



**NORTHAMPTON  
BOROUGH COUNCIL**

<b>Name of Committee</b>	<b>CABINET</b>
<b>Directorate:</b>	Governance and Finance
<b>Corporate Manager/Director:</b>	Ian Thompson
<b>Date:</b>	5 February 2007

<b>Report Title</b>	Revenue Budget 2007/08 and later years.
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<b>Key Decision</b>	<b>Yes</b>
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## 1. Recommendations

- 1.1 Having regard to the responses to the consultation process, that the Cabinet recommends a General fund revenue budget for consideration by Council that complies with the statutory framework set out in the report
- 1.2 That the target level of general reserves to be held in support of the 2007/08 budget should be not less than £3m.

## 2. Summary

2.1 This report should be read in conjunction with the Cabinet report of 29<sup>th</sup> January attached as Annex A. The report provides an update on the budget position subsequent to the 29<sup>th</sup> January meeting.

2.2 Reference is made at Annex A to the consultation process and outcomes. The statutory requirements for budget setting are summarised together with the relevant section of the Council's Constitution. Cabinet is invited to recommend a robust balanced budget for consideration by Council at the meeting scheduled for 13<sup>th</sup> February.

### **3. Report Background**

3.1 Cabinet on 29<sup>th</sup> January considered the report attached as Annex A. At the meeting a schedule of 'Savings Proposals' was tabled and this is attached as Annex B. All of the items listed in Annex B were included in the earlier schedule agreed by Cabinet on 8<sup>th</sup> January as the basis for consultation. However, there are a number of variations as follows:

- the savings proposed for Arts Development and Events are to be met primarily through the introduction of a charging policy where events have previously been subsidised or provided at no cost
- the savings that would have been realised from the closure of facilities at Lings are to be achieved by the introduction of increased levels of charges

3.2 One consequence of the variations above is to introduce a further element of risk into the budget for 2007/08 and later years. It therefore remains essential that the target level of reserves to be retained should be not less than £3m and that Council recognises the range of risks to which service budgets are exposed. Furthermore, it is important to reinforce the requirement to set a balanced budget that is deliverable in practice and explicitly linked to service outcomes.

3.3 The report at Annex A also refers to the need to identify efficiency savings of £1.465m for 2007/08. The schedule attached as Annex C (*to follow*) indicates how it is proposed that these savings are delivered and Cabinet is invited to endorse this as part of the budget to be recommended to Council. It should be noted that Trades Unions have now been consulted on the proposals together with affected groups of staff.

3.4 Cabinet is reminded that there are two key legislative requirements in determining the budget. The Council's Financial Procedure Rules refer to the Local Government Finance Act 1988 which imposes a responsibility upon the 'Section 151 Officer' to ensure that budgeted expenditure does not exceed total resources available. In addition, the Local Government Act 2003 requires the officer to report on the 'robustness' of the budget and the adequacy of the proposed financial reserves and for the Council to have regard to that report accordingly.

3.5 In the light of the above, Cabinet is now invited to recommend to Council as follows:

- (i) having regard to the consultation responses, a balanced General Fund revenue budget for 2007/08 that complies with the statutory framework outlined above
- (ii) that the target level of general reserves to be held in support of the 2007/08 revenue budget be not less than £3m.

### **4. Options and Evaluation of Options**

4.1 The Council has conducted an extensive consultation exercise on a range of options for delivering a balanced budget.

## 5. Resource Implications (including Financial Implications)

5.1 As set out above and in the annexes.

## 6. Risk and Opportunity Issues

6.1 The level of general reserves retained in support of the annual budget should relate to the extent of the perceived risk inherent in the budget assumptions.

## 7. Consultees (Internal and External)

<b>Internal</b>	<b>Directors and corporate managers</b>
<b>External</b>	<b>None</b>

## 8. Compliance Issues

### A: How Proposals Deliver Priority Outcomes

<b>Recovery Plan</b>
<b>N/a</b>
<b>Corporate Plan</b>
<b>N/a</b>

**B: Other Implications**

<b>Other Strategies</b>
N/a

<b>Finance Comments</b>
N/a


<b>Legal Comments</b>

**9. Background Papers**

<b>Title</b>	<b>Description</b>	<b>Source</b>

**Ian Thompson, Interim Finance Director, ext. 8744**

<b>Name</b>	<b>Signature</b>	<b>Date</b>	<b>Ext.</b>
<b>Author</b>	Ian Thompson	1.2.07	8339
<b>Corporate Manager</b>	N/a		

