Conference Over, Budget Next: What Trustees and Treasurers Should Watch Out For

Labour's conference paired new spending ambitions with a pledge to meet the fiscal rules. Markets took the speeches largely in their stride, but amid a global bond sell-off the 30-year gilt yield closed on 30 September at 5.95%, near its highest level in almost three decades. The Budget on 28 October remains an important moment for anyone with UK bonds, pension liabilities or borrowing.

What Labour announced

These are party pledges; they become government policy only through the Budget, legislation or formal publication.

- **State pension:** the triple lock is to stay for this Parliament; from April 2030 the state pension "will continue to rise every year at least by prices or 2.5%" and "hold its value relative to earnings over time". This depends on the outcome of the next general election.
- **Fiscal rules:** the Prime Minister said, "I will stick to our fiscal rules", a pledge echoed by the Chancellor, John Healey.
- **Water:** a strengthened Water Bill will repeal the ban on public ownership; companies failing the public interest could face "taking back control or public ownership".
- **Energy:** a publicly owned Great British Grid to speed up connections, and an ambition to bring energy costs in line with European neighbours within 10 years.

Market reaction

Gilts rallied before the Prime Minister's speech, then the 10-year yield rose from 5.35% to 5.43% as his spending plans unfolded. That day's 10-year gilt auction cleared at an average yield of 5.38%, the highest at a 10-year auction since 1999, with demand solid but softer than at the previous sale.

By close of business on 30 September, the 10-year gilt yield stood at 5.44% and the 30-year at 5.95%, amid a global bond sell-off driven by oil-led inflation, rising interest rates and government borrowing, so global factors were also at play. On 1 October the 30-year yield briefly topped 6%, its highest since 1998, before easing back. The FTSE 100 closed at 10,606, after a second consecutive monthly fall. Higher borrowing costs have reportedly eroded around half of the Chancellor's fiscal headroom. Three upcoming dates for investors to keep an eye on:

- **21 October, UK inflation:** August's 3.1% is expected to rise further, putting pressure on the Bank of England decision below.
- **28 October, Budget:** markets will look for evidence that the planned National Care Service, which the Prime Minister said will be "fully funded, and not through borrowing", adds up. The IFS says the pension savings will not be enough to fund universal social care.
- **5 November, Bank of England:** Bank Rate is 3.75%, and markets see a rise as likely.

In our view, inflation and the Budget's credibility will matter far more for gilt yields than anything said at conference.

For pension trustees

- Financial markets: well-hedged schemes should see limited funding-level impact from gilt moves; the practical risk is collateral. With the 30-year yield near 6%, check that LDI headroom can absorb a further sharp rise around the Budget and the rate decision, and that inflation hedging remains on target. Ask credit managers about any water company exposure.
- Bulk annuity market: conditions remain favourable, particularly for small and mid-sized schemes, with insurers competing hard for deals this year. Insurers price relative to gilts, so well-matched schemes are likely to have seen little or no impact from yield moves, while less-hedged schemes may find higher yields have brought buyout closer; those nearing a deal should confirm price-lock and transition plans. We do not expect the conference announcements to change insurer appetite.
- Sponsor covenant: higher borrowing costs, energy prices and weaker equity markets could squeeze some employers, and the Budget is likely to need extra revenue. Press reports suggest the Treasury has considered windfall taxes on banks and oil companies, which it has not confirmed. Sponsors in the water sector face policy change too. Where contributions or a recovery plan depend on sponsor affordability, consider a covenant check-in after the Budget.
- Members: the state pension change does not affect scheme benefits, but members may ask.

For charity trustees

Higher yields and interest rates mean higher income on new bond purchases and cash, which may support spending plans, but bond and equity values fell in late September and could move sharply again on Budget news. Ask fund managers how bond holdings, including any water company bonds, are positioned. Review cash holdings and terms.

For corporate treasurers and CFOs

With markets seeing a November rate rise as likely, now is a sensible time to review refinancing timing, interest-rate hedging and returns on surplus cash, and to be ready to assess any business tax changes on

28 October. Great British Grid could ease connection delays for power-intensive or expanding operations, though not quickly. DB sponsors should note that yield moves affect both accounting and funding positions.

If you would like to discuss anything mentioned in this update, please get in touch with your usual contact at Cartwright.

Important information: This note is for general information only and is not investment, legal or tax advice. Market data are as at close of business on 30 September 2026; proposals may change before becoming law. Please speak to your Cartwright consultant before taking any action.

Sources: PM speech · Chancellor speech · IFS · PSL · Reuters (water) · Trading Economics · Proactive · City AM

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