



INVESTMENTS HELD AS AT 31 MARCH 2024

APPENDIX 2

Counterparty	Start Date	Maturity Date	Rate of Interest %	Amount £m
<b>FIXED DEPOSITS</b>				
CLOSE BROTHERS	20/04/2023	19/04/2024	5.00000	10.0
GOLDMAN SACHS INTERNATIONAL BANKS	21/04/2023	19/04/2024	4.93000	10.0
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	24/05/2023	22/05/2024	5.31000	5.0
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	14/07/2023	12/07/2024	6.65000	10.0
NATIONAL WESTMINSTER BANK	19/07/2023	18/07/2024	6.19000	10.0
LANDESBANK HESSEN-THUERINGEN GIROZENTRALE (HELABA)	21/07/2023	19/07/2024	6.20000	15.0
AL RAYAN BANK	26/07/2023	24/07/2024	6.05000	10.0
FIRST ABU DHABI BANK PJSC	27/07/2023	26/07/2024	6.28000	15.0
QATAR NATIONAL BANK SAQ	28/07/2023	26/07/2024	6.37000	5.0
PRINCIPALITY BUILDING SOCIETY- CARDIFF	28/07/2023	26/07/2024	5.95000	10.0
EAST HERTFORDSHIRE DISTRICT COUNCIL	02/02/2024	02/08/2024	5.70000	5.0
CLOSE BROTHERS	16/08/2023	15/08/2024	6.20000	10.0
NATIONAL WESTMINSTER BANK	24/08/2023	22/08/2024	6.07000	10.0
SANTANDER	24/08/2023	27/08/2024	6.10000	10.0
EAST HERTFORDSHIRE DISTRICT COUNCIL	29/02/2024	30/08/2024	5.70000	5.0
CAMBRIDGESHIRE COUNTY COUNCIL	04/12/2023	04/09/2024	5.65000	10.0
CLOSE BROTHERS	27/10/2023	25/10/2024	5.75000	10.0
AL RAYAN BANK	30/10/2023	30/10/2024	5.90000	10.0
QATAR NATIONAL BANK SAQ	01/12/2023	29/11/2024	5.90000	10.0
ABERDEEN CITY COUNCIL	13/02/2024	11/02/2025	5.50000	10.0
DOVER DISTRICT COUNCIL	19/02/2024	19/02/2025	5.80000	5.0
<b>TOTAL FIXED INVESTMENTS</b>				<b>195.0</b>
<b>OTHER FUNDS</b>				
FIDELITY MONEY MARKET FUND				0.0
ABERDEEN -STANDARD LIFE (IGNIS) LIQUIDITY FUND				0.0
INSIGHT STERLING LIQUIDITY FUND				0.0
LGIM STERLING LIQUIDITY FUND				13.8
FEDERATED (Hermes) STERLING LIQUIDITY FUND				5.0
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40.0
SCHRODERS	12/07/2017			20.0
FIDELITY MULTI-ASSET INCOME FUND	01/03/2021			40.0
SPRING CAPITAL LOAN	09/06/2017			3.1
SOVEREIGN BONDS	01/08/2023	01/08/2025	6.61000	10.0
<b>TOTAL INVESTMENTS</b>				<b>326.9</b>

Fitch		Moody's		S&P		Fitch		Moody's		S&P	
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
<b>Ratings at time of Investment</b>						<b>Ratings as at March 2024</b>					
A-	F2	Aa3	P-1								
A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
A+	F1			A	A-1	A+	F1			A	A-1
A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
A+	F1+	Aa3	P-1			A+	F1+	Aa2	P-1		
		A1	P-1					A1	P-1		
AA-	F1+	Aa3	P-1	AA-	A-1+	AA-	F1+	Aa3	P-1	AA-	A-1+
A	F1	Aa3	P-1	A+	A-1	A	F1	Aa3	P-1	A+	A-1
BBB+	F2	Baa1	P-2			BBB+	F2	Baa1	P-2		
<b>N/A</b>						<b>N/A</b>					
A-	F2	Aa3	P-1								
A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
A+	F1	A1	P-1	A	A-1	A+	F1	A1	P-1	A	A-1
<b>N/A</b>						<b>N/A</b>					
<b>N/A</b>						<b>N/A</b>					
A-	F2	Aa3	P-1					A1	P-1		
		A1	P-1								
A	F1	Aa3	P-1	A+	A-1	A	F1	Aa3	P-1	A+	A-1
<b>N/A</b>						<b>N/A</b>					
<b>N/A</b>						<b>N/A</b>					

\*Close Brothers ratings have been downgraded as at February 2024 and therefore removed from Link Group credit rating list.

