

DERBYSHIRE COUNTY COUNCIL

CABINET

28 January 2014

Report of the Chief Executive and the Director of Finance

**REVENUE BUDGET 2014/15
(COUNCIL SERVICES)**

1 Purpose of the Report

To make proposals and obtain approval regarding the Revenue Budget 2014/15.

2 Information and Analysis

The proposals are within the context of currently known information including the reports for consideration at this meeting regarding the Council's reserves position, capital programme and recent consultation activity.

The report commences with an overview of the current 2013/14 budget position before explaining details of income and grant sources including Council Tax levels. It identifies the service pressures and budget cuts facing the Council, concluding with the reserves. Details of funding and income streams to the Council are set out in Appendix One.

(a) Budget 2013/14

Council received a revised budget report for 2013/14 at its meeting on 2 October 2013. The report highlighted the difficulties with balancing the budget and the reliance on savings made in previous years. Pressure on Adult Care budgets, in particular, was highlighted.

The forecast budget outturn for 2013/14 has changed over the past months as all departments actively look for further savings. The current budget monitoring forecast shows an expected overall departmental overspend of approximately £7m, which will be offset by underspends on the Risk Management budget, debt charges and use of previous years' underspends to give an overall underspend of £6m. This is reported in more detail in the budget monitoring report on this agenda.

The Council annually consults with Derbyshire care home providers regarding the level of fees paid to them. In 2011, representatives of the care homes expressed concerns at the level of fees paid by the Council and as a result a detailed review has taken place. The outcome will be reported to Cabinet for consideration in due course and could result in on-going costs to the Council which would be met from the Risk Management budget.

There will be commitments against departmental underspends resulting in a lower sum being transferred to the General Reserve, the detailed position will not be clear until the financial year end.

(b) Autumn Statement and Provisional Local Government Finance Settlement

On 5 December 2013, the Government announced details of the Autumn Statement which sets out the latest economic and fiscal forecasts for the UK economy. At the same time the Office for Budget Responsibility (OBR) published its economic and fiscal outlook, with its forecasts for the economy and public finances. The headlines were:

- Local Government will be exempt from the additional cuts to Whitehall departmental budgets of £1 billion in 2013/14 to 2015/16 to encourage local authorities to freeze Council Tax.
- Confirms that the New Homes Bonus, outside of London, will not be top-sliced into the Local Growth Fund in 2015/16 as previously proposed by Government.
- Local Government will have multi-year financial settlements on the same basis as Government departments.
- The business rates rise in 2014/15 will be capped at 2 per cent (it would otherwise have risen by 3.2% in line with the increase in the September 2013 Retail Prices Index).
- Local authorities can bid to use receipts from sales of capital assets to fund the revenue costs of service reform.
- New incentives to take on under 21 year olds through nil employer national insurance contributions.
- Revenue funding to be provided to fund free school meals for all infant school children from September 2014.

Details of the Provisional Local Government Finance Settlement 2014/15 were published on 18 December 2013. It marked the start of a four-week consultation period. The Council submitted its response to the consultation on 15 January 2014.

The Settlement confirms details of last summer's Technical Consultation, of a further 1% reduction in the local government control total and the local share of business rates as announced by Government in Budget 2013. It also confirms the following:

- Removal of the remaining £50m holdback for capitalisation (capitalisation is the scheme under which the Government allows local authorities to fund revenue expenditure from capital funding sources) and return of the balance to authorities in proportion to their 2013/14 Start Up Funding Assessment.
- Reduction of the holdback to fund the full New Homes Bonus for local authorities from £800m to £700m.
- Welfare Provision – the Government abolished the previous Community Care Grant and Crisis Loan schemes in March 2013 with responsibility for developing similar schemes transferring to local authorities in April 2013. Funding was allocated to local authorities for administration and programme costs. It has become clear since the Settlement was announced that funding from Government will cease at the end of March 2015. The Government has failed to consult with local authorities on this decision. The Council will cease to receive grant funding of approximately £1.8m and will have to find the costs of the scheme from within existing resources.

At the Autumn Statement, the Government announced that the small business rates multiplier would be capped at 2%, rather than set at the same level as the change in the September 2013 Retail Price Index (3.2%) as previously proposed. Under the Business Rates Retention Scheme, the Council's Business Rates Top-Up should increase by RPI as at the previous September. The Government has undertaken to compensate local authorities for any loss of business rates income as a result of the decision to cap business rates. This includes compensating top-up authorities for the fact that their top-up payments will be lower than they would have been had the multiplier not been capped. Therefore, the Council will receive a compensating amount of £1.067m which will be paid as a general grant.

The Comprehensive Spending Review 2013 (CSR2013) announced that the 2013/14 Council Tax Freeze Grant will be paid for an additional year along with the 2011/12 Freeze Grant. Like the 2011/12 Freeze Grant, the 2013/14 Freeze Grant has been rolled-in to the Revenue Support Grant total. Whilst the details of the Freeze Grant allocations for 2014/15 have been announced by the Government, the Council Tax referendum principles are still to be confirmed. The lack of a firm position from Government on the level of the referendum principles is disappointing and unhelpful and undermines the Council's ability to make informed decisions regarding the level of Council Tax in 2014/15. If the limits are not known by the date of the Council meeting then any decisions made could require change at a further Council meeting in February.

The Settlement provides details of funding available to local authorities including Revenue Support Grant, Business Rates and general grants. The introduction of the Business Rates Retention Scheme from April 2013 means that the three main sources of funding, known as the Settlement Funding Assessment (SFA), is made up of Revenue Support Grant, Business Rates Top-Up, both of which are received directly from Government, and Business Rates which are received directly from the district/borough councils. Details of the allocations are summarised below:

Settlement Funding Assessment

	2013/14	2014/15	Percentage
	£m	£m	Increase/ (Reduction)
Revenue Support Grant	148.218	126.196	(14.9%)
Business Rates Top-Up	82.527	84.135	1.9%
Business Rates	16.378	16.391	0.1%
	247.123	226.722	(8.3%)

The Provisional Settlement shows that there is a reduction in the Council's SFA of 8.3%, which compares with an average reduction of 8.7% for all county councils.

New Homes Bonus

The New Homes Bonus grant was introduced in April 2011. The scheme is aimed at rewarding local authorities where there is growth in new house building. The Government has confirmed that the additional allocation for 2014/15 is £0.410m, making a total allocation of £1.716m in 2014/15.

