



This Report will be made public on 12 July 2022



Report Number **C/22/22**

To: Cabinet
Date: 20th July 2022
Status: Non-Key Decision
Director: Andy Blaszkowicz, Corporate Director of Housing and Operations
Oportunitas Chairman: Councillor Rolfe

SUBJECT: OPORTUNITAS PROGRESS REPORT 2021/22– To 31 March 2022

SUMMARY: This report provides an update from the Board of Oportunitas Ltd (“the company”) on its provisional financial outturn and activities undertaken for the financial year ending 31 March 2022 and is 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 to present the report and 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/22/22.
2. To note the provisional financial outturn for Oportunitas Ltd for the period from 1 April 2021 to 31 March 2022.

1. BACKGROUND

- 1.1 The report sets out the company's provisional financial outturn position for the year ending 31 March 2022 and also sets out the progress made over this period regarding its property portfolio and trading activity.
- 1.2 The report is a requirement of the Shareholder's Agreement between the company and the Council.

2. INVESTMENT PROPERTY PORTFOLIO UPDATE

- 2.1 The company's current property portfolio consists of 56 residential units and 1 commercial unit. A total of 18 additional units have been added to the portfolio during the year following the company's completed purchase of Phase 1 of the Royal Victoria Hospital development (10 Radnor Park Avenue, Folkestone) at the end of October 2021. The property portfolio 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
10 Radnor Park Avenue, Folkestone (RVH Phase 1)	18	15 x 2 bed units 3 x 1 bed units
Total	57	

- 2.2 The property portfolio has been revalued as at 31 March 2022 resulting in a rise from £8.46m to £8.90m, an increase of £0.44m. The average increase for properties held since 31 March 2021 has been 11.1%. The new units at 10 Radnor Park Avenue have seen an average increase their value of about 3.8% from the completion at the end of October to 31 March 2022. A schedule of the latest valuations for the company's property portfolio is shown in appendix 1 to this report.
- 2.3 All properties are currently tenanted with the exception of one unit at Leyburne Road in Dover that is currently being remarketed for let following previous repair works. 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, continue to be kept under regular review.

2.4 The company continues to maintain 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 April 2022 position of the register identifies non-compliance issues within the portfolio.

2.5 **Rental Arrears**

2.5.1 Tenants rent arrears has increased over the past year from £21k to almost £23.5k at 31 March 2022. £19k has previously been set-a-side as a bad debts provision for rents and this remains reasonable cover for the level of rent arrears at 31 March 2022.

2.5.2 Over the past year the company has reviewed and tightened its procedures with its managing agents for dealing with arrears and also adopted a new Debt Management Policy to clarify these arrangements.

2.5.3 At 31 March 2022 there are six cases where tenants have rent arrears of more than one month, including one former tenant. The managing agent is in regular contact with the existing tenants regarding their arrears and they are currently paying at least their basic monthly rent with some making additional payments towards their arrears. The position is being closely monitored and action may be taken by the company, using the Council's Legal Services team in conjunction with the managing agents, to commence possession proceedings against individual tenants in arrears.

2.6 **Royal Victoria Hospital Development**

2.6.1 Phase 1 of the development to convert the existing hospital building into 18 high quality residential units was completed and successfully transferred to company from the developer at the end of October 2021. The responsibility for the marketing and day to day management of this phase was awarded to Smith Woolley, who over the months of November and December 2021 has successfully let all units within the property at agreed market rents. This phase of the development will provide the company with an additional gross rental of about £210k per year, a yield of 6.7%.

2.6.2 The company's main focus over the next twelve month period will be on the delivery of Phase 2 of the RVH development to bring forward a further 19 high quality units into the company's portfolio.

2.6.3 The last site inspection of Phase 2 was carried out in May 2022 and highlights the following progress:

- Ground works 100% completed (piling, ring beam, GF slab)
- Service ducts and some services installed
- Drainage (within footprint of building) 100% completed
- Concrete frame 100%

- Steel framework to all floors 100% completed
- Concrete staircase 100% completed
- Timber frame to third floor / roof 75% completed
- Brickwork and blockwork to ground floor started (15%)

2.6.4 Phase 2 of the RVH development is now on course to complete in Autumn 2022 as set out in the company's latest approved business plan. At the 31 March 2022 the company has paid almost £1.1m in staged payments to the contractor, RVH Folkestone Limited, towards Phase 2 of the development.

