

Affordability Analysis - 25 Year Projection

		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>	<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>
Notes		<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>
		<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>
	Loan Charges Interest Rates Assumed	4.80%	4.80%	4.85%	4.90%	5.00%	5.00%	5.00%	5.00%	5.00%	5.25%	5.25%	5.25%	5.25%
1	Calculation Of Estimated Annual Borrowing													
	Expenditure per FP (before slippage allowance)	Note 1	45,177	28,560	18,433	14,086	6,184	14,000	14,000	14,000	14,000	14,000	14,000	14,000
	Contingency Allowance	Note 2	0	1,000	0	0	6,516	0	0	0	0	0	0	0
	Remove Oversubscription Level	Note 3	0	(4,724)	(4,724)	(210)	(839)	0	0	0	0	0	0	0
	Less: Departmental Borrowing Elements	Note 4	(424)	(1,723)	(927)	(1,078)	(468)	0	0	0	0	0	0	0
	Less: Assumed Corporate Capital Receipts Applied	Note 5	(500)	(500)	(500)	(500)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	Less: One-off Contributions (Revenue / Cap Fund)	Note 6	(2,150)	0	0	0	0	0	0	0	0	0	0	0
	Less: CFCR from Balance of Special Repayments	Note 7	(3,068)	(2,734)	(228)	(707)	(523)	(288)	0	0	0	0	0	0
	Less: Balance Of Capital Grant Applied	Note 8	(22,257)	(5,988)	(10,332)	(10,349)	(10,359)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)
	Estimated Annual Borrowing	Note 9	16,778	13,891	1,722	1,242	411	4,062	4,350	4,350	4,350	4,350	4,350	4,350
2	Calculation Of Annual Loan Charges & Budget Headroom													
	Existing Loan Charges Commitments	Note 10	10,152	11,411	10,226	10,258	10,355	10,282	10,325	10,406	10,284	9,758	9,740	9,643
	Special Repayments	Note 11	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0	0	0
	Loan Charges From New Borrowing	Note 12	271	1,256	1,938	2,067	2,181	2,285	2,567	2,867	3,170	3,597	3,917	4,241
	Total Estimated Annual Loan Charges		11,423	13,667	13,164	13,325	13,536	12,567	12,892	13,273	13,454	13,355	13,657	13,884
3	Calculation Of Budget Headroom / (Issue)													
	Maximum Assumed Loan Charges Budget	Note 13	14,157	13,895	13,871	13,848	13,824	13,801	13,777	13,686	13,661	13,636	13,611	13,587
	Less: Estimated Annual Loan Charges (As Above)		11,423	13,667	13,164	13,325	13,536	12,567	12,892	13,273	13,454	13,355	13,657	13,884
	Less: Set Aside for Following Year CFCR	Note 7	2,734	228	707	523	288	0	0	0	0	0	0	0
	Budget Headroom / (Issue)	Note 14	0	0	0	0	0	1,234	885	413	207	281	(46)	(297)

Notes

- Expenditure for years 1 to 5 is as per the 2015/2020 Financial Plan (Report 62/16). Expenditure for year 6 onwards assumes ongoing net capital expenditure (before application of corporate capital receipts and general capital grant) of £14.0 million.
- Whilst not reflected in the 2015/2020 Financial Plan itself, a contingency allowance totalling £7.516 million has been built into both the capital priority and long term affordability models over the years 2015/16 to 2019/20.
- The 2015/2020 Financial Plan has been prepared assuming a maximum 10% oversubscription (£10.497 million) against estimated capital resources. This has been excluded from the affordability assessment in order to reflect a proper comparison against future loan charges budget levels.
- Departmental borrowing projects have been excluded as the loan charges in respect of any associated borrowing are met from revenue budget resources outwith the corporate loan charges budget.
- It is currently projected that £500,000 of corporate capital receipts will be realised in the current financial year (2015/16). It has been assumed that further corporate capital receipts of £500,000 per annum will be generated over the remaining Financial Plan years to 2018/19. It is considered that for the years thereafter, corporate capital receipts will be more difficult to generate and a level of £100,000 p.a. has been assumed for the remainder of the assessment period.
- One-off revenue and local capital fund contributions to capital expenditure of £700,000 and £1.450m respectively were approved as part of the 2015/16 budget setting process. No further revenue or local capital fund contributions have been assumed for 2016/17 onwards.
- Previous revisions to the special repayment strategy freed up revenue resources previously set aside for the repayment of debt - these resources will be carried forward to be used in the following year as Capital Funded from Current Revenue (CFCR).

