

NEW FOREST NATIONAL PARK AUTHORITY

AUTHORITY MEETING - 28 MARCH 2007

**GENERAL FUND REVENUE BUDGET FOR THE FINANCIAL YEAR
2007/08**

Report by: Pat Higgins, Chief Finance Officer; Barry Holland, Director of Corporate Services

Summary:

This paper sets out proposals for a revenue budget for the Authority for the financial year 2007/08. They have been prepared within the financial strategy framework approved by the Authority in February 2007, and are recommended to the Authority by the Resources and Performance Committee following its meeting on 16 March.

The paper's Annexes provide background information:

- Annex 1: General Fund Budget 2007/08 and forecast for 2008/09 - 2009/10 and the General Fund Reserve.
- Annex 2: Comparison of budget by service area.
- Annex 3: Key areas of expenditure on statutory purposes and functions.
- Annex 4: Statement on the General Fund budget proposals by the Chief Finance Officer.
- Annex 5: Prudential Indicators for 2007/08 - 2009/10.

Recommendations:

Members are asked to:

- 1 Approve the General Fund Budget for 2007/08 with an increased proportion spent on the twin purposes.**
- 2 Re-affirm the minimum level for the General Fund Reserve at £0.5million.**
- 3 Approve the establishment of a reserve for a Local Development Framework of £65,000 to be transferred from budget under spend from 2006/07.**
- 4 Endorse the recommendation from the Resources and Performance Committee not to establish a separate reserve in 2007/08 for the replacement of capital equipment.**

- 5 Note the implications on the General Fund Reserve of the proposed budget for 2007/08.**
- 6 Note the risk assessment and Section 25 Statement contained in Annex 4.**
- 7 Adopt the Prudential Indicators for 2007/08 - 2009/10 outlined in Annex 5.**

Resources:

As set out in the report

Papers:

NFNPA 168/07: Cover Paper

NFNPA 168/07:

Annex 1: General Fund Budget 2007/08 and forecast for 2008/09 – 2009/10 and the General Fund Reserve.

Annex 2: Comparison of budget by service area.

Annex 3 Key areas of expenditure on statutory purposes and functions.

Annex 4: Statement on the General Fund budget proposals by the Chief Finance Officer.

Annex 5: Prudential Indicators for 2007/08 – 2009/10.

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1 Purpose

- 1.1 This paper sets out proposals for a revenue budget for the Authority for the financial year 2007/08. They have been prepared within the financial strategy framework approved by the Authority in February 2007 (NFNPA 162/07) and are recommended to the Authority by the Resources and Performance Committee following its meeting on 16 March.

2 Introduction

- 2.1. At this stage in the Authority's development budget setting remains problematic for a variety of reasons.
- 2.2. The Authority, as a one year old, is still developing. This means it is incurring a 'bulge' in costs because it is having to embark on a range of mandatory tasks – such as the new National Park Management Plan, and the Local Development Framework – all at the same time. It is still developing ICT systems to support its functions. And it is still acquiring information and data sets to support its work. Thus it is still incurring a significant measure of 'start-up' costs.
- 2.3. In addition, as a one year old, the Authority is not budgeting against a stable state. It is still at a relatively early stage in developing its medium term spending proposals, not least because the strategies and implementation plans to inform that work are still being developed. But it is aiming to deliver projects with a relatively short timescale which will demonstrate some tangible and early benefits on the ground.
- 2.4. As the first new national park authority operating in the south-east and in a somewhat semi-rural environment, it is confronting a level of operating costs not experienced by most of the other national parks. Again this makes budget setting more complex as there are no direct comparators.

- 2.5. Finally, as a new organisation, and given the general prosperity of the south east, identifying and securing sources of external funding and income will be challenging. Given the long lead in times, and the uncertainty over the replacements of some key funding sources e.g. agri-environment schemes, no provision has been made for these in 2007/08.
- 2.6. The budget proposals are based on planned use of the significant reserves that have built up due to slower than anticipated growth in some areas of the Authority's work. While this will allow for some increase in effort, notably in the two purposes directorates, in the short term, the medium term position remains unsustainable.
- 2.7. In 2007/08, decisions are needed on the extent to which potential further savings should be played in and balanced against a depleting reserve as funds are drawn down, consistent with the financial strategy, to sustain activity on National Park purposes.

