Agenda Item 4

Folkestone & Hythe District Council

Oportunitas

Report Number **C/22/81**

To:	**Cabinet**
Date:	**25 January 2023**
Status:	**Non-Key Decision**
Director:	**Andy Blaszkowicz, Corporate Director – Housing & Operations**
Oportunitas Chairman:	**Councillor Patricia Rolfe**

SUBJECT: OPORTUNITAS PROGRESS REPORT 2022/23 To 31 October 2022

SUMMARY: This report provides an update from the Board of Oportunitas Ltd ("the company") on activities undertaken so far during the 2022/23 financial year, including a projected outturn for the profit and loss account for the period to 31 March 2023 compared to the original forecast, based on activity to 31 October 2022. The report also outlines the company's audited Statement of Accounts for the financial year ending 31 March 2022. Additionally, the report seeks Cabinet's permission for the company to retain the proceeds from the sale of a piece of surplus land from its property portfolio. This report 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 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/22/81.**
2. **To note the Full Statement of Accounts and Directors' Report for the financial year ending 31 March 2022.**
3. **To note the latest projected outturn for the Profit and Loss Account of Oportunitas Limited for the financial year ending 31 March 2023.**
4. **To approve the company retains the £60,000 receipt from the sale of surplus land at 84 Leyburne Road, Dover to be used towards future property maintenance costs.**

1. BACKGROUND

1.1 The report sets out the company's current progress in 2022/23 in relation to its investments and trading activity, based on activity to 31 October 2022, and is a requirement of the Shareholder's Agreement between the company and the Council. Cabinet considered the previous progress report for the company on 20 October 2022, based on activity to 31 July 2022 (minute 31 refers).

1.2 The report sets out the company's audited Statement of Accounts for the financial year ending 31 March 2022 and outlines the changes from the provisional outturn position reported to Cabinet on 20 July 2022 (minute 13 refers).

1.3 The report also provides a financial update for the current year including the latest projected outturn for the company's profit and loss account for the financial year ending 31 March 2022 compared to the original forecast for the year which was set as part of the current approved Business Plan. The financial update includes the latest position regarding the company's expenditure and funding for the acquisition of residential properties at the Royal Victoria Hospital (RVH) site in Folkestone.

2 INVESTMENT PORTFOLIO UPDATE

2.1 Property Portfolio

2.1.1 The company's current property portfolio remains at 56 residential units and 1 commercial unit, 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 (Royal Victoria Hospital – Phase A)	18	15 x 2 bed units 3 x 1 bed units
Total	**57**	

2.1.2 All residential properties are currently tenanted with the exception of one unit at Leyburne Road in Dover that has now been let with tenancy due to commence this month (January 2023). 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. Management of all the assets within the company continue to be kept under regular review. The commercial unit at 15 Grace Hill, Folkestone is currently vacant and unable to be let due substantial damage following a leak from the flat above. The company is currently pursuing an insurance claim for the repairs, however the insurer has initially repudiated this on the grounds the commercial unit was vacant. This decision is being challenged with the insurer.

2.1.3 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 the Board members each month. The November 2022 position of the register identifies no compliance issues within the portfolio.

2.2 Tenant Rental Arrears

2.2.1 At 31 October 2022 the property portfolio has tenant rental arrears of £16,287 for its property portfolio, a slight increase of £224 compared to the previously reported total of £16,063 at 31 July 2022.

2.2.2 There are nine tenants with rental arrears of one month or more as at 31 October 2022, an increase of one case from that previously reported as at 31 July 2022, and the managing agent is working closely with those tenants to actively reduce this. Almost half of the £16k arrears relates to one tenancy. In this case, the managing agent is in regular contact with the tenant who is currently paying their basic monthly rent and making additional payments towards their arrears through a debt management plan. The position continues to be closely monitored for all the arrears and action may be taken by the company, using the Council's Legal Services team in conjunction with the managing agents, in-line with the company's Debt Management Policy.

2.3 Royal Victoria Hospital (RVH)

2.3.1 As previously reported to Cabinet on 20 October 2022, work on Phase 2 of the RVH Development, to provide a further 19 units of residential accommodation in a new four storey block in Radnor Park Avenue, Folkestone, is now not expected to be completed until the autumn of 2023. Cabinet is reminded that the company entered into a fixed price contract to acquire both phases of the RVH development from the developer. Although the delay to Phase 2 is disappointing, the company has been shielded from the direct impact of impact of construction inflation since the contract was signed in February 2020.

