

**Affordability Analysis - 25 Year Projection**

	Notes	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2023/24	Year 6 2024/25	Year 7 2025/26	Year 8 2026/27	Year 9 2027/28	Year 10 2028/29	Year 11 2029/30	Year 12 2030/31	Year 13 2031/32
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		4.30%	4.30%	4.30%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%
<b>1</b>	<b><u>Calculation Of Estimated Annual Borrowing</u></b>													
	Expenditure per CP	Note 1	20,959	27,313	14,574	14,375	18,372	17,500	17,500	17,500	17,500	17,500	17,500	17,500
	Contingency / Specific Provision / Profile Adjustment	Note 2	0	1,900	2,800	4,000	1,300	0	0	0	0	0	0	0
	Remove Oversubscription Level	Note 3	0	(2,226)	(2,226)	(2,226)	(2,226)	0	0	0	0	0	0	0
	Less: Departmental Borrowing Elements	Note 4	(852)	(1,946)	(2,024)	(1,322)	(1,507)	0	0	0	0	0	0	0
	Less: Assumed Corporate Capital Receipts Applied	Note 5	(100)	(250)	(250)	(250)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	Less: CFCR from Balance of Special Repayments	Note 6	0	(1,090)	(236)	0	0	0	0	0	0	0	0	0
	Less: Balance Of Capital Grant Applied	Note 7	(19,524)	(11,568)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)
	<b>Estimated Annual Borrowing</b>	Note 8	<b>483</b>	<b>12,133</b>	<b>488</b>	<b>2,427</b>	<b>3,539</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>
<b>2</b>	<b><u>Calculation Of Annual Loan Charges &amp; Budget Headroom</u></b>													
	Existing Loan Charges Commitments	Note 9	11,097	11,087	11,160	11,386	11,437	10,839	10,897	10,910	8,013	7,839	7,680	5,322
	Special Repayments	Note 10	1,000	1,000	1,000	669	559	0	0	0	0	0	0	0
	Loan Charges From New Borrowing	Note 11	11	293	724	815	1,003	1,259	1,577	1,899	2,225	2,657	3,003	3,354
	<b>Total Estimated Annual Loan Charges</b>		<b>12,108</b>	<b>12,380</b>	<b>12,884</b>	<b>12,870</b>	<b>12,999</b>	<b>12,097</b>	<b>12,474</b>	<b>12,810</b>	<b>10,238</b>	<b>10,495</b>	<b>10,683</b>	<b>8,676</b>
<b>3</b>	<b><u>Calculation Of Budget Headroom / (Issue)</u></b>													
	Maximum Assumed Loan Charges Budget	Note 12	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)		12,108	12,380	12,884	12,870	12,999	12,097	12,474	12,810	10,238	10,495	10,683	8,676
	Less: Set Aside for Following Year CFCR	Note 6	1,090	236	0	0	0	0	0	0	0	0	0	0
	<b>Budget Headroom / (Issue)</b>	Note 13	<b>0</b>	<b>557</b>	<b>267</b>	<b>188</b>	<b>34</b>	<b>913</b>	<b>510</b>	<b>150</b>	<b>1,875</b>	<b>120</b>	<b>(246)</b>	<b>624</b>

Note 1 Expenditure for years 1 to 5 is as per the 2019/2024 Capital Plan (Report 84/20). Expenditure for year 6 onwards assumes ongoing net capital expenditure (before application of corporate capital receipts and general capital grant) of £17.5 million.

Note 2 Whilst not reflected in the 2019/2024 Capital Plan itself, a general contingency allowance totalling £4.0 million and specific provision of £6.0 million for Tay Cities Deal has been built into both the capital priority and long term affordability models over the years 2020/21 to 2023/24. An adjustment to profiled spend has also been included to take account of potential slippage.

Note 3 The 2019/2024 Capital 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.

Note 4 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.

Note 5 It is currently projected that £100,000 of corporate capital receipts will be realised in the current financial year (2019/20). It has been assumed that corporate capital receipts from 2020/21 to 2023/24 will increase to a level of £250,000 per annum, dropping back to £100,000 again for the remainder of the assessment period.

Note 6 The estimated headroom of £1.090 million on the loan charges budget in 2019/20 will be carried forward to be used in 2020/21 as Capital Funded from Current Revenue (CFCR). Likewise a smaller amount (£0.236 million) is assumed to be carried forward from 2020/21 into 2021/22.

Note 7 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 £12.500 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 8 to 13 can be found on page 2 of this Appendix**

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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	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		4.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
<b>1</b>	<b>Calculation Of Estimated Annual Borrowing</b>													
	Expenditure per CP (before slippage allowance)	Note 1	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
	Contingency / Specific Provision / Profile Adjustment	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: CFCR from Balance of Special Repayments	Note 6	0	0	0	0	0	0	0	0	0	0	0	0
	Less: Balance Of Capital Grant Applied	Note 7	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)	(12,150)
	<b>Estimated Annual Borrowing</b>	Note 8	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>	<b>5,250</b>
<b>2</b>	<b>Calculation Of Annual Loan Charges &amp; Budget Headroom</b>													
	Existing Loan Charges Commitments	Note 9	5,054	3,371	3,333	3,290	3,352	3,420	3,550	3,624	3,704	3,790	3,405	2,809
	Special Repayments	Note 10	0	0	0	0	0	0	0	0	0	0	0	0
	Loan Charges From New Borrowing	Note 11	4,071	4,593	4,976	5,366	5,763	6,167	6,777	7,205	7,643	8,091	8,549	9,019
	<b>Total Estimated Annual Loan Charges</b>		<b>9,125</b>	<b>7,964</b>	<b>8,309</b>	<b>8,656</b>	<b>9,115</b>	<b>9,587</b>	<b>10,327</b>	<b>10,829</b>	<b>11,347</b>	<b>11,881</b>	<b>11,954</b>	<b>12,273</b>
<b>3</b>	<b>Calculation Of Budget Headroom / (Issue)</b>													
	Maximum Assumed Loan Charges Budget	Note 12	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)		9,125	7,964	8,309	8,656	9,115	9,587	10,327	10,829	11,347	11,881	11,954	12,273
	Less: Set Aside for Following Year CFCR	Note 6	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Budget Headroom / (Issue)</b>	Note 13	<b>(430)</b>	<b>638</b>	<b>215</b>	<b>(196)</b>	<b>(405)</b>	<b>(627)</b>	<b>(1,117)</b>	<b>(1,369)</b>	<b>(1,637)</b>	<b>(1,921)</b>	<b>(1,744)</b>	<b>(1,367)</b>

Note 8 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.

Note 9 Existing loan charge commitments represent the unavoidable loan charges on existing borrowing undertaken to 31 March 2019.

Note 10 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 £4.227 million as detailed at part 4 of Appendix 3 to this report.

Note 11 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 4.30% to 5.25%.

Note 12 As detailed in part 2 of Appendix 3, the loan charges budget starts at £13.173 million for 2020/21 (year 2). General Revenue Grant totalling £4.709 million forms part of the loan charges budget in 2020/21 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.

Note 13 It has been assumed that all available budget headroom in years 1 to 5 will be utilised to either make special repayments of debt, applied as CFCR or to address wider pressures - the benefits of the special debt repayments and CFCR application have been allowed within the projections. The net underspend over years 1 to 5 (totalling £1.046 million) will be used to address wider 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.