3 Background

- 3.1 At the last meeting of the Authority in February, members adopted a financial strategy for the preparation of the budget for 2007/08, incorporating the following parameters:
 - A balanced revenue budget is set, drawing on the General Fund Reserve to meet proposals for a sustained delivery of the Authority's twin purposes;
 - The General Fund Reserve be maintained at a minimum level of £0.5million;
 - Specific provision is made to supplement core grant funding to achieve maintained managed growth in discretionary spend at a level of at least 5% in 2007/08;
 - Specific provision is made from under-spends in 2006/07 to meet existing contractual commitments and ongoing start-up costs to be met from future years' expenditure;
 - Other than specific provisions identified as part of the expenditure planning process, any under-spends at the end of the financial year be allocated to the General Fund Reserve;
 - Provision is made for the replacement of assets;
 - Expenditure bid proposals must demonstrate their link to the Corporate Plan and Business Plans, and the consequences for the Authority of the project progressing or not;

- Proposals must fully evaluate both short and long-term costs associated with the proposals in order that the whole life cost of a scheme can be assessed;
 - Proposals would only be considered if:
 - a) The investment will significantly help the Authority to achieve one of its key priorities, or
 - b) The additional cost is unavoidable, or
 - c) There is a good pay-back on the level of investment.
- 3.2 Following approval of the financial strategy, the Authority's Management Board drew up bids which were included in budget options presented to the Resources and Performance Committee. A zero based budgeting approach was adopted where appropriate to ensure allocations of resources were linked to achieving corporate objectives.
- 3.3 The Management Board at this stage agreed £169,000 of reductions to the initial proposed budget and a prioritisation for potential further savings.
- 3.4 In determining the priority of budget bids a few general principles emerged from the Management Board discussions, these being:
- That impact on existing staff, both permanent and those on fixed term contracts, should be mitigated wherever possible;
 - That cost reduction should where possible focus on non statutory purposes and functions and central/overhead budget areas, thereby supporting national park purposes;
 - That the largest budget areas should be asked to contribute proportionately more than smaller budget areas;
 - That Member Services be excluded from any savings as the budget increases (i.e. member allowances) had already been scrutinised and agreed by the Authority.
- 3.5 To assist the budget setting process, five potential budget options were modelled; each option identified the level of finance required from the General Reserve and savings targets to meet the target budget. These and other options were considered by the Resources and Performance Committee in detail.
- 3.6 In setting parameters for a proposed budget for 2007/08, the Committee indicated its preference, consistent with the approved financial strategy, to fund from the General Fund Reserve, spend on the twin purposes at the 2006/07 level with an allowance of 5% growth.

3.7 The Committee also asked officers:

- to identify between £100,000 and £200,000 further savings, derived from areas not related to the twin purposes or planning enforcement;
- to continue to investigate during the next financial year, opportunities for efficiency savings; and
- to ensure that any new posts should be appointed on a fixed term contract basis.

4 Reserves

- 4.1 At the meeting of the Authority in February, members approved transferring the under-spend of the Sustainable Development Grant budget to a specific reserve, to be used to finance commitments made in 2006/07 for spend in future years; the reserve currently stands at £110,000.
- 4.2 Following the transfer of under-spends from the 2006/07 approved budget, the General Reserve at the end of February 2007 was £1,145,618; the current forecast indicates that a further £1.1 million will be transferred to the Reserve at the end of the financial year, as a result of under-spends across most budgets.
- 4.3 As part of the financial strategy approved by the Authority at its meeting in February, it was agreed that the minimum balance for the General Fund should be £500,000.
- 4.4 The strategy also recommended that provision should be made to finance the replacement of capital equipment in future years. Having considered the impact on the General Fund Reserve of establishing a new capital reserve for this purpose, the Resources and Performance Committee is recommending that a separate Capital Reserve should not be established for this purpose in 2007/08, but that this issue be reconsidered as part of the expenditure planning process for 2008/09.
- 4.5 The Resources and Performance Committee also considered and endorsed a proposal that specific provision of £65,000 is made in 2007/08 to meet future years' costs of preparing the Authority's Local Development Framework, also financed by transfer from the General Reserve Fund.
- 4.6 Assuming members approve the proposal to establish the new reserve outlined in paragraph 4.5 and re-affirm the minimum balance for the General Fund Reserve of £500,000; this leaves £1.68 million uncommitted reserves available to finance future years' budget proposals.

