

Treasury Management – 2025/26 Mid-Year Review

Introduction and Background

The Chartered Institute of Public Finance & Accountancy (CIPFA) has published Treasury and Prudential Codes, which require regular reporting of performance against forward looking prudential indicators. This appendix provides a mid-year review of treasury management activity for the first half of 2025/26, measured against benchmarks and the key indicators in the council's Treasury Management Strategy.

The 2024/25 Treasury Management Strategy Statement (TMSS), which includes the Annual Investment Strategy (AIS), was approved by Cabinet on 13 February 2025 and full Council on 27 February 2025 as part of the Budget Report. The Treasury Management Strategy sets out the role of Treasury Management, the strategy for Treasury Management activity in 2025/26, and the key parameters and indicators for investing council cash balances and undertaking borrowing for the year.

CIPFA defines treasury management as:

“The management of the local authority’s borrowing, investments and cash flows, 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.”

The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Effective cash flow planning enables surplus monies to be invested in counterparties (financial institutions) or financial instruments commensurate with the council's risk appetite, providing adequate cash availability (liquidity) is maintained.

The second main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that the council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn on may be restructured to meet the council's risk or cost objectives.

Economic Background

The council's treasury advisors, MUFG, have provided their assessment of the UK and global economic landscapes as set out at Annex 2. The expectation for interest rates when the 2025/26 Treasury Management Strategy was set, based on external advice, was that Base Rate has peaked and there would be gradual reductions during 2025/26 and 2026/27. The Bank of England Base Rate has been reduced twice during the period, firstly by 0.25% to 4.25% in May 2025, and then by a further 0.25% to 4.00% in August 2025. The expectation is that the Bank of England Base Rate will continue to be reduced, with the expectation for at least one further rate cut during 2025/26.

Treasury Management Activity

Treasury management activity during the first half of 2025/26 has focused on keeping any surplus cash liquid, as opposed to investing into longer term, higher yielding deals, to ensure cash is available when required as reserve levels reduce and to avoid the need for long-term borrowing whilst rates remain elevated. Some short to medium term borrowing has been undertaken to reduce the HRA under borrowing position when there have been favourable movements in borrowing rates. The key activities undertaken in the period include:

- The return on investments has exceeded the target benchmark rates in the 6 months due to Money Market Fund (MMF) rates lagging behind the falling base rate.

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- The highest investment risk indicator during the period was 0.002% which is below the maximum benchmark of 0.050%.
- The council took one new tranche of HRA borrowing in the period of £20.0m at a rate of 4.17% due for maturity in 2027/28.
- Short term borrowing of £15.0m was undertaken at the end of September to fund temporary reductions in liquid cash.
- The two borrowing limits approved by full Council have not been exceeded.
- The Annual Investment Strategy parameters have been met throughout the 6-month period.

Within the year to date, the council has complied with its legislative and regulatory requirements with regards to treasury management.

The following table summarises the treasury activity and day-to-day cash flows in the half year to September 2025 compared to the corresponding period in the previous year. The council has undertaken further long-term PWLB borrowing to reduce the HRA under-borrowing position in response to interest rates reductions and reducing cash balances. Further borrowing took place in October and the Treasury Management team continue to monitor the PWLB rate closely to secure further borrowing when rates are favourable.

Treasury Management Activity – April to September	2024/25	2025/26
Long-term borrowing raised (General Fund)	£0.0m	£0.0m
Long-term borrowing raised (HRA)	£0.0m	£20.0m
Long-term borrowing repaid (General Fund)	(£6.6m)	(£0.6m)
Long-term borrowing repaid (HRA)	(£7.0m)	(£4.0m)
Short-term borrowing raised/(repaid)	(£19.0m)	£10.0m
Investments made	(£335.1m)	(£371.9m)
Investments maturing	£390.9m	£375.3m
Net reduction/(increase) in bank balance	£0.7m	£0.8m
Net Cash Flow (Shortage)/Surplus	(£23.9m)	£29.6m

Investment Strategy

All parameters in the Annual Investment Strategy have been complied with in full.

No new counterparties have been added to the approved counterparty list during the year.

A summary of investments made by the in-house team and outstanding at 30 September 2025 is set out in the table below and shows that investments continue to be held in good quality, short-term instruments in line with the approved strategy.

Summary of Investments as at 30 September 2025		
'AAA' rated money market funds	£8.6m	30%
'AA' rated institutions*	£0.0m	0%
'A' rated institutions	£10.7m	37%
'BBB' rated institutions	£0.0m	0%
Unrated Funds	£9.4m	33%
Total Investments (excluding Bond Funds)	£28.7m	100%
Period – less than one week	£18.0m	63%
Period – between one week and one month	£0.1m	0%
Period – between one month and three months	£5.6m	20%
Period – between three months and 1 year	£0.0m	0%
Period – more than 1 year	£5.0m	17%
Total Investments (excluding Bond Funds)	£28.7m	100%

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* For the purposes of this analysis, other Local Authorities are assumed to have the same credit rating as the UK government (AA).