As in previous years, the Government has funded New Homes Bonus from £250m set aside and a further £700m which was top-sliced from Revenue Support Grant. The total amount due to be paid to local authorities in 2014/15 is £916m. Therefore, the residual amount of £34m is returned to authorities in proportion to their 2013/14 Start Up Funding Assessment. The Council will therefore receive a further £0.348m.

The allocation of New Homes Bonus favours those councils with lower-tier responsibilities - which the Council does not have. If the £700m top-slice was allocated as Revenue Support Grant rather than the New Homes Bonus the Council would be significantly better off by around £6m in 2014/15.

A summary of the General Grant and Local Services Support Grant allocations for 2014/15 are set out in the tables below.

General Grant

	2014/15	2013/14
	£m	£m
Education Services Grant	11.932	12.347
Social Fund Reform	1.828	1.855
Local Reform & Community Voices Grant	0.655	0.635
Community Rights to Challenge	0.009	0.009
Business Rates Capping	1.067	-
New Homes Bonus returned top-slice	0.348	0.843
Total	15.839	15.689

Local Services Support Grant

	2014/15	2013/14
	£m	£m
Lead Local Flood Authority	0.207	0.208
Extended Rights to Free Travel	0.971	1.313
Total	1.178	1.521

Private Finance Initiative (PFI)

This grant is to support expenditure incurred in meeting payments to contractors for the capital element of school building projects previously undertaken through PFI and similar funding arrangements which have resulted in payments over a 25 year period. The capital payments due on these schemes will end in three phases between 2029 and 2035. The Council's allocation for 2014/15 is £10.503m.

Safety Net Holdback

The rates retention system includes a safety net which protects local authorities from a reduction in their business rates income of more than 7.5% of their baseline funding level. To ensure that safety net payments are fully funded, the Government proposes to hold back a total of £120m. This funding would only be used if needed and any funding not used would be returned to authorities in-year in proportion to their 2013/14 Start-Up Funding Assessment. It will not be known until later in the financial year what the quantum of the unused holdback will be. Any returned allocation will be managed through the Risk Management budget in the first instance. It is difficult to estimate the level of funding that is expected to be returned to the Council, therefore a prudent approach has been taken and no estimated amount included in the budget.

Early Intervention Grant Top-Slice

In 2013/14, the Government announced that £150m, which had been top-sliced from the Early Intervention Grant, would be returned to local authorities as Adoption Reform Grant - the Council received a total allocation of £2.202m, of which £0.990m was ring-fenced. The Government has announced that there will be an extension of the Adoption Reform Grant in 2014/15 providing £50m support to local authorities. Details of individual allocations are still to be announced.

The Government has also announced that it will create a new Special Education Needs (SEN) Reform Grant in 2014/15 with councils expected to spend their share on putting in place the service infrastructure. Again, individual allocations are still to be announced. Although the Government has decided to provide funding in this manner, there will be costs of SEN reform and there will be continuing higher costs of adoption to meet the Government's aspirations for this which is why a service pressure for adoption has been identified; this is detailed later in the report.

Public Health

Public Health expenditure is funded from a ring-fenced grant. The budget is largely spent on drug and alcohol treatment services, sexual health services, health protection and promoting activities to tackle smoking, obesity and improve children's health. The grant allocation for 2014/15 is £35.651m, which is a 2.8% increase over 2013/14.

Better Care Fund

The Government has confirmed that the amount to be transferred from the NHS to local authorities to support social care and benefit health will be £1.1bn in 2014/15. This is made up of a £900m transfer already planned from the NHS to adult social care and a further £200m which will be transferred to enable authorities to prepare for the Better Care Fund. For 2014/15, there are no additional conditions attached to the £900m, but NHS England will only pay out the additional £200m to councils that have jointly agreed and signed-off two year plans for the Better Care Fund.

In 2013/14 the Council's allocation was £12.982m. Of this, £6.134m was used to maintain eligibility criteria, £1.391m was spent on early supported hospital discharge schemes, £1.301m on community equipment and adaptations and £1.060m on mental health services. The balance is being used to support preventative and social care services such as integration and falls recovery.

In 2014/15, the allocation will be £16.625m. The additional funding will help to prepare for implementation of the Better Care Fund in 2015/16 and for supporting the integration of care services. At the same time there remains a further opportunity to re-examine processes and systems, through lean process reviews, to maximise the new funding opportunities available.

Support for Care Leavers

The Government has announced that children in care will be able to stay with their foster families after they turn 18 years of age. There will be a new legal duty on local authorities to support every care leaver who wants to stay with their former foster parents until their 21st birthday. This duty will come into force from April 2014. The Government will allocate £40m to local authorities over the next three years to put support arrangements in place. Individual local authority allocations are still to be announced.

(c) Consultation

There is a separate report on the consultations undertaken for consideration at this meeting.

(d) Council Taxbase and Collection Fund

District and borough councils are required to provide details of their Council Taxbases, together with any surplus or deficit figures on their Collection Funds, to the Council. The Council Tax is calculated by dividing the Council's Council Tax requirement by the total Taxbase figures. Each of the borough/district councils uses a Collection Fund to manage the collection of Council Tax and to make an adjustment to reflect the actual collection rate of Council Tax in the previous year. Following the introduction of the Business Rates Retention Scheme in April 2013, the district/borough councils are now required to take account of both Council Tax and Business Rates collected in determining their surplus/deficits, whereas previously it had just been Council Tax collections.

The billing authorities have until 31 January, the statutory deadline, to confirm in writing their taxbase positions. Some districts/boroughs have yet to do so, although the figures shown below are not expected to change:

	Equivalent Band D Properties 2013/14	Equivalent Band D Properties 2014/15	Change %
Amber Valley	36,233.99	36,678.90	1.2%
Bolsover	19,379.56	19,848.70	2.4%
Chesterfield	27,153.97	27,463.85	1.1%
Derbyshire Dales	27,675.18	27,864.41	0.7%
Erewash	30,969.20	31,368.30	1.3%
High Peak	28,568.00	28,988.00	1.5%
North East Derbyshire	28,810.91	29,020.15	0.7%
South Derbyshire	29,359.00	29,723.00	1.2%
	228,149.81	230,955.31	1.2%

The additional Council Tax due as a result of the increase in Taxbase is £3.022m. This is calculated by multiplying the increase in the number of properties by the Council's Equivalent Band D Council Tax rate in 2013/14. Previous years have seen increases in the Taxbase of 0.48%, 0.65% and 0.56%. The Five Year Financial Plan assumed an increase of 0.3% on the basis of low housing growth as seen in recent years. There is a general consensus that there has been a higher than anticipated rise in housing growth and fewer properties with discounts; this could be an indicator that the local economy is improving.