<b>Director</b>	<b>Ian Thompson</b>	<b>1.2.07</b>	<b>8339</b>
<b>Monitoring Officer or Deputy (Key decision only)</b>		2.2.07	7335
<b>Section 151 Officer or Deputy (Key decision only)</b>	Bill Lewis	<b>1.2.07</b>	<b>7167</b>



**NORTHAMPTON  
BOROUGH COUNCIL**

<b>Name of Committee</b>	<b>CABINET</b>
<b>Directorate:</b>	Governance and Finance
<b>Corporate Manager/Director:</b>	Ian Thompson
<b>Date:</b>	29 January 2007

<b>Report Title</b>	Revenue Budget 2007/08 and later years.
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<b>Key Decision</b>	<b>Yes</b>
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## 1. Recommendations

- 1.1 Having regard to the responses to the consultation process, that the Cabinet recommends a General fund revenue budget for consideration by Council that complies with the statutory framework set out in the report
- 1.2 That the target level of general reserves to be held in support of the 2007/08 budget should be not less than £3m.

## 2. Summary

- 2.1 The report and appendices summarise the General Fund revenue budget position for 2007/08. Reference is made to the consultation process and outcomes. The statutory requirements for budget setting are summarised together with the relevant section of the Council's Constitution. Cabinet is invited to recommend a robust balanced budget for consideration by Council at the meeting scheduled for 13<sup>th</sup> February.

### 3. Report Background

3.1 The draft General Fund revenue budget for 2007/08 to 2009/10 was reported to Cabinet on 19<sup>th</sup> December 2006. Appendix 1 sets out the current position, unchanged since the previous report with the exception of the following:

- an additional budget pressure of a net £170k in relation to Planning and Development Control that results from the loss of income from major planning applications now handled by West Northants Development Corporation. This was reported to Cabinet on 8<sup>th</sup> January 2007.
- adjustment to the provision for implementing the Pay & Grading Review on a phased basis. A sum of £350k has been provided but on the basis that this will need to be offset by efficiency savings as agreed by Cabinet on 8<sup>th</sup> January 2007.

3.2 The net effect of the above changes is to revise the previously agreed efficiency target for 2007/08 to £1.465m. (of which, more below). After allowing for this, the net funding shortfall for 2007/08 is £3.15m and it is now necessary to identify which services are to remain as priorities and where budget reductions are to be made.

3.3 Following the Cabinet meeting of 8<sup>th</sup> January, an extensive consultation exercise has been undertaken involving staff, partners and the general public. This was based on the schedule of options for service and budget reductions amounting to £3.95m. in total and approved by Cabinet as the basis for consultation. The results have been summarised and this, together with all of the detailed responses, has been provided to all members of the Cabinet and leading members of all political groups. In advance of Council on 13<sup>th</sup> February, the same information will be provided to all Council Members. Cabinet is invited to have regard to the responses in determining a balanced budget for recommendation to Council (see para. 3.10 below).

3.4 During the consultation process, the suggestion was made of implementing a one year pay freeze with a potential saving of about £800k. Such an option clearly has major practical difficulties. In the absence of any detailed formal proposal from Trades Unions, this has not been proposed by officers as a potential viable option.

3.5 The Cabinet meeting of 19<sup>th</sup> December also received a report on the forecast outturn position for the current financial year 2006/07. That report indicated a year-end overspend of the order of £1.9m with the consequential effect that the Council's reserves would be reduced to about £1m. by the end of the financial year. The report also outlined a strategy for boosting the reserves by a further £1m. but recognised that there would still be a requirement to make some provision in the draft budget for a further additional contribution. That remains the case and the draft budget at Appendix 1 makes provision for an additional contingency reserve of £1m. This takes into account the extent of the risks facing the Council in 2007/08 across a range of budget areas and the need to retain adequate provision against these. A key recommendation therefore is that the target level of reserves to be held in support of the 2007/08 budget should be not less than £3m.

3.6 In addition to the above, an earlier report to Cabinet (25 September 2006) noted that there was a surplus of the order of £1.3m in the earmarked Insurance Reserve.

