Agenda item:

Decision maker:	Cabinet City Council
Subject:	Treasury Management Outturn 2012/13
Date of decision:	26 September 2013 (Governance and Audit and Standards Committee) 7 October 2013 (Cabinet) 15 October 2013 (City Council)
Report by:	Chris Ward, Head of Financial Services & Section 151 Officer
Wards affected:	All

Key decision: No
Budget & policy framework decision: No

1. Summary

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code requires local authorities to calculate prudential indicators before the start of and after each financial year. Those indicators that the Council is required to calculate at the end of the financial year are contained in Appendix A of this report.

The CIPFA Code of Practice on Treasury Management also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year. This information is shown in Appendix B of the report.

2. Purpose of report

The purpose of this paper is to report on:

- The outturn Prudential Indicators for 2012/13
- The Treasury Management decisions taken over the course of 2012/13

3. Background

The Local Government Act 2003 requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities.

The Prudential Code requires local authorities to adopt the CIFPA Code of Practice for Treasury Management in the Public Sector, which the City Council originally adopted in April 1994. Under the Code of Practice for Treasury Management an Annual Policy Statement is prepared setting out the strategy and objectives for the coming financial year. The Cabinet approved the policy statement for 2012/13 on 20 March 2012.

The Code of Practice also requires the Section 151 Officer to prepare an annual report on the outturn of the previous year. This information is shown under Appendix B of the report.

This report is based on the Council's unaudited draft accounts as the audit is not due to be completed until the end of September. Basing the report on the unaudited draft accounts will enable the report to be considered in the September / October meeting cycle rather than in November.

4. Recommendations

That the following recommendations relating to Appendices A and B of this report be approved:

<u>Appendix A</u> - That the following actual prudential indicators based on the unaudited draft accounts be noted:

(a) The actual ratio of non Housing Revenue Account (HRA) financing costs to the non HRA net revenue stream of 12.0%;

(b) The actual ratio of HRA financing costs to the HRA net revenue stream of 14.1%;

(c) Actual non HRA capital expenditure for 2012/13 of £36,783,000;

(d) Actual HRA capital expenditure for 2012/13 of £18,559,000;

(e) The actual non HRA capital financing requirement as at 31 March 2013 of £278,198,000;

(f) The actual HRA capital financing requirement as at 31 March 2013 of £142,010,000;

(g) Actual external debt as at 31 March 2013 was £450,283,442 compared with £455,731,045 at 31 March 2012.

Appendix B - That the following actual Treasury Management indicators for 2012/13 be noted:

(a) The Council's gross debt less investments at 31 March 2013 was £204,215,000;

(b) The maturity structure of the Council's borrowing was

	Under 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	11 to 20 Years	21 to 30 Years	31 to 40 Years	41 to 50 Years
Actual	4%	1%	3%	5%	9%	13%	11%	54%

(c) The Council's sums invested for periods longer than 364 days at 31 March 2013 were:

	Actual £m
31/3/2013	100
31/3/2014	39
31/3/2015	19

(d) The Council's fixed interest rate exposure at 31 March 2013 was £258m, ie. the Council had net fixed interest rate borrowing of £258m

(e) The Council's variable interest rate exposure at 31 March 2013 was (£146m), ie. the Council had net variable interest rate investments of £146m

5. Implications

The net cost of Treasury Management activities and the risks associated with those activities have a significant effect on the City Council's overall finances. Effective Treasury Management provides support to the organisation in the achievement of its business and service objectives.

6. Legal implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2011 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

7. Head of Finance's comments

All financial considerations are contained within the body of the report and the attached appendices

…………………………………………………………………….
Signed by Head of Financial Services & Section 151 Officer

Appendices:

Appendix A: Prudential Indicators
Appendix B: Treasury Management Outturn

<u>Background list of documents: Section 100D of the Local Government Act 1972</u>

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

	Title of document	Location
1	Treasury Management Files	Financial Services
2		

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 15 October 2013.

………………………………………………
Signed by: the Leader of the Council

APPENDIX A

ACTUAL PRUDENTIAL INDICATORS

1. RATIO OF FINANCING COSTS TO NET REVENUE STREAM 2012/13

This ratio reflects the annual cost of financing net debt as a proportion of the total revenue financing received. It therefore represents the proportion of the City Council's expenditure that is largely fixed and committed to repaying debt. The higher the ratio, the lower the flexibility there is to shift resources to priority areas and/or reduce expenditure to meet funding shortfalls.

For the General Fund, this is the annual cost of financing debt and as a proportion of total income received from General Government Grants, Non Domestic Rates and Council Tax. The ratios of financing costs to net revenue streams for the General Fund in 2012/13 were as follows:

	Original Estimate	Actual
	£'000	£'000
Financing Costs:		
Interest Payable	15,377	18,091
Interest Receivable	(1,569)	(3,794)
Provision for Repayment of Debt	9,451	8,536
Effect of financial regulations on premiums & discounts	-	-
Total Financing Costs	**23,259**	**22,833**
Net Revenue Stream	**196,512**	**191,040**
Ratio of Financing Costs to Net Revenue Stream	**11.8%**	**12.0%**

Interest Payable was £2.7m more than the original estimate. This is mainly due undertaking additional borrowing on 28 March 2012 in order to access the loans at the National Loans Fund (NLF) rate from the Public Works Loans Board (PWLB) made available in connection with HRA Self Financing. The NLF rate is typically 1.13% below the rates normally offered by the PWLB.

Interest Receivable was £2.2m more than the original estimates. This was due to additional investments arising from the additional borrowing from the PWLB on 28 March 2012.

The provision for the repayment of debt was £0.9m less than the original estimate due to a lower than anticipated capital financing requirement at the end of 2011/12 caused largely by slippage in the Capital Programme. The capital financing requirement is a measure of the Council's unfunded capital expenditure, ie. its need to borrow.