3. PROVISIONAL FINANCIAL OUTTURN FOR 2021/22

3.1 The company's provisional financial outturn for the year ending 31 March 2022, including a commentary on the accounts, was reported to the Board on 06 June 2022 and is shown in appendix 2 to this report. The accounts are subject to an independent Audit which has yet to take place.

3.2 **Profit and Loss Account** – In summary the key points from the company's Profit and Loss Account are:

- Profit before tax of £306k including the unrealised property valuation gain of £445k
- Excluding valuation gain, an operating loss of £67k has been made and is £17k more than the budget for the year.
- Majority of turnover is from residential property lettings
- Grounds maintenance income is now limited to a small amount of activity mainly for tree works
- Return from the full investment in the RVH scheme required to make the company financially sustainable over the medium term

3.3 **Balance Sheet** – The key points from the company's Balance Sheet are:

- Property portfolio for investment assets in use is now £8.9m including phase 1 of the RVH scheme.
- Almost £1.1m paid towards phase 2 acquisition of a further 19 units at the RVH scheme.
- The Council's equity investment in Oportunitas to support the RVH acquisition has increased from £3.87m to £4.91m.

3.4 **Shareholder Benefit** – The gross shareholder benefit to the Council from its interest in the company during 2021/22 was £293k. However, the equity investment of £4.91m has been met from prudential borrowing and this has

incurred a capital financing cost estimated to be £78k reducing the net shareholder benefit to the Council to £215k.

4. 84 Leyburne Road – Disposal of Land

- 4.1 Following Cabinet agreement in June 2021 to the company's proposal to sell the garage site at 84 Leyburne Road, Dover (Report ref: C/21/12), the agreed sale of the site continues to be progressed by the legal team. The property was being sold with the benefit of planning permission which has now expired. The buyer has applied for a new planning permission with Dover District Council.

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 **Diversities and Equalities (GE)** – There are no diversity or equalities implications arising from this report.
- 5.4 **Communications (DK)** - There are no communications implications arising from this report.
- 5.5 **Climate Change (OF)** - There are no climate change 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:

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Appendices

Appendix 1: Oportunitas Property Portfolio Valuation Schedule 31 March 2022.

Appendix 2: Oportunitas Limited Financial Outturn 2021/22 (subject to audit).