However, there were a number of significant unfunded liabilities including the potential clawback of overpaid benefit subsidy and it was therefore considered prudent to maintain this amount and not to return the sum to the general reserve fund. Work is continuing to resolve the level of subsidy clawback but officers are now optimistic that any agreed amount can be contained within the reserved sum and any surplus returned to the general reserves in support of the 2007/08 budget.

3.7 It can be noted in passing that there are other potential risks facing the Council that at this stage it is not possible to quantify. One key area is the risk of retrospective claims arising from the Pay & Grading Review. Another concern is that the level and range of recharges between the ring-fenced Housing Revenue Account and the General Fund has not been reviewed for some time and that therefore some realignment of budgets may become necessary, possibly to the detriment of the General Fund. This will be subject to further scrutiny during 2007/08.

3.8 Paragraph 3.2 above refers to the efficiency savings target of £1.465m. (of which £350k relates to the cost of implementing the first phase of the Pay & Grading Review). Officers have already identified a range of opportunities for reducing costs which would have no direct impact on direct service provision. Work is continuing on this with a view to being confident that the target amount is realistically achievable and deliverable. As the options being considered have no direct impact on services to the public, there is no over-riding need to introduce this into the public consultation exercise in detail. However, as there is the possibility of reductions in posts, it will be necessary to consult formally with the Trades Unions prior to Council on 13<sup>th</sup> February.

3.9 For completeness, Appendix 2 shows the previously approved budget position for 2006/07 to 2008/09 and is simply an updated version of the appendix to the budget report considered by Cabinet on 16 February 2006. It is included here in particular to serve as a reminder of the additional growth and savings items previously approved as part of the 2007/08 and 2008/09 budgets but which have been adjusted in the context of the current draft budget for 2007/08 and later years.

3.10 In terms of process, the Council's Constitution incorporates the 'Budget and Policy Framework Procedure Rules'. These state that at the end of the appropriate budget consultation period, the Cabinet will draw up firm proposals for consideration by Council having regard to the consultation responses. Provision is made for Council to amend the proposals and in such a case, there is a grace period of five days after which the Council decision becomes effective. The exception to this is where the Leader may enter a formal objection within three days of the Council amendment and in such circumstances, a further meeting of council is required in order to finally determine the budget.

3.11 The timing of the Council Budget Meeting for 13<sup>th</sup> February has regard to the above and in particular the need to formally determine the Council Tax no later than the end of February in order to facilitate the printing and distribution of bills. This in turn is time critical in that adequate notice has to be provided to instalment payers if the April 1<sup>st</sup> instalment collections by direct debit are to be valid. Any delay has significant cash flow implications for the Council.



3.12 In terms of officer responsibilities, there are two key legislative requirements. The Council's Financial Procedure Rules refer to the Local Government Finance Act 1988 which imposes a responsibility upon the 'Section 151 Officer' to ensure that budgeted expenditure does not exceed total resources available. In addition, the Local Government Act 2003 requires the officer to report on the 'robustness' of the budget and the adequacy of the proposed financial reserves and for the Council to have regard to that report accordingly.

3.13 In the light of the above, Cabinet is invited to recommend to Council as follows:

- (i) having regard to the consultation responses, a balanced General Fund revenue budget for 2007/08 that complies with the statutory framework outlined above
- (ii) that the target level of general reserves to be held in support of the 2007/08 revenue budget be not less than £3m.

#### **4. Options and Evaluation of Options**

4.1 The Council has conducted an extensive consultation exercise on a range of options for delivering a balanced budget.

#### **5. Resource Implications (including Financial Implications)**

5.1 As set out above and in the appendices.

#### **6. Risk and Opportunity Issues**

6.1 The level of general reserves retained in support of the annual budget should relate to the extent of the perceived risk inherent in the budget assumptions.