The district and borough councils have been operating revised arrangements for Council Tax support to those on benefits and low levels of pay during 2013/14. This change resulted in higher payments being made by some Council Tax payers, although the impact was capped by Government through the use of a one-off transitional grant. In order to make up the shortfall in funding in 2014/15 caused by the loss of the transitional grant (worth £0.956m to the Council) district/borough councils can decide to either amend their local Council Tax Support Scheme or absorb the loss, after consultation with stakeholders as appropriate. All the district/borough councils have opted not to change their schemes further; this requires the Council to absorb its share of the lost grant within the budget proposals for 2014/15. As the schemes are not being changed there is no requirement for a formal consultation. The Council had assumed this scenario within its financial planning.

The collection fund surpluses/deficits are shown below. In 2014/15 six of the eight districts have registered a surplus.

	2013/14	2014/15
	£	£
Amber Valley	152,318	711,001
Bolsover	0	0
Chesterfield	(83,159)	172,233
Derbyshire Dales	(46,679)	(37,257)
Erewash	89,256	256,785
High Peak	229,520	317,880
North East Derbyshire	314,154	127,037
South Derbyshire	0	126,000
	<u>655,410</u>	<u>1,673,679</u>

The reason for the surplus is partly due to an over estimate of the level of non-collection arising from the introduction of localised Council Tax Support Scheme.

The district/borough councils have until 31 January to notify precepting authorities of the final Collection Fund and Business Rates estimates. Any changes to the figures shown above will be managed through the Risk Management budget.

(e) Council Tax

The CSR2013 announced details of the Government's intention to make funding available to help councils freeze their Council Tax in 2014/15. The Grant available will be equivalent to a 1% increase in the 2013/14 Council Tax income and will be paid in both 2014/15 and 2015/16. The Government confirmed in CSR2013 that the previous freeze grants received for 2011/12 and 2013/14 will be paid until the end of the current Spending Review Period in 2015/16.

The indicative grant allocation for 2014/15, if the Council opted for a zero per cent increase, would be £2.828m. The Government has calculated the increase based on local authorities' Taxbase position prior to the introduction of Council Tax Benefit Localisation, rather than the current Taxbase used in calculating the level of Council Tax income. If the Council were to accept the Government's offer, the total amount received from Government for Freeze Grants, including previous offers, would be £12.570m. At the time of CSR 2013, Government stated that it would only pay this funding up until 2015/16. After this time, the Council could, potentially lose all of this base funding. However, following the publication of the Provisional Settlement in December, the Government have indicated that the Council Tax Freeze funding may be retained after 2015/16, but this is unlikely to be confirmed until after the next General Election. In developing the Five Year Financial Plan, the Council has taken a prudent approach and assumed that the funding will cease after 2015/16.

If the Council were to increase Council Tax by 2%, which is the level in the current Five Year Financial Plan, the additional income raised would be £4.963m and would continue to be received in future years.

As part of the consultation activity which has been undertaken, residents were asked whether they would prefer the Council to set a 0% increase in Council Tax or a rise in the range 1% - 5%, having considered the funding options outlined above. Of those residents who responded, 58% opted for an increase of 2% or more. Further details are available in the separate report on consultation activity which is for consideration at this meeting.

It is proposed that the increase in the level of Council Tax is 1.99%. The effect of this is shown in the table below:

Band	2013/14 £	2014/15 £	Increase £	Number of Properties
A	718.15	732.47	14.32	127,866
B	837.84	854.55	16.71	76,047
C	957.53	976.63	19.10	56,494
D	1,077.22	1,098.71	21.49	37,224
E	1,316.60	1,342.87	26.27	22,204
F	1,555.98	1,587.02	31.04	11,164
G	1,795.37	1,831.18	35.81	6,667
H	2,154.44	2,197.42	42.98	493
				<u>338,159</u>

The resulting precept is derived by multiplying the district/borough's Taxbase by the 2014/15 Band D rate, and adjusting for the surplus or deficit. This is summarised in the table below:

	Amount Collected £	Collect Fund Surplus (Deficits) £	Amount Actually Due £
Amber Valley	40,299,459	711,001	41,010,460
Bolsover	21,807,958	0	21,807,958
Chesterfield	30,174,796	172,233	30,347,029
Derbyshire Dales	30,614,895	(37,257)	30,577,638
Erewash	34,464,653	256,785	34,721,438
High Peak	31,849,395	317,880	32,167,275
North East Derbyshire	31,884,718	127,037	32,011,755
South Derbyshire	32,656,946	126,000	32,782,946
	<u>253,752,822</u>	<u>1,673,679</u>	<u>255,426,501</u>

However, whilst the last official communication from Government indicated a maximum 2% increase in Council Tax before a referendum is required, there have been indications that a lower threshold may be set. A verbal update will be provided at the meeting if any additional information is known. As a guide the following amounts would be raised in 2014/15 at different levels of Council Tax increase:

Council Tax Increase	Additional Income
%	£m
0.0	*2.828
1.0	2.482
1.5	3.722
2.0	4.963

*Based on the Taxbase prior to adjustment for Local Council Tax Benefit. The additional income arising from a Council Tax rise of 0.0% reflects the receipt of Council Tax Freeze Grant.