Appendix 3 - Oportunitas Limited Property Portfolio at 31 March 2022

ITEM NUMBER	ASSET REFERENCE	PROPERTY ADDRESS	DESCRIPTION	PREVIOUS VALUATION	VALUATION AT 31/03/2022
1	AR0001	Flat 1, 2 Walter Tull Way, Folkestone	1 bed flat	£159,500	£178,500
2	AR0002	Flat 2, 2 Walter Tull Way, Folkestone	1 bed flat	£152,500	£170,500
3	AR0003	4 Walter Tull Way, Folkestone	2 bed house	£236,500	£269,500
4	AR0004	6 Watler Tull Way, Folkestone	2 bed house	£236,500	£269,500
5	AR0005	16 Walter Tull Way, Folkestone	3 bed house	£258,500	£294,500
6	AR0006	2 Grove Terrace, Folkestone	4 bed house	£220,000	£250,000
7	AR0007.1	Flat 1, 15 Grace Hill, Folkestone	1 bed flat	£108,500	£121,500
8	AR0007.2	Flat 2, 15 Grace Hill, Folkestone	1 bed flat	£104,500	£117,000
9	AR0007.3	Flat 3, 15 Grace Hill, Folkestone	1 bed flat	£104,500	£117,000
10	AR0007.4	Flat 4, 15 Grace Hill, Folkestone	1 bed flat	£98,750	£110,500
11	AR0007.5	Flat 5, 15 Grace Hill, Folkestone	1 bed flat	£98,750	£110,500
12	AR0007.6	Commercial Unit, 15 Grace Hill	Office space	£81,000	£81,000
13	AR0008.1	Flat 1, 82 Leyburne Road, Dover	2 bed flat	£108,000	£115,500
14	AR0008.2	Flat 2, 82 Leyburne Road, Dover	2 bed flat	£125,750	£134,500
15	AR0008.3	Flat 3, 82 Leyburne Road, Dover	2 bed flat	£125,750	£134,500
16	AR0008.4	Flat 4, 82 Leyburne Road, Dover	2 bed flat	£120,000	£128,500
17	AR0009.1	Flat 1, 84 Leyburne Road, Dover	2 bed flat	£108,000	£115,500
18	AR0009.2	Flat 2, 84 Leyburne Road, Dover	2 bed flat	£125,750	£134,500
19	AR0009.3	Flat 3 84 Leyburne Road, Dover	2 bed flat	£125,750	£134,500
20	AR0009.4	Flat 4, 84 Leyburne Road, Dover	2 bed flat	£120,000	£128,500
21	AR0009.5	Building Plot 84 Leyburne Road, Dover	Land	£56,000	£60,000
22	AR0010.1	Flat 1, 19 Castle Hill Avenue, Folkestone	1 bed flat	£141,000	£158,000
23	AR0010.2	Flat 2, 19 Castle Hill Avenue, Folkestone	1 bed flat	£152,000	£170,250
24	AR0010.3	Flat 3, 19 Castle Hill Avenue, Folkestone	2 bed flat	£186,000	£208,000
25	AR0010.4	Flat 4, 19 Castle Hill Avenue, Folkestone	1 bed flat	£146,000	£163,500
26	AR0010.5	Flat 5, 19 Castle Hill Avenue, Folkestone	1 bed flat	£141,000	£158,000
27	AR0010.6	Flat 6, 19 Castle Hill Avenue, Folkestone	1 bed flat	£141,000	£158,000
28	AR0010.7	Flat 7, 19 Castle Hill Avenue, Folkestone	1 bed flat	£129,500	£145,000
29	AR0010.8	Flat 8, 19 Castle Hill Avenue, Folkestone	1 bed flat	£129,500	£145,000
30	AR0010.9	Flat 9, 19 Castle Hill Avenue, Folkestone	1 bed flat	£124,000	£138,750
31	AR0010.10	Flat 10, 19 Castle Hill Avenue, Folkestone	1 bed flat	£124,000	£138,750
32	AR0011.1	Flat 1, 84 Sidney Street, Folkestone	2 bed flat	£121,500	£136,000
33	AR0011.2	Flat 2, 84 Sidney Street, Folkestone	1 bed flat	£103,000	£115,250
34	AR0011.3	Flat 3, 84 Sidney Street, Folkestone	1 bed flat	£103,000	£115,250
35	AR0011.4	Flat 4, 84 Sidney Street, Folkestone	1 bed flat	£90,000	£98,400

Appendix 3 - Oportunitas Limited Property Portfolio at 31 March 2022

ITEM NUMBER	ASSET REFERENCE	PROPERTY ADDRESS	DESCRIPTION	PREVIOUS VALUATION	VALUATION AT 31/03/2022
36	AR0012.1	Flat 1, 1 Claremont Road, Folkestone	1 bed flat	£92,250	£101,000
37	AR0012.2	Flat 2, 1 Claremont Road, Folkestone	1 bed flat	£103,000	£115,250
38	AR0012.3	Flat 3, 1 Claremont Road, Folkestone	1 bed flat	£103,000	£115,250
39	AR0012.4	Flat 4, 1 Claremont Road, Folkestone	1 bed flat	£84,500	£94,500
40	AR0012.5	Flat 1a, 1 Claremont Road, Folkestone (formerly Flat 5)	1 bed flat	£106,750	£119,500
41	AR013.1	Flat 1, 10 Radnor Park Avenue, Folkestone	2 bed flat	£189,625	£196,000
42	AR013.2	Flat 2, 10 Radnor Park Avenue, Folkestone	2 bed flat	£189,625	£196,000
43	AR013.3	Flat 3, 10 Radnor Park Avenue, Folkestone	2 bed flat	£179,375	£185,500
44	AR013.4	Flat 4, 10 Radnor Park Avenue, Folkestone	2 bed flat	£179,375	£185,500
45	AR013.5	Flat 5, 10 Radnor Park Avenue, Folkestone	2 bed flat	£179,375	£185,500
46	AR013.6	Flat 6, 10 Radnor Park Avenue, Folkestone	2 bed flat	£184,500	£191,000
47	AR013.7	Flat 7, 10 Radnor Park Avenue, Folkestone	2 bed flat	£184,500	£191,000
48	AR013.8	Flat 8, 10 Radnor Park Avenue, Folkestone	2 bed flat	£217,300	£237,500
49	AR013.9	Flat 9, 10 Radnor Park Avenue, Folkestone	2 bed flat	£217,300	£224,750
50	AR013.10	Flat 10, 10 Radnor Park Avenue, Folkestone	2 bed flat	£179,375	£185,500
51	AR013.11	Flat 11, 10 Radnor Park Avenue, Folkestone	2 bed flat	£179,375	£185,500
52	AR013.12	Flat 12, 10 Radnor Park Avenue, Folkestone	2 bed flat	£195,775	£202,500
53	AR013.13	Flat 13, 10 Radnor Park Avenue, Folkestone	1 bed flat	£161,875	£169,500
54	AR013.14	Flat 14, 10 Radnor Park Avenue, Folkestone	2 bed flat	£195,775	£202,500
55	AR013.15	Flat 15, 10 Radnor Park Avenue, Folkestone	1 bed flat	£143,500	£148,500
56	AR013.16	Flat 16, 10 Radnor Park Avenue, Folkestone	1 bed flat	£143,500	£148,500
57	AR013.17	Flat 17, 10 Radnor Park Avenue, Folkestone	2 bed flat	£171,175	£177,000
58	AR013.18	Flat 18, 10 Radnor Park Avenue, Folkestone	2 bed flat	£171,175	£174,000

