

Affordability Analysis - 25 Year Projection

	Notes	<u>Year 1</u> <u>2020/21</u> <u>£,000</u>	<u>Year 2</u> <u>2021/22</u> <u>£,000</u>	<u>Year 3</u> <u>2022/23</u> <u>£,000</u>	<u>Year 4</u> <u>2023/24</u> <u>£,000</u>	<u>Year 5</u> <u>2024/25</u> <u>£,000</u>	<u>Year 6</u> <u>2025/26</u> <u>£,000</u>	<u>Year 7</u> <u>2026/27</u> <u>£,000</u>	<u>Year 8</u> <u>2027/28</u> <u>£,000</u>	<u>Year 9</u> <u>2028/29</u> <u>£,000</u>	<u>Year 10</u> <u>2029/30</u> <u>£,000</u>	<u>Year 11</u> <u>2030/31</u> <u>£,000</u>	<u>Year 12</u> <u>2031/32</u> <u>£,000</u>	<u>Year 13</u> <u>2032/33</u> <u>£,000</u>
Loan Charges Interest Rates Assumed		4.30%	4.30%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%
1 <u>Calculation Of Estimated Annual Borrowing</u>														
Expenditure per CP	Note 1	14,240	26,321	23,210	31,083	30,760	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Contingency	Note 2	0	1,118	1,118	1,118	1,119	0	0	0	0	0	0	0	0
Remove Oversubscription Level	Note 3	0	(2,753)	(2,753)	(2,753)	(2,753)	0	0	0	0	0	0	0	0
Less: Departmental Borrowing Elements	Note 4	(1,720)	(2,606)	(1,463)	(1,679)	(1,484)	0	0	0	0	0	0	0	0
Less: Assumed Corporate Capital Receipts Applied	Note 5	(286)	(2,383)	(250)	(250)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Less: CFCR from Balance of Special Repayments	Note 6	0	(1,043)	(283)	(0)	0	0	0	0	0	0	0	0	0
Less: Balance Of Capital Grant Applied	Note 7	(12,234)	(10,090)	(10,642)	(10,642)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)
Estimated Annual Borrowing	Note 8	0	8,564	8,937	16,877	16,892	3,250	3,250	3,250	3,250	3,250	3,250	3,250	3,250
2 <u>Calculation Of Annual Loan Charges & Budget Headroom</u>														
Existing Loan Charges Commitments	Note 9	11,027	11,150	11,387	11,425	10,851	10,876	10,888	8,020	7,847	7,687	5,441	5,335	5,177
Special Repayments	Note 10	46	1,000	878	93	747	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 11	0	188	693	1,415	2,412	3,106	3,324	3,547	3,922	4,159	4,401	4,648	4,900
Total Estimated Annual Loan Charges		11,073	12,338	12,958	12,933	14,010	13,982	14,212	11,567	11,769	11,846	9,842	9,983	10,077
3 <u>Calculation Of Budget Headroom / (Issue)</u>														
Maximum Assumed Loan Charges Budget	Note 12	11,073	13,051	12,958	12,933	14,010	13,984	13,960	13,113	11,615	11,437	10,300	9,489	9,695
Less: Estimated Annual Loan Charges (As Above)		11,073	12,338	12,958	12,933	14,010	13,982	14,212	11,567	11,769	11,846	9,842	9,983	10,077
Less: Set Aside for Following Year CFCR	Note 6	0	283	0	0	0	0	0	0	0	0	0	0	0
Budget Headroom / (Issue)	Note 13	0	430	(0)	(0)	0	2	(252)	1,546	(154)	(409)	458	(494)	(382)

Note 1 Expenditure for years 1 to 5 is as per the 2020/2025 Capital Plan (Report 71/21). Expenditure for year 6 to year 13 assumes ongoing net capital expenditure (before application of corporate capital receipts and general capital grant) of £14.0 million, increasing to £14.5 million from year 14 onwards.

Note 2 Whilst not reflected in the 2020/2025 Capital Plan itself, a general contingency allowance totalling £4.473 million has been built into both the capital priority and long term affordability models over the years 2021/22 to 2024/25.

Note 3 The 2020/2025 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 £286,000 of corporate capital receipts will be applied in the current financial year (2020/21) and £2.383 million in 2021/22. It has been assumed that corporate capital receipts from 2022/23 and 2023/24 will decrease to a level of £250,000 per annum, dropping back to £100,000 for the remainder of the assessment period.

Note 6 Headroom of £1.043 million on the loan charges budget from 2019/20 has been carried forward to be used in 2021/22 as Capital Funded from Current Revenue (CFCR). Likewise a smaller amount (£283,000) is assumed to be carried forward from 2021/22 into 2022/23.

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 £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 8 to 13 can be found on page 2 of this Appendix

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	Notes	Year 14 2033/34	Year 15 2034/35	Year 16 2035/36	Year 17 2036/37	Year 18 2037/38	Year 19 2038/39	Year 20 2039/40	Year 21 2040/41	Year 22 2041/42	Year 23 2042/43	Year 24 2043/44	Year 25 2044/45	Year 26 2045/46	
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
Loan Charges Interest Rates Assumed		5.00%	5.00%	5.00%	5.00%	5.00%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	
1	Calculation Of Estimated Annual Borrowing														
	Expenditure per CP (before slippage allowance)	Note 1	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	
	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	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	
	Estimated Annual Borrowing	Note 8	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	
2	Calculation Of Annual Loan Charges & Budget Headroom														
	Existing Loan Charges Commitments	Note 9	3,499	3,462	3,422	3,487	3,557	3,693	3,769	3,852	3,942	3,560	2,980	2,948	2,556
	Special Repayments	Note 10	0	0	0	0	0	0	0	0	0	0	0	0	
	Loan Charges From New Borrowing	Note 11	5,344	5,645	5,953	6,268	6,591	7,115	7,459	7,812	8,176	8,552	8,940	9,341	9,756
	Total Estimated Annual Loan Charges		8,844	9,107	9,375	9,755	10,148	10,808	11,228	11,664	12,118	12,112	11,919	12,289	12,312
3	Calculation Of Budget Headroom / (Issue)														
	Maximum Assumed Loan Charges Budget	Note 12	9,602	9,524	9,460	9,710	9,960	10,210	10,460	10,710	10,960	11,210	11,460	11,710	11,960
	Less: Estimated Annual Loan Charges (As Above)		8,844	9,107	9,375	9,755	10,148	10,808	11,228	11,664	12,118	12,112	11,919	12,289	12,312
	Less: Set Aside for Following Year CFCR	Note 6	0	0	0	0	0	0	0	0	0	0	0	0	
	Budget Headroom / (Issue)	Note 13	758	417	85	(45)	(188)	(598)	(768)	(954)	(1,158)	(902)	(459)	(579)	(352)

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 2020.

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 £2.764 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 £13.050 million for 2021/22 (year 2). General Revenue Grant totalling £4.859 million forms part of the loan charges budget in 2021/22 with assumed increases of £250,000 of General Revenue Grant being applied each year thereafter. From 2024/25 it is assumed that the base loan charges budget will rise by a further £1.1 million in order to accommodate the replacement of Monifieth High School. Notwithstanding these assumptions, the overall level of loan charges budget mostly reduces year on year until 2036/37 (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 £430,000) 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.