5 General Fund Revenue Budget for 2007/08

5.1 Proposals for a General Fund Revenue budget for 2007/08 are shown in **Annex 1**. The budget amounts to £4.802 million, a net reduction from the 2006/07 budget of £4.827 million (which included £789,000 for start-up costs). A budget of £4.802 million represents a 16% increase in expenditure compared with 2006/07 having excluded non recurring set up / development costs.

5.2 In maintaining a budget of £4.802 million for 2007/08, financing of £110,000 is required from the Sustainable Development Grant Reserve and £603,000 from the General Fund Reserve. This level of budget also includes further savings of £110,000 as requested by Resources and Performance Committee.

5.3 The proposed budget assumes:

- The Sustainable Development Grant Reserve of £110,000 from 2006/07 will be fully utilised in 2007/08 in addition to the grant of £200,000 receivable for 2007/08;
- An increase in planning fee income, based on the current year's activities;
- Additional interest earnings as a result of higher interest rate forecasts and greater cash holdings;
- Employee related costs: the eventual settlement negotiated between the Employers' and Employees' representatives will not exceed 2.5%, and employers' superannuation contributions will remain at 17.7%;
- No additional sources of external income becoming available in 2007/08.

5.4 The proposed budget for salaries of £2.539 million includes:

- Four new posts amounting to £102,270, including employers' on-costs:

	£
Senior Administration Officer (Planning)	25 220
Compliance officer (Planning Service)	25 220
Planner (Planning Service)	28 750
HR assistant (Corporate Services)	23 080

- Reductions of four posts amounting to £118,810, including on-costs, the functions of two of which (*) are now covered by Service Level Agreements with Hampshire County and New Forest District Councils:

*Lawyer and Administrative support (Corporate Services)	64 100
*Finance Officer (Corporate Services)	26 940
Data and Monitoring Officer (Conservation and Enhancement Directorate)	27 770
▪ Inflation of 2.5%, increments and Superannuation	136 000

5.5 Other significant increases in expenditure are itemised in the table below. A number of these are attributable to the current stage in the Authority's development where it is simultaneously having to develop a new Management Plan, modify all of the inherited planning policies as part of developing its own Local Development Framework, continue to develop its systems to support the administration of its functions - including acquisition of base data about the National Park - while also delivering tangible benefits on the ground.

£ 35 500	For spatial planning partnership for Local Development Framework
50 000	Management Plan
50 000	For consultant to support production of Recreation Management Strategy
26 500	Staff training and development
31 250	Communication budget has been increased to include funds previously held under start up code and support web page design
101 000	Increase in spend on Understanding and Enjoyment project delivery
81 000	Increase in spend on Conservation and Enhancement project delivery

5.6 The impact of the reprioritisation of budget provision towards directly supporting the national park purposes and statutory functions is shown in **Annex 2**. The pie charts show the relative percentage of the overall budget allocated to service areas in 2006/07 and the proposed 2007/08 budget.

5.7 **Annex 3** provides a short summary of the key areas of expenditure for each of the non-corporate directorates, which have been developed taking account of the budgetary constraints the Authority faces.

6 Robustness of the budget and risk

6.1 The Local Government Act 2003 requires the Chief Finance Officer to:

- provide an assessment of the robustness of the budget in order to provide the Authority with confidence that the financial projections included within the budget are achievable and sustainable, and,
- report to the Authority on the adequacy of the level of the General Fund Reserve.

This statement is included as **Annex 4** to this report.

6.2 There is a degree of risk which could impact on the budget for 2007/08 and this has been identified in the risk appraisal shown in **Annex 4**. It includes the Authority's ability to generate the forecast level of income from planning application fees and interest earnings, and the impact from a pay settlement which is in excess of assumptions made to the base budget. The staff budget is the most significant element of the overall budget, and whilst some provision has been made in the base budget, negotiations towards a settlement have only recently begun.