The ratio of Housing Revenue Account (HRA) financing costs to net revenue stream is shown below. For the HRA, this is the annual cost of financing long term debt, as a proportion of total gross income received including housing rents and charges.

	Original Estimate	Actual
HRA	12.0%	14.1%

The actual percentage of HRA financing costs to net revenue stream is higher than anticipated. This is because the actual HRA Item 8 consolidated interest rate, ie. the interest rate applied to HRA borrowing, was higher than estimated and actual gross HRA income was less than the original estimate.

2. ACTUAL CAPITAL EXPENDITURE 2012/13

Actual capital expenditure in 2012/13 was as follows:

	Estimate £'000	Actual £'000
Culture & Leisure	3,645	985
Children's & Education Services	15,675	7,640
Environment & Community Safety	1,821	254
Health & Social Care (Adults Services)	790	438
Resources	8,205	5,256
Millennium	917	344
Planning, Regeneration & Economic Development	2,286	381
Commercial Port	4,799	4,780
Traffic & Transportation	24,195	14,869
Housing General Fund	2,604	1,836
Total Non HRA	**64,937**	**36,783**
HRA	26,108	18,559
Total	**91,045**	**55,342**

Actual capital expenditure was £35.7m below the original capital programme. The main variances were as follows:

Culture & Leisure - £2.6m Underspend

This underspend was due to slippage on the reprovision of Hillside and Wymering Community Centres, building the indoor tennis centre and the seafront Heritage Lottery Fund bid. The reprovision of Hillside and Wymering Community Centres was due to delays in obtaining funding and capacity constraints in the Design Service. Building the indoor tennis centre slipped due to delays in obtaining planning permission. The seafront Heritage Lottery Fund bid needed to be resubmitted.

Children's and Education Services - £8.1m Underspend

The main reasons for the underspend on the Children and Education capital programme was a £7m underspend due to the misprofiling of the schools' strategy budget. There was also a £0.7m underspend due to the delay in building the secondary special education needs provision and a £0.4m underspend on the Victory School build.

Environment & Community Safety - £1.6m Underspend

The capital programme included a £1.4m surface water flood alleviation scheme which was mostly funded by the Environment Agency. This scheme was subsequently abandoned as the Environment Agency decided to fund Southern Water to undertake these works.

Resources - £2.9m Underspend

There was £2m of slippage in capital loans advanced to the Council's subsidiary, MMD (Shipping Services) Ltd. MMD (Shipping Services) intended to construct a further warehouse on the understanding that they would obtain a new customer in 2013/14. This scheme has now been deferred to 2013/14 as the new customer is not now expected to start its operations in Portsmouth until 2015. In addition there was £0.5m of slippage on the roll out of Windows 7 whilst departments within the Council determined there specific requirements.

Planning, Regeneration and Economic Development - £1.9m Underspend

This is mostly due to the planned upgrade to roads serving the Northern Quarter being delayed until the Tipner motorway junction is completed in order to avoid too many restrictions being placed on the current road network whilst these schemes are constructed.

Traffic & Transportation - £9.3m Underspend

This underspend relates to the Tipner motorway junction and park and ride scheme, and the rebuilding of Northern Road Bridge which were at an early stage of planning when the capital programme was prepared. Consequently the phasing of these schemes needed to be refined as they progressed.

Housing Revenue Account (HRA) - £7.5m Underspend

Phase 1 of the Somerstown Hub has been subject to slippage due to protracted negotiations with the Primary Care Trust. Phase 2 of the Somerstown scheme has been abandoned. The construction of new dwellings on Eastern Road has been delayed due to planning issues. In addition some schemes to existing dwellings have been postponed as more work is required than was originally thought.

3. ACTUAL CAPITAL FINANCING REQUIREMENT

This represents the underlying requirement to borrow for capital expenditure. It takes the total value of the City Council's fixed assets and determines the amount that has yet to be repaid or provided for within the Council's accounts. The capital financing requirement also forms the basis of the calculation of the amount of money that has to be set aside for the repayment of outstanding General Fund debt. The capital financing requirement is increased each year by any new borrowing and reduced by any provision for the repayment of debt. The higher the capital financing requirement, the higher the amount that is required to be set aside for the repayment of debt in the following year.

The actual capital financing requirements as at 31st March 2013 were as follows:

	Original Estimate	**Actual**
	£'000	£'000
Non HRA	290,269	278,198
HRA	143,924	142,010
Total	434,193	420,208

The capital financing requirement is lower than the original estimate due to less capital works being undertaken in 2012/13 than had been planned.

4. ACTUAL EXTERNAL DEBT

At 31 March 2013, the City Council's level of external debt amounted to £450,283,442 consisting of the following:

- Long Term Borrowing £361,524,450
- Finance leases £4,537,991
- Service concessions (including PFI schemes) £84,221,001

The overall level of debt, excluding debt managed by Hampshire County Council, has reduced between 2011/12 and 2012/13 by £5,447,603.

5. CODE OF PRACTICE

The Prudential Code requires local authorities to adopt CIPFA's Code of Practice for Treasury Management in Local Authorities. The City Council has complied with this code.

APPENDIX B

TREASURY MANAGEMENT DECISIONS 2012/13

1. GOVERNANCE

Treasury management activities were performed within the Prudential Indicators approved by the City Council.

Treasury management activities were also performed in accordance with the Treasury Management Policy Statement, Annual Minimum Revenue Provision for Debt Repayment Statement and Annual Investment Strategy approved by the City Council.

2. FINANCING OF CAPITAL PROGRAMME

The 2012/13 capital programme was financed as follows:

Source of Finance	Anticipated £'000	Actual £'000
Corporate Reserves (including Capital Receipts)	9,499	5,414
Grants & Contributions	40,077	27,546
Revenue & Reserves	26,885	16,729
Long Term Borrowing	14,584	5,653
Total	91,045	55,342

There was significant slippage in the capital programme and some schemes were curtailed or abandoned. This meant that less capital resources were used to finance the capital programme.