(f) Pay and Price Inflation

The impact of inflation is estimated at £5.032m. This is nearly £2m less than estimated in the Five Year Financial Plan and reflects achievement of procurement savings across the Council. It is proposed that price inflation will only be allocated to departments for utilities expenditure i.e. gas, electric, water and business rates. Departments will absorb the cost of other inflationary pressures from within existing budgets; particular departmental exceptions are for inflationary increases in residential care fees, insurance and teachers' pensions. The total estimated cost of allocated inflation is therefore £2.692m, with the reduction from the calculated requirement shown as a cut against the relevant departmental spend. A further £0.393m has been allocated to departments to reflect the Living Wage increases. Finally, inflation has been included against departmental income budgets and this has reduced the cost of inflation by £1.814m. This is summarised in the table below:

	£m
Allocated inflation	2.692
Living Wage	0.393
Income inflation	(1.814)
	<u>1.271</u>

The budget reflects an estimated 1% pay award of £2.343m, excluding those on Chief Officer terms and conditions. This assumes that any pay award will follow the Government's public sector pay restraint of 1%. It is not proposed to allocate this sum to departmental budgets until the award has been confirmed; it will be held in the Contingency Budget pending a final decision on the pay award for 2014/15.

Living Wage

The Council has made a commitment to introduce the Living Wage (as calculated on behalf of the Living Wage Foundation) for employees. Details of how this would be implemented in the form of a Living Wage allowance was reported to Cabinet on 21 January 2014. The Living Wage is currently £7.65 per hour and was last increased on 4 November 2013 from £7.45, £7.65 is equivalent to Derbyshire pay point 9 in grade 4. Any pay award in 2014/15 for Local Government Service Employees will reduce the Living Wage allowance to ensure that they continue to be paid the Living Wage of £7.45 from 1 April 2014. The cost of introducing Living Wage from 1 April 2014 has been estimated at £1.3m for Council and Traded Services employees of which £0.393m will be funded from the Council's net budget, the remainder through charges for services provided.

The Living Wage will be paid to all eligible Council employees, including those on relief contracts.

(g) Contingency

It is proposed to set aside £0.880m to support an increase in foster care payments, special guardianship allowances and safeguarding costs.

Foster Care Allowances

It is proposed to increase foster carer payments rates by 3.2% in line with RPI to ensure that the Council's strategy of recruiting and retaining additional carers continues, thereby minimising the costs of more expensive externally provided placements.

Safeguarding

A sum will be set aside in the event that the Council has to pay additional costs in providing services for looked after or vulnerable children.

Special Guardianship Allowances

The number of Special Guardianship allowances has increased steadily in the last 18 months. If the increase continues on the same trajectory, the additional cost will be £0.490m. Cabinet, on 10 September 2013, agreed to consult on a proposed new policy and procedures in relation to the payment of allowances to Residence and Special Guardianship Holders. The outcomes of the consultation will be reported to Cabinet in due course.

Pension Fund Contribution

The actuarial review of the Pension Fund at 31 March 2013 recommended an increase in the amount of employer contributions payable to the Pension Fund. The sum set aside reflects the estimated cost of the increase in contributions, however this will not be confirmed until February 2014.

The above items including the proposed Pay Award will be held in the Contingency Budget, which is used to hold sums for which there is some uncertainty. The proposals identified as part of the 2014/15 budget process are:

	£m
Pay Award	2.343
Foster Care Allowances	0.160
Safeguarding	0.230
Special Guardianship Allowances	0.490
Pension Fund Contribution	2.700
	<u>5.923</u>

(h) Budget Reduction Targets

The Revised Budget Report 2013/14, approved by Council on 2 October 2013, included the revised Five Year Financial Plan projections which showed that budget reductions of £157m were required over the five year period 2013/14 to 2017/18. The Council is looking at a number of options in order to achieve this level of reduction. However, the decision not to allocate general inflationary increases to departments and the additional income from increases in the Council Taxbase mean that the level of departmental savings required in 2014/15 is lower than that envisaged when the plan was set, although overall impacts on real spending levels is in line with Five Year Financial Plan forecasts.

Details of the proposed budget reductions, subject to consultation where necessary, are shown at Appendix Two. These figures represent the expected reduction that can be achieved in year and not necessarily the full saving associated with each proposed cut. This means that the proposals in Appendix Two will help to achieve the much larger savings required in 2015/16.

(i) Derbyshire Challenge

The Derbyshire Challenge explores new ways of delivering services to mitigate against the impact of significantly reduced budgets. The Council is currently undertaking a priority based budgeting exercise, as it has made a commitment to re-balance spending towards need. The outcomes of this exercise will be used to inform the identification and implementation of cuts. The re-allocation will take place over the period of the current Five Year Financial Plan. To build on previous allocations and reflect the reduction in inflation compared to Five Year Financial Plan targets, a £2m one-off allocation into the Derbyshire Challenge Fund has been made, to be used on an invest to save basis.

(j) Service Pressures

A number of service pressures have been identified by departments as part of the development of the Five Year Financial Plan. Details of pressures identified for 2014/15 are set out below:

	On-going £m	One-off £m
Adult Care		
Demographics		
Increases in demographic growth, number of disabled adults and cases of early onset of dementia	5.400	0.000
Children and Younger Adults		
Safeguarding		
Costs of adoption have increased during 2013/14. The increase has been funded by the Adoption Reform Grant	0.000	0.440
Increase in aftercare placements	0.150	0.000
Increase in disability grants	0.150	0.000
SEN Home to School Transport		
Increases in the number of new students; inability to double up on existing contracts; high costs students with complex needs	0.000	0.650
Home to School Transport	0.000	0.440
Contractually committed increase in annual payments to providers		
Economy, Transport and Environment		
Landfill Tax		
Increase in Landfill Tax by £8 per tonne from April 2014.	1.790	0.000
Bus contracts		
Cost of inflation increase to be maintained for local bus contracts.	0.000	0.115
Debt Charges	0.600	0.000
Derbyshire Challenge Fund	0.000	2.000
	8.090	3.645

The report has previously referred to increases in specific grants for Adult Care, which will help to develop and protect the service, and Public

Health, which will integrate service spend alongside both Adult Care and Children and Younger Adults Departments.

The pressure for debt charges above reflects the increased costs relating to Extra Care Housing, the Council's strategy for developing purpose-built accommodation with care and support for older and vulnerable people.

As part of the development of the Council's commitment to change the way it manages its approach to delivering services there is a potential for a delegation of powers to Local Area Committees. Whilst this will not result in a budget pressure, it may result in some budgets being allocated to those committees to spend.

(k) Risk Management Budget

The Council has maintained a Risk Management Budget for a number of years, the purpose of which is to provide a base budget from which the Council can help manage some of the longer term risks and pressures, alongside the resources available in the General Reserve. Any unused balance on the Risk Management Budget is contributed to the General Reserve at the year end. At present the review of Adult Care Residential Care Fees is the only known call on this budget.

