31 March 2026. As noted above the Council is likely to need to borrow during 2025-26 which will replace these maturing loans.

### **Maturity structure of borrowing**

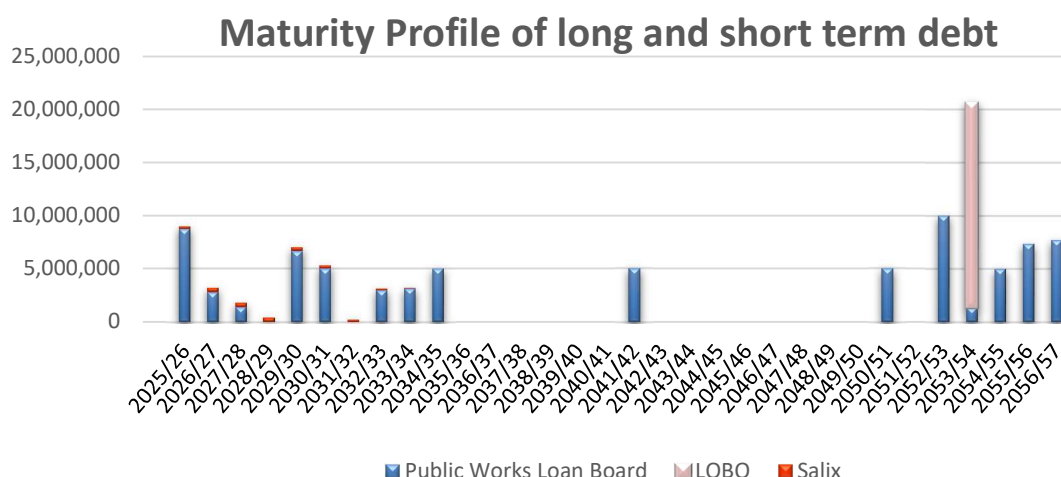
The maturity structure of borrowing indicator is set to control the Council's exposure to refinancing risk with respect to the maturity of the Council's external borrowing. The limits are set to avoid having large amounts of debt maturing in a short space of time, and is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. Where the maturity date of borrowing is unknown, as in the case of LOBO loans, the maturity should normally be determined by reference to the earliest date at which the lender can require repayment. The £19.25 million of LOBO loans has therefore been included in the 'Under 12 months' category. This table also reflects the PWLB repayable in 2025-26.

**Table 4: Maturity Structure of Borrowing 2025-26**

Maturity structure of borrowing	Upper limit	lower limit	£ million	As at 30 June 2025
Under 12 months	50%	0%	28.16	28.55%
12 months and within 24 months	25%	0%	3.18	3.23%
24 months and within 5 years	25%	0%	9.14	9.27%
5 years and within 10 years	40%	0%	16.74	16.98%
10 years and within 20 years	50%	0%	5.00	5.07%
20 years and above	60%	25%	36.39	36.90%

As can be seen from the table the maturity structure remains within the limits approved as part of the Treasury Management Strategy 2025-26. The following chart provides the maturity profile of the Council's long term debt.





All the LOBO loans are subject to the lender having the right to change the rate of interest payable during the financial year at either of two trigger points in January and July, with the Council having the right to refuse the change, triggering early repayment and the need to re-finance. This is a manageable risk should repayment be needed during the current financial year as the Council has sufficient cash funds available in the short term, but would, however, need to consider taking out new debt to replace these loans during the current financial year. These loans were not called at the July call date and the next call date is 22 January 2026.

