

**Affordability Analysis - 25 Year Projection**

	Notes	<u>Year 1</u> 2014/15 £,000	<u>Year 2</u> 2015/16 £,000	<u>Year 3</u> 2016/17 £,000	<u>Year 4</u> 2017/18 £,000	<u>Year 5</u> 2018/19 £,000	<u>Year 6</u> 2019/20 £,000	<u>Year 7</u> 2020/21 £,000	<u>Year 8</u> 2021/22 £,000	<u>Year 9</u> 2022/23 £,000	<u>Year 10</u> 2023/24 £,000	<u>Year 11</u> 2024/25 £,000	<u>Year 12</u> 2025/26 £,000	<u>Year 13</u> 2026/27 £,000
<b>1 Calculation Of Estimated Annual Borrowing</b>														
Expenditure per FP (before slippage allowance)	Note 1	31,091	45,757	21,369	15,615	9,060	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Contingency Allowance	Note 2	0	1,000	1,000	1,000	4,000	0	0	0	0	0	0	0	0
Remove Oversubscription Level	Note 3	0	(3,406)	(3,406)	(3,633)	(908)	0	0	0	0	0	0	0	0
Less: Departmental Borrowing Elements	Note 4	(1,535)	(789)	(787)	(429)	(784)	0	0	0	0	0	0	0	0
Less: Assumed Corporate Capital Receipts Applied	Note 5	(500)	(500)	(500)	(500)	(500)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Less: One-off Contributions (Revenue / Cap Fund)	Note 6	(700)	(2,150)	0	0	0	0	0	0	0	0	0	0	0
Less: CFCR from Balance of Special Repayments	Note 7	(2,066)	(2,936)	(1,614)	(715)	(536)	0	0	0	0	0	0	0	0
Less: Balance Of Capital Grant Applied	Note 8	(16,601)	(22,228)	(5,923)	(9,524)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)	(9,550)
<b>Estimated Annual Borrowing</b>	Note 9	<b>9,689</b>	<b>14,748</b>	<b>10,139</b>	<b>1,814</b>	<b>782</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>
<b>2 Calculation Of Annual Loan Charges &amp; Budget Headroom</b>														
Existing Loan Charges Commitments	Note 10	9,748	10,370	10,407	10,044	9,941	10,032	10,019	10,062	10,141	10,015	9,472	9,444	9,335
Special Repayments	Note 11	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 12	156	833	1,671	2,189	2,320	2,484	2,780	3,081	3,385	3,693	4,144	4,470	4,801
<b>Total Estimated Annual Loan Charges</b>		<b>10,904</b>	<b>12,203</b>	<b>13,078</b>	<b>13,233</b>	<b>13,261</b>	<b>12,516</b>	<b>12,799</b>	<b>13,143</b>	<b>13,526</b>	<b>13,708</b>	<b>13,616</b>	<b>13,914</b>	<b>14,136</b>
<b>3 Calculation Of Budget Headroom / (Issue)</b>														
Maximum Assumed Loan Charges Budget	Note 13	13,840	13,817	13,793	13,769	13,746	13,722	13,699	13,675	13,584	13,559	13,534	13,509	13,485
Less: Estimated Annual Loan Charges (As Above)		10,904	12,203	13,078	13,233	13,261	12,516	12,799	13,143	13,526	13,708	13,616	13,914	14,136
Less: Set Aside for Following Year CFCR	Note 7	2,936	1,614	715	536	485	0	0	0	0	0	0	0	0
<b>Budget Headroom / (Issue)</b>	Note 14	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>1,206</b>	<b>900</b>	<b>532</b>	<b>58</b>	<b>(149)</b>	<b>(82)</b>	<b>(405)</b>	<b>(651)</b>

**Notes**

- Expenditure for years 1 to 5 is as per the 2014/2019 Financial Plan (Report 61/15). 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 2014/2019 Financial Plan itself, a contingency allowance totalling £7.0 million has been built into both the capital priority and long term affordability models over the years 2014/15 to 2018/19.
- The 2014/2019 Financial Plan has been prepared assuming a maximum 10% oversubscription (£11.353 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 (2014/15). 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.
- A one-off revenue contribution to capital expenditure of £700,000 was approved as part of the 2014/15 budget setting process. As per Appendix 1 to the 2015/16 Council Tax Setting Report (report 62/15 refers) and for the purposes of this affordability review, a further one-off revenue contribution of £700,000 has been assumed in 2015/16. A one-off contribution is also being made in 2015/16 from the Council's Capital Fund amounting to £1.450 million.
- 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**

**Affordability Analysis - 25 Year Projection**

	Notes	Year 14 2027/28 £,000	Year 15 2028/29 £,000	Year 16 2029/30 £,000	Year 17 2030/31 £,000	Year 18 2031/32 £,000	Year 19 2032/33 £,000	Year 20 2033/34 £,000	Year 21 2034/35 £,000	Year 22 2035/36 £,000	Year 23 2036/37 £,000	Year 24 2037/38 £,000	Year 25 2038/39 £,000	Year 26 2039/40 £,000
<b>1 Calculation Of Estimated Annual Borrowing</b>														
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)
<b>Estimated Annual Borrowing</b>	Note 9	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>	<b>4,350</b>
<b>2 Calculation Of Annual Loan Charges &amp; Budget Headroom</b>														
Existing Loan Charges Commitments	Note 10	6,282	5,857	5,689	3,030	2,870	2,656	823	754	662	673	685	697	711
Special Repayments	Note 11	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 12	5,137	5,480	6,000	6,361	6,730	7,106	7,490	8,076	8,480	8,895	9,320	9,756	10,204
<b>Total Estimated Annual Loan Charges</b>		<b>11,419</b>	<b>11,337</b>	<b>11,689</b>	<b>9,391</b>	<b>9,600</b>	<b>9,762</b>	<b>8,313</b>	<b>8,830</b>	<b>9,142</b>	<b>9,568</b>	<b>10,005</b>	<b>10,453</b>	<b>10,915</b>
<b>3 Calculation Of Budget Headroom / (Issue)</b>														
Maximum Assumed Loan Charges Budget	Note 13	12,638	11,141	10,963	9,824	9,014	9,220	9,127	9,049	8,985	9,235	9,485	9,735	9,985
Less: Estimated Annual Loan Charges (As Above)		11,419	11,337	11,689	9,391	9,600	9,762	8,313	8,830	9,142	9,568	10,005	10,453	10,915
Less: Set Aside for Following Year CFCR	Note 7	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Budget Headroom / (Issue)</b>	Note 14	<b>1,219</b>	<b>(196)</b>	<b>(726)</b>	<b>433</b>	<b>(586)</b>	<b>(542)</b>	<b>814</b>	<b>219</b>	<b>(157)</b>	<b>(333)</b>	<b>(520)</b>	<b>(718)</b>	<b>(930)</b>

**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 3 however, the assumed base of £10.0 million has been reduced to reflect the anticipated claw back of grant in respect of the Brechin Flood Prevention project as highlighted at paragraph 7.3.7 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 2014.
- 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%, as detailed at paragraph 7.3.3 in the body of the report.
- 13 As detailed at paragraph 7.3.2 in the body of the report, the loan charges budget starts at £13.817 million for 2015/16 (year 2). General Revenue Grant totalling £3.997 million will be applied as part of the loan charges budget in 2015/16 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 from 2015/16 onwards 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.