(l) Statutory Requirements of the Local Government Act 2003

There is a duty placed on the Director of Finance, as the Council's statutory Chief Financial Officer, to report to the Council when it is making its statutory calculations required to determine its precept. The Council is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides (guidance on local authority accounting suggests this should include both the General Reserve and Earmarked Reserves). The former Office of the Deputy Prime Minister (ODPM) advised that the professional advice of the Chief Finance Officer is required on these two questions, and that they are connected with matters of risk and uncertainty.

On the matter of robustness of estimates, there has been no change to the fundamental methods used in the preparation of the budget which ensure that many professional officers are involved in a process which takes into account and evaluates all known facts. There continues to be great emphasis on assessing and evaluating all known changes, including pay and price levels, statutory changes and demands for service. None of these matters are omitted from advice to Members. The process is underpinned by the Council's integrated Risk Management Strategy, Service Improvement and Improvement and Scrutiny deliberations. In particular, emphasis is placed on the ability to maintain and develop services through a five year forward financial planning process.

The Council's Audit Committee receives reports at each meeting detailing the strategic risks facing the Council along with mitigation in place to ensure they are manageable. This provides a significant overview of the Council's potential liabilities and is supported by a rigorous set of processes across the organisation.

An important link to the adequacy of reserves is the cash limit policy adopted some years ago. The approved Budget is expressed as cash limits. These should not be exceeded and where services have what are called "demand-led" issues, these are to be resolved within cash limits. Budgets will continue to be subject to regular monitoring and reporting to both budget holders and Members.

The Council's Five Year Financial Plan has identified the need for significant savings in the medium term. The achievement of these savings is critical in ensuring that the Council balances its budget.

The Council has in place a Reserves Policy which sets out the framework within which decisions will be made regarding the level of reserves. In line with this framework the balance and level of reserves are regularly monitored to ensure they reflect a level adequate to manage the risks of the Council. This covers both the General Reserve and Earmarked Reserves. Details of the latest review are in a separate report for consideration at this meeting.

The level of General Reserves available over the next few years is largely dependent on the achievement of the annual budget reductions target. There are pressures on demand led services such as the ageing population, which will also have an impact on the balance if departments overspend. Details of the General Reserves projection are shown in Appendix Three. The level of General Reserves is estimated to be between £28m - £33m over the medium term.

In order to achieve a balanced budget over the medium term the Council is reliant on the achievement of a programme of budget reductions. Progress against the budget reduction targets will be closely monitored, however, lead-in times for consultation activity, and increased demand on services such as Adult Care demographics mean that there is a continued risk of not achieving a balanced budget. Whilst the latest budget monitoring report for 2013/14 shows an overall Council underspend of £6m, there are likely to be commitments against it and there are significant base budget issues that need to be managed.

There is risk and uncertainty about the achievement of reductions; this has been mitigated by the consideration of cuts at the Council meeting on 2 October 2013 that both extended beyond 2015/16 and realistically profiled the achievement of reductions. However, there is still a risk of delay in implementation or indeed an inability to progress a particular reduction for a variety of reasons. Delay can be relatively straight forward to quantify and in global terms can be illustrated by noting that, for instance, an average one month's delay across all the reductions identified would require the use of around £2.5m of General Reserve; costs of this nature are manageable within the context of the resources available. The non-achievement of an indicated reduction is less manageable and as a consequence Strategic Directors have been made aware of the need to bring forward alternate savings, to at least an equal value, should this scenario occur. In-year monitoring of the achievement of budget reductions will be undertaken and any issues reported to the Chief Executive and Director of Finance.

Earmarked Reserves are not generally available to the Council for use in its budget and Council Tax setting process. They are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. These reserves have no specific limit set on them but they should be reasonable for the purpose held and it must be agreed that they are used for the item for which they have been set aside. The level of Earmarked Reserves is reviewed at least annually. Details of the last review are in a separate report for consideration at this meeting. Any reserves no longer required will be returned to General Reserves.

The Council's Five Year Financial Plan will be rolled forward in detail to reflect the period 2014/15 to 2018/19 and reported to Cabinet later in 2014. A brief summary of the forward projection is included later in this report.

The external auditor makes a judgement on the financial stability of the Council each year when the accounts are audited. The judgement continues to be positive subject to the continuing achievement of budget reductions and the maintenance of a robust, risk assessed level of reserves. At the Audit Committee on 14 January 2014 the Council's external auditor presented their report on challenges facing the Council that could affect the opinion they would offer on the accounts for the forthcoming year and whether the Council offered value for money; the significant challenge raised related to the need to achieve cuts of the right magnitude over the coming years.

(m) Five Year Financial Plan

The Council's Five Year Financial Plan is reviewed and updated each year as part of the annual budget process. The current Plan was updated and reported to Cabinet in October and covers the five year period 2013/14 to 2017/18.

The financial year 2014/15 is the second year of the five year period which identified savings of £157m. At the end of the second year, savings of £62m will have been made. Whilst the reduction targets for 2015/16 remain challenging, measures are in place to address the level of reductions required in that year. The assumptions identified in the Plan published in October have not changed. The indications are that for 2018/19, the level of budget reductions required will be approximately £20m. The Five Year Financial Plan will be subject of further reports to Cabinet early in the new financial year.

There are a number of future pressures which Members need to have regard to when making decisions on the budget, it is prudent that Members understand these pressures and at the same time recognise how the Council's financial position needs to retain a degree of flexibility in order to meet these challenges and any others that might arise in year.

The required flexibility can be achieved through a combination of the unallocated base monies in the Risk Management Budgets and one-off funding from the General Reserve.

The major pressures are:

i) Care Home Fees

The Council has for some time been in correspondence with representatives of Derbyshire care homes owners who are questioning the level and calculation of fees the Council pays for residential care. The issue rests on the actual costs incurred by care home owners in comparison to the fees paid by the Council. The Council has undertaken some work to establish the costs of running a care home at a local level and is working with the care home providers in determining appropriate fee levels.

ii) Waste Disposal

It was announced in the Budget 2010 that the rate of landfill tax would increase by £8 per tonne each year from 1 April 2011 until at least 2014. There will be a 'floor' preventing the rate from falling below £80 per tonne from 2014/15 to 2019/20. Following 2014/15 it is envisaged that the rate will not drop below this figure and will be subject to inflation rate increases to ensure that nationally the Council meets its European Union targets.