3. ECONOMIC BACKGROUND

During the quarter ended 31 March household spending strengthened, both on and off the high street; unemployment rose for the first time in a year; inflation remained stubbornly above the Monetary Policy Committee's (MPC) 2% target; three members of the MPC voted for further quantative easing; UK equity prices rose and sterling fell; and the US economic recovery gathered pace.

4. GROSS AND NET DEBT

The Council's net borrowing position at 31 March 2013 was as follows:

	1 April 2012	31 March 2013
	£'000	£'000
Borrowing	364,876	361,524
Finance Leases	5,335	4,538
Service Concession Arrangements (including PFIs)	85,483	84,221
Gross Debt	**455,694**	**450,283**
Investments	(238,637)	(246,068)
Net Debt	**217,057**	**204,215**

The Council has a high level of investments relative to its gross debt due to a high level of reserves, partly built up to meet future commitments under the Private Finance Initiative schemes and future capital expenditure. The £84m of borrowing taken in 2011/12 to take advantage of the very low PWLB rates has also temporarily increased the Council's cash balances.

The current high level of investments increases the Council's exposure to credit risk, ie. the risk that an approved borrower defaults on the Council's investment. In the interim period where investments are high because loans have been taken in advance of need, there is also a short term risk that the rates (and therefore the cost) at which money has been borrowed will be greater than the rates at which those loans can be invested. The level of investments will fall as capital expenditure is incurred and commitments under the Private Finance Initiative (PFI) schemes are met.

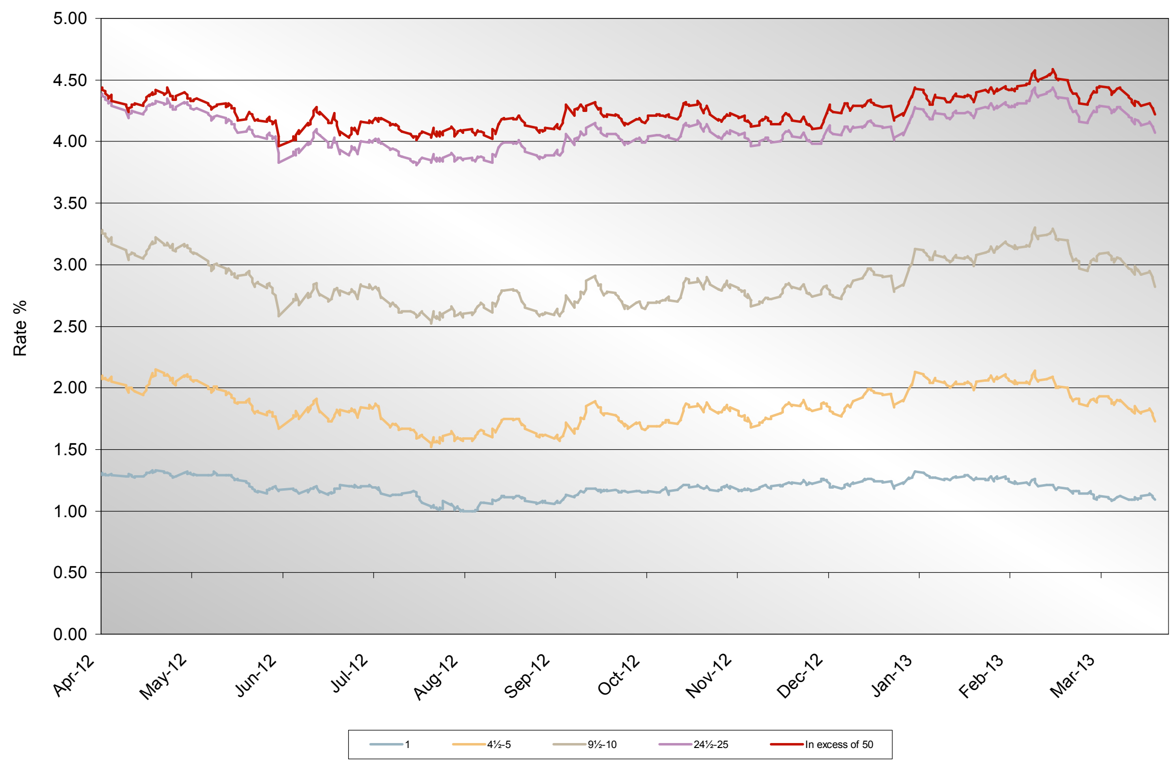
5. BORROWING ACTIVITY

On 20th March 2012 the Council gave the Head of Financial Services and Section 151 Officer delegated authority to borrow up to £50m in advance of need as measured by the Capital Financing Requirement from 23rd March 2012 in order to fund the HRA Self Financing payment at the National Loans Fund rates offered by the Government. This was the estimated borrowing required to support the Council's capital programme until 2016/17.

On 28th March 2012 the Council borrowed £88.6m from the PWLB at NLF rates. As a consequence the Council's external debt exceeded its capital financing requirement by £30.1m at 31st March 2013.

PWLB rates in 2012/13 were as follows:

PWLB Rates 2012-13



No new long term borrowing was undertaken in 2012/13.

6. DEBT RESCHEDULING

Debt rescheduling opportunities have been limited in the current economic climate and by the structure of interest rates following increases in PWLB new borrowing rates in October 2010.

No debt rescheduling was undertaken in 2012/13.

7. REFINANCING RISK

In recent years the cheapest loans have often been very long loans repayable at maturity.