6.3 These risks however need to be considered against the actual spending profiles for the first two years of operation, which have shown an under-spend against the original approved budgets, and the level of uncommitted General Fund Reserve currently held.

7 Prudential Indicators

7.1 To comply with the Prudential Code of Practice for Capital Finance in Local Authorities, as part of the budget setting process, the Authority must adopt and monitor a number of prudential indicators covering affordability of capital expenditure, long-term consequences on the Authority's finances of external debt and the treasury management and investment strategies for each financial year.

7.2 The relevant prudential indicators for the three year period 2007/08 - 2009/10 are shown as **Annex 5** to this report. Although the Code of Practice identifies 21 indicators, as the Authority has no immediate plans to borrow to finance a capital expenditure programme, only those indicators that are relevant to the Authority are reported to members at this stage.

Recommendations

Members are asked to:

- 1 Approve the General Fund Budget for 2007/08 with an increased proportion spent on the twin purposes.**
- 2 Re-affirm the minimum level for the General Fund Reserve at £0.5million.**
- 3 Approve the establishment of a reserve for a Local Development Framework of £65,000 to be transferred from budget under spend from 2006/07.**
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- 7 Adopt the Prudential Indicators for 2007/08 - 2009/10 outlined in Annex 5.**

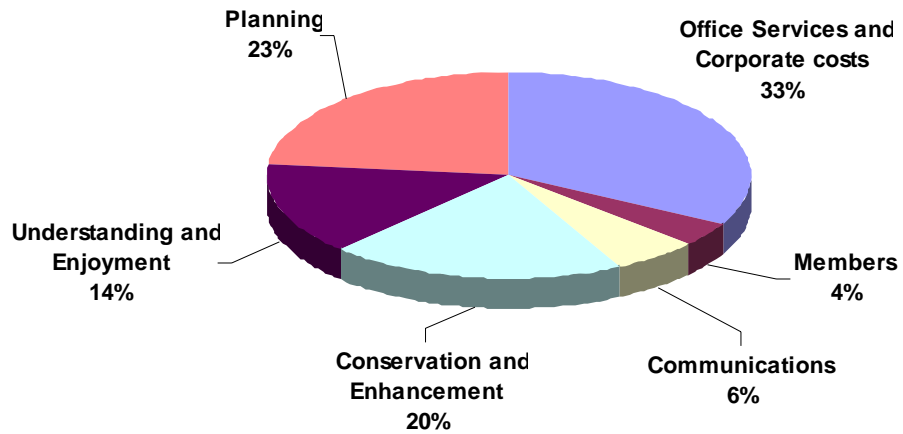
ANNEX 1

NATIONAL PARK GENERAL FUND BUDGET FOR 2007/08 AND FORECAST FOR 2008/09 - 09/10

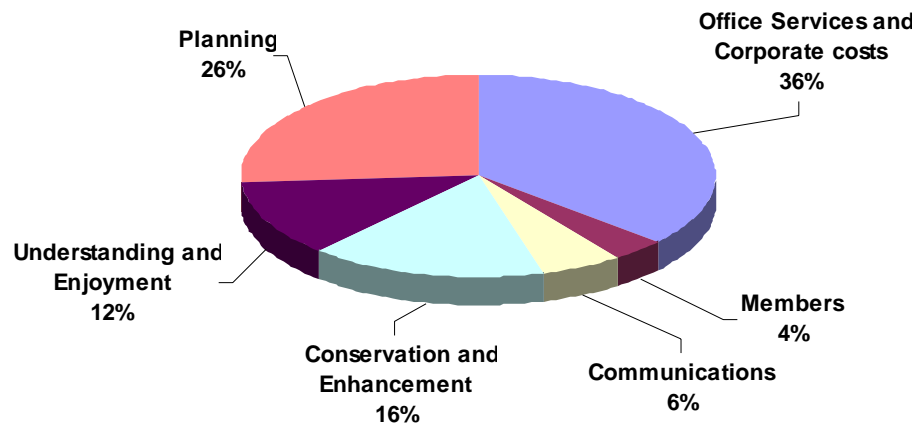
	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000
EXPENDITURE				
Salaries	2,419	2,539	2,671	2,777
Sustainable Development Grants	200	310	200	200
Queen's House/South Efford House	232	248	254	261
Members Allowances/travel	37	61	63	64
External Service Provision	189	200	205	210
Allocable Central Overheads	101	245	252	260
Audit Fees/Bank charges	26	28	29	30
Car Allowances/car leasing	46			
ICT Infrastructure & Maintenance	155	110	113	117
Semi Fixed Costs	254	525	544	558
Planning Appeals		40	40	40
Development Costs		109		
	3,659	4,415	4,370	4,517
Project and Statutory costs for Conservation and Enhancement, Understanding and Enjoyment and Planning	379	497	497	497
	4,038	4,912	4,867	5,014
Less: new savings	0	110	0	0
Total budget required	4,038	4,802	4,867	5,014
Financed by:				
Basic Annual Grant	3,423	3,514	3,602	3,692
Sustainable Development Grant	200	200	200	200
Planning Fees	200	248	248	248
Other Planning Income		7	7	7
Interest		120	90	80
Special Grant	215			
Sustainable Development Fund Reserve	0	110	0	0
General Fund Reserve	0	603	720	787
	4,038	4,802	4,867	5,014
GENERAL FUND RESERVE (UNCOMMITTED)				
Balance as at 31st March	1,680	1077	357	-430
(Net of £500,000 minimum reserve)				

COMPARISON OF BUDGET BY SERVICE AREA

Proposed Budget 2007 / 2008



Operational Budget 2006/ 2007



KEY AREAS OF EXPENDITURE ON STATUTORY PURPOSES AND FUNCTIONS

Strategy and planning

