

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>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>2028/29</u>	<u>2029/30</u>
		<u>£,000</u>												
	Loan Charges Interest Rates Assumed	4.67%	4.72%	4.77%	4.82%	4.87%	5.12%	5.12%	5.12%	5.12%	5.12%	5.37%	5.37%	5.37%
1	Calculation Of Estimated Annual Borrowing													
	Expenditure per FP (before slippage allowance)	Note 1	17,993	31,600	18,104	11,354	6,411	14,000	14,000	14,000	14,000	14,000	14,000	14,000
	Contingency Allowance / Profile Adjustment	Note 2	0	0	0	0	5,379	0	0	0	0	0	0	0
	Remove Oversubscription Level	Note 3	0	(4,630)	(1,366)	(228)	(1,366)	0	0	0	0	0	0	0
	Less: Departmental Borrowing Elements	Note 4	(802)	(1,047)	(487)	(168)	0	0	0	0	0	0	0	0
	Less: Assumed Corporate Capital Receipts Applied	Note 5	(250)	(250)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	Less: Balance Of Capital Grant Applied	Note 6	(11,758)	(12,202)	(12,068)	(9,642)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)
	Estimated Annual Borrowing	Note 7	5,183	13,471	4,083	1,216	674	4,250						
2	Calculation Of Annual Loan Charges & Budget Headroom													
	Existing Loan Charges Commitments	Note 8	11,293	11,352	11,435	11,434	11,492	11,768	11,645	10,994	11,001	10,965	8,093	7,729
	Special Repayments	Note 9	1,000	1,000	1,000	806	636	0	0	0	0	0	0	0
	Loan Charges From New Borrowing	Note 10	81	528	1,210	1,434	1,523	1,699	1,987	2,278	2,572	2,870	3,280	3,593
	Total Estimated Annual Loan Charges		12,374	12,880	13,644	13,673	13,651	13,467	13,633	13,272	13,574	13,835	11,373	11,322
3	Calculation Of Budget Headroom / (Issue)													
	Maximum Assumed Loan Charges Budget	Note 11	14,036	13,841	13,698	13,673	13,651	13,558	13,533	13,510	13,484	13,460	12,613	11,115
	Less: Estimated Annual Loan Charges (As Above)		12,374	12,880	13,644	13,673	13,651	13,467	13,633	13,272	13,574	13,835	11,373	11,322
	Budget Headroom / (Issue)	Note 12	1,662	961	54	0	0	91	(100)	238	(90)	(375)	1,240	(207)

Notes

- Expenditure for years 1 to 5 is as per the 2017/2022 Financial Plan (Report 62/18). 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 2017/2022 Financial Plan itself, a contingency allowance totalling £5.379 million has been built into both the capital priority and long term affordability models over the years 2017/18 to 2021/22.
- The 2017/2022 Financial Plan has been prepared assuming up to a maximum 10% oversubscription against estimated capital resources. The oversubscription value has been excluded from the affordability assessment in order to reflect a proper comparison against projected 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 £250,000 of corporate capital receipts will be realised in the current financial year (2017/18) and also in 2018/19. It has been assumed that corporate capital receipts thereafter will be more difficult to generate and a level of £100,000 per annum has been assumed for the remainder of the assessment period.
- It has been assumed that the full 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. The base grant assumption in year 3 has however been increased by £2.426 million reflecting repayment in full of grant re-profiled from the 2016/17 finance settlement. Where capital grant is being used to fund third party capital expenditure, this has been deducted from the base grant assumptions.

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

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	Notes	Year 14 2030/31	Year 15 2031/32	Year 16 2032/33	Year 17 2033/34	Year 18 2034/35	Year 19 2035/36	Year 20 2036/37	Year 21 2037/38	Year 22 2038/39	Year 23 2039/40	Year 24 2040/41	Year 25 2041/42	Year 26 2042/43
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		5.37%	5.37%	5.62%	5.62%	5.62%	5.62%	5.62%	5.87%	5.87%	5.87%	5.87%	5.87%	5.87%
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
	Contingency Allowance	Note 2	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
	Less: Departmental Borrowing Elements	Note 4	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)
	Less: Balance Of Capital Grant Applied	Note 6	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)
	Estimated Annual Borrowing	Note 7	4,250											
2	Calculation Of Annual Loan Charges & Budget Headroom													
	Existing Loan Charges Commitments	Note 8	5,032	4,898	4,785	2,986	2,930	2,871	2,915	3,011	3,058	3,109	3,165	3,225
	Special Repayments	Note 9	0	0	0	0	0	0	0	0	0	0	0	0
	Loan Charges From New Borrowing	Note 10	4,233	4,559	5,038	5,382	5,731	6,086	6,448	6,990	7,370	7,758	8,154	8,559
	Total Estimated Annual Loan Charges		9,264	9,458	9,823	8,367	8,661	8,957	9,363	10,001	10,429	10,868	11,319	11,785
3	Calculation Of Budget Headroom / (Issue)													
	Maximum Assumed Loan Charges Budget	Note 11	9,800	8,989	9,195	9,102	9,024	8,960	9,210	9,460	9,710	9,960	10,210	10,460
	Less: Estimated Annual Loan Charges (As Above)		9,264	9,458	9,823	8,367	8,661	8,957	9,363	10,001	10,429	10,868	11,319	11,785
	Budget Headroom / (Issue)	Note 12	536	(469)	(628)	735	363	3	(153)	(541)	(719)	(908)	(1,109)	(1,324)

Notes (continued)

- 7 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.
- 8 Existing loan charge commitments represent the unavoidable loan charges on existing borrowing undertaken to 31 March 2017.
- 9 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 £4.442 million as detailed at part 4 of Appendix 3 to this report.
- 10 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 4.67% to 5.87%.
- 11 As detailed in part 2 of Appendix 3, the loan charges budget starts at £13.909 million for 2018/19 (year 2). General Revenue Grant totalling £4.078 million forms part of the loan charges budget in 2018/19 with assumed increases of £250,000 of General Revenue Grant being applied each year thereafter. Notwithstanding this assumption, the overall level of loan charges budget mostly reduces year on year until 2035/36 (reflecting the fall in loan charges support grant) and then starts to rise thereafter by the value of the assumed General Revenue Grant annual increase applied.
- 12 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 to address wider revenue budget pressures - the benefits of the special debt repayments have been allowed within the projections. The underspends in years 1 to 3 (totalling £2.677 million) will be used to address wider revenue budget pressures. Further budget headroom is projected to exist in some future years and this could continue to be utilised to make special repayments of debt to reduce in year borrowing requirements. At this time though, no benefit has been allowed within the projections for any such special repayments 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 will help to address and manage this position.