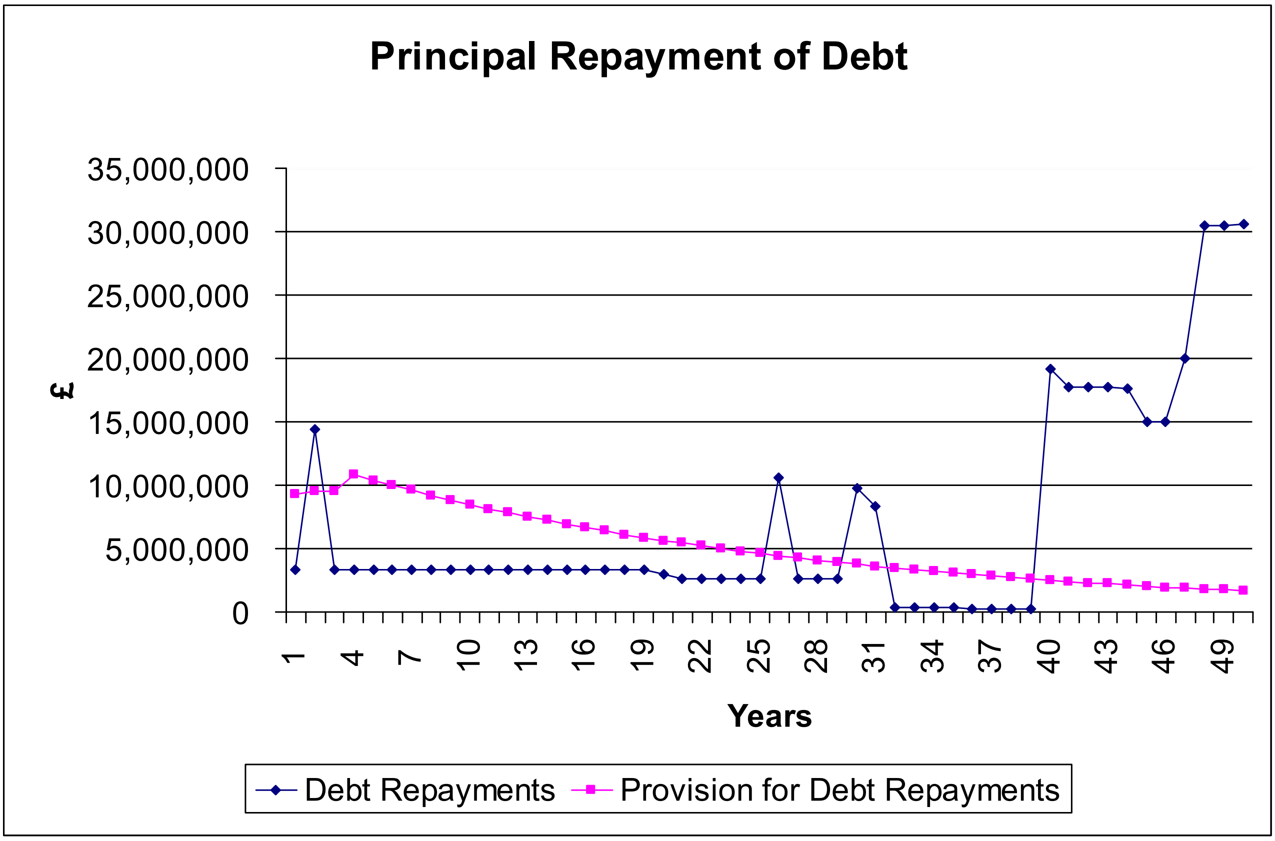
During 2007/08 the Council rescheduled £70.8m of debt. This involved repaying loans from the Public Works Loans Board (PWLB) early and taking out new loans from the PWLB with longer maturities ranging from 45 to 49 years. The effect of the debt restructuring was to reduce the annual interest payable on the Council's debt and to lengthen the maturity profile of the Council's debt.

£50m of new borrowing was taken in 2008/09 to finance capital expenditure. Funds were borrowed from the PWLB at fixed rates of between 4.45% and 4.60% for between 43 and 50 years.

A further £173m was borrowed in 2011/12 to finance capital expenditure and the HRA Self Financing payment to the Government. Funds were borrowed from the PWLB at rates of between 3.48% and 5.01%. £89m of this borrowing is repayable at maturity in excess of 48 years. The remaining £84m is repayable in equal instalments of principal over periods of between 20 and 31 years.

As a result of interest rates in 2007/08 when the City Council rescheduled much of its debt and interest rates in 2008/09 and 2011/12 when the City Council undertook considerable new borrowing 54% of the City Council's debt matures in over 40 years time.

The Government has issued guidance on making provision for the repayment of debt which the Council is legally obliged to have regard to. The City Council is required to make greater provision for the repayment of debt in earlier years. Therefore the City Council is required to provide for the repayment of debt well in advance of it becoming due. This is illustrated in graph below.



