

This Report will be made public on 1 December 2020



Report Number **C/20/57**

To: Cabinet
Date: 9 December 2020
Status: Non-Key Decision
Director: Andy Blaszkowicz, Corporate Director – Housing & Operations
Cabinet Member: Councillor David Monk, Leader of the Council

SUBJECT: OPORTUNITAS PROGRESS REPORT 2020/21 (To 31 October 2020)

SUMMARY: This report provides an update from the Board of Oportunitas Ltd (“the company”) on its financial outturn for the financial year ending 31 March 2020 and on activities undertaken so far during the 2020/21 financial year, including a financial statement for the period from 1 April 2020 to 31 October 2020, in-line with the requirement contained in the Shareholder’s Agreement between the company and the Council. The chairman of Oportunitas will be available at the meeting of cabinet to present the report and to address any questions.

REASON FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because:-

- a. Oportunitas Ltd (“the company”) is required to provide regular updates to Cabinet as set out in the Shareholder’s Agreement between the company and the Council.

RECOMMENDATIONS:

1. To receive and note report C/20/57.
2. To note the Full Statement of Accounts and Directors’ Report for the financial year ending 31 March 2020.
3. To note the Financial update covering the period 1 April 2020 to 31 October 2020.

1. BACKGROUND

- 1.1 The report sets out the company's financial outturn for the financial year ending 31 March 2020 and current progress in 2020/21 in relation to its investments and trading activity.
- 1.2 A full Statement of Accounts and Directors' Report for the 2019/20 financial year ending 31 March 2020 is set out in appendix 1 and a financial update for the current year covering the period 1 April 2020 to 31 October 2020 is set out in appendix 2 of this report.

2 INVESTMENT PORTFOLIO UPDATE

- 2.1 The company's current property portfolio consists of 38 residential units and 1 commercial unit is summarised in the table below:

Address	Units	Type
Walter Tull Way, Folkestone	5	2 x 1 bed units 2 x 2 bed units 1 x 3 bed unit
2 Grove Terrace, Dover Road, Folkestone	1	1 x 4 bed unit
15 Grace Hill, Folkestone	5	5 x 1 bed units
15 Grace Hill, Folkestone	1	1 x commercial unit
82 - 84 Leyburne Road, Dover	8	8 x 2 bed units
19 Castle Hill Avenue, Folkestone	10	9 x 1 bed units 1 x 2 bed unit
84 Sidney Street, Folkestone	4	3 x 1 bed units 1 x 2 bed unit
1 Claremont Road, Folkestone	5	5 x 1 bed units
Total	38	

- 2.3 All properties are currently tenanted with the exception of one unit that will be undergoing repairs at Leyburne Road in Dover and where vacancies have occurred the company's agents have worked hard to minimise void periods. The company uses Smith Woolley as its main managing agent for the property portfolio. However, two properties at Walter Tull Way remain being managed by Reeds Rains as it would not be advantageous to Oportunitas to alter this agreement at this time. Management of all the assets within the company will, however, be kept under regular review.
- 2.4 In the aftermath of compliance issues identified at East Kent Housing, the company introduced a property safety register to document key areas of safety compliance across its property portfolio including, but not limited to, gas, fire, electrical and legionella. The register is continually reviewed with both managing agents and then shared with members of the board on a monthly basis. The latest position of the register in October 2020 identifies no compliance issues within the portfolio.

Rental Arrears

- 2.5 The property portfolio to 30th September 2020 has recorded £21,510 of rental arrears partly, but not entirely due to the impact of Covid-19 on tenants. The recent audit of the company accounts highlighted that this was partly due to the managing agent's approach to debt collection. Meetings have taken place between officers and the managing agent to review and tighten procedures.

Under the Coronavirus Act 2020, the Government has increased the required notice period landlords need to give to their tenants, which has resulted in landlords not being able to start possession proceedings unless tenants have been given 6 months' notice with exception of the most serious cases that include: anti-social behaviour (including rioting), domestic abuse, false statement and where a tenant has accrued rent arrears to the value of over 6 months' rent.

- 2.6. The company has now established a rental arrears register so that all arrears can be monitored on a monthly basis with both the managing agents and the company board. Both managing agents are instructed to notify the Company of any tenants that fall one month behind with their rent to enable the company to decide on an appropriate course of action to recover any arrears through either an established repayment plan or Section 8/Section 21 notices.