The Council has spent a number of years, in partnership with Derby City Council, attempting to deliver a waste treatment facility to divert residual municipal waste from landfill. In 2009 a long-term contract was awarded to Resource Recovery Solutions (Derbyshire) Ltd (RRS), commencing in 2010 for a period of 27 years.

The original programme was for this facility to be operational in July 2012. The Council has been working with Derby City Council and RRS on the development of a revised project plan following the failure to secure planning permission.

Following a successful outcome to the second planning inquiry, planning permission was effectively received in September 2012. This decision was challenged by objectors in the High Court in March 2013 and the Appeal Court in October 2013, with both challenges being dismissed. This legal process has further delayed the project with financial close now programmed for June 2014 and commencement of operations in April 2017.

iii) Equal Pay

The Claimants 'Schedule of Inequality' is due to be sent to the Council at the end of January 2014 following receipt of which the Council should be in a position to better assess its potential liabilities and determine whether it would be appropriate to settle or continue to defend existing equal pay tribunal claims.

iv) Achievement of Budget Reduction Targets

Following last year's Comprehensive Spending Review, when the Government announced details of further cuts to local authority funding, The Council's revised Five Year Financial Plan estimated that budget reductions of £157m are required over the five year period 2013/14 to 2017/18. In response, the Council has identified a range of measures that will be implemented over this period to address the level of required reductions. This is a challenging position for the Council and will require a continued focus over the foreseeable future.

The Government has provided indicative grant allocations for 2015/16 but beyond this period, the grant allocations shown are only estimates as the details will not be confirmed until after the next General Election.

3 Legal & Human Rights Considerations

The Council's Constitution contains Budget and Policy Framework Procedure Rules which must be followed when the Council sets its budget. Cabinet must propose a budget by early February to allow the Council, should it so wish, to raise objections and refer the budget proposals back to Cabinet for further consideration, allowing time to finalise the precepts before 1st March.

When setting the budget, the Council must be mindful of the potential impact on service users. In particular, Section 149 of the Equality Act 2010 imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation). The consultation exercises which have been undertaken in the preparation of the 2014/15 budget, referred to in the previous report, are relevant in this respect as is the Community Impact Assessment exercise referred to in this report. Once the budget has been set and as policies are developed within the constraints of the budgetary framework, proposals will be further considered by Members and will be subject to an appropriate and proportionate assessment of any equality implications.

4 Equality of Opportunity Considerations

A Community Impact Assessment has been undertaken by the Council to make an initial assessment of the potential impact of each of the proposed budget cuts for 2014/15. The assessment is based upon information highlighted in departmental business cases and provides an overview of groups and places where budget cuts proposals may have a negative impact, including those where the cumulative effect might be greatest. The Assessment provides the foundations for the necessary programme of detailed Equality Impact Assessments as well as highlighting those groups which may need to be consulted on proposals as they emerge.

5 Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

6 Background Papers

Provisional Local Government Finance Settlement 2014/15 - Department for Communities and Local Government

Autumn Statement 2013 – HM Treasury

Papers held in Technical Section, Room 208, County Hall

7 OFFICERS' RECOMMENDATIONS

That Cabinet recommends to Council that it:

- (i) Notes the details of the Autumn Statement and Provisional Local Government Finance Settlement as outlined in section (b).
- (ii) Notes the details of the budget consultation activity as outlined in the report for consideration at this meeting.
- (iii) Notes the Government's expectations about Council Tax levels for 2014/15 in section (e).
- (iv) Approves the precepts as outlined in section (e).
- (v) Approves that billing authorities are informed of Council Tax levels arising from the budget proposals as outlined in section (e).

- (vi) Approves the contingency to cover pay and non-standard inflation as outlined in sections (f) and (g). The contingency to be allocated by the Director of Finance and the Chief Executive once the pay award and non-standard inflation have been agreed.
- (vii) Approves the level and allocation of budget reductions as outlined in section (h).
- (viii) Approves the priority growth items identified in section (j).
- (ix) Approves the Council Tax requirement of £255.427m which is calculated as follows:

	£
Budget Before Pressures and Budget Reductions	530,760,785
Plus Service Pressures - on-going	8,090,000
Plus Service Pressures - one-off	1,645,000
Less Budget Reductions	(29,885,000)
Contribution to Risk Management Budget	2,419,215
Plus Derbyshire Challenge Fund	2,000,000
Net Budget Requirement	515,030,000
Less Top-Up	(84,135,050)
Less Business Rates	(16,391,263)
Less Revenue Support Grant	(126,195,724)
Less New Homes Bonus	(1,715,624)
Less Local Services Support Grant	(1,178,462)
Less General Grant	(15,838,543)
Less PFI Grant	(10,503,833)
Less Use of General Reserve	(3,645,000)
Balance to be met from Council Tax	255,426,501

- (x) Approves that the Director of Finance allocates cash limits amongst Cabinet portfolios; Strategic Directors will then report to Cabinet on the revised service plans for 2014/15.
- (xi) Notes the Director of Finance's comments about the robustness of the estimates and adequacy of the reserves as outlined in section (l).

