

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	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		4.40%	4.40%	4.45%	4.50%	4.55%	4.80%	4.80%	4.80%	4.80%	4.80%	5.05%	5.05%	5.05%
1 Calculation Of Estimated Annual Borrowing														
Expenditure per FP (before slippage allowance)	Note 1	19,330	31,551	14,623	9,510	9,557	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Contingency / Specific Provision / Profile Adjustment	Note 2	0	(2,275)	998	4,748	4,268	0	0	0	0	0	0	0	0
Remove Oversubscription Level	Note 3	0	(1,980)	(1,979)	(1,979)	(1,979)	0	0	0	0	0	0	0	0
Less: Departmental Borrowing Elements	Note 4	(1,418)	(628)	(1,003)	(1,411)	(942)	0	0	0	0	0	0	0	0
Less: Assumed Corporate Capital Receipts Applied	Note 5	(306)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Less: Balance Of Capital Grant Applied	Note 6	(12,252)	(16,382)	(10,642)	(10,650)	(10,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)	(9,650)
Estimated Annual Borrowing	Note 7	5,354	10,186	1,897	118	154	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250
2 Calculation Of Annual Loan Charges & Budget Headroom														
Existing Loan Charges Commitments	Note 8	11,142	11,187	11,212	11,314	11,489	11,625	10,998	11,030	11,019	8,045	7,847	7,671	5,245
Special Repayments	Note 9	1,000	1,000	1,000	804	1,000	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 10	79	459	933	1,033	1,058	1,202	1,536	1,872	2,213	2,557	3,012	3,376	3,745
Total Estimated Annual Loan Charges		12,221	12,646	13,145	13,151	13,547	12,827	12,534	12,902	13,232	10,603	10,859	11,047	8,990
3 Calculation Of Budget Headroom / (Issue)														
Maximum Assumed Loan Charges Budget	Note 11	13,841	13,198	13,173	13,151	13,058	13,033	13,010	12,984	12,960	12,113	10,615	10,437	9,300
Less: Estimated Annual Loan Charges (As Above)		12,221	12,646	13,145	13,151	13,547	12,827	12,534	12,902	13,232	10,603	10,859	11,047	8,990
Budget Headroom / (Issue)	Note 12	1,620	552	28	0	(489)	206	476	82	(272)	1,510	(244)	(610)	310

Notes

- Expenditure for years 1 to 5 is as per the 2018/2023 Financial Plan (Report 59/19). Expenditure for year 6 onwards assumes ongoing net capital expenditure (before application of corporate capital receipts and general capital grant) of £15.0 million.
- Whilst not reflected in the 2018/2023 Financial Plan itself, a general contingency allowance totalling £3.239 million and specific provision of £4.500 million for Tay Cities Deal has been built into both the capital priority and long term affordability models over the years 2019/20 to 2022/23. An adjustment to profiled spend has also been included to take account of potential slippage.
- The 2018/2023 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 £306,000 of corporate capital receipts will be realised in the current financial year (2018/19) 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 £11.0 million has been assumed. Where capital grant is being used to fund third party capital expenditure, this has been deducted from the base grant assumptions.

Notes 7 to 12 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	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		5.05%	5.05%	5.30%	5.30%	5.30%	5.30%	5.30%	5.55%	5.55%	5.55%	5.55%	5.55%	5.55%
1 Calculation Of Estimated Annual Borrowing														
Expenditure per FP (before slippage allowance)	Note 1	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Contingency / Specific Provision / Profile Adjustment	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: 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)	(9,650)
Estimated Annual Borrowing	Note 7	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250
2 Calculation Of Annual Loan Charges & Budget Headroom														
Existing Loan Charges Commitments	Note 8	5,125	4,953	3,251	3,205	3,155	3,210	3,269	3,384	3,448	3,518	3,593	3,196	2,587
Special Repayments	Note 9	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 10	4,119	4,498	5,041	5,441	5,849	6,263	6,684	7,311	7,756	8,210	8,673	9,147	9,633
Total Estimated Annual Loan Charges		9,244	9,451	8,292	8,646	9,004	9,472	9,953	10,695	11,204	11,727	12,266	12,343	12,220
3 Calculation Of Budget Headroom / (Issue)														
Maximum Assumed Loan Charges Budget	Note 11	8,489	8,695	8,602	8,524	8,460	8,710	8,960	9,210	9,460	9,710	9,960	10,210	10,460
Less: Estimated Annual Loan Charges (As Above)		9,244	9,451	8,292	8,646	9,004	9,472	9,953	10,695	11,204	11,727	12,266	12,343	12,220
Budget Headroom / (Issue)	Note 12	(755)	(756)	310	(122)	(544)	(762)	(993)	(1,485)	(1,744)	(2,017)	(2,306)	(2,133)	(1,760)

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 2018.
- 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 £4.804 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 ranging from 4.40% to 5.55%.
- 11 As detailed in part 2 of Appendix 3, the loan charges budget starts at £13.198 million for 2019/20 (year 2). General Revenue Grant totalling £4.461 million forms part of the loan charges budget in 2019/20 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 net underspend over years 1 to 5 (totalling £1.711 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 a number of 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.