

Oportunitas Board Meeting 13 December 2021**Oportunitas Limited – Financial Update for 2021/22****Prepared by Lee Walker**

Summary: This paper provides a further update of the company's financial position for the financial year ending 31 March 2022 including the latest projected outturn for its trading activities and summaries the capital expenditure incurred to date on the Royal Victoria Hospital scheme and the funding used towards this.

Recommendations:

The Board note the latest financial position for 2021/22 outlined in this paper.

1. Introduction and Background

- 1.1 This paper provides an update to the Board of the company's financial position for the financial year ending 31 March 2022, based on income and expenditure to 24 November 2021. It provides the latest projected outturn for the company's trading activities compared to both the original forecast and the previous projected outturn reported to the Board on 23 September 2021 and explains the key variances. The paper also summarises the capital expenditure incurred to date on the Royal Victoria Hospital scheme and the funding used towards this. Further updates on the company's projected outturn for the current financial year are planned to be made at future Board meetings over this period.

2. Profit and Loss Account Projected Outturn 2021/22

- 2.1 The table below provides the latest projection of the outturn position of the company's trading activities financial year to 31 March 2022 compared to both the original forecast and the previous projection for the year:

	<i>Outturn</i>	Original Forecast	Previous Projected Outturn	Latest Projected Outturn	Variance Forecast to Projected Outturn
Trading Account	2020/21	2021/22	2021/22	2021/22	
	£	£	£	£	£
Housing Rental					
Rental Income	260,344	405,383	352,931	343,318	(62,065)
Rental Expenses	(74,108)	(135,755)	(110,328)	(120,118)	15,637
Net	186,236	269,628	242,603	223,200	(46,428)
Grounds Maintenance					
Income	15,519	30,000	15,000	15,000	(15,000)
Expenses	(12,415)	(24,000)	(12,000)	(12,000)	12,000
Net	3,104	6,000	3,000	3,000	(3,000)
Overheads					
Directors Remuneration	(9,671)	(9,864)	(9,750)	(9,750)	114
FHDC Officer Support	(27,907)	(24,970)	(30,000)	(30,000)	(5,030)
Operating Expenses	(26,802)	(23,137)	(31,800)	(31,800)	(8,663)
Total Overheads	(64,380)	(57,971)	(71,550)	(71,550)	(13,579)
Loan Interest	(209,936)	(267,457)	(214,689)	(214,689)	52,768
Operating Surplus / (Deficit) for period	(84,976)	(49,800)	(40,636)	(60,039)	(10,239)
Operating Loss b/f	(316,145)	(401,121)	(401,121)	(401,121)	0
Operating Loss c/f	(401,121)	(450,921)	(441,757)	(461,160)	(10,239)

2.2 The projected outturn shows an operating loss of £60k for the year, about £10k more than originally forecast and £19.4k more reported to the Board at its last meeting on 30 September 2021. The main reasons for the increase in the operating lost compared to the original forecast are outlined below:

Variances 2021/22 Forecast to Projected Outturn		£'000
i)	Rental Income – reduction mainly due to a delay in the completion of phase 1 of the Royal Victoria Hospital (RVH) scheme from August to November 2021	(62)
ii)	Housing Rental Expenses – a reduction in projected operating costs for the RVH scheme due to the delay (£6k) and a reduction in the provision for bad debts (£10k) to reflect the provision already made	16
iii)	Grounds Maintenance – capacity to provide this service is now largely limited to tree maintenance work	(3)
iv)	Overheads FHDC Officer Support - increase to support the acquisition of the RVH properties and rent recovery action (£5k).	(5)
v)	Overheads Operating Expenses – additional cost for 50% of loan arrangement fee deferred from 2020/21 (£13k) less saving on interest for a working capital facility not required in 2021/22 (£4k)	(9)
vi)	Loan Interest – the utilisation of the loan element of the Council's funding to support the acquisition of the RVH scheme has not been required as early as originally anticipated mainly due to the delay to the project	53
Total increase in operating loss compared to forecast		10

2.3 The main reasons for the increase in the operating loss of £19.4k compared to the previously reported position are:-

- i) higher than anticipated void periods for property rentals (£10k), and
- ii) an increase in property expenses (£9k) including urgent external repairs required to 19 Castle Hill Avenue (£5k).

2.4 The Board is reminded the company is in negotiations to sell a parcel of land adjacent to 84 Leyburne Road, Dover. A verbal update will be made at the meeting regarding the current position over the proposed sale. At this stage the latest projection excludes the net proceeds from the proposed sale.

2.5 The company's accumulated operating loss is forecast to rise to £461k at 31 March 2022. The Board are reminded that this loss excludes unrealised valuation gains on the company's property portfolio which stands at £757k

after tax at 31 March 2021. A further revaluation of the company's property portfolio will be undertaken at 31 March 2022.

3 Capital Expenditure – Royal Victoria Hospital (RVH) Development

3.5 The table below summarises the latest position for capital expenditure incurred on the RVH development:

	Phase A £	Phase B £	Total £
Agreed Sale Price	3,150,000	3,300,000	6,450,000
Paid to date	3,150,000	705,000	3,279,000
Balance	<u>0</u>	<u>2,595,000</u>	<u>3,171,000</u>

3.6 Additionally, Stamp Duty Land Tax of £112,500 has been paid on completion of Phase A.

3.7 The funding of the capital expenditure incurred to date has been met from the proceeds of the Council's new equity investment in the company. The loan facility of £2.47m from the Council remains available and will be used towards completing the acquisition of the scheme.