IAN STEPHENSON
Chief Executive

PETER HANDFORD
Director of Finance

20 January 2014

APPENDIX ONE

BUDGET 2014/15

<u>Service</u>	Base Budget £	Grant Changes £	Adjusted Base 2013/14 £	Allocated Pay and Price Inflation £	Base Plus Inflation £	Ongoing Pressures £	Budget Reductions £	Base Budget Ongoing £	One off Pressures £	Budget 2014-15 £
Adult Care	206,753,707	0	206,753,707	701,733	207,455,439	5,400,000	(11,945,000)	200,910,439	0	200,910,439
Children & Younger Adults	130,200,306	0	130,200,306	203,852	130,404,158	300,000	(6,033,000)	124,671,158	1,530,000	126,201,158
Economy, Transport and Environment	94,402,947	0	94,402,947	178,691	94,581,638	1,790,000	(7,339,000)	89,032,638	115,000	89,147,638
Health and Communities	14,591,143	0	14,591,143	(0)	14,591,143	0	(1,288,000)	13,303,143	0	13,303,143
CRD	41,606,792	0	41,606,792	76,348	41,683,140	0	(2,500,000)	39,183,140	0	39,183,140
Corporate	12,468,237	0	12,468,237	110,005	12,578,242	0	(780,000)	11,798,242	0	11,798,242
Service Totals	500,023,131	0	500,023,131	1,270,629	501,293,759	7,490,000	(29,885,000)	478,898,759	1,645,000	480,543,759
Plus Contingency	0	0	0	5,922,770	5,922,770	0	0	5,922,770	0	5,922,770
Plus External Debt Charges	56,203,882	0	56,203,882	0	56,203,882	600,000	0	56,803,882	0	56,803,882
Derbyshire Challenge Fund	0	0	0	0	0	0	0	0	2,000,000	2,000,000
Plus Risk Management Budget	4,372,811	0	4,372,811	0	4,372,811	2,419,215	0	6,792,026	0	6,792,026
Less Capital Charges	(33,087,437)	0	(33,087,437)	0	(33,087,437)	0	0	(33,087,437)	0	(33,087,437)
Less Interest Receipts	(3,945,000)	0	(3,945,000)	0	(3,945,000)	0	0	(3,945,000)	0	(3,945,000)
Net Budget Requirement	523,567,386	0	523,567,386	7,193,399	530,760,785	10,509,215	(29,885,000)	511,385,000	3,645,000	515,030,000
Funded by: -										
Council Tax	246,423,055	9,003,446	255,426,501	0	255,426,501	0	0	255,426,501	0	255,426,501
Council Tax Grant 2013/14	1,012,039	(1,012,039)	0	0	0	0	0	0	0	0
Top Up	82,527,374	1,607,676	84,135,050	0	84,135,050	0	0	84,135,050	0	84,135,050
National Non-Domestic Rates	16,378,106	13,157	16,391,263	0	16,391,263	0	0	16,391,263	0	16,391,263
Revenue Support Grant	148,218,071	(22,022,347)	126,195,724	0	126,195,724	0	0	126,195,724	0	126,195,724
New Homes Bonus	1,305,841	409,783	1,715,624	0	1,715,624	0	0	1,715,624	0	1,715,624
Local Lead Flood (LSSG)	1,520,062	(341,600)	1,178,462	0	1,178,462	0	0	1,178,462	0	1,178,462
General Grant	15,679,005	159,538	15,838,543	0	15,838,543	0	0	15,838,543	0	15,838,543
PFI Grant	10,503,833	0	10,503,833	0	10,503,833	0	0	10,503,833	0	10,503,833
Use of General Reserve	0	0	0	0	0	0	0	0	3,645,000	3,645,000
	523,567,386	(12,182,386)	511,385,000	0	511,385,000	0	0	511,385,000	3,645,000	515,030,000

PROPOSED BUDGET REDUCTIONS 2014/15

Adult Care Title	£
Reducing the amount spent on consumables, for example professional fees, room hire, equipment maintenance, rents, printing and stationery, fixtures and fittings and mileage	150,000
Recommissioning of day care services – reducing the number of buildings we use for day care and providing meals in a different way, for example having frozen meals provided that can be re-heated, rather than meals being prepared and cooked in on-site kitchens. This will run alongside changes to staff structures resulting in less managers (full year saving of £530,000)	250,000
Reduction in training provision – less staff training and a reduction of staff including at management level, in the in-house training team (full year saving £700,000)	350,000
Continuing the previously agreed reduction in the number of people receiving our subsidised frozen meals and laundry services	100,000
Introducing a new Adult Care Transport Policy to ensure transport to day care services is provided in a fair and equal way across the county and ensuring we provide transport in the most cost-effective way. The introduction of a flat rate charge of £5 is also being proposed - saving - £250,000 (full year saving £1 million)	250,000
Increasing the level at which adults qualify for council care (eligibility threshold), from a 'higher moderate' level of need to a 'substantial' level of need. Only those people who are assessed as having a 'substantial' need in the future would qualify to receive council care – saving £2.25 million (full year saving £4.5 million)	2,250,000
Increased client's co-funding contributions – increasing the amount people will pay for council care from 50% of their Attendance Allowance/Disability Living Allowance to either 60%, 75% or 90% and removing all funding support to people with capital over £50,000 (not including their main home) – saving £2.75 million (full year saving of £5.5 million if the contribution is set at 75%)	2,750,000

PROPOSED BUDGET REDUCTIONS 2014/15

Transfer the funding for a number of community and voluntary groups to Public Health	675,000
Reducing the funding of housing-related support services over two years. Housing-related support services help vulnerable people to set up and maintain a home where they can live safely and well. Support services include helping people manage finances, pay bills, better manage their health including any drug or alcohol addictions, keep safe and develop links with the community (saving in total over two years - £9 million)	962,000
Review of block contracts – contracts to providers of day services will be reviewed as there is less demand on them due to people choosing to spend their person budgets in different ways – saving £725,000 (full year saving £1.725 million)	725,000
Review of specialist support teams and reducing the number of staff in these teams – saving £45,000 (full year saving £367,000)	45,000
Changing the management structure in Adult Care's direct care services, which provide day, home and residential care, reducing the number of managers – saving £438,000 (full year saving £738,000)	438,000
Reducing the overall funding available for personal budgets that people use to buy their care and support – saving £3 million (full year saving £11 million)	3,000,000
TOTAL	<u>11,945,000</u>

PROPOSED BUDGET REDUCTIONS 2014/15

Children and Younger Adults

Title	£
Reviewing and reducing back office/business services costs by restructuring management and staffing.	1,900,000
Reducing the costs of safeguarding, from savings made from lower numbers of children coming into care, finding better and more cost effective homes for children in care with our own foster carers instead of expensive – and often less appropriate – agency care providers	850,000
Savings made from posts being removed under staffing restructures and the use of the Dedicated Schools Grant to pay for some types of work the Council does for schools	26,000
Savings in the costs of staff travel expenses as a result of fewer staff, alternative options being used such as fewer meetings, increased car sharing for meetings/visits, or staff being located closer to clients	125,000
Reductions in the management information service, which records and monitors work across children's services. Essential information required by law by the Department for Education and other statutory agencies will continue but other non-essential tracking may be reviewed. Schools will also be charged for some information services which were previously free, with a future consultation to decide which these might be	325,000
Consultants working with schools, who are provided by the authority to offer support in areas such as teaching and learning, curriculum and health, will be partially funded by contributions from schools' budgets for 2014/15, with a further review planned to see what steps need to be taken long term	825,000
Increased income from trading careers support to schools (which schools nationally became responsible for providing in 2012 – although Derbyshire County Council continued funding for our schools until last September), and/or savings in associated staffing, so some posts will be directly funded from the money the service brings in	163,000
Reviewing staffing costs, use of buildings and opportunities to increase income from service users, for adult education	42,000