** All investments that are over one year either have a legal offset against debt with the same counterparty or are with other Local Authorities.

Risk

As part of the investment strategy for 2025/26 the council agreed a maximum risk benchmark of 0.05% i.e. there is a 99.95% probability that the council will get its investments back. The benchmark is a simple target that measures risk based on the financial standing of counterparties and length of each investment based on historic default rates. The actual risk indicator has varied between 0.001% and 0.002% between April and September 2025, reflecting the high proportion of investments held in high security and/or very liquid investments. It should be remembered however that the benchmark is an ‘average risk of default’ measure and does not constitute an expectation of loss for any particular investment

Investment Risk Benchmark	0.050%
Maximum investment risk experienced April to September	0.002%

The treasury management service is subject to a detailed audit on a regular basis. This includes the testing of the control environment and the management of risk. A ‘substantial’ level of assurance was provided during the most recent audit in January 2025, meaning that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Investment Performance

The council’s investment portfolio (adjusted for pooled funds) performance between April 2025 and September 2025 was 4.35%, outperforming the benchmark rate of 4.19% by 16 basis points (or 0.16 percentage points). The investments performance has therefore outperformed the SONIA benchmark rate largely due to the time lag in Money Market Fund (MMF) rates adjusting to base rate changes (meaning the council has achieved elevated MMF rates in a falling rate environment).

Average Investment Balance (Apr – Sept) £m	Average Investment return	Average Benchmark Rate*	Difference
50.3	4.35%	4.19%	0.16%

* The Benchmark rate used is the Standard Overnight Index Average (SONIA); a rate administered by the Bank of England based on actual transactions of overnight borrowing by financial institutions.

** Pooled funds have been excluded from this assessment due to volatility of return.

Since Base Rates peaked at 5.25%, there have been several Base Rate reductions, with two reductions in the period reducing the bank rate to 4.00%. The transition to a falling rate environment, combined with significantly reduced liquid balances has prompted the decision not to place any long-term investments during the period. The current priority for officers is to maintain sufficient liquidity to allow the council to limit external borrowing whilst rates continue to fall.

The Royal London (RLAM) short dated funds total return (capital and revenue combined) was 4.328% between April and September 2025. The value of the investment at 30 September 2025 was £9.4m, which presents a reduction of capital value compared to an initial investment of £10.0m. This reduction of capital value is not a reduction in the worth of the individual assets in the fund but reflects a “marked to market” valuation of the funds at the end of each month, declining due to the steep rise in interest rates from December 2021. Capital valuations have

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improved by 0.39% since 31 March 2025; a trend that is expected to continue now that the Base Rate has peaked and continues to fall.

Borrowing

The table below shows the Council's total external borrowing and average rates as at 30 September 2025, split between the General Fund and the HRA. New PWLB borrowing of £20.0m was undertaken in April 2025, at a rate of 4.17% for a term of two years to support the councils' HRA under borrowing position and to take advantage of favourable movement in borrowing rates. A total of £4.6m PWLB borrowing and £5.0m short-term borrowing matured during the period. Further short-term borrowing of £15.0m was undertaken at the end of September from another Local Authority to fund temporary reductions in liquid cash, undertaken on a rate of 4.3% for a period of 1 week.

	General Fund Borrowing	HRA Borrowing	Total Borrowing	Average Rate
PWLB	£143.3m	£252.0m	£395.3m	3.03%
Market Loans	£16.3m	£18.7m	£35.0m	4.33%
Total Long-Term Borrowing	£159.6m	£270.7m	£430.3m	3.12%
Average Rate of LT Borrowing	3.00%	3.19%	3.12%	
Short-Term Borrowing	£15.0m	£0.0m	£15.0m	4.30%
Average Rate of ST Borrowing	4.30%	-	-	-
Total Borrowing	£174.6m	£270.7m	£445.3m	

The table below shows the forecast of the Capital Financing Requirement (CFR) for both the General Fund and the HRA at TBM 7 compared to the estimate within the 2025/26 strategy approved in February 2025.

The TBM 7 General Fund Capital Programme forecast includes projects funded by borrowing of £54.6m compared to an original estimate of £66.000m. The under-borrowing position, if no action is taken, is currently projected at £125.4m. The General Fund strategy currently forecasts that the level of reserves and balances in the medium term allows internal borrowing of up to £75m, and it is currently expected that additional external borrowing of £50.4m may be required to support the capital programme during 2025/26, although the timing of actual borrowing will be dependent on the availability of cash balances and borrowing rates at the time.

