

Oportunitas Board Meeting 28 February 2022

Oportunitas Limited – Financial Update for 2021/22

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Summary: This paper provides a further update of the company's financial position for the financial year ending 31 March 2022, based on income and expenditure to 31 January 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.

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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 31 January 2022. 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 13 December 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. A further update on the company's projected outturn for the current financial year is planned to be made at a future Board meeting 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	343,318	339,399	(65,984)
Rental Expenses	(74,108)	(135,755)	(120,118)	(128,312)	7,443
Net	186,236	269,628	223,200	211,087	(58,541)
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)	(33,600)	(10,463)
Total Overheads	(64,380)	(57,971)	(71,550)	(73,350)	(15,379)
Loan Interest	(209,936)	(267,457)	(214,689)	(208,389)	59,068
Operating Surplus / (Deficit) for period	(84,976)	(49,800)	(60,039)	(67,652)	(17,852)
Operating Loss b/f	(316,145)	(401,121)	(401,121)	(401,121)	0
Operating Loss c/f	(401,121)	(450,921)	(461,160)	(468,773)	(17,852)

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2.2 The projected outturn shows an operating loss of £68k for the year, about £18k more than originally forecast, and £7.6k more reported to the Board at its last meeting on 13 December 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	(66)
ii)	Housing Rental Expenses – net saving mainly due a reduction in the provision for bad debts (£10k)	7
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)	(10)
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	59
Total increase in operating loss compared to forecast		18

2.3 The main reasons for the increase in the operating loss of £7.6k compared to the previously reported position are;-

- i) a net reduction in housing rental income mainly due to short term delays in letting units in the RVH building (£12k), partly offset by
- ii) a saving in interest costs from a delay in the borrowing required from the Council for phase 2 of the RVH scheme (£6k).

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 which seems more likely to be concluded after 31 March 2022.

2.5 The company’s accumulated operating loss is forecast to rise to £468k at 31 March 2022. The Board are reminded that this loss excludes unrealised valuation gains on the company’s property portfolio which stands at £833k after

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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

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

	Phase 1	Phase 2	Contract Total	SDLT	Total
	£m	£m	£m	£m	£m
Agreed Sale Price	3.150	3.330	6.480	0.250	6.730
Paid to date	3.150	1.087	4.237	0.112	4.349
Balance	-	2.243	2.243	0.138	2.381

3.2 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 (£4.43m). The loan facility of £2.47m from the Council remains available and will be used towards completing the acquisition of the scheme. It is anticipated that up to £0.3m of the facility will be required by 31 March 2022 with the balance to be drawn down over the remainder of 2022.