PROPOSED BUDGET REDUCTIONS 2014/15

An existing charging policy for parents of pupils starting faith education, who aren't eligible for free transport, will see new school starters make contributions totalling this saving	60,000
If we were to no longer continue to provide discretionary free transport for post-16 and pre-school pupils with special educational needs who aren't entitled to free school transport, subject to a full consultation and cabinet decision.	94,000
Review of support given to families with children who have complex education and care needs. Support would continue to be given but the number of and/or length of specialist support placements would be reduced to make the necessary savings	150,000
Savings made by reducing the number of external training providers and venues, with increased staff mentoring, work shadowing, coaching used instead. We would also look to make money by providing training to other organisations	125,000
Savings from reducing the number of buildings/offices used to support back office work (as part of the overall review of business/back office services)	180,000
We will review our 54 children's centres and consider closing up to seven of them, with some services instead being provided through partnership working with other organisations and bases, volunteer-led support and targeted help and support for families that need it	500,000
New or increased charges to schools and external users of various services including 14-19 support, sport and outdoor education services	548,000
Review of the support given to pupils and families, which already has elements covered by the work of the troubled families' initiative	120,000
TOTAL	<u>6,033,000</u>

PROPOSED BUDGET REDUCTIONS 2014/15

Economy Transport and Environment

	£
Reduction in staffing costs across the Department	668,000
Smarter Travel - reduction in staff mileage costs, reduction in number of vehicles and efficiencies in home to work transport costs	276,000
Reduction in Highway Maintenance budget and re-prioritisation of maintenance and improvement programme	2,000,000
Street Lighting - part night lighting and de-illumination of road signs to save energy costs	50,000
Increased income on a range of parking and highways related services	380,000
Reductions in back office budgets and general efficiencies across the Department	310,000
Street lighting – “burn to extinction” – remove general maintenance budget and re-prioritise repairs programme	775,000
Spending less on traffic management and road safety schemes (such as road markings and small safety schemes)	1,250,000
Waste - efficiencies in waste disposal costs from increased recycling levels and invest to save projects with districts	1,600,000
Training - reduction in staff training budget to reflect reduction in staffing levels	30,000
TOTAL	7,339,000

PROPOSED BUDGET REDUCTIONS 2014/15**Health and Communities**

Title	£
Reduction in staffing costs in Emergency Planning	45,000
Community Safety Project Fund – reduction in the number of projects to tackle anti-social behaviour, domestic violence and re-offending rates.	300,000
Withdrawal or reduction in the number of mobile libraries.	265,000
Reduce opening hours at libraries, Buxton Museum and Art Gallery and the Derbyshire Records Office.	200,000
Review of the Arts Service	65,000
Reduction in non-staffing budgets such as IT, training, postage, equipment and stationery.	13,000
Reduced staffing costs in Trading Standards	400,000
TOTAL	<u>1,288,000</u>

Corporate Resources Department

Title	£
Major upgrades to IT systems to be undertaken during working hours in order to reduce overtime.	25,000
Potential restructure in the Communications Division and savings on publications and publicity	123,000
Reduced staffing costs in the Human Resources Division	82,000
Review of resourcing requirements to provide on-going support and development of the SAP Development Team	47,000
Business Services – management restructuring of Business Support and Members Secretaries	50,000
Review of Telephony System including reconfiguration of call tariffs and telephony services	100,000
Transformation Services – review of major contracts and, routine and consumable expenditure	50,000

PROPOSED BUDGET REDUCTIONS 2014/15

Reduced support of in-house software development as a result of purchasing external packages	25,000
Increased income from improved support services to schools	40,000
Transformation – a programme of activities looking at the way of improving the delivery of services	50,000
Reduction in management costs in Transformation Services	142,000
Reduction in Building Maintenance budget	629,000
Staffing restructure in Corporate Property	169,000
Savings brought forward from previous years	532,000
Reduction in staffing costs to be achieved through vacancy control	35,000
Staffing restructure in Corporate Finance Division	67,000
Reductions in staffing, supplies and increased income in Corporate Resources Department	334,000
TOTAL	<u>2,500,000</u>

Corporate

Title	£
Savings on insurance premiums	300,000
Savings on reduced subscriptions	80,000
Revenue contributions to capital	100,000
Audit fees	100,000
VR/VER	200,000
TOTAL	<u>780,000</u>

GENERAL RESERVES PROJECTIONS

	2013/14	2014/15	2015/16	2016/17	2017/18
	£	£	£	£	£
Opening Balance	-102,719,547	-38,729,343	-30,080,982	-28,080,142	-31,080,142
Total	-102,719,547	-38,729,343	-30,080,982	-28,080,142	-31,080,142
Plus Expected Contributions	-18,703,182	-5,000,000	-5,000,000	-5,000,000	-5,000,000
Less Use	82,693,387	13,648,361	7,000,840	2,000,000	3,000,000
	-38,729,343	-30,080,982	-28,080,142	-31,080,142	-33,080,142
Contributions					
Risk Management/Debt Charges underspends	13,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Transfers as per Cabinet report 1 October 2013	5,160,580	0	0	0	0
Transfers as per Cabinet report 28 January 2014	542,602	0	0	0	0
	18,703,182	5,000,000	5,000,000	5,000,000	5,000,000
Use					
Department overspends	6,959,000	10,000,000	5,000,000	0	0
Previous Year Commitments	24,765,299	0	0	0	0
Transfers as per Cabinet report 1 October 2013	33,251,000	0	0	0	0
Elections	1,000,000	0	0	0	1,000,000
Further One-Off/General Budget Support	7,000,000	3,645,000	2,000,000	2,000,000	2,000,000
Previous approvals by Cabinet	883,271	3,361	840	0	0
Approvals as per Cabinet report 28 January 2014	8,834,817	0	0	0	0
	82,693,387	13,648,361	7,000,840	2,000,000	3,000,000