2.3.2 The delay to Phase 2 adversely impacts the company for both the 2022/23 and 2023/24 financial years compared to the current business plan. The existing business plan assumed the units would be let from December 2022, however the latest assumption is this will now be from mid-November 2023. Financially, it is estimated this will mean a total reduction in net income to the company of £82k (£11k in 2022/23 and £71k in 2023/23) compared to the approved business plan, outlined in more detail in appendix 3 to this report.

2.3.3 Almost £1.9m of the agreed purchase price of £3.3m for RVH Phase 2 had been paid to the developer at 31 October 2022 and is reflected in section three below. The site has 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. Progress updates and photos from site inspections have also been presented to board members on a quarterly basis.

2.3.4 The latest inspection of Phase 2 was conducted on 18th November 2022 and highlights the following progress:

- Roof covering - 100% completed
- Brickwork and blockwork - 80% completed
- Window installation - 30% completed
- Lift installation - 75% completed
- Plumbing (first fix) started

2.4 84 Leyburne Road – Disposal of Land

2.4.1 The sale of the surplus land adjacent at 84 Leyburne Road, Dover for £60k was completed on 24 October 2022. The legal agreement between the Council and the company requires proceeds from property sales to be paid to the Council unless agreed otherwise. Essentially this is a safeguarding measure to protect the Council's investment in the company for the acquisition of the property for rent. Given the land sold was surplus to requirements, was a not a factor in the original decision to purchase the building itself and the approved business plan endorsed by Cabinet assumed the sale proceeds would be used by the company, the Board is now seeking formal permission from the Council to retain the £60k receipt to be used towards its property maintenance programme.

3. FINANCIAL OUTTURN TO 31 MARCH 2022

3.1 The company's provisional financial outturn for the year ending 31 March 2022, subject to Audit, was considered by Cabinet on 20 July 2022. The Board considered and approved the company's audited statement of accounts at its meeting on 22 November 2022. A copy of the outturn report to the Board and the full Statement of Accounts and Directors' Report for the financial year ending 31 March 2022 are shown in appendices 1 and 2 respectively to this report. The main changes made to the audited outturn compared to the provisional position reported in July are outlined below.

3.2 **Profit and Loss Account** – **Appendix 1** shows the profit after tax is £476,423, an increase of £170,747 compared to the provisional figure of £305,676. The reasons for this increase are summarised below;-

Adjustment	Amount (£)

i)	An increase in unrealised property valuation gains for the investment property portfolio to reflect updated market value information as at 31 March 2022, advised by the external valuer	291,950
ii)	An increase to the deferred Corporation Tax liability applicable for the year	(111,810)
iii)	An increase in rental expenses mainly due to a backdated electricity charge for 1 Claremont Road	(9,393)
Total adjustment		**170,747**

3.3 Further information regarding these changes is contained in appendix 1.

3.4 The full Statement of Accounts shown in **appendix 2** has been submitted to Companies House as a matter of public record.

3.5 **Audit Opinion** – **It is pleasing to note the Auditor has given an unqualified opinion of the company's accounts for the financial year.**

4. FINANCIAL UPDATE FOR 2022/23

4.1 The company's latest financial update for 2022/23 was reported to the Board on 22 November 2022 and a copy is shown in **appendix 3** to the report. The update shows the latest projected outturn for the profit and loss account compared to both the original forecast and previous projection for the current financial year to 31 March 2022 together with the latest position for the RVH scheme.

4.2 In summary, the company's profit and loss account is projected to make an operating profit of approximately £60k for the year, an increase of £64k compared to the original forecast operating loss of £4k. The profit is about £47k more than previously projected to the Board on 5 September 2022. In summary, the main reason for the projected increase in the operating profit is the expected deferral of the special item for external repairs and redecorations until 2023/24.

4.3 It should be noted the profit and loss account excludes any change in unrealised property values. The company's property portfolio will be revalued as at 31 March 2023 ahead of finalising the accounts for the financial year.

4.4 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	3.300	6.450	0.250	6.700
Paid to date	3.150	1.867	5.017	0.112	5.129
Balance	-	1.433	1.433	0.138	1.571

4.5 The funding of the capital expenditure incurred to date has been met from the proceeds of the Council's additional equity investment of £4.43m in the company and £0.5m of the agreed loan facility of £2.47m. The loan facility will be used to complete the purchase of phase 2 of the scheme. Interest will accrue on this loan and becomes payable once the scheme is completed.