#### **7. Consultees (Internal and External)**

<b>Internal</b>	<b>Directors and corporate managers</b>
<b>External</b>	<b>None</b>

**8. Compliance Issues**

**A: How Proposals Deliver Priority Outcomes**

<b>Recovery Plan</b>
N/a
<b>Corporate Plan</b>
N/a

**B: Other Implications**

<b>Other Strategies</b>
N/a

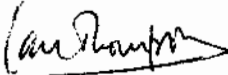
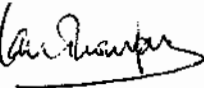

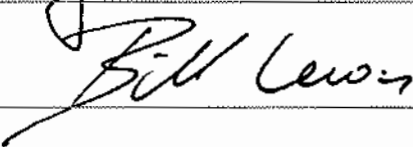
<b>Finance Comments</b>
N/a

<b>Legal Comments</b>

**9. Background Papers**

<b>Title</b>	<b>Description</b>	<b>Source</b>

**Ian Thompson, Interim Finance Director, ext. 8744**

Name	Signature	Date	Ext.
<b>Author</b>		27/07	8744
<b>Corporate Manager</b>	N/a		
<b>Director</b>		27/07	8744
<b>Monitoring Officer or Deputy (Key decision only)</b>		25/1/07	7334
<b>Section 151 Officer or Deputy (Key decision only)</b>		25/01/07	7167

**Appendix 1:**  
**General Fund Revenue Budget - Future Years Budgets 2007 - 2010**

	2007/08 £000's	2008/09 £000's	2009/10 £000's	Note
<b>Medium Term Financial Plan</b>				
Medium Term Financial Plan - Appendix 2	1,115	1,350	1,600	A
Plus Reinstated Savings Target (to avoid double counting)	233	233	185	B
	<b>1,348</b>	<b>1,583</b>	<b>1,785</b>	
<b>Community Safety, Leisure &amp; Community Operations</b>				
Balloon Festival	47	47	47	1
Community Safety	-187	-109	-199	2
Town Centre Management	45	45	45	3
Events, Arts and Museums	-53	-53	-53	4
Leisure Centres	-70	-70	-70	5
Car Parking	448	446	446	6
<b>Customer Services</b>				
One Stop Shop	182	190	199	7
Print Services	-50	-50	-50	8
<b>Finance &amp; Asset Management</b>				
Cliftonville House, Industrial Units and Investment Property	114	114	114	9
Audit Fee/Internal Audit	-84	-84	-84	10
Markets Income Adjustment	204	162	160	11
Pensions Added Years Costs	140	140	140	12
<b>Governance &amp; Recovery</b>				
Members Expenses and Meeting Services	129	129	130	13
Elections	217	0	0	14
Landcharges Income Shortfall	109	109	109	15
Savings for Licence Income and Communications Staff	-104	-105	-105	16
<b>Planning &amp; Environmental Health</b>				
Private Sector Improvement and Repairs & Health & Safety At Work	-86	-36	-32	17
Development Control	170	170	170	18
<b>Regeneration &amp; Growth</b>				
Regeneration and Growth	-70	-70	-70	19
Concessionary Fares	200	200	200	20
<b>Performance and Improvement</b>				
IT	-57	-57	-57	21
<b>Streetscene &amp; Property Maintenance</b>				
Highways Revenue Account	357	356	351	22
Domestic Refuse Collection and Recycling	143	143	143	23
Trade Refuse Collection	271	355	316	24
<b>Human Resources</b>				
Pay and Grading Review	-400	-100	100	25
Training	-200	-200	-200	26
<b>Housing</b>				
Homelessness	-160	-160	-160	27
Additional Capacity Revenues and Benefits	250	250	250	28
<b>Total Continuing Impact on Future Years Budgets</b>	<b>1,523</b>	<b>1,672</b>	<b>1,842</b>	
<b>Additional Future Years Budget Pressures</b>				
Additional Debt Charges	350	350	350	29
Excess Inflation - Principally Energy	294	179	221	30
Legal, Statutory and Health & Safety - Trees Maintenance	100	100	100	
<b>Total Additional Future Years Budget Pressures</b>	<b>744</b>	<b>629</b>	<b>671</b>	
<b>Additional Contingency Provision</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	31
<b>Less Value For Money / Efficiency Target as per Medium Term Financial Plan</b>	<b>-1,465</b>	<b>-2,350</b>	<b>-3,350</b>	32
<b>Total</b>	<b>3,150</b>	<b>2,534</b>	<b>1,958</b>	