Total	£8,458,000	£8,902,550
	Valuation Gain	£444,550

Oportunitas Board Meeting 06 June 2022

Oportunitas Limited – Financial Outturn 2021/22 (Subject to Audit)

Prepared by Lee Walker

Summary: This paper provides a summary of the provisional financial outturn position for the company for the year ending 31 March 2021. The Profit and Loss Account and the Balance Sheet are subject to an independent Audit.

Recommendations:

The Board note the financial outturn for the year ending 31 March 2022 (subject to Audit).

1. Introduction and Background

- 1.1 This paper provides a summary of the provisional financial outturn position for the company for the year ending 31 March 2022. The Profit and Loss Account and the Balance Sheet are subject to an independent Audit.
- 1.2 The Board will be separately asked to consider and approve the audited accounts for the year ending 31 March 2022 later this year.

2. Profit and Loss Account 2021/22

- 2.1 The Profit and Loss Account for the year ending 31 March 2022 is shown in appendix 1 to this paper. This includes a variance analysis comparing the outturn to the original forecast for the year, the previously reported outturn projection for the year considered by the Board at its meeting on 28 February 2022 and comparative information for the previous financial year.
- 2.2 The company has made a profit after tax of £306k including an unrealised valuation gain of £445k on its property portfolio. For those properties held since 31 March 2021 the average valuation increase over past year is 11.1%. For the 18 units acquired as phase 1 of the Royal Victoria Hospital (RVH) scheme at Radnor Park Avenue, Folkestone there has been an average increase of 3.8% in their values since completion at the end of October 2021. A summarised list of the property valuations as at 31 March 2022 is shown in appendix 3 to this paper.
- 2.3 Excluding the valuation gain and the associated deferred Corporation Tax on the profit, the company has made an operating loss of £67k for the financial year. The loss is about £17k more than originally forecast and is in line with the previous projected outturn position reported to the Board on 28 February 2022. The main reasons for the increase in the operating loss of £17k compared to the original forecast are summarised in the table below:

	£'000
i) Reduction in rents due to a delay in the completion of phase 1 of the RVH site	52
ii) Rental income voids higher than anticipated	13
iii) Reduction in bad debts provision	(10)
iv) FHDC loan arrangement fee (50%) delayed from 2020/21	13
v) Reduction in the net return from grounds maintenance activities from scaling back the service provided	5
vi) Reduction in loan interest due to FHDC from delays to payments for both phases of the RVH scheme	(59)
vii) Other minor changes	3
Net increase	<u>17</u>

- 2.4 The majority of the company's turnover of £351k has been from its residential property lettings activity (£341k). This is an increase of £75k compared to the turnover of £276k for the previous year and is mainly due to the additional

rental stream from the first phase of the RVH scheme which completed at the end of October 2021, a couple of months later than originally anticipated.