4.6 The latest projected net financial benefit to the Council from the company in 2022/23 compared to the original estimate is shown in the table below:

	Estimate 2022/23 £'000	Projection 2022/23 £'000
Loan interest	286	245
Loan repayments	38	30
Staff costs - reimbursement	28	28
Members Allowances - reimbursement	12	10
Grounds Maintenance recharge	12	6
Total Benefit	**376**	**319**
Less, FHDC capital financing cost	(119)	(77)
Net Financial Benefit	**257**	**242**

4.7 The reduction in the benefit to the Council is mainly due to the loan to the company for the RVH scheme not being required as early as originally anticipated. The net financial benefit to the Council has been included in the latest General Fund budget monitoring report for 2022/23.

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.

5.4 **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:

Lee Walker, Capital & Treasury Senior Specialist
Telephone: 01303 85 3593
Email: lee.walker@folkestone-hythe.gov.uk

Gavin Edwards, Board Administrator (Oportunitas Ltd)
Telephone: 01303 853436
Email: gavin.edwards@folkestone-hythe.gov.uk

Appendices:

Appendix 1: Oportunitas Ltd Board Meeting 22 November 2022 – Board Paper Oportunitas Ltd Audited Statement of Accounts to 31 March 2022

Appendix 2: Oportunitas Ltd Statement of Accounts and Directors' Report for the financial year ending 31 March 2022

Appendix 3: Oportunitas Ltd Board Meeting 22 November 2022 - Financial Update Report for 2022/22

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Oportunitas Board Meeting 22 November 2022

Oportunitas Limited – Audited Statement of Accounts to 31 March 2022

Prepared by Lee Walker

Summary: This paper seeks the Board's approval of the audited Statement of Accounts for the financial year ending 31 March 2022 to enable them to be submitted to Companies House.

Recommendations:

1. **The Board receive and note the Management Letter from the Auditor**

2. **The Board receive and approve the Statement of Accounts and Directors Report of Oportunitas Limited for the financial year ending 31 March 2022 to be signed as a correct record by the Chairman**

3. **The Board receive and approve the Letter of Representation to the Auditors to be signed by the Chairman**

1. Introduction and Background

1.1 On 6 June 2022 the Board considered and noted the company's provisional outturn financial position for the year ending 31 March 2022, subject to audit. The accounts have now been reviewed and independently audited by the company's Auditor, Begbies Chartered Accountants, and are required to be approved by the Board so they can be submitted to Companies House by 31 December 2022. The paper provides an explanation of the changes to the audited outturn position compared to the provisional position previously reported to the Board.

1.2 The Board is required to consider and approve the following documents appended to this report before they can be signed as a correct record by the Chairman or one of the senior directors of the company:

i) The Management Letter from the Auditor outlining their key findings from the audit of the accounts

ii) The full Statement of Accounts and Directors Report for the year ending 31 March 2022

iii) The Letter of Representation to the Auditors, confirming the Board agree the accounts are materially correct.

2. Changes Between the Provisional and Final Statement of Accounts

2.1 The review and audit has required some changes to be made to the Statement of Accounts compared to the provisional outturn reported to the Board on 6 June 2022.

2.1.1 **Profit and Loss Account** – Appendix 1 shows the profit after tax is £476,423, an increase of £170,747 compared to the provisional figure of £305,676. The reasons for this increase summarised below:

Adjustment		Amount (£)
i)	An increase in unrealised property valuation gains for the investment property portfolio to reflect updated market value information as at 31 March 2022, advised by the external valuer	291,950
ii)	An increase to the deferred Corporation Tax liability applicable for the year	(111,810)
iii)	An increase in rental expenses mainly due to a backdated electricity charge for 1 Claremont Road	(9,393)
Total adjustment		**170,747**

2.1.2 **Property Valuation Gain** – The provisional unrealised valuation gains on the company's investment property portfolio as at 31 March 2022 undertaken by Sibley Pares Chartered Surveyors and received in April 2022 was based on market information at January 2022. Sibley Pares undertook a review of their provisional valuations in late June 2022 to capture the actual market data at 31 March 2022, leading to the further unrealised gain of £292k for the year. The average increase in the property portfolio for the year to 31 March 2022 is 8.7%.