## Notes to the Future Years Budgets 2007 - 2010

A	See Appendix 2. Includes assumption that council tax rise is 3% year on year
B	Efficiency savings included as target at A above - need to avoid double counting.
1	<b>Balloon Festival</b> Realigns the budget with past experience and future expectations.
2	<b>Community Safety</b> Removal of a post within Community Safety -£50k and savings to be made in relation to CCTV -£130k
3	<b>Town Centre Management</b> Non achievement of the Town Centre Partnership income
4	<b>Events, Arts and Museums</b> Savings within Events and Arts with regards to reductions on Supplies and Services budgets. Additional savings of £15k have been included for the Museums.
5	<b>Leisure Centres</b> Additional Leisure Centre income reflecting 2006/07 experience.
6	<b>Car Parking</b> Realigns the budget with actual experience/expectations.
7	<b>One Stop Shop</b> Additional Customer Services Officers £240k. This is offset partially by cross cutting savings across the Council on Customer Services of -£48k as a result of the operation of the Customer Contact Centre. Further efficiency savings to be identified for 2007/08
8	<b>Print Services</b> Efficiency savings targeted for the Print Unit including potential to explore partnership option.
9	<b>Cliftonville House, Industrial Units and Investment Property</b> Rental income will be reduced due to the rent free period offered to the Derrnate £135k. Income will also be reduced at Cliftonville House due to the vacation of District Audit from the offices. These additional costs will be partially offset by increased rental income from industrial units and other land and buildings
10	<b>Audit Fee/Internal Audit</b> Ongoing savings in relation to the Audit fee paid by the Council and Internal Audit services procured.
11	<b>Markets Income Adjustment</b> Realignment of the historic income budget for the Open Market (£147k) together with reduction in income from the Indoor Market £57k due to its vacation.
12	<b>Pensions Added Years Costs</b> Realignment of the budget for pensions added years costs arising in part from the Root and Branch exercise.
13	<b>Members Expenses and Meeting Services</b> Increase in members allowances not reflected in the budget (£99k) and reinstatement of unachievable income budget (£30k)
14	<b>Elections</b> Cost of the Northampton Borough Council election.
15	<b>Landcharges Income Shortfall</b> Reduction in landcharge income due to external competition in the market and limited ability to respond competitively.
16	<b>Savings for Licence Income and Communications Staff</b> Increased licensing income -£72k and deletion of a post within Communications Team
17	<b>Private Sector Improvement and Repairs &amp; Health &amp; Safety At Work</b> Reflects HIMO licensing income of £46k and savings that are achievable as a result of staff turnover at lower than budgeted spinal points.
18	<b>Development Control</b> Net additional cost resulting from loss of planning fee income to WNDC.
19	<b>Regeneration and Growth</b> Removal of additional budget allocated in the Medium Term Financial Plan of £100k. This saving has been offset partially by an unachievable income budget of £30k
20	<b>Concessionary Fares</b> Additional cost of Concessionary fares.
21	<b>IT</b> Removal of a post -£32k and ongoing savings on the running costs of the internal telephone system -£25k
22	<b>Highways Revenue Account</b> Non achievement of the budgeted income for the service due to the loss of trading activity with Atkins/County Council.
23	<b>Domestic Refuse Collection and Recycling</b> Increased costs of collection for green waste £200k within the Recycling service and reduced Domestic Refuse income of £50k due to unachievable bulky waste collection income budget. These additional costs have been partially offset by a savings proposal in relation to the Materials Recycling Facility of -£100k.
24	<b>Trade Refuse Collection</b> The base budget includes an income surplus which will not be achieved of £420k. In 2007/08 this is reduced by the potential receipt from the sale of the operation of £150k. This is a one off receipt.
25	<b>Pay and Grading Review</b> Savings arising from the proposed re-phasing of implementation of the Pay and Grading review.
26	<b>Training</b> Deletion of previously committed growth for the corporate training budget.
27	<b>Homelessness</b> Deletion of additional budget allocated in the Medium Term Financial Plan of £100k. Additional savings of £60k are proposed on the service due to the cessation of the use of Bed and Breakfast accommodation.
28	<b>Additional Capacity Revenues and Benefits</b> Cost of providing additional capacity within the service to maintain improved service levels.
29	<b>Additional Debt Charges</b> Cost of servicing additional borrowing required on a short term basis to fund the committed 2006/07 capital programme.
30	<b>Excess Inflation - Principally Energy</b> Additional inflation - principally energy costs impacting on leisure centres and car parks.
31	<b>Contingency Provision</b> See reference in main body of report.
32	<b>Efficiency Savings Target</b> Initial target of £1.115m as per medium term financial plan plus £0.35m to offset the estimated cost of implementing the Pay & Grading Review on a phased basis.