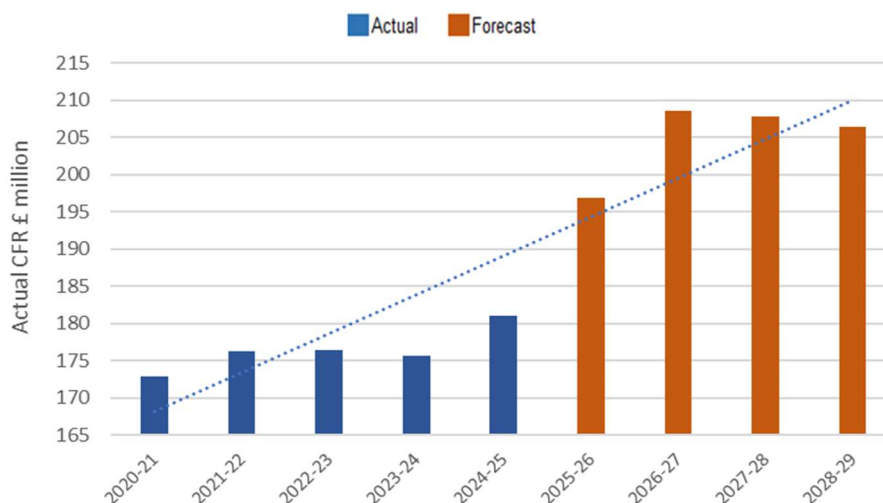
**Table 5: LOBO loans**

Commencement date	Loan value £m	Potential repayment date	Option frequency	Full term maturity
22 January 2004	4.00	22 January 2026	6 months	22 January 2054
22 January 2004	5.00	22 January 2026	6 months	22 January 2054
22 January 2004	10.25	22 January 2026	6 months	22 January 2054

In accordance with the Treasury Management Strategy, the Council is internally borrowing, which is when it uses temporary cash balances it holds in the short term instead of undertaking external borrowing. The current level of internal borrowing is £62.96 million as at 30 June 2025. This is shown by the Council's Capital Financing Requirement (CFR) net of its external level of debt including other long term debt liabilities. The Council's CFR as at 31 March 2025 was £183.26 million, external borrowing £99.65 million and other long term debt liabilities £15.12 million, which is primarily the PFI Maesteg School scheme plus the lease commitments of right of use assets.

The chart below shows the trend in the CFR based on **current** capital commitments within the approved capital programme. The CFR is anticipated to increase in the current and following year assuming capital expenditure is incurred as currently anticipated. The CFR in future years shows a marginal reduction, however, this is on the assumption that there will be no new schemes added to the capital programme which require debt financing. If new schemes requiring debt financing are added, the CFR will continue to increase.

### Capital Financing Requirement Trend



## 5.0 TREASURY INVESTMENTS

The Council holds treasury investments as a result of temporary cash balances arising from its day-to-day activities. The management of the day-to-day cash requirements of the Council is undertaken in-house with advice from Arlingclose, the Council's Treasury Management advisors. This may involve temporary borrowing to meet cash-flow needs or temporary lending of surplus funds. Investment balances can fluctuate daily and arise as a result of a range of circumstances, including timing differences of revenue and capital cash flows, reserves and other balances held for future use.

Investments are made in institutions approved by the Council as part of its Treasury Management Strategy and in accordance with investment guidelines issued by the Welsh Government. As part of the Markets and Financial Instruments Directive II, the Council elected for 'professional' status, which covers national and regional governments and public bodies. The categories of investments the Council can invest in can be changed with any proposed changes being presented to Council for approval. Treasury investments are made primarily on the basis of ensuring security of the funds invested, whilst managing liquidity, and only then considering a commensurate return on the investment. As at 30 June 2025, the Council held £64 million of investments, with a weighted average return (based on the rate of return of each investment over the 3 month period) of 4.20% (£36.75 million at 4.81% as at 31 March 2025). This compares to the average interest rate of investments as at 30 June 2025 of 4.08%, as shown in Table 1 and indicates that returns are falling, as expected when the Bank of England base rate reduces.

Table 6 below shows the investment profile as at 30 June 2025.

**Table 6: Investments by counterparty type**

Investment Category	Balance 1 April 2025	Investments made in period	Investments repaid in period	Balance 30 June 2025	Weighted interest rate 1 April 2025 to 30 June 2025
	£m	£m	£m	£m	%
Government DMO	18.00	143.00	(128.50)	32.50	4.29
Money Market Funds	12.75	18.50	(7.75)	23.50	4.37
Banks (instant access/notice accounts)	6.00	11.05	(9.05)	8.00	3.34
<b>TOTAL</b>	<b>36.75</b>	<b>172.55</b>	<b>(145.30)</b>	<b>64.00</b>	<b>4.20</b>

The following should be noted:

- During the period to 30 June 2025 all investments made were in line with the approved counterparties within the Treasury Management Strategy.
- Investments are diversified over a number of organisations across different sectors, demonstrating a diversified investment portfolio.
- All investments are in sterling and are rated A- and above as per the approved criteria or with a public body.
- The weighted average rates are for all investments made during 1 April 2025 to 30 June 2025.

The overall interest receivable from treasury investments for the period 1 April 2025 to 30 June 2025 was £0.658 million. There has been a slow and gradual reduction to interest rates since they reached their peak of 5.25% in July 2024, with a 0.25% reduction on four occasions, with the rate reduced to 4.25% in May 2025 (the rate was reduced again in August 2025 to 4.00%). The Council will continue to take a cautious approach to investing to ensure as its primary concern the security of any investments made. The risk of default for investments held is considered negligible.