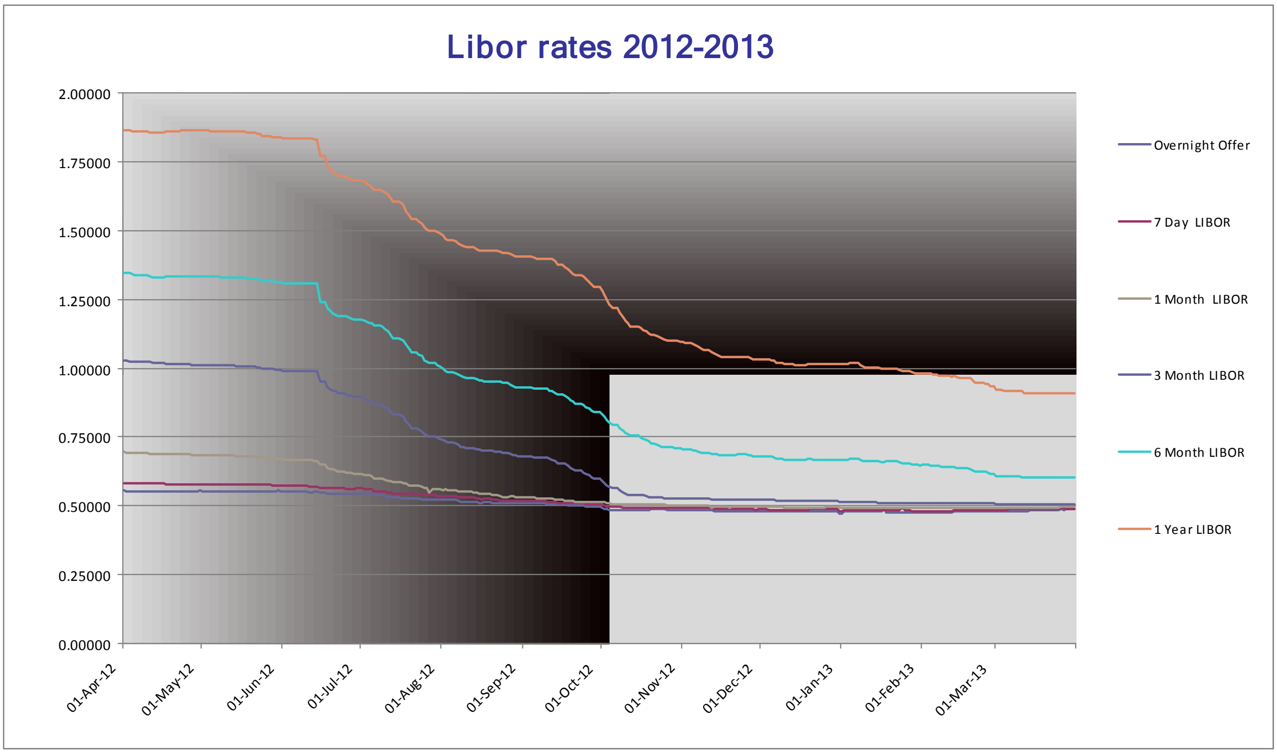
This means that it is necessary to invest the funds set aside for the repayment of debt with its attendant credit and interest rate risks (see sections 9 and 11). The City Council could reschedule its debt, but unless certain market conditions exist at the time, premium payments have to be made to lenders.

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper and lower limits for the maturity of borrowings in defined periods. The Council's performance against the limits set by the City Council is shown below.

	Under 1 Year	**1 to 2 Years**	**3 to 5 Years**	**6 to 10 Years**	**11 to 20 Years**	**21 to 30 Years**	**31 to 40 Years**	**41 to 50 Years**
Lower Limit	0%	0%	0%	0%	0%	0%	0%	0%
Upper Limit	6%	6%	18%	30%	60%	60%	60%	80%
Actual	4%	1%	3%	5%	9%	13%	11%	54%

8. INVESTMENT ACTIVITY

London inter bank lending rates in 2012/13 are shown in the graph below:



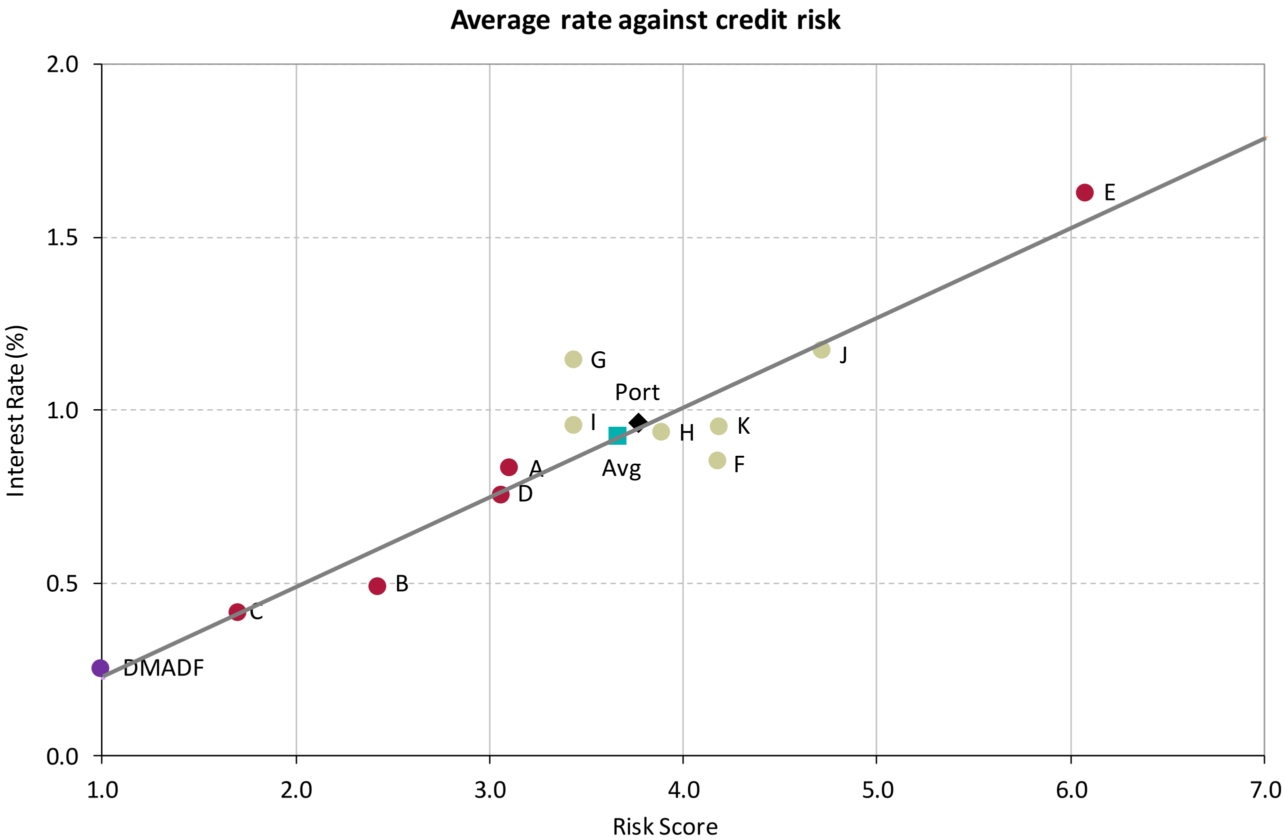
Bank base rate remained at 0.5% over the financial year and has remained unchanged since March 2009. While high demand and low supply of, cash had maintained rates at relatively high levels in comparison to bank base rate for much of this time, interest rates declined quickly from June 2012 after the Bank of England announced the Funding for Lending Scheme (FLS) and the Extended Collateral Term Repo (ECTR) facility. The FLS was designed to stimulate lending to individuals and companies by offering cheap funding to the banking sector. The influx of cheap Bank of England cash reduced banks' demand for cash from other sources and consequently placed downward pressure on market rates.