Notes 8 to 14 can be found on the next page of this Appendix 1

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	Notes	Year 14 2028/29	Year 15 2029/30	Year 16 2030/31	Year 17 2031/32	Year 18 2032/33	Year 19 2033/34	Year 20 2034/35	Year 21 2035/36	Year 22 2036/37	Year 23 2037/38	Year 24 2038/39	Year 25 2039/40	Year 26 2040/41
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		5.25%	5.50%	5.50%	5.50%	5.50%	5.50%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
1 Calculation Of Estimated Annual Borrowing														
Expenditure per FP (before slippage allowance)	Note 1	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Contingency Allowance	Note 2	0	0	0	0	0	0	0	0	0	0	0	0	0
Remove Oversubscription Level	Note 3	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Departmental Borrowing Elements	Note 4	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Assumed Corporate Capital Receipts Applied	Note 5	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Less: One-off Revenue Contribution	Note 6	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: CFCR from Balance of Special Repayments	Note 7	0	0	0	0	0	0	0	0	0	0	0	0	0
Less: Balance Of Capital Grant Applied	Note 8	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)
Estimated Annual Borrowing	Note 9	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350	4,350
2 Calculation Of Annual Loan Charges & Budget Headroom														
Existing Loan Charges Commitments	Note 10	6,194	6,037	3,384	3,229	3,019	1,191	1,134	1,049	1,066	1,084	1,104	1,125	1,148
Special Repayments	Note 11	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 12	4,906	5,404	5,757	6,116	6,482	6,856	7,420	7,814	8,216	8,627	9,048	9,481	9,926
Total Estimated Annual Loan Charges		11,100	11,441	9,141	9,345	9,501	8,047	8,554	8,863	9,282	9,711	10,152	10,606	11,074
3 Calculation Of Budget Headroom / (Issue)														
Maximum Assumed Loan Charges Budget	Note 13	11,243	11,065	9,926	9,116	9,322	9,229	9,151	9,087	9,337	9,587	9,837	10,087	10,337
Less: Estimated Annual Loan Charges (As Above)		11,100	11,441	9,141	9,345	9,501	8,047	8,554	8,863	9,282	9,711	10,152	10,606	11,074
Less: Set Aside for Following Year CFCR	Note 7	0	0	0	0	0	0	0	0	0	0	0	0	0
Budget Headroom / (Issue)	Note 14	143	(376)	785	(229)	(179)	1,182	597	224	55	(124)	(315)	(519)	(737)

Notes (continued)

- 8 It has been assumed that the balance of general capital grant in each year will be applied to reduce the level of borrowing in each year. Years 1 and 2 reflect the actual balance as per the Finance Settlement. For year 3 and beyond an ongoing base level of capital grant of £10.0 million has been assumed. For year 2 however, the base of has been reduced to reflect the anticipated claw back of grant in respect of the Brechin Flood Prevention project as highlighted at paragraph 7.3.5 in the body of the report. Where capital grant is being used to fund third party capital expenditure, this has been deducted from the base grant assumptions.
- 9 The estimated annual borrowing represents the amount of new borrowing which will be required each year to fund the General Fund capital programme and for which the associated loan charges will require to be met from the corporate loan charges budget.
- 10 Existing loan charge commitments represent the unavoidable loan charges on existing borrowing undertaken to 31 March 2015.
- 11 The special repayment amounts shown above for years 1 to 5 reflect the level of future special repayments that in the short term it is anticipated could be made each year on the basis of the information available at this time. In total these special repayments amount to some £5.000 million as detailed at paragraph 7.3.4 in the body of the report.
- 12 The loan charges from new borrowing represent the level of loan charges costs expected to be incurred year on year in respect of the estimated new borrowing. These charges have been calculated on an annuity basis using an average debt redemption period of 25 years and interest rates from 4.80% to 5.75%.
- 13 As detailed at paragraph 7.3.2 in the body of the report, the loan charges budget starts at £13.895 million for 2016/17 (year 2). General Revenue Grant totalling £4.337 million will be applied as part of the loan charges budget in 2016/17 with further assumed increases of £250,000 taking place each year thereafter. Notwithstanding this assumed injection of General Revenue Grant, the overall level of loan charges budget generally reduces year on year and reflects the fall in loan charges support grant.
- 14 It has been assumed that all available budget headroom in years 1 to 5 will be utilised to either make special repayments of debt or applied as CFCR and the benefits of this have been allowed within the projections, hence the balanced position in these years. Further budget headroom is projected to exist in other years and it would be intended that this headroom would continue to be utilised to make special repayments of debt and / or be applied as CFCR to reduce in year borrowing requirements. At this time, no benefit has been allowed within the projections for any such special repayments / CFCR given the many variables involved. In some years loan charges are projected to be in excess of the anticipated loan charges budget, however the continued use of headroom to make special repayments of debt / apply CFCR will help to address and manage this position.