All investments longer than 364 days will be made with a cautious approach to cash flow requirements and advice from the Council's Treasury Management advisors will be sought as necessary. All investments as at 30 June 2025 were short term of less than one year duration, as shown in Table 7 below.

**Table 7: Sums invested for periods longer than a year**

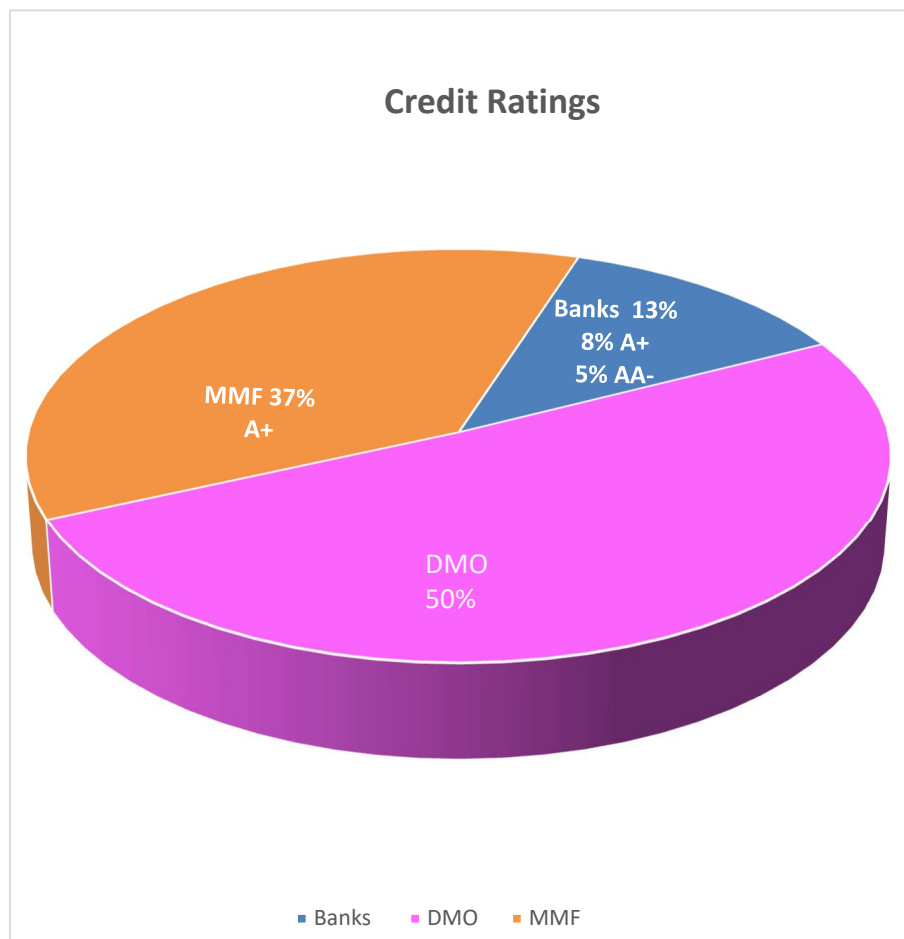
Price risk indicator	TMS 2025-26 £m	Actual £m	Full term maturity
Limit on principal invested beyond financial year end	10	NIL	NIL

The below table details the Council's investments by counterparty and maturity profile.

**Table 8: Investments by maturity**

Counterparty Category	Instant Access £m	Deposits maturing within 1 month £m	Deposits maturing within 2-3 months £m	Deposits maturing within 4-12 months £m	TOTAL £m
Government DMO	-	30.50	2.00	-	32.50
Money Market Funds	23.50	-	-	-	23.50
Banks	8.00	-	-	-	8.00
<b>Total</b>	<b>31.50</b>	<b>30.50</b>	<b>2.00</b>	<b>0.00</b>	<b>64.00</b>

The pie chart below summarises the distribution of the Council's investments by credit ratings. The DMO are the UK government and rated AA.



## 6.0 INTEREST RATE EXPOSURES

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. Short term and variable rate loans expose the Council to the risk of short-term interest rate rises and are therefore subject to the Treasury Management indicator below.

The following Table is based on investments at 30 June 2025.

**Table 9: Interest Rate Exposure**

Interest rate risk indicator	£ million
One year revenue impact of a 1% rise in interest rates	(0.424)
One year revenue impact of a 1% fall in interest rates	0.616

It is important to note that this is an indicator, not a limit. It is calculated at a point in time on the assumption that maturing loans and investments would be replaced at rates 1% higher or lower than they are currently, and that the treasury investment and borrowing portfolios remain unchanged over the next 12 months, which in practice is not the case. The figure for the 1% fall in interest rates indicator is not the same figure as the 1% increase (but reversed) as the borrowing relates to variable LOBO loans where it is assumed that the lender would only exercise their option if there was an increase in interest rates. All other borrowing does not have a rate reset in the next year and is with the PWLB at fixed rates.