The difference between Section 8 and Section 21 are as follows:

- **Section 8 ('Notice to Quit')**: Also known as a "section 8 possession notice" is used to terminate an Assured Shorthold Tenancy Agreement (AST), and can be used at any time during a tenancy. Rent arrears are the most common cause of a section 8 notice.
 - **Section 21 ('Notice of Possession')**: This notice is served to end a tenancy agreement, and requires no other reason for serving the notice other than they want the tenant to vacate.
- 2.7 At the time of writing this report, a total of four properties within the portfolio have arrears, three of which have established repayment plans in place with the managing agent and one property that has been served with a Section 8 notice in January 2020 followed by Section 21 notice in June 2020 for a continual failure to engage with a repayment plan. The application to start possession proceedings with the court is being considered for the one property previously mentioned, however as result of the current COVID legislation guiding the courts, a case for eviction is unlikely to be heard until the New Year at the earliest. The company will continually review its decisions on arrears and evictions in line with the latest legislation.

Royal Victoria Hospital

- 2.6 Cabinet previously approved the Company's business plan covering the period 2020-22 on 16th September 2020 (ref: C/20/32). The business plan demonstrated how the majority of the £6.9 million of additional funding allocated to the company would be utilised over the plan period to acquire 37 units of residential accommodation at the Royal Victoria Hospital development.

2.7 In August 2020, the Company board and officers attended a site visit to review the works being undertaken on phase A of the development and concluded that significant progress has been made during the current financial year against the backdrop of the coronavirus pandemic. The site has also been subject to quarterly inspections from an appropriately qualified member of the Council's estates team to document the project's development progress to provide technical assurance and to ensure the company is satisfied with the works before contractual tranche payments are released against an agreed schedule. Phase A of the development is still on course to complete in summer 2021 as set out in the business plan.

3. FINANCIAL OUTTURN 2019/20

3.1 The company's provisional financial outturn for the financial year ending 31 March 2020, subject to Audit, was considered by Cabinet on 16 September 2020 (minute 33 refers). Since then the Board considered and approved the company's audited statement of accounts at its meeting on 16 November 2020. A copy of the full Statement of Accounts and Directors' Report for the financial year ending 31 March 2020 is shown in appendix 1 to this report.

3.2 Two changes have been made to the final Statement of Accounts compared to the provisional financial outturn.

- i) A further £6k in property maintenance costs for works completed but where invoices were unpaid at 31 March 2020 has been accrued in the accounts. This has reduced the company's profit after tax from £119k to £112k, including a minor revision in the value of the deferred tax on profit. The increase in the creditor accrual and the reduction in profit after tax are reflected in the revised Balance Sheet.
- ii) The draft Balance Sheet treated the deposit of £1.275m paid for the Royal Victoria Hospital site development as an increase to the Investment Assets of the company (Fixed Assets). The Auditor advised the deposit should be classified as a debtor on the Balance Sheet because the company does not yet have legal title to the property and will not until practical completion of each phase of the development. This change is reflected in the revised Balance Sheet and disclosure notes.

3.3 **Audit Opinion** - It is pleasing to note the Auditor has given an unqualified opinion of the company's accounts for the financial year ending 31 March 2020.

4. FINANCIAL UPDATE FOR 2020/21

4.1 The company's latest financial update for the current financial year to 31 October 2020 was reported to the Board on 16 November and is shown in appendix 2 to this report.

4.2 In summary, the company's Profit and Loss Account has made a loss of £32k for the period to 31 October 2020. This is £5k less than the original profiled forecast loss for the period. A reduction in housing rental income has been offset by lower than anticipated housing rental expenses. Only a very limited amount of grounds maintenance work has been possible due to the Covid-19

restrictions. There has been a saving of £4k on overhead expenses during the period.

Cabinet will be interested and pleased to note that the company made its half-yearly scheduled repayment of loan interest (£105k) and principal (£14k) to the Council on 30 September 2020.

