

Affordability Analysis - 25 Year Projection

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
	Notes	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		4.62%	4.67%	4.72%	4.77%	4.82%	4.82%	4.82%	4.82%	5.07%	5.07%	5.07%	5.07%	5.07%
1 Calculation Of Estimated Annual Borrowing														
Expenditure per FP (before slippage allowance)	Note 1	25,096	32,610	18,214	7,495	8,284	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Contingency Allowance	Note 2	0	0	0	3,898	1,592	0	0	0	0	0	0	0	0
Remove Oversubscription Level	Note 3	0	(3,998)	(3,998)	0	0	0	0	0	0	0	0	0	0
Less: Departmental Borrowing Elements	Note 4	(1,537)	(727)	(1,090)	(487)	(168)	0	0	0	0	0	0	0	0
Less: Assumed Corporate Capital Receipts Applied	Note 5	(500)	(500)	(500)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Less: One-off Contributions (Revenue / Cap Fund)	Note 6	(1,450)	0	0	0	0	0	0	0	0	0	0	0	0
Less: CFCR from Balance of Special Repayments	Note 7	(1,537)	(2,091)	(1,241)	0	0	0	0	0	0	0	0	0	0
Less: Balance Of Capital Grant Applied	Note 8	(12,323)	(11,774)	(10,605)	(10,763)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)
Estimated Annual Borrowing	Note 9	7,749	13,520	780	43	58	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	11,059	11,117	11,197	11,204	11,216	11,272	11,169	10,722	10,716	10,642	7,645	7,296	7,211
Special Repayments	Note 11	1,000	1,000	844	756	696	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 12	120	679	1,307	1,364	1,389	1,474	1,756	2,041	2,415	2,716	3,021	3,330	3,643
Total Estimated Annual Loan Charges		12,179	12,796	13,348	13,324	13,301	12,746	12,925	12,763	13,131	13,358	10,666	10,626	10,854
3 Calculation Of Budget Headroom / (Issue)														
Maximum Assumed Loan Charges Budget	Note 13	14,270	14,036	13,348	13,324	13,301	13,277	13,186	13,161	13,136	13,111	13,087	12,240	10,743
Less: Estimated Annual Loan Charges (As Above)		12,179	12,796	13,348	13,324	13,301	12,746	12,925	12,763	13,131	13,358	10,666	10,626	10,854
Less: Set Aside for Following Year CFCR	Note 7	2,091	1,240	0	0	0	0	0	0	0	0	0	0	0
Budget Headroom / (Issue)	Note 14	0	0	0	0	0	531	261	398	5	(247)	2,421	1,614	(111)

Notes

- Expenditure for years 1 to 5 is as per the 2016/2021 Financial Plan (Report 60/17). 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 2016/2021 Financial Plan itself, a contingency allowance totalling £5.490 million has been built into both the capital priority and long term affordability models over the years 2016/17 to 2020/21.
- The 2016/2021 Financial Plan has been prepared assuming an oversubscription (£7.996 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 (2016/17). It has been assumed that further corporate capital receipts totalling £1.200 million will be generated over the remaining Financial Plan years to 2020/21. It is considered that for the years thereafter, corporate capital receipts will be more difficult to generate and a level of £100,000 per annum has been assumed for the remainder of the assessment period.
- One-off revenue and local capital fund contributions to capital expenditure of £1.450 million are available in the current financial year. No further revenue or local capital fund contributions have been assumed for 2017/18 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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		Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26
	Notes	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		5.32%	5.32%	5.32%	5.32%	5.32%	5.57%	5.57%	5.57%	5.57%	5.57%	5.57%	5.57%	5.57%
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	4,625	4,489	4,301	2,495	2,497	2,425	2,464	2,506	2,552	2,602	2,655	2,714	2,298
Special Repayments	Note 11	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 12	4,090	4,420	4,756	5,098	5,445	5,962	6,328	6,702	7,083	7,473	7,872	8,280	8,700
Total Estimated Annual Loan Charges		8,715	8,909	9,057	7,593	7,942	8,387	8,792	9,208	9,635	10,075	10,527	10,994	10,998
3 Calculation Of Budget Headroom / (Issue)														
Maximum Assumed Loan Charges Budget	Note 13	10,565	9,426	8,616	8,822	8,729	8,651	8,587	8,837	9,087	9,337	9,587	9,837	10,087
Less: Estimated Annual Loan Charges (As Above)		8,715	8,909	9,057	7,593	7,942	8,387	8,792	9,208	9,635	10,075	10,527	10,994	10,998
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	1,850	517	(441)	1,229	787	264	(205)	(371)	(548)	(738)	(940)	(1,157)	(911)

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 has been reduced to reflect the claw back of grant in respect of the Brechin Flood Prevention project. 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 2016.
- 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 £4.296 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 4.62% to 5.57%.
- 13 As detailed at paragraph 7.3.2 in the body of the report, the loan charges budget starts at £14.104 million for 2017/18 (year 2). General Revenue Grant totalling £4.807 million will be applied as part of the loan charges budget in 2017/18 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.