- 2.5 At 31 March 2022 the company is owed £23.5k in rent arrears of which £19k is for sums owing for more than one month. The existing bad debts provision of £19k is seen as reasonable cover for this meaning no additional charge has been made in the year.
- 2.6 As the Board are aware, the company's grounds maintenance activity has been scaled back and now focuses on undertaking tree works rather than general gardening services. The company receives a net income of 20% over the cost of the work undertaken by the contractor, the Council's Grounds Maintenance team.
- 2.7 The deferred Corporation Tax is based on the unrealised profit from the property valuation gains and will only start to become payable when the company makes an operating profit or should any assets be sold.
- 2.8 As the Board are aware, the company's trading activities currently do not generate a sufficient surplus to meet its full operating cost including the loan interest and overheads. This is being addressed with the additional investment of £6.9m being made by the Council to support the company's acquisition of 37 new residential units at the RVH scheme. Phase 2 of the development is due for completion by the end of 2022 and once fully operational the new units will allow the company to become financially sustainable over the medium term and continue to provide a return to the Council.

3. Balance Sheet at 31 March 2022

3.1 The Balance Sheet for the year ending 31 March 2022 with comparative information for the previous financial year and supporting notes is shown in appendix 2 to this paper.

3.2 The key issues to highlight from the Balance Sheet are:

- i) Investment Assets - The value of the company's property portfolio of 57 residential units, 1 commercial unit and a piece of surplus land held for disposal has increased to £8.9m. This includes the 18 units from phase 1 of the RVH scheme. Additionally, the company has paid almost £1.1m in stage payments towards phase 2 of the RVH scheme, shown as Investment Assets under construction.
- ii) The Council's equity investment in the company has increased by £1.04m to £4.91m to support the acquisition of the RVH scheme.

iii) The Profit and Loss Reserve is analysed as follows:

	£'000
i) Cumulative property valuation gain	1,336

ii)	Cumulative deferred Corporation Tax	(130)
iii)	Cumulative operating loss	(468)
	Profit and Loss Reserve	738

4. Shareholder Benefit

4.1 The gross shareholder benefit to the Council from Oportunitas for 2021/22, with comparative information for 2020/21, is shown in the table below:

	2020/21 Actual £	2021/22 Actual £
Interest received	209,936	208,582
Cost reimbursement		
Staff Cost	-27,907	-25,000
Loan Fee	-12,350	-12,350
Members Allowances	-9,671	-9,721
Grounds Maintenance	-12,415	-8,488
Loan repayments	-27,444	-28,800
Total Return	<u>299,723</u>	<u>292,941</u>

Appendix 1						
Opportunitas Limited Profit and Loss Account for Year Ending 31 March 2022						
	<i>Outturn</i>	Original Forecast	Previous Projected Outturn	Provisional Outturn	Variance Original Forecast to Provisional Outturn	
Trading Account	<i>2020/21</i>	<i>2021/22</i>	<i>2021/22</i>	2021/22	<i>2021/22</i>	
	£	£	£	£	£	
Housing Rental						
Rental Income	260,344	405,383	339,399	340,699	(64,684)	
Rental Expenses	(74,108)	(135,755)	(128,312)	(127,190)	8,565	
Net	<u>186,236</u>	<u>269,628</u>	<u>211,087</u>	213,509	(56,119)	
Grounds Maintenance						
Income	15,519	30,000	15,000	9,968	(20,032)	
Expenses	(12,415)	(24,000)	(12,000)	(8,488)	15,512	
Net	<u>3,104</u>	<u>6,000</u>	<u>3,000</u>	1,480	(4,520)	
Overheads						
Directors Remuneration	(9,671)	(9,864)	(9,750)	(9,721)	143	
FHDC Officer Support	(27,907)	(24,970)	(30,000)	(30,000)	(5,030)	
Operating Expenses	(26,802)	(23,137)	(33,600)	(33,859)	(10,722)	
Total Overheads	<u>(64,380)</u>	<u>(57,971)</u>	<u>(73,350)</u>	(73,580)	(15,609)	
Loan Interest	(209,936)	(267,457)	(208,389)	(208,582)	58,875	
Operating Surplus / (Deficit) for period	<u>(84,976)</u>	<u>(49,800)</u>	<u>(67,652)</u>	(67,173)	(17,373)	
Unrealised Property Valuation Gain	342,950	0	0	444,550	444,550	
Profit before Tax	257,974	(49,800)	(67,652)	377,377	427,177	
Deferred Tax on Profit	11,054	0	0	(71,702)	(71,702)	
Profit after Tax	269,028	(49,800)	(67,652)	305,675	355,475	

Appendix 2

Oportunitas Limited - Balance Sheet 31 March 2022 (Subject to Audit)