- 4.3 An initial projected outturn for the financial year to 31 March 2021 shows the loss to the Profit and Loss Account to be in line with the original forecast for the year of a loss of £109k. It should be noted this excludes any change in unrealised property values. The company's property portfolio will be revalued as at 31 March 2021 ahead of finalising the accounts for the financial year.
- 4.4 Three stage payments totalling £539k have been made to the developer undertaking the Royal Victoria Hospital development during the period to 31 October 2020. These payments are for work on phase A of the scheme covering the redevelopment of the former hospital building itself. This means a total of £1.814m has been paid to the developer including the original deposit of £1.275m made in February 2020 covering both phases A and B of the scheme.
- 4.5 The financial benefit to the Council from the company in 2019/20 and projected for 2020/21 is shown in the table below:

	Actual 2019/20	Projected 2020/21
	£'000	£'000
Loan interest	173	209
Loan repayments	-	27
Staff costs - reimbursement	24	23
Members Allowances - reimbursement	9	10
Grounds Maintenance recharge	17	8
Total	223	277

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 5.1 **Legal (NM)** – The power for councils to trade their services for cost recovery only has been in force for many years. The power for councils to establish companies to trade for profit is set out in the Localism Act 2011. The company model provides a mechanism for local councils to operate more commercially and generate profit.

Officers have taken specialist legal advice from Bevan Brittan and will continue to work with these external legal advisers as and when the need arises.

- 5.2 **Finance (LW)** – This report has been prepared in conjunction with Financial Services and there are no further comments to add.
- 5.3 **Equalities (GE)** – There are no diversity or equalities implications arising from this report.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officers prior to the meeting:

Lee Walker, Capital & Treasury Senior Specialist

Telephone: 01303 85 3593

Email: lee.walker@folkestone-hythe.gov.uk

Appendices

Appendix 1 – Full Statement of Accounts and Directors' Report for the financial year ending 31 March 2020

Appendix 2: Financial Update 1 April 2020 to 31 October 2020

Oportunitas Limited

Appendix 1

**Report and accounts
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Oportunitas Limited Company Information

Directors

Andrew Blaszkowicz (appointed 23 April 2019) (resigned 5 June 2019)
Peter Charles Gane (appointed 11 June 2019)
David Royce Godfrey (appointed 5 June 2019) (resigned 11 June 2019)
Philip Stanley Martin (resigned 5 June 2019)
Connor Andrew Mcconville (appointed 5 June 2019)
Terence William Mullard (appointed 5 June 2019)
Patricia Spencer Rolfe (appointed 5 June 2019)
Carol Sacre (resigned 3 May 2019)
Russell Tillson (resigned 3 May 2019)
Roger James Wilkins (resigned 3 May 2019)

Auditors

Begbies Chartered Accountants and Registered Auditors
9 Bonhill Street
London
EC2A 4DJ

Bankers

National Westminster Bank
Europa House
49 Sandgate Road
Folkestone
Kent
CT20 1RU

Registered office

Civic Centre
Castle Hill Avenue
Folkestone
Kent
CT20 2QY

Registered number

09038505

Oportunitas Limited

Registered number: 09038505

Directors' Report

The directors present their report and accounts for the year ended 31 March 2020.

Principal activities

Oportunitas Ltd was incorporated in May 2014, commenced its operations in November 2014 and is a wholly owned subsidiary of Folkestone and Hythe District Council providing housing and regeneration services.

Directors

The following persons served as directors during the year and since the balance sheet date:

Andrew Blaszkowicz (appointed 23 April 2019) (resigned 5 June 2019)
Peter Charles Gane (appointed 11 June 2019)
David Royce Godfrey (appointed 5 June 2019) (resigned 11 June 2019)
Philip Stanley Martin (resigned 5 June 2019)
Connor Andrew Mcconville (appointed 5 June 2019)
Terence William Mullard (appointed 5 June 2019)
Patricia Spencer Rolfe (appointed 5 June 2019)
Carol Sacre (resigned 3 May 2019)
Russell Tillson (resigned 3 May 2019)
Roger James Wilkins (resigned 3 May 2019)

Directors' responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Oportunitas Limited

Registered number: 09038505

Directors' Report

Small company provisions

This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies subject to the small companies regime.