## INVESTMENTS HELD AS AT 31 MARCH 2024

	Start Date	Maturity Date	Rate of Interest %	Amount £m	Total £m	Limit £m	Remaining £m
<b>UK BANKS</b>							
NATWEST BANK PLC	19/07/2023	18/07/2024	6.19000	10			
NATWEST BANK PLC	24/08/2023	22/08/2024	6.07000	10	20	80	60
SANTANDER PLC UK	24/08/2023	27/08/2024	6.10000	10	10	20	10
CLOSE BROTHERS LTD	20/04/2023	19/04/2024	5.00000	10			
CLOSE BROTHERS LTD	16/08/2023	15/08/2024	6.20000	10			
CLOSE BROTHERS LTD	27/10/2023	25/10/2024	5.75000	10	30	30	0
GOLDMAN SACHS INTERNATIONAL BANK	21/04/2023	19/04/2024	4.93000	10	10	20	10
AL RAYAN BANK PLC - LONDON	26/07/2023	24/07/2024	6.05000	10			
AL RAYAN BANK PLC - LONDON	30/10/2023	30/10/2024	5.90000	10	20	20	0
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	24/05/2023	22/05/2024	5.31000	5			
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	14/07/2023	12/07/2024	6.65000	10	15	20	5
<b>UK BUILDING SOCIETIES</b>							
PRINCIPALITY BUILDING SOCIETY	28/07/2023	26/07/2024	5.95000	10	10	10	0
<b>OVERSEAS BANKS</b>							
QATAR NATIONAL BANK	28/07/2023	26/07/2024	6.37000	5			
QATAR NATIONAL BANK	01/12/2023	29/11/2024	5.90000	10	15	15	0
FIRST ABU DHABI	21/07/2023	19/07/2024	6.20000	15	15	15	0
LANDESBANK HESSEN-THUERINGEN GIROZENTRALE (HELABA)	21/07/2023	19/07/2024	6.20000	15	15	15	0
<b>LOCAL AUTHORITIES</b>							
ABERDEEN CITY COUNCIL	13/02/2024	11/02/2025	5.50000	10	10	15	5
CAMBRIDESHIRE COUNTY COUNCIL	04/12/2023	04/09/2024	5.65000	10	10	15	5
EAST HERTFORDSHIRE DISTRICT COUNCIL	02/02/2024	02/08/2024	5.70000	5			
EAST HERTFORDSHIRE DISTRICT COUNCIL	29/02/2024	30/08/2024	5.70000	5	10	15	5
DOVER DISTRICT COUNCIL	19/02/2024	19/02/2025	5.80000	5	5	15	10
<b>OTHER INVESTMENTS</b>							
LGIM STERLING LIQUIDITY FUND				13.8	13.8	15	1.2
FEDERATED (PRIME RATE) STERLING LIQUIDITY FUND				5.0	5.0	15	10.0
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40	40		
FIDELITY - MULTI ASSET INCOME FUND	12/07/2017			40	40		
SCHROEDERS	01/03/2021			20	20		
SPRING CAPITAL LOAN	09/06/2017		6.00000	3.1	3.1		
SOVEREIGN BONDS	01/08/2023	01/08/2025	6.61000	10	10		
<b>TOTAL INVESTMENTS</b>				<b>326.9</b>	<b>326.9</b>		

### Prudential and treasury indicators 2023/24

Prudential and Treasury Indicators are relevant for the purposes of setting an integrated treasury management strategy and require the approval of the Council. The table below shows the actual performance in relation to the indicators in 2023/24 and compares the outturn in 2023/24 with the original estimates approved in February 2023. Further details on capital expenditure outturn will be reported to the Executive in July 2024.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The Code (published in 2009 and updated in 2011, 2017 and then again in 2021) was adopted by full Council on 15 February 2010.

<b>Prudential indicators</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2023/24</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Actual</b>
Total capital expenditure	£21.0m	£59.8m	£50.2m
Ratio of financing costs to net revenue stream	0.0%	0.0%	0.0%
<i><u>Net borrowing requirement (for Bromley, net investments)</u></i>			
Brought forward as at 1 April	£346.7m	£358.8m	£314.1m
Carried forward as at 31 March	£314.1m	£353.9m	£297.9m
<b>In-year borrowing requirement (for Bromley, movement in net investments)</b>	<b>- £32.6m</b>	<b>- £4.9m</b>	<b>- £16.2m</b>
Capital Financing Requirement (CFR) as at 31 March	£29.9m	£27.8m	£29.0m
	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Incremental impact of capital investment decisions - increase in council tax (Band D) per annum	-	-	-

<b>Treasury management indicators</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2023/24</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Actual</b>
<i><u>Authorised limit for external debt</u></i>			
Borrowing	£30.0m	£30.0m	£30.0m
Other long-term liabilities	£30.0m	£30.0m	£30.0m
<b>Total</b>	<b>£60.0m</b>	<b>£60.0m</b>	<b>£60.0m</b>
<i><u>Operational boundary for external debt</u></i>			
Borrowing	£10.0m	£10.0m	£10.0m
Other long-term liabilities	£30.0m	£30.0m	£30.0m
<b>Total</b>	<b>£40.0m</b>	<b>£40.0m</b>	<b>£40.0m</b>
Actual external debt	£29.9m	£27.8m	£29.0m
Upper limit for fixed rate interest exposure	100.0%	100.0%	100.0%
Upper limit for variable rate interest exposure	20.0%	20.0%	20.0%
Upper limit for total principal sums invested for more than 364 days beyond year-end dates	£170.0m	£170.0m	£170.0m

## UK Economy

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
<b>Bank Rate</b>	5.25%	4%	5.25%-5.5%
<b>GDP</b>	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised
<b>Inflation</b>	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
<b>Unemployment Rate</b>	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 - is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in

2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

### **USA Economy.**

Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

In addition, the Fed will want to shrink its swollen \$16 trillion balance sheet at some point. Just because the \$ is the world's foremost reserve currency (China owns over \$1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025...but how many and when?

### **EZ Economy.**

Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June rate cut from the current 4% looks probable.