General Fund Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2025/26	Revised forecast as at TBM7 2025/26
Opening General Fund CFR	£261.0m	£241.8m
Borrowing Need	£66.0m	£54.6m
Minimum Revenue Provision	(£12.0m)	(£11.4m)
Closing General Fund CFR	£315.0m	£285.0m
GF External Long-Term Borrowing as at 30 September 2025	-	£159.6m
Level of Under-borrowing	-	£125.4m

The TBM 7 HRA Capital Programme forecast includes projects funded by borrowing of £64.9m compared to an original estimate of £64.0m. The under-borrowing position, if no further action is taken, is currently projected at £95.5m. The HRA strategy for 2025/26 is to meet its borrowing

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requirement from a combination of PWLB borrowing and the General Fund. The extent to which the HRA can borrow from the General Fund is dependent on the level of liquid resources the General Fund has available to lend to the HRA and additionally will depend on the view of interest rate prospects. In order to fully externally borrow to meet its CFR and it is therefore expected that new external borrowing from the PWLB of £95.5m will be required during 2025/26.

HRA Capital Financing Requirement (CFR) – Underlying Borrowing requirement	Original Estimate 2025/26	Revised forecast as at TBM7 2025/26
Opening HRA CFR	£292.0m	£301.3m
Borrowing Need	£64.0m	£64.9m
Minimum Revenue Provision	-	-
Closing General; Fund CFR	£356.0m	£366.2m
HRA External Long-Term Borrowing as at 31 August 2025	-	£270.7m
Level of Under-borrowing	-	£95.5m

The table below shows that the Council is operating within the Operational Boundary and Authorised Borrowing Limits set within the Treasury Management strategy and has sufficient headroom to cover the borrowing need arising from the year's capital programme.

Borrowing Limits	Operational Boundary £m	Authorised Borrowing Limit £m
Limit set for 2025/26	£745.0m	£795.0m
Less: PFI & Leases	(£65.0m)	(£65.0m)
Limit for Underlying Borrowing	£680.0m	£730.0m
Actual External Borrowing at 30 September 2025	£445.3m	£445.3m
Headroom*	£234.7m	£284.7m

*Authorised Borrowing headroom cannot be less than zero

The maturity profile of the Authority's borrowing is within the limits set within the strategy.

Maturity Profile of borrowing	Lower Limit set	Upper Limit set	Actual as at 30 Sept 2025
Under 12 Months	0%	40%	14%
12 months to 2 years	0%	40%	6%
2 years to 5 years	0%	50%	2%
5 years to 10 years	0%	75%	5%
Over 10 years	40%	100%	73%

Treasury Advisors

Officers recognise that responsibility for decisions remains with the organisation at all times and ensure that undue reliance is not placed upon external service providers and advisers. However, it is recognised that there is value in employing external providers of treasury management services in order to access specialist skills and resources.

Member Training

It is a requirement of CIPFA's Treasury Management code to ensure that the members responsible for decision making and scrutiny of the authority's TMSS are adequately trained to undertake their roles in this area. Treasury Management training was last provided in January 2024. This was offered to all members and is currently available on the Members section of the Learning Zone.

Annex 1 – Glossary of Terms

Authorised Borrowing Limit: The limit for which the council's external borrowing cannot breach. This limit is set by Council as part of the budget each year. This needs to be approved by Council to amend in the year if required.

Borrowing Maturity Profile: The timeline over which the council has to repay its debt. A smooth profile is preferable, as small, regular repayments reduce the risk of having to replace a lot of debt at a time when it may not be the optimum market conditions.

Capital Financing Requirement (CFR): The council's cumulative need to borrow to support its capital programme. This increases each year by capital expenditure where existing funding streams (such as reserves, capital receipts, grants or revenue contributions) have not been applied (which is also known as funding through borrowing). The Council must make an annual minimum revenue provision (MRP) which reduces the CFR.

Credit Ratings: The council uses the credit ratings for counterparties provided by the three main credit ratings agencies (Moody's, Fitch and Standard & Poor) to determine how much and for how long the council can lend to them. The highest credit rating as described in the strategy is AAA, and the lowest credit rating that the council is willing to lend to is BBB.

Operational Boundary: A limit set by Council as part of the budget each year. Whilst the Authorised Limit cannot be breached, the operational boundary is the expected level at which external debt will reach, taking into account current levels of debt, maturing debt that may need replacing and capital plans for the forthcoming year.

PWLB Loans: Loans held with the Public Works Loans Board. This is the primary lender for Local Authorities, and the PWLB forms part of the Debt Management Office (DMO) within the HM Treasury department of Central Government.