This report was approved by the board on 2020 and signed on its behalf by

Patricia Rolfe

Director

Oportunitas Limited
Independent auditor's report
to the member of Oportunitas Limited

Opinion

We have audited the accounts of Oportunitas Limited for the year ended 31 March 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out below, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In accordance with the exemption provided by FRC's Ethical Standard - Provisions Available for Audits of Small Entities, we have prepared and submitted the company's returns to the tax authorities and assisted with the preparation of the accounts.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the directors have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

Other information

The other information comprises the information included in the report and accounts, other than the accounts and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Oportunitas Limited
Independent auditor's report
to the member of Oportunitas Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the accounts in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Daniel Valentine ACA
(Senior Statutory Auditor)
for and on behalf of
Begbies
Accountants and Statutory Auditors

Oportunitas Limited
Profit and Loss Account
for the year ended 31 March 2020

	2020	2019
	£	£
Turnover	284,526	305,030
Cost of sales	(17,480)	(57,349)
Gross profit	267,046	247,681
Administrative expenses	(150,988)	(110,887)
Profit on investment property revaluation	209,993	132,952
Operating profit	326,051	269,746
Interest payable	(173,754)	(169,086)
Profit before tax	152,297	100,660
Tax on profit	(39,898)	(25,261)
Profit after tax	112,399	75,399

Oportunitas Limited
Registered number:
Balance Sheet
as at 31 March 2020

09038505

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	3		4,852,551		4,563,500
Current assets					
Debtors	4	1,296,414		38,120	
Cash at bank and in hand		<u>206,284</u>		<u>47,113</u>	
		1,502,698		85,233	
Creditors: amounts falling due within one year	5	(52,303)		(19,992)	
Net current assets			<u>1,450,395</u>		<u>65,241</u>
Total assets less current liabilities			<u>6,302,946</u>		<u>4,628,741</u>
Creditors: amounts falling due after more than one year	6		(4,281,306)		(4,069,399)
Provisions for liabilities			(69,728)		(29,830)
Current assets			<u>1,951,912</u>		<u>529,512</u>
Capital and reserves					
Called up share capital			955		300
Share premium			1,787,796		478,451
Profit and loss account			163,161		50,761
Shareholder's funds			<u>1,951,912</u>		<u>529,512</u>

The accounts have been prepared and delivered in accordance with the special provisions applicable to companies subject to the small companies regime. The profit and loss account has not been delivered to the Registrar of Companies.

Patricia Rolfe
Director

Approved by the board on

Oportunitas Limited
Statement of Changes in Equity
for the year ended 31 March 2020

	Share capital	Share premium	Profit and loss account	Total
	£	£	£	£
At 1 April 2018	300	478,451	(24,638)	454,113
Profit for the financial year			75,399	75,399
At 31 March 2019	<u>300</u>	<u>478,451</u>	<u>50,761</u>	<u>529,512</u>
At 1 April 2019	300	478,451	50,761	529,512
Profit for the financial year			112,400	112,400
Shares issued	655	1,309,345		1,310,000
At 31 March 2020	<u>955</u>	<u>1,787,796</u>	<u>163,161</u>	<u>1,951,912</u>
Distributable profit and loss reserve			(316,156)	
Non distributable profit and loss reserve			<u>479,317</u>	
			<u><u>163,161</u></u>	

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2020

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (as applied to small entities by Section 1A of the Standard).

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of services and the rent of investment property. Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. Turnover from rent of investment property is recognised by reference to the date rents become payable under tenancy agreements.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	over 50 years
Leasehold land and buildings	over the lease term
Plant and machinery	over 5 years
Fixtures, fittings, tools and equipment	over 5 years

Investment property

Investment property, which is property held to earn rental income and capital appreciation, is measured using the fair value model and stated at its fair value as at the reporting end date. The surplus or deficit on revaluation is recognised on the profit and loss account.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, save that financial assets recoverable in less than 12 months are not amortised.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods where appropriate. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date. The deferred tax provision currently booked in the accounts relates to latent capital gains on the revaluation of investment properties. Current and deferred tax assets and liabilities are not discounted.

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2020

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

2 Audit information

The audit report is unqualified.