	31/03/2021 Outturn £	31/03/2022 Outturn £
Fixed Assets		
Investment Assets	5,195,500	8,902,550
Investment Assets Under Construction	2,502,050	1,086,500
	<u>7,697,550</u>	<u>9,989,050</u>
Current Assets		
Debtors - Other	23,344	23,664
VAT Reimbursement	0	4,150
Bank Account	950,516	32,085
	<u>973,860</u>	<u>59,899</u>
Current Liabilities		
Creditors : Short Term	(29,255)	(19,452)
VAT Liability	(1,235)	0
Loans (principal due within 12 months)	(28,800)	(30,222)
	<u>(59,290)</u>	<u>(49,674)</u>
Current Assets less Current Liabilities:	<u>914,570</u>	<u>10,225</u>
Total Assets less Current Liabilities:	<u>8,612,120</u>	<u>9,999,275</u>
Long Term Liabilities		
Creditors : Long Term		
Loans	(4,252,506)	(4,222,284)
Deferred Corporation Tax	(58,674)	(130,376)
	<u>(4,311,180)</u>	<u>(4,352,660)</u>
Total Assets less Total Liabilities:	<u>4,300,940</u>	<u>5,646,615</u>
Capital & Reserves		
Share Capital	1,995	2,515
Share Premium	3,866,756	4,906,236
Profit & Loss Account	432,189	737,864
	<u>4,300,940</u>	<u>5,646,615</u>

Notes to the Balance Sheet

1. Investment Assets

The company completed the acquisition of the former Royal Victoria Hospital building during the year providing an additional 18 units of residential accommodation for rent.

The company now owns 13 properties providing 57 units of residential accommodation and one commercial unit for rent. The change in value of the portfolio over the year is summarised below:

	£
Portfolio value at 31 March 2021	5,195,000
Acquisitions	3,263,000
Valuation Gains 2020/21	444,550
Portfolio value at 31 March 2022	<u>8,902,550</u>

2. Investment Assets Under Construction

The company has entered into a contract with RVH Folkestone Limited to purchase 19 residential units in phase two of the former Royal Victoria Hospital site in Folkestone and £1,086,500 has been paid towards the acquisition at 31 March 2022. Ownership of the units will pass to the company on completion of each of the two phases.

3. Debtors - Others

	31 March 2021	31 March 2022
	£	£
Tenants - Gross Rent Arrears	20,923	23,619
Less Bad Debt Provision	(18,880)	(18,880)
Tenants - Net Rent Arrears	<u>2,043</u>	<u>4,739</u>
Rent Cash Due from Agents	7,080	7,779
Net Rent Arrears	<u>9,123</u>	<u>12,518</u>
Prepayments & Other Debtors	10,887	11,146
Trade Debtors	3,334	-
Total Debtors - Others	<u>23,344</u>	<u>23,664</u>

4. Creditors (Short Term)

	31 March 2021	31 March 2022
	£	£
Trade Creditors	25,491	19,452
Receipts in Advance	1,889	-
Rent Deposit	1,875	-
Total Creditors	<u>29,255</u>	<u>19,452</u>

5. Loans

The Council has a loan agreement with the Company to support the acquisition of property (£4.309m) and provide a working capital facility (£0.3m) for short term cash flow requirements. The existing loan facility for property acquisitions was fully utilised during 2019/20 and became repayable during 2020/21 over a 45 year period. The movement in loans over the year is summarised below

	Housing Acquisition Loan £'000	Working Capital Loan £'000	Total Loans £'000
Balance 31 March 2021	(4,282)	-	(4,282)
Advances	-	-	-
Repayments	29	-	29
Balance 31 March 2022	<u>(4,253)</u>	<u>-</u>	<u>(4,253)</u>
Due less 12 months	30		
Due long term	<u>4,223</u>		
Total	<u>4,253</u>		

6. Share Capital and Share Premium

The Council has increased its investment in the Company during 2021/22 by £1.04m. This is part of an agreed investment package of £6.9m to support the Company's expansion to enable it to trade sustainable in the long term while providing a return to the Council as the sole shareholder.

7. Profit and Loss Account Reserve

The Profit and Loss Account Reserve is analysed in the table below

	Operating Loss £'000	Deferred Tax Liability £'000	Valuation Changes £'000	Total £'000
Balance B/F	(401)	(59)	892	432
Movement 2021/22	(67)	(72)	445	306
Balance C/F	(468)	(131)	1,337	738