The 2007/8 budget, which includes both efficiency savings and the addition of three fixed term posts (paragraph 5.4), will enable the level of service performance that has been built up in the course of 2006/7 to be maintained and improved and it provides for :

- an accelerated programme of Conservation Area Appraisals and a Conservation Areas Management Plan
- preparation of the draft Cultural Heritage Strategy
- strengthening Planning Enforcement to provide for a proactive service with compliance monitoring
- significant investment in evidence gathering and public participation to take forward the National Park Management Plan and the Core Spatial Strategy to draft policies and proposals.

Conservation and enhancement

The 2007/08 budget will enable the Directorate to undertake a range of activities to support the conservation objectives of the National Park Authority and deliver a number of key projects with our partners.

The main areas include :

- continuing to resource the first successful year of the Sustainable Development Fund and encourage a range of innovative projects that deliver our purposes in the New Forest. The budget will also enable the Authority to run a small environmental grants scheme under the LEADER+ project;
- support for a range of projects related to commoning and agriculture
- a contribution towards the development of a partnership bid to the Heritage Lottery Fund for additional investment in the New Forest to support commoning and environmental work programmes
- acquiring a series of historical ordnance survey maps to support decision making in development control (which will also be available to the public)
- undertaking a series of archaeological and biological surveys to improve the understanding of the Park's special qualities to support new policy development

- developing a range of publications to raise awareness of conservation and enhancement opportunities among the public, developers and local communities.
- the preparation of a strategy for the New Forest to adapt to climate change.

Understanding and enjoyment

The 2007/08 budget will enable the delivery of a range of projects developed with partners in 2006/07 including :

- the installation of national park boundary markers and associated de-cluttering of signs
- installation of interpretative 'awareness panels' in a wide range of locations
- investment in the proposed Association with the New Forest Ninth Centenary Trust, while also offering support to many other interpretation initiatives
- preparation of new educational resources to assist all education providers and all members of the Education Forum
- support for projects to enable young people to visit the national park
- support for schemes to improve access provision and specifically to fund the publication of an 'easy access guide'
- maintain the Authority's presence at the New Forest Show, contribute to publications and run some events
- make significant progress with the Recreation Management Strategy, through consultancy support and resources to commission research
- participate in new partnerships and provide support for the work of others delivering the second purpose.