Senior statutory auditor: Daniel Valentine ACA
 Firm: Begbies
 Date of audit report:

3 Tangible fixed assets

	Investment properties
	£
Cost	
At 1 April 2019	4,563,501
Additions	79,057
Surplus on revaluation	<u>209,993</u>
At 31 March 2020	<u>4,852,551</u>
Net book value	
At 31 March 2020	<u>4,852,551</u>
At 31 March 2019	<u>4,563,501</u>
Freehold land and buildings:	
	2020
	£
Historical cost	<u>4,303,506</u>
	2019
	£
	<u>4,224,449</u>

The investment properties were valued by Taylor Riley, Chartered Surveyors, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The investment properties have been valued on the basis of open market value and using comparable property data, in accordance with the current RICS Valuation Standards by the Royal Institution of Chartered Surveyors.

4 Debtors

	2020	2019
	£	£
Trade debtors	2,205	2,831
Royal Victoria deposit	1,275,000	-
Other debtors	<u>19,209</u>	<u>35,289</u>
	<u>1,296,414</u>	<u>38,120</u>

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2020

5 Creditors: amounts falling due within one year	2020	2019
	£	£
Other loans	27,444	-
Other taxes and social security costs	428	-
Other creditors	<u>24,431</u>	<u>19,992</u>
	<u>52,303</u>	<u>19,992</u>

6 Creditors: amounts falling due after one year	2020	2019
	£	£
Other loans	<u>4,281,306</u>	<u>4,069,399</u>
	<u>4,281,306</u>	<u>4,069,399</u>

7 Loans	2020	2019
	£	£
Creditors include:		
Instalments falling due for payment within one year	27,444	-
Instalments falling due for payment in two to five years	124,019	662,522
Instalments falling due for payment after more than five years	<u>4,157,287</u>	<u>3,406,877</u>
	<u>4,308,750</u>	<u>4,069,399</u>
Secured loans	<u>4,308,750</u>	<u>4,069,399</u>

Amounts payable to Folkestone and Hythe District Council are secured by fixed and floating charges over the company's properties.

8 Events after the reporting date

On 4th August 2020, the company raised capital by a further share issue of 520 shares at a price of £2,000 per share to its sole shareholder and controlling party, Folkestone & Hythe District Council. This is principally intended to fund further payments under the ongoing development contract disclosed in note 9.

9 Capital commitments	2020	2019
	£	£
Amounts contracted for but not provided in the accounts	<u>5,125,000</u>	<u>-</u>

During the year the company entered into a contract with a property developer to agree to purchase residential accommodation over the next two years for a price of £6.4m. A deposit of £1.275m was paid before the year end and this prepayment is included within other debtors in note 8. Under the terms of the contract, the balance of £5,125,000, disclosed as a commitment above, is payable in instalments over the next two years as the development progresses.

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2020

10 Related party transactions

The company has taken advantage of the exemption in FRS 102 whereby it has not disclosed transactions with its ultimate parent company. Such transactions were on normal commercial terms as part of the company's ongoing investment and operating activities.

11 Controlling party

For the current and previous year, the company was a wholly owned subsidiary of Folkestone and Hythe District Council.

12 Other information

Oportunitas Limited is a private company limited by shares and incorporated in England. Its registered office is c/o Folkestone and Hythe District Council, Castle Hill Avenue, Folkestone, CT20 2QY.

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Appendix 2

Oportunitas Board Meeting 16 November 2020

Oportunitas Limited – Financial Update for 2020/21

Prepared by Lee Walker

1. Introduction

1.1 This paper provides an update to the Board of the company's financial position for the current financial year. It covers the latest trading position to 31 October 2020 reported through the Profit and Loss Account, provides a projection of the outturn for the Profit and Loss Account compared to the original forecast for 2020/21 and summarises the capital expenditure incurred to date.

2. Profit and Loss Account to 31 October 2020

2.1 The summarised Profit and Loss Account to 31 October 2020 compared to the profiled original forecast for the period is shown in the table below:

Profit and Loss Account	Original Forecast to 31 October 2020	Actual to 31 October 2020	Variance Projection to Original Forecast
	£	£	£
Housing Rental			
Rental Income	157,218	143,152	(14,066)
Rental Expenses	(46,918)	(31,102)	15,816
Net	110,300	112,050	1,750
Grounds Maintenance			
Income	8,925	4,673	(4,252)
Expenses	(7,140)	(3,738)	3,402
Net	1,785	935	(850)
Overheads			
Directors Remuneration	(6,627)	(5,641)	986
FHDC Officer Support	(13,566)	(13,566)	0
Operating Expenses	(7,111)	(4,170)	2,941
Total Overheads	(27,304)	(23,377)	3,927
Loan Interest	(121,646)	(121,646)	(0)
P & L Operating Surplus / (Deficit) for period	(36,864)	(32,038)	4,826