2.1.3 **Deferred Corporation Tax** - The deferred Corporation Tax liability is made against the company's profits resulting from its unrealised valuation gains on its investment property portfolio. The change to the unrealised valuation gain, outlined above, means the deferred Corporation Tax has also increased. Additionally, the provisional amount was based on the existing Corporation Tax rate of 19% applicable for the year. However, the Auditor advised this should be revised to the new rate of 25% now applicable, being the rate that the tax will be payable at should the properties be sold in the future. As no Corporation Tax is due to HMRC at this point there are no punitive implications to the company from this adjustment.

2.1.4 **Balance Sheet** – Appendix 2 shows the value of the company's net assets is £5,817,363, an increase of £170,748 compared to the provisional outturn figure of £4,352,660. The increase mirrors the adjustment for the company's increase in its profit after tax and is represented in the Profit and Loss Account Reserve shown on the Balance Sheet.

3 Audit Opinion

3.1 It is pleasing to note the Auditor has given an unqualified opinion of the accounts of the company for the year ending 31 March 2022. The full opinion is shown on page 4 of the Full Statement of Accounts and Directors Report document.

3.2 The Management Letter from the Auditor to the Directors outlines the issues found during the Audit of the accounts. The only item raised of note is the bad debts provision is over-stated by £6,000 in their opinion. However, it is not material and has not been changed. The position will be reviewed as part of the accounts for the year ending 31 March 2023.

Appendix 1

Post-Audit Profit and Loss Account for Year Ending 31 March 2022

	2020/21	2021/22	**2021/22**	2021/22
	Outturn	Provisional Outturn	**Outturn**	Variance
	£	£	£	£
Housing Rental				
Rental Income	*260,344*	340,699	**340,699**	0
Rental Expenses	*(74,109)*	(127,190)	**(136,583)**	(9,393)
Net	*186,235*	213,509	**204,116**	(9,393)
Grounds Maintenance				
Income	*15,519*	9,968	**9,968**	0
Expenses	*(12,415)*	(8,488)	**(8,488)**	0
Net	*3,104*	1,480	**1,480**	0
Overheads				
Directors Remuneration	*(9,671)*	(9,721)	**(9,721)**	0
FHDC Officer Support	*(27,907)*	(30,000)	**(30,000)**	0
Operating Expenses	*(26,801)*	(33,859)	**(33,859)**	0
Total Overheads	*(64,379)*	(73,580)	**(73,580)**	0
Loan Interest	*(209,936)*	(208,581)	**(208,581)**	0
Loss on Operating Activities	*(84,976)*	(67,172)	**(76,565)**	(9,393)
Unrealised Property Valuation Gains	*342,950*	444,550	**736,500**	291,950
Profit before Tax	*257,974*	377,378	**659,935**	282,557
Deferred Tax on Profit	*11,054*	(71,702)	**(183,512)**	(111,810)
Profit after Tax	*269,028*	305,676	**476,423**	170,747

Appendix 2

Post-Audit Balance Sheet as at 31 March 2022

	31/03/2021 *Outturn* £	31/03/2022 Provisional Outturn £	**31/03/2022** **Outturn** **£**	Variance £
Fixed Assets				
Investment Assets	*5,195,500*	8,902,550	**9,194,500**	291,950
Investment Assets Under Construction	*2,502,050*	1,086,500	**1,086,500**	0
	7,697,550	9,989,050	**10,281,000**	291,950
Current Assets				
Debtors - Other	*23,344*	23,663	**23,663**	0
VAT Reimbursement	*0*	4,150	**4,150**	
Bank Account	*950,516*	32,085	**32,085**	0
	973,860	59,898	**59,898**	0
Current Liabilities				
Creditors: Short Term	*-29,255*	-19,452	**-28,843**	-9,391
VAT Liability	*-1,235*	0	**0**	0
Loans (principal due within 12 months)	*-28,800*	-30,222	**-30,222**	0
	-59,290	-49,674	**-59,065**	-9,391
Current Assets less Current Liabilities:	914,570	10,224	**833**	-9,391
Total Assets less Current Liabilities:	8,612,120	9,999,274	**10,281,833**	282,559
Long Term Liabilities				
Creditors: Long Term				
Loans	*-4,252,506*	-4,222,284	**-4,222,284**	0
Deferred Corporation Tax	*-58,674*	-130,376	**-242,186**	-111,810
	-4,311,180	-4,352,660	**-4,464,470**	-111,810
Total Assets less Total Liabilities:	4,300,940	5,646,614	**5,817,363**	170,749
Capital & Reserves				
Share Capital	*1,995*	2,515	**2,515**	0
Share Premium	*3,866,756*	4,906,236	**4,906,236**	0
Profit & Loss Account	*432,189*	737,863	**908,612**	170,749
	4,300,940	5,646,614	**5,817,363**	170,749