A comparison of interest payable on borrowings excluding other long term liabilities (PFI and lease interest), and interest income due for the period 1 April 2025 to 30 June 2025 is shown below.

**Table 10: Interest**

	01 April 2025 – 30 June 2025 £ million
Interest expenditure payable on long term borrowing	1.205
Interest income received in period	(0.658)
Net interest cost	0.547

## 7.0 NON-TREASURY INVESTMENTS

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities include investments in subsidiaries and investments in property. A schedule of the Council's existing non-treasury investments (currently limited to owned property) is set out in Table 11 below. Recent PWLB



guidance requires that local authorities should review their investment portfolio if they wish to secure PWLB borrowing but does not require the local authority to sell existing investment assets. This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. These assets are valued on an annual basis to reflect market conditions and the current value at the time they are valued, otherwise known as Fair Value, which provides security of their value and continued benefit to the Council.

**Table 11: Non-treasury investments**

<b>Non-treasury investments</b>	<b>£ million</b>
Bridgend Science Park - Units 1 & 2	3.070
Waterton Cross Land	0.560
Brynmenyn Industrial Estate Plot 53	0.675
Village Farm Plots 32, 119 & 120	0.385
Tyrewise Bridgend	0.200
<b>Total at Fair Value</b>	<b>4.890</b>
<b>Anticipated annual return 2025-26</b>	<b>0.458</b>

The Council considers that the scale of its investment properties is proportionate to the resources of the Council as the investment represents less than 1% of its total long-term assets. In addition, the value of these investments has increased from the previous year.

In accordance with Welsh Government Investment Guidance these are be classified as non-treasury investments.

## Schedule A – Credit Rating Equivalence Table

Credit Rating Equivalence Table

	Description	Fitch		Moody's		Standard & Poor's	
		Long	Short	Long	Short	Long	Short
INVESTMENT GRADE	Extremely strong	AAA	F1+	Aaa	P-1	AAA	A-1+
	Very strong	AA+		Aa1		AA+	
		AA		Aa2		AA	
		AA-		Aa3		AA-	
	Strong	A+	F1	A1	P-2	A+	A-1
		A		A2		A	
		A-	F2	A3		A-	A-2
	Adequate	BBB+		Baa1	P-3	BBB+	
		BBB		Baa2		BBB	A-3
		BBB-	F3	Baa3		BBB-	
SPECULATIVE GRADE	Speculative	BB+	B	Ba1	Not Prime (NP)	BB+	B
		BB		Ba2		BB	
		BB-		Ba3		BB-	
	Very speculative	B+		B1		B+	
		B		B2		B	
		B-		B3		B-	C
	Vulnerable	CCC+	C	Caa1		CCC+	
		CCC		Caa2		CCC	
		CCC-		Caa3		CCC-	
		CC		Ca		CC	
		C				C	
	Defaulting	D	D	C		D	D

**Schedule B – Arlingclose Economic & Interest Rate Forecast – June 2025**

	Current	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.25	4.00	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
<b>5yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.00	4.10	4.05	4.00	3.95	3.95	4.00	4.05	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.10	-1.15
<b>10yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.51	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.95	-1.00	-1.05	-1.10	-1.15
<b>20yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	4.85	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90	-0.90	-0.90
<b>50yr gilt yield</b>													
Upside risk	0.00	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.56	4.55	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45
Downside risk	0.00	-0.60	-0.65	-0.70	-0.75	-0.80	-0.85	-0.90	-0.90	-0.90	-0.90	-0.90	-0.90

- Bank Rate was maintained at 4.25% in June 2025 but reduced 0.25% during the Bank of England's Monetary Policy Committee (MPC) meeting held in August 2025 to 4.00%.
- The MPC remains sensitive to heightened uncertainty in the economic environment, particularly around inflation expectations, so Bank Rate will be cut gradually to offset weak growth. Our advisors continue to forecast a 0.25% rate cut in November 2025 to 3.75%.
- Prospects for global growth have weakened. While the outlook for inflation is unclear, we expect weak growth and related policy rate expectations to dampen medium-term UK government yields.
- Long-term gilt yields are elevated reflecting uncertainty over US economic, monetary and fiscal policy expectations, and potential increases in UK and global bond supply.