The City Council's overall returns on its investments fell as existing investments made prior to June 2012 matured and were replaced by new investments at the lower rates which were available at the time.

The average return on the Councils investments in 2012/13 was 0.96%.

In June 2012 Barclays Bank was downgraded by two of the three main credit rating agencies. The rating agencies expressed concerns about the concentration of risks in global investment banking and exposure to a weak operating environment, particularly in Spain and Italy, as well as in the UK together with the probability of government support reducing over the medium term. The rating agencies also expressed concerns following the resignation of Bob Diamond, the former Chief Executive, and the accompanying strategic uncertainty arising from this and other changes in management. The agencies believed that Barclays had been negatively affected by these changes along with revelations of poor business practices and weak compliance in relation to the setting of LIBOR rates. Consequently Barclays investment limit was reduced from £15m to £10m. At the time of the downgrade the Council had £15m invested with Barclays, £5m in excess of the revised investment limit. Barclays repaid the Council's deposits with interest on the due dates. At 31 March 2013 the Council had £8m invested with Barlcays.

The City Council's investment activities are benchmarked by Sterling Consultancy Services against 11 other councils. The graph below shows the councils' average rates of return against credit risk.



Portsmouth is broadly positioned in the center of the line, close to the group average. The combination of long term, high quality deposits and shorter-term lower quality investments helped the Council gain returns above some authorities that have accepted relatively higher risk.

9. SECURITY OF INVESTMENTS

The risk of default has been managed through limiting investments in any institution to a maximum £20m, setting investment limits for individual institutions that reflect their financial strength and spreading investments over countries and sectors.

The 2012/13 Treasury Management Policy approved by the City Council on 20 March 2012 and amended by the City Council on 3 December only permitted deposits to be placed with the Council's subsidiaries, namely MMD (Shipping Services) Ltd, the United Kingdom Government, other local authorities and banks that have the following minimum credit ratings:

Short Term Rating

F2 (or equivalent) from Fitch, Moody's (P-2) or Standard and Poor (A-2)

Long Term Rating

BBB (except for the Co-operative Bank who hold the Council's main current accounts) or equivalent from Fitch, Moody's or Standard & Poor