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Risk Benchmark: An indicator used to monitor the perceived level of risk within the council's investment portfolio.

Under-borrowing: (also known as internal borrowing) The difference between the council's CFR and actual level of debt, where the actual debt is lower than the CFR. This occurs when council uses cash from its own reserves to temporarily fund capital expenditure. Also known as Internal Borrowing.

SONIA: Sterling Over Night Index Average – A benchmark rate calculated and administrated by the Bank of England. This rate effectively replaces LIBOR from 1 January 2022 as the key benchmark rate in the UK. The calculation of SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and institutional investors.

Annex 2 – Economic Overview

Provided by MUFG – September 2025

The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.6%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70%.

From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July will have caused some concern, with the hikes in taxes for businesses that took place in April this year undoubtedly playing a part in restraining growth. The weak overseas environment is also likely to have contributed to the 1.3% m/m fall in manufacturing output in July. That was the second large fall in three months and left the 3m/3m rate at a 20-month low of -1.1%. The 0.1% m/m rise in services output kept its 3m/3m rate at 0.4%, supported by stronger output in the health and arts/entertainment sectors. Looking ahead, ongoing speculation about further tax rises in the Autumn Budget on 26 November will remain a drag on GDP growth for a while yet. GDP growth for 2025 is forecast by Capital Economics to be 1.3%.

Sticking with future economic sentiment, the composite Purchasing Manager Index for the UK fell from 53.5 in August to 51.0 in September. The decline was mostly driven by a fall in the services PMI, which declined from 54.2 to 51.9. The manufacturing PMI output balance also fell, from 49.3 to 45.4. That was due to both weak overseas demand (the new exports orders balance fell for the fourth month in a row) and the cyber-attack-induced shutdown at Jaguar Land Rover since 1 September reducing car production across the automotive supply chain. The PMIs suggest tepid growth is the best that can be expected when the Q3 GDP numbers are released.

Turning to retail sales, and the 0.5% m/m rise in volumes in August was the third such rise in a row and was driven by gains in all the major categories except fuel sales, which fell by 2.0% m/m. Sales may have been supported by the warmer-than-usual weather. If sales were just flat in September, then in Q3 sales volumes would be up 0.7% q/q compared to the 0.2% q/q gain in Q2.

With the November Budget edging nearer, the public finances position looks weak. Public net sector borrowing of £18.0bn in August means that after five months of the financial year, borrowing is already £11.4bn higher than the OBR forecast at the Spring Statement in March. The overshoot in the Chancellor's chosen fiscal mandate of the current budget is even greater with a cumulative deficit of £15.3bn. All this was due to both current receipts in August being lower than the OBR forecast (by £1.8bn) and current expenditure being higher (by £1.0bn). Over the first five months of the financial year, current receipts have fallen short by a total of £6.1bn (partly due to lower-than-expected self-assessment income tax) and current expenditure has overshot by a total of £3.7bn (partly due to social benefits and departmental spending). Furthermore, what very much matters now is the OBR forecasts and their impact on the current budget in 2029/30, which is when the Chancellor's fiscal mandate bites. As a general guide, Capital Economics forecasts a deficit of

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about £18bn, meaning the Chancellor will have to raise £28bn, mostly through higher taxes, if she wants to keep her buffer against her rule of £10bn.

The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October Budget. The number of job vacancies in the three months to August stood at 728,000. Vacancies have now fallen by approximately 47% since its peak in April 2022. All this suggests the labour market continues to loosen, albeit at a declining pace.

A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.8% in July. The rate for the private sector slipped from 5.5% to 4.7%, putting it on track to be in line with the Bank of England's Q3 forecast (4.6% for September).

CPI inflation fell slightly from 3.5% in April to 3.4% in May, and services inflation dropped from 5.4% to 4.7%, whilst core inflation also softened from 3.8% to 3.5%. More recently, though, inflation pressures have resurfaced, although the recent upward march in CPI inflation did pause for breath in August, with CPI inflation staying at 3.8%. Core inflation eased once more too, from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. So, we finish the half year in a similar position to where we started, although with food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

An ever-present issue throughout the past six months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%.

More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England have kept yields elevated over 4.70%.

The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the

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S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed Q3 at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors' global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings.

MPC meetings: 8 May, 19 June, 7 August, 18 September 2025

There were four Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC will be wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

The Bank of England does not anticipate CPI getting to 2% until early 2027, and with wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction).

The Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggests the Bank still thinks interest rates will fall further but possibly not until February, which aligns with both our own view and that of the prevailing market sentiment.

Interest Rate Forecasts

The Authority has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20bps) which has been accessible to most authorities since 1 November 2012.

MUFG Corporate Markets' latest forecast on 11 August sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