NEW FOREST NATIONAL PARK AUTHORITY – BUDGET 2007/08

**STATEMENT ON THE GENERAL FUND BUDGET PROPOSALS BY
THE CHIEF FINANCIAL OFFICER**

Section 25 of the Local Government Act 2003 imposes a duty on the Chief Financial Officer to report to the budget setting Authority on the following issues:

1. The robustness of the estimates made for the purpose of setting the budget, and,
2. the adequacy of the proposed financial reserves.

1 Robustness of the estimates

- 1.1 2007/08 is the second year of operation for the Authority, since assuming its full statutory functions on 1st April 2006. A significant amount of work has been undertaken during the first year to further develop and refine the Corporate Plan and the Authority's budget allocations are linked to achieving those key objectives identified.
- 1.2 The financial strategy adopted by the Authority for the preparation of the budget for 2007/08 included the adoption of a zero-based budgeting approach for expenditure bids, requiring all proposals to demonstrate links to the corporate plan, and both immediate and longer-term costs to be identified.
- 1.3 The budget has been constructed from a combination of identifiable current costs, forecasts for inflation and other known increases and assumptions about the timing of initiating new projects, some of which rely on partnership working. By definition, the estimates are not facts but forecasts of expenditure and income, some of which will not be expended until 12 months after the budget was agreed by Members.
- 1.4 The key elements of the budget are the provisions that are made for inflation on pay and prices, projected levels of income, including investments, and delivering the service developments within the allocated resources. No provision has been made within the budget for additional grant, nor additional sources of funding for projects, which may subsequently be identified as a result of work within the Authority.

1.5 Particular issues that need to be highlighted are as follows:

- The Authority's budget has partly been constructed on an incremental basis on the assumption that the previous year's budget reflected the cost of providing those services. Where service requirements or aspirations have changed, expenditure bids and savings have been used to adjust the level of resources allocated;
- There is increased uncertainty over the level of pay award for 2007/08 due to the expiry of the long-term agreement previously in place;
- In addition to the grant support received from Defra, the Authority is reliant on two external sources of income where there may be uncertainty in the level of income received. Interest earnings will be dependent upon the rate of spend within the financial year and the forecast income from planning applications assumes a continuance of the level of activity in 2006/07. Income from these sources will need to be closely monitored and action taken during the year, if appropriate;
- The forecast for basic grant assumes an increase for inflation in future years, based on the actual grant for 2007/08;
- Although there is no contingency included within the budget for 2007/08, the minimum level approved for the General Fund Balance of £0.500million, has been subject to a risk assessment and is deemed to be adequate.

2 Adequacy of proposed financial reserves

- 2.1 The Chief Financial Officer is required to make a recommendation as to the adequacy of the level of reserves held by the Authority. As there is neither a legal definition nor recommendations in any appropriate codes of practice on the absolute level of reserves, it is a matter of judgement based upon the circumstances and facts at the time the recommendation is made. The Audit Commission's role is to review and comment upon decisions taken by the Authority.
- 2.2 The Authority currently holds a General Fund Reserve and a Sustainable Development Fund Reserve; proposals included within this report recommend the establishment of a specific reserve to meet future years' expenditure on the local management framework.

- 2.3 The General Fund Reserve is used to cover general unforeseen items of expenditure that cannot be funded within the base budget for revenue or capital expenditure in any particular year. Whilst no specific provision is built into the annual budget to replace funds drawn during the year, opportunities will be taken to replenish the reserve from under-spends and additional income.
- 2.4 The New Forest National Park Authority, as a newly formed national park, is continuing to incur costs related to the establishment of a new organisation and develop new additional income streams. The Authority is also currently reviewing and benchmarking its core costs against other established national parks in order to establish the level of grant funding required to sustain a full range of activities in the long-term. Until this work has been completed, the General Fund Reserve will be used in the short-term to support ongoing revenue expenditure; this is not a sustainable position in the long-term however. This is a significant factor in determining the adequacy of the reserves to be held at this point in time.
- 2.5 Although a risk assessment has been undertaken to inform the adequacy of reserves held, the unique factors outlined above have also be taken into account in determining the adequacy of the reserves held. This position will be reviewed on an annual basis.
- 2.6 There are no proposals to establish a capital reserve during 2007/08 for funding a future capital equipment replacement programme.
- 2.7 Projections of the General Fund Reserve are provided for Members and at no time does the Reserve fall into a deficit position.