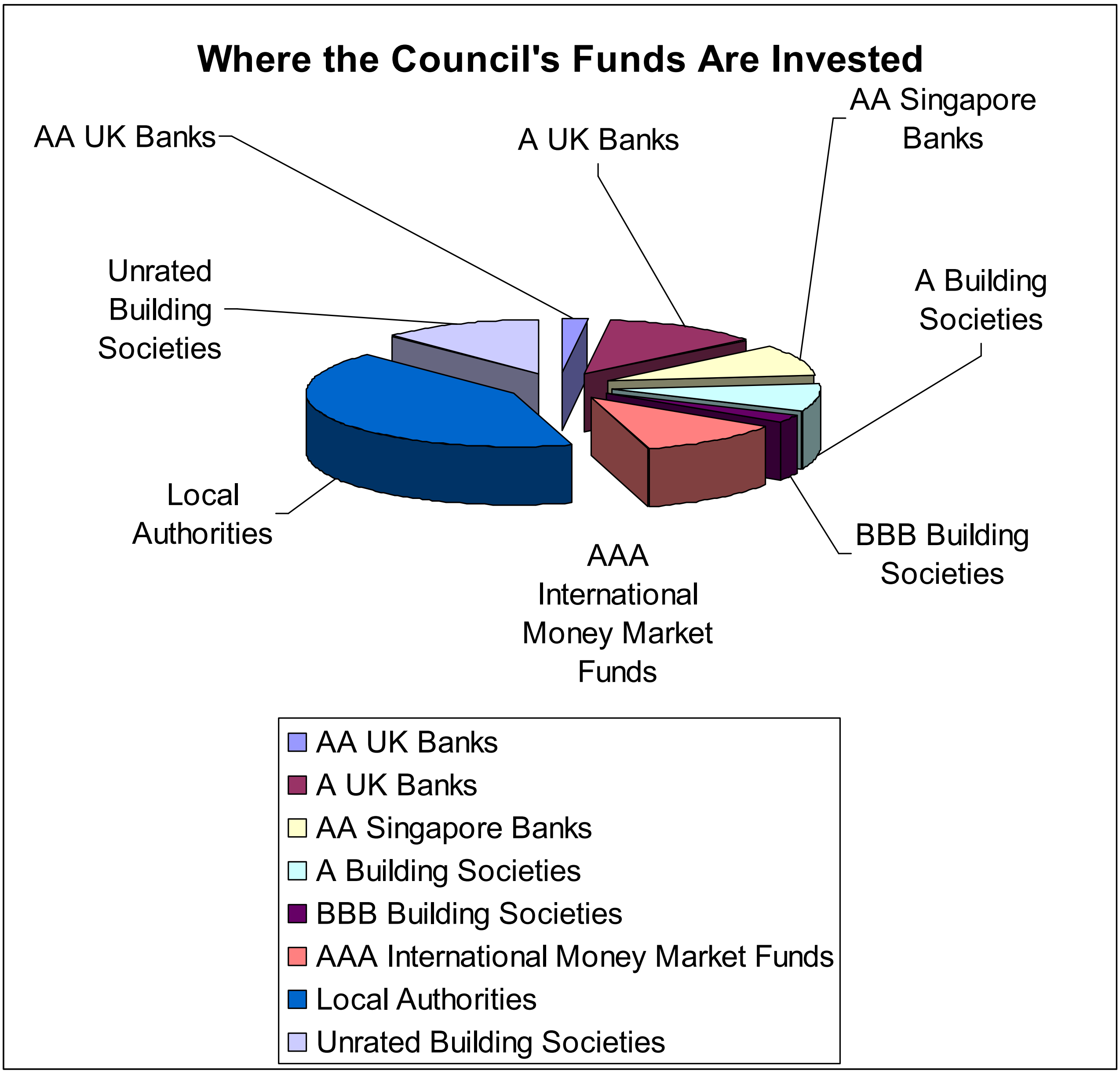
Individual / Financial Strength Rating

C from Fitch or Moody's (Standard & Poor do not provide these ratings)

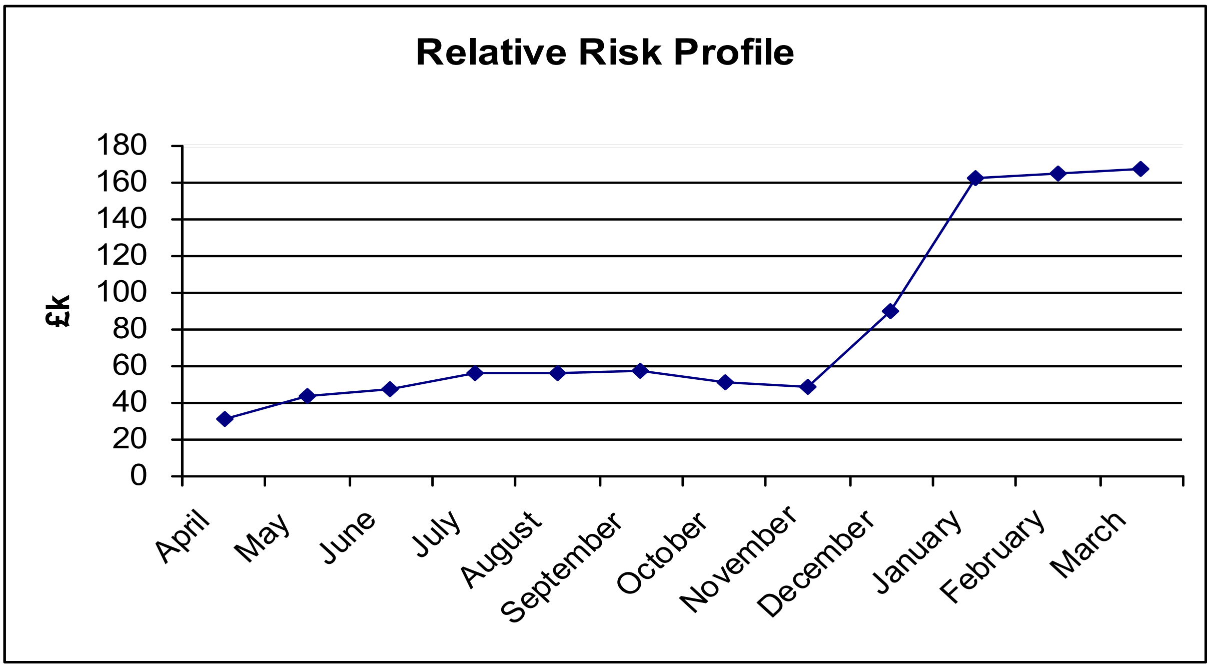
In addition on 3 December 2012 the City Council added nineteen unrated building societies and one building society with a single credit rating to the counter party list. These were drawn from the 36 largest building societies, but excluding those with especially large proportions of non-mortgage lending or wholesale funding, and those with particularly low levels of capital or liquidity, compared with the sector average.

At 31 March 2013 the City Council had on average £5.9m invested with each institution.

The chart below shows how the Council’s funds were invested at 31 March 2013.



The credit rating agencies publish default rates for each rating category. Multiplying these default rates by the amount invested in each credit rating category provides a measure of risk that can be used as a benchmark to determine whether the City Council's investment portfolio is becoming more or less risky over time as shown in the graph below.