<b>Appendix 2: General Fund Revenue Summary</b>	<b>Cash Limit 06/07 £'000</b>	<b>Forecast 07/08 £'000</b>	<b>Forecast 08/09 £'000</b>
<b>Funding</b>			
Collection Fund Adjustments	147	0	0
Formula Grant	-17,889	-18,405	-18,902
Council Tax @ 4.9%, 3%, 3%	-11,652	-12,118	-12,627
<b>Total Income</b>	<b>-29,394</b>	<b>-30,523</b>	<b>-31,529</b>
<b>Expenditure</b>			
<b>Cash Limits</b>			
Customer Services	1,896	1,970	2,055
Performance & Improvement	2,883	2,994	3,086
Human Resources	1,141	1,156	1,190
Citizen Engagement	4,338	4,449	4,607
Planning, Environmental Health & Leisure	4,352	4,671	4,875
Finance & Asset Management	6,458	6,796	7,040
Regeneration & Growth	1,213	1,319	1,364
Street Scene & Property Maintenance	5,593	6,140	6,583
Housing Services	1,455	1,586	1,684
Legal & Democratic Services	2,441	2,571	2,664
<b>Net Expenditure (Cash Limit)</b>	<b>31,770</b>	<b>33,651</b>	<b>35,150</b>
Recharges to Other funds	-4,356	-4,842	-5,100
Net General Fund Cash Limit	27,414	28,809	30,050
Debt Charges	192	212	212
	<b>27,606</b>	<b>29,021</b>	<b>30,262</b>
<b>Funding Gap Prior to Additional Items</b>	<b>-1,788</b>	<b>-1,502</b>	<b>-1,267</b>
<b><u>Current Budget Deficiencies</u></b>			
Refuse Services	430	430	430
Land Charges	200	200	200
Property Income Reduction	300	300	300
Telephone System - Unachievable Savings	50	50	50
	<b>-808</b>	<b>-522</b>	<b>-287</b>
<b><u>Inescapable Additions</u></b>			
Recycling	-115	-115	-115
Recovery / Improvement	100	100	100
Single Status	60	800	800
Concessionary Fares Statutory Scheme	550	550	550
Occupational Health & Stress Management	40	40	40
Revenue Implications of Capital Projects	165	165	165
Community Centres	15	24	24
Research Assistants	63	118	118
Benefits Trainees	115	120	120
	<b>185</b>	<b>1,280</b>	<b>1,515</b>
<b><u>Recovery Programme Required</u></b>			
Training Budget	200	400	400
Regeneration & Growth	100	200	200
Building Maintenance	150	200	200
Homelessness Prevention - Invest to Save	100	200	200
	<b>735</b>	<b>2,280</b>	<b>2,515</b>
<b><u>Optional Items</u></b>			
Office Accommodation	-20	-50	-50
Street Cleaning	75	75	75
	<b>790</b>	<b>2,305</b>	<b>2,540</b>
<b><u>Further Proposals</u></b>			
Car Parks Income	-500	-500	-500
Leisure Income	-200	-200	-200
Parks Savings	-100	-250	-250
Bulky Waste	-50	-50	-50
Youth Provision	60	60	60
Efficiency Savings		-250	-250
<b>Funding Gap</b>	<b>0</b>	<b>1,115</b>	<b>1,350</b>

**Cabinet 29th January 2007 : Savings Proposals**

**ANNEX B**

	2007/08 £000	Later Years £000
Council Tax Increase to 4.95%	260	260
Private Sector Housing	10	15
Environmental Health	10	15
District Offices	3	5
Housing & Money Advice Merger	100	130
Street Cleaning	150	150
Weeds	30	30
Grounds	150	250
Graffiti	60	120
Park Rangers	150	240
Health Wellbeing Access	35	50
Community Centres	50	100
Leisure Centres energy costs	100	100
Leisure Centre Charges (retain Lings)	150	150
Arts Development & Events	380	380
Tourism	205	275
Xmas Lights	80	80
Derngate	200	200
Civic newspaper	23	30
Community Grants	50	100
Public Conveniences Sheep Street	50	100
Public Conveniences other	100	130
ASBU	50	50
sub total	2396	2960
Balance for further review		190
Target Saving		3150