- 2.2 The profiled original forecast shown in the table above only reflects income and expenditure due for the period to 31 October 2020. There are costs, particularly for overheads, that are due to be incurred much later in the financial year, such as the loan arrangement fee for the new loan facility, property valuation fees and the Audit fee. These are excluded from the profiled forecast for the period.
- 2.3 The company has generated a net income of about £113k from its trading activities to the end of October with almost all of this coming from its housing rentals. However, after allowing for the interest on its loan to the Council and its operational overheads, the company has made an operational loss of £32k for the period. This loss is £5k lower than the profiled forecast for the period of £37k and the main reasons for the variance are outlined below:

Variances – Period to 31 October 2020		£'000
i)	Housing Rental Income – higher than anticipated void periods for properties being re-let, including one unit being unable to let following a serious water leak	(6)
ii)	Housing Rental Income – increase in rent arrears, in part due to the impact of Covid-19 on tenants. Rent arrears are being actively pursued within the current Government restrictions for recovery and enforcement action.	(8)
iii)	Housing Rental Expenses – a reduction in the cost of managing and maintaining the property stock. The majority of repairs and maintenance to the stock are currently undertaken on a responsive basis and arranged by the two managing agents.	16
iv)	Grounds Maintenance Work – only a limited amount of work was undertaken in the period due to Covid-19 restrictions. This has made little difference to the net income position to the company	(1)
v)	Overheads – the original forecast provided for interest on the working capital facility as well as a general contingency sum, neither of which have been required in the period	4
Total reduction in deficit compared to forecast		5

- 2.4 The company made its half-yearly scheduled repayment of loan interest (£105k) and principal (£14k) to the Council on 30 September 2020.

3 Profit and Loss Account Projected Outturn 2020/21

- 3.1 The table below provides an initial projection of the outturn position for the current financial year compared to the original forecast:

	Original Forecast 2020/21	Latest Projection 2020/21	Variance Projection to Original Forecast
Profit and Loss Account	£	£	£
Housing Rental			
Rental Income	269,516	258,400	(11,116)
Rental Expenses	(91,235)	(84,556)	6,679
Net	178,281	173,844	(4,437)
Grounds Maintenance			
Income	15,300	10,000	(5,300)
Expenses	(12,240)	(8,000)	4,240
Net	3,060	2,000	(1,060)
Overheads			
Directors Remuneration	(11,361)	(9,693)	1,668
FHDC Officer Support	(23,256)	(23,256)	0
Operating Expenses	(47,534)	(43,034)	4,500
Total Overheads	(82,151)	(75,983)	6,168
Loan Interest	(208,535)	(208,535)	0
P & L Operating Surplus / (Deficit) for period	(109,345)	(108,674)	671

3.2 In total, the projected outturn shows an operating loss of almost £109k for the year, very much in line with the original forecast.

3.3 The housing rental income is expected to be about £11k lower than the forecast due to increases in the void periods and arrears, partly offset by increases in rent from new tenancies agreed during the year. There is a projected saving of almost £7k on rental expenses mainly from property maintenance budgets.

3.4 There is a projected saving of about £6k on the company's overheads, including £4.5k for interest on a working capital facility from the Council that will not be required this year.

3.5 A further update on the projection of the outturn for the current financial year will be made to the Board at their meeting, planned for early in 2021.

4 Capital Expenditure – Royal Victoria Hospital (RVH) Development

4.3 The table summarises the latest position for capital expenditure incurred on the RVH development.

Date	Description	Amount £
17/02/2020	Deposit – Phases A & B	1,275,000
11/06/2020	Phase A – stage payment no. 1	110,250
07/08/2020	Phase A – stage payment no. 2	220,500
29/09/2020	Phase A – stage payment no. 3	208,250
	Total Paid	<u>1,814,000</u>

4.4 The funding of the capital expenditure incurred has been met from the proceeds of the Council's new equity investment in the company.

5 Recommendations

5.1 The Board note the latest financial position for 2020/21 outlined in this paper.