RISK ASSESSMENT OF GENERAL FUND BALANCE - 2006/07

Area of Risk	Value of Activity £000	% Error or likelihood of Event	£000 Reserve	Comment
Inflation				
Salaries and Wages	2,269.0	0.5	11.0	No long term pay agreement in place
Premises	242.0	2.5	6.0	Energy price rises (30-40%)
Transport	74.0	3.0	2.2	
Supplies & Services	1,416.0	2.0	28.3	
Income Volatility				
Planning Income	240.0	20.0	48.0	
Interest Rates				
Investment Returns	100.0	20.0	20.0	
Planning				
Appeals costs	40.0	50.0	20.0	Note - based on 0708 budget

Risk Assessment of General Reserve Fund Balance for 2006/07 = £135,000

PRUDENTIAL INDICATORS 2007/08 - 2009/10

1 Introduction

- 1.1 Under the Prudential Code each local authority must adopt and monitor a range of indicators.
- 1.2 These indicators are to cover a three year period from the current financial year.
- 1.3 The New Forest National Park Authority is not expected to borrow to finance capital expenditure therefore all indicators below apply only to temporary borrowing for cash flow purposes, and temporary investments.

2 Capital Expenditure and the Capital Financing Requirement

Capital Expenditure

- 2.1 The following table shows the actual capital expenditure for 2005/06 and the current forecast for capital expenditure for current and future years.

	2005/06 Actual £000	2006/07 Current Forecast £000	2007/08 Original Budget £000	2008/09 Current Estimate£000	2009/10 Current Estimate£000
New Forest National Park Authority	628	0	0	0	0

Capital Financing Requirement

- 2.2 Each authority must calculate its Capital Financing Requirement.. This requirement shows the amount of capital expenditure that the Authority has incurred and financed from loan. All capital expenditure incurred in 2005/06 was financed from sources other than loan and there is no capital budget for any other years currently.
- 2.3 Therefore the Capital Financing Requirement is forecast to be nil for the period of this strategy report.

External Debt and Investments

- 2.4 Any temporary borrowing will be for short periods as this will only be raised for cash flow purposes. Generally all income received during the year is likely to be used for revenue expenditure during the year, however there may be a cash surplus in the current year as grant is received ahead of expenditure. This can be invested for periods of up to one year. Prudential indicators have been set for forecast year-end debt and investment over the three year period.

At 31 March	2005/06 Actual £000	2006/07 Current Forecast £000	2007/08 Original Budget £000	2008/09 Current Estimate£0 00	2009/10 Current Estimate£000
Gross Borrowing	0	0	0	0	0
Investments	2,265	2,449	1,828	1,586	1,277
Net Borrowing	-2,265	-2,449	-1,828	-1,586	-1,277

3 Limits to Borrowing Activity

The Authorised Limit

- 3.1 This is the limit beyond which borrowing is prohibited and needs to be set by Members for each financial year even though it is not anticipated that the Authority will need to borrow in the period other than short term loans for cash flow purposes. It reflects the level of borrowing that, while not desired or sustainable, could be required in the short-term. It is the maximum temporary borrowing required, including some headroom for unexpected cash flow movements.

Authorised limit for external debt	2006/07 Estimate £m	2007/08 Estimate £m	2008/09 Estimate £m	2009/10 Estimate £m
Borrowing	3.5	3.5	3.6	3.7
Other long term liabilities	0	0	0	0
Total	3.5	3.5	3.6	3.7

The Operational Boundary

- 3.2 This indicator is based on the probable external debt during the course of the year. It is not a limit and the borrowing of the Authority could vary around this boundary for short times during the year. It is a warning indicator to help ensure that the Authorised Limit is not breached.

Operational boundary for external debt	2006/07 Estimate £m	2007/08 Estimate £m	2008/09 Estimate £m	2009/10 Estimate £m
Borrowing	0	0	0	0
Other long term liabilities	0	0	0	0
Total	0	0	0	0

4 Affordability Indicators

- 4.1 All of the affordability indicators recommended by the Prudential Code are to assess the affordability of the Authority's capital programme. As this Authority has no capital programme these are not relevant and have been omitted from this report.