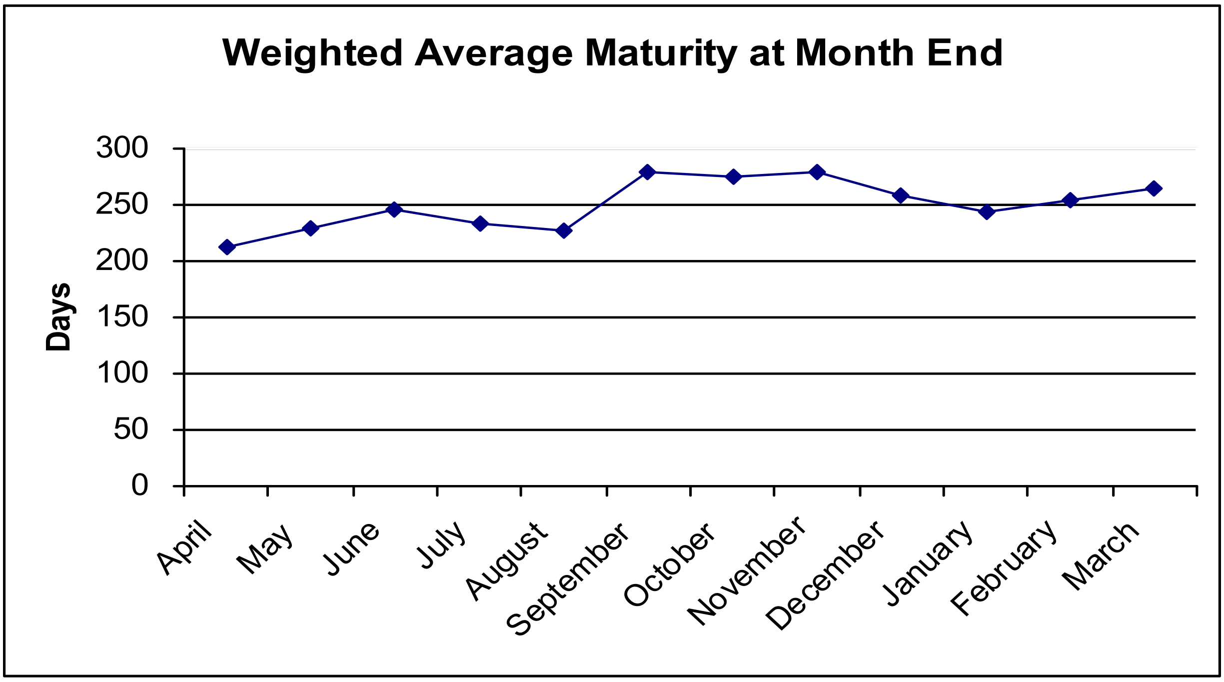
The City Council's investment portfolio became relatively more risky over the first quarter of 2012/13. This is largely due to much less use being made of AAA rated money market funds that pay relatively low levels of interest.

There was a sharp increase in the riskiness of the investment portfolio in December and January. This is due to investments in unrated building societies which were added to the list of approved investments in the Mid Year Review. For the purposes of calculating the risk profile of the portfolio unrated building societies are assumed to be equivalent to a BBB- credit rating.

The above graph should be read in relative terms. A default occurs when sums due are not paid on time. A default does not mean that the sum invested will be lost permanently.

10. LIQUIDITY OF INVESTMENTS

The weighted average maturity of the City Council's investment portfolio started at 212 days in April and increased to 265 days in March as funds were available to invest longer to get a higher return. This is shown in the graph below.



The 2012/13 Treasury Management Policy sought to maintain the liquidity of the portfolio, ie. the ability to liquidate investments to meet the Council's cash requirements, through maintaining at least £10m in instant access accounts. At 31st March 2013 £27.8m was invested in instant access accounts. Whilst short term investments provide liquidity and reduce the risk of default, under normal circumstances they do also leave the Council exposed to falling interest rates. However, with interest rates close to zero that risk is now negligible.

Under CIPFA's Treasury Management Code it is necessary to specify limits on the amount of long term investments, ie. Investments exceeding 364 days that have maturities beyond year end in order to ensure that sufficient money can be called back to meet the Council's cash flow requirements. The Council's performance against the limits set by the City Council on 11th December 2012 is shown below.

	Limit **(Not Exceeding)** £m	**Actual** £m
31/3/2013	150	100
31/3/2014	90	39
31/3/2015	80	19

11. INTEREST RATE RISK

This is the risk that interest rates will move in a way that is adverse to the City Council's position.

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes require local authorities to set upper limits for fixed interest rate exposures. Fixed interest rate borrowing exposes the Council to the risk that interest rates could fall and the Council will pay more interest than it need have done. Long term fixed interest rate investments expose the Council to the risk that interest rates could rise and the Council will receive less income than it could have received. However fixed interest rate exposures do avoid the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council is shown below.

	Limit **£m**	**Actual** **£m**
Maximum Projected Gross Borrowing – Fixed Rate	378	358
Minimum Projected Gross Investments – Fixed Rate	-	(100)
Fixed Interest Rate Exposure	378	258

The CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes also require local authorities to set upper limits for variable interest rate exposures. Variable interest rate borrowing exposes the Council to the risk that interest rates could rise and the Council's interest payments will increase. Short term variable interest rate investments expose the Council to the risk that interest rates could fall and the Council's investment income will fall. Variable interest rate exposures carry the risk of budget variances caused by interest rate movements. The Council's performance against the limits set by the City Council is shown below.

	Limit **£m**	**Actual** **£m**
Minimum Projected Gross Borrowing – Variable Rate	-	-
Maximum Projected Gross Investments – Variable Rate	(378)	(146)
Variable Interest Rate Exposure	(378)	(146)

12. REVENUE COSTS OF TREASURY MANAGEMENT ACTIVITIES IN 2012/13

Expenditure on treasury management activities against the revised budget is shown below.

Interest 2012/13

	Revised Estimate 2012/13 £	Actual 2012/13 £	Variance +/- £
PWLB – Maturity Loans	10,570,396	10,570,396	-
PWLB - E.I.P Loans	4,146,980	4,146,980	-
Other Long Term Loans	511,500	511,500	-
HCC Transferred Debt	509,291	511,255	1,964
Interest on Finance Lease	251,329	252,937	1,608
Interest on Service Concession Arrangements (including PFIs)	9,055,760	9,062,366	6,606
Interest Payable to External Organisations	7,694	8,097	403
Net Premiums on Early Redemption of Loans	115,184	115,184	-
	25,168,134	25,178,715	10,581
Deduct			
Investment Income	(3,591,565)	(4,095,355)	(503,790)
	21,576,569	**21,083,360**	**(493,209)**
Provision for Repayment of Debt	**11,488,842**	**11,490,083**	**1,241**
Debt Management Costs	**308,479**	**312,517**	**4,038**
	33,373,890	**32,885,960**	**(487,930)**

There is a favorable balance on investment income as cash balances were higher than forecast and the Council was able to obtain higher interest rates on its investments than had been anticipated.