

**Affordability Analysis - 25 Year Projection**

	Notes	Year1 2021/22 £,000	Year 2 2022/23 £,000	Year 3 2023/24 £,000	Year 4 2024/25 £,000	Year 5 2025/26 £,000	Year 6 2026/27 £,000	Year 7 2027/28 £,000	Year 8 2028/29 £,000	Year 9 2029/30 £,000	Year 10 2030/31 £,000	Year 11 2031/32 £,000	Year 12 2032/33 £,000	Year 13 2033/34 £,000
Loan Charges Interest Rates Assumed		4.50%	4.50%	4.50%	4.60%	4.60%	4.60%	4.60%	4.85%	4.85%	4.85%	4.85%	4.85%	5.10%
<b>1 Calculation Of Estimated Annual Borrowing</b>														
Expenditure per CP	Note 1	21,121	27,111	39,074	35,659	10,270	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,500
Contingency	Note 2	0	188	941	941	1,694	0	0	0	0	0	0	0	0
Remove Oversubscription Level	Note 3	0	(3,581)	(3,581)	(3,581)	(3,582)	0	0	0	0	0	0	0	0
Less: Departmental Borrowing Elements	Note 4	(2,055)	(2,354)	(1,953)	(1,710)	0	0	0	0	0	0	0	0	0
Less: Assumed Corporate Capital Receipts Applied	Note 5	(2,490)	(250)	(250)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Less : One-off Capital Contribution		(2,850)	(710)	0	0	0	0	0	0	0	0	0	0	0
Less: CFCR from Balance of Special Repayments	Note 6	(1,043)	(1,283)	(600)	0	0	0	0	0	0	0	0	0	0
Less: Balance Of Capital Grant Applied	Note 7	(10,323)	(10,420)	(9,842)	(9,842)	(9,850)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)	(10,650)
<b>Estimated Annual Borrowing</b>	Note 8	<b>2,360</b>	<b>8,701</b>	<b>23,789</b>	<b>21,367</b>	<b>(1,568)</b>	<b>3,250</b>	<b>3,250</b>	<b>3,250</b>	<b>3,250</b>	<b>3,250</b>	<b>3,250</b>	<b>3,250</b>	<b>3,750</b>
<b>2 Calculation Of Annual Loan Charges &amp; Budget Headroom</b>														
Existing Loan Charges Commitments	Note 9	11,362	11,545	11,536	11,054	11,117	11,123	8,249	8,079	7,916	5,667	5,559	5,400	3,728
Special Repayments	Note 10	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Charges From New Borrowing	Note 11	54	337	1,193	2,580	3,332	3,381	3,605	3,983	4,222	4,465	4,714	4,968	5,414
<b>Total Estimated Annual Loan Charges</b>		<b>11,416</b>	<b>11,882</b>	<b>12,729</b>	<b>13,634</b>	<b>14,449</b>	<b>14,504</b>	<b>11,854</b>	<b>12,063</b>	<b>12,138</b>	<b>10,132</b>	<b>10,273</b>	<b>10,368</b>	<b>9,141</b>
<b>3 Calculation Of Budget Headroom / (Issue)</b>														
Maximum Assumed Loan Charges Budget	Note 12	13,051	12,958	12,933	12,910	14,484	14,460	13,613	12,115	11,937	10,800	9,989	10,195	10,102
Less: Estimated Annual Loan Charges (As Above)		11,416	11,882	12,729	13,634	14,449	14,504	11,854	12,063	12,138	10,132	10,273	10,368	9,141
Less: Set Aside for Following Year CFCR	Note 6	1,283	600	(0)	0	0	0	0	0	0	0	0	0	0
<b>Budget Headroom / (Issue)</b>	Note 13	<b>352</b>	<b>476</b>	<b>204</b>	<b>(724)</b>	<b>35</b>	<b>(44)</b>	<b>1,759</b>	<b>52</b>	<b>(201)</b>	<b>668</b>	<b>(284)</b>	<b>(173)</b>	<b>961</b>

Note 1 Expenditure for years 1 to 5 is as per the 2021/2026 Capital Plan (Report 65/22). Expenditure for year 6 to year 12 assumes ongoing net capital expenditure of £14.0 million and year 13 to year 26 of £14.5 million (before application of corporate capital receipts and general capital grant).

Note 2 Whilst not reflected in the 2021/2026 Capital Plan itself, a general contingency allowance totalling £3.764 million has been built into both the capital priority and long term affordability models over the years 2022/23 to 2025/26.

Note 3 The 2021/2026 Capital Plan has been prepared assuming up to a maximum 12.5% 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 £2.490 million of corporate capital receipts will be applied in the current financial year (2021/22) and £0.250 million in 2022/23 and 2023/24. It has been assumed that corporate capital receipts from 2024/25 onwards will decrease to a level of £0.250 million per annum, dropping back to £0.100 million 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 £1.283 million is assumed to be carried forward from 2021/22 into 2022/23 and £600,000 from 2022/23 to 2023/24..

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 £10.2 million has been assumed, increasing to £11.0 million from 25/26. 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 2034/35	Year 15 2035/36	Year 16 2036/37	Year 17 2037/38	Year 18 2038/39	Year 19 2039/40	Year 20 2040/41	Year 21 2041/42	Year 22 2042/43	Year 23 2043/44	Year 24 2044/45	Year 25 2045/46	Year 26 2046/47
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Loan Charges Interest Rates Assumed		5.10%	5.10%	5.10%	5.10%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%
<b>1</b>	<b>Calculation Of Estimated Annual Borrowing</b>													
	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)
	<b>Estimated Annual Borrowing</b>	Note 8	<b>3,750</b>											
<b>2</b>	<b>Calculation Of Annual Loan Charges &amp; Budget Headroom</b>													
	Existing Loan Charges Commitments	Note 9	3,692	3,653	3,718	3,790	3,932	4,009	4,094	4,185	3,805	3,226	3,198	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	5,716	6,024	6,341	6,665	7,190	7,533	7,886	8,250	8,624	9,010	9,409	9,822
	<b>Total Estimated Annual Loan Charges</b>		<b>9,407</b>	<b>9,677</b>	<b>10,059</b>	<b>10,454</b>	<b>11,121</b>	<b>11,543</b>	<b>11,980</b>	<b>12,434</b>	<b>12,429</b>	<b>12,236</b>	<b>12,607</b>	<b>12,631</b>
<b>3</b>	<b>Calculation Of Budget Headroom / (Issue)</b>													
	Maximum Assumed Loan Charges Budget	Note 12	10,024	9,960	10,210	10,460	10,710	10,960	11,210	11,460	11,710	11,960	12,210	12,460
	Less: Estimated Annual Loan Charges (As Above)		9,407	9,677	10,059	10,454	11,121	11,543	11,980	12,434	12,429	12,236	12,607	12,631
	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>617</b>	<b>283</b>	<b>151</b>	<b>6</b>	<b>(411)</b>	<b>(583)</b>	<b>(770)</b>	<b>(974)</b>	<b>(719)</b>	<b>(276)</b>	<b>(397)</b>	<b>(171)</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 2021.

Note 10 No special repayment amounts have been factored into years 1 to 5 based on the basis of the information available at this time.

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 4.50% to 5.45%.

Note 12 As detailed in part 2 of Appendix 3, the loan charges budget starts at £12.958 million for 2022/23 (year 2). General Revenue Grant totalling £5.110 million forms part of the loan charges budget in 2022/23 with assumed increases of £0.250 million of General Revenue Grant being applied each year thereafter. From 2025/26 it is assumed that the base loan charges budget will rise by a further £1.6 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 £0.343 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.