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Registered number
09038505

Oportunitas Limited

Report and Accounts

31 March 2022

Oportunitas Limited
Report and accounts
Contents

Oportunitas Limited
Company Information

Directors
Terence William Mullard
Patricia Spencer Rolfe
Connor Andrew Mcconville
Peter Charles Gane (Resigned 1 June 2022)
Ann Elizabeth Berry (Appointed 1 June 2022)

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 number
09038505

Oportunitas Limited
Registered number: 09038505
Directors' Report

The directors present their report and accounts for the year ended 31 March 2022.

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:

Terence William Mullard
Patricia Spencer Rolfe
Connor Andrew Mcconville
Peter Charles Gane (Resigned 1 June 2022)
Ann Elizabeth Berry (Appointed 1 June 2022)

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 22 November 2022 and signed on its behalf.

Patricia Rolfe
Director

Oportunitas Limited

Independent auditor's report
to the member of Oportunitas Limited

Opinion

We have audited the accounts of Oportunitas Limited (the 'company') for the year ended 31 March 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 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 for 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

In auditing the accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the accounts and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the accounts themselves. 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.

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.

Independent auditor's report
to the member of Oportunitas Limited

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Agreement of the financial statement disclosure to underlying supporting documentation;
- Enquiries and confirmation of directors as to their identification of any non-compliance with laws or regulations, or any actual or potential claims;
- Incorporating unpredictability into the nature, timing and extent of testing;
- Evaluation of the selection and application of accounting policies chosen by the company;
- In relation to the risk of management override of controls, by undertaking procedures to review journal entries, assess accounting estimates and identify and verify transactions outside of the usual course of operations, and evaluating whether there was evidence of any evidence of bias that represented a risk of material misstatements due to fraud;
- An assessment of the company's financial statements to material misstatement, including how fraud might occur, by consider, by considering the key risks impacting the financial statements.

Our audit was designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentation or through collusion.

There are inherent limitations in the audit procedures performed, The further removed instances of noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

Use of our report

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.

Daniel Valentine ACA
(Senior Statutory Auditor)
for and on behalf of
Begbies Chartered Accountants and Registered Auditors
Statutory Auditor
…............... 2022

9 Bonhill Street
London
EC2A 4DJ

Oportunitas Limited
Profit and Loss Account
for the year ended 31 March 2022

	2022 £	2021 £
Turnover	**350,667**	275,863
Cost of turnover	**(8,488)**	(12,415)
Gross profit	**342,179**	263,448
Administrative expenses	**(210,163)**	(138,487)
Revaluation of investment properties	**736,500**	342,949
Operating profit	**868,516**	467,910
Interest payable	**(208,581)**	(209,936)
Profit before taxation	**659,935**	257,974
Tax on profit	**(183,512)**	11,054
Profit for the financial year	**476,423**	269,028

Oportunitas Limited
Registered number: 09038505
Balance Sheet
as at 31 March 2022

	Notes		2022		2021
			£		£
Fixed assets					
Tangible assets	4		**10,281,000**		7,697,550
Current assets					
Debtors	5	**27,813**		23,344	
Cash at bank		**32,085**		950,516	
		59,898		973,860	
Creditors: amounts falling due within one year	6	**(59,065)**		(59,290)	
Net current assets			**833**		914,570
Total assets less current liabilities			**10,281,833**		8,612,120
Creditors: amounts falling due after more than one year	7		**(4,222,284)**		(4,252,506)
Provisions for liabilities			**(242,186)**		(58,674)
Net assets			**5,817,363**		4,300,940
Capital and reserves					
Called up share capital			**2,515**		1,995
Share premium			**4,906,236**		3,866,756
Profit and loss account			**908,612**		432,189
Shareholder's funds			**5,817,363**		4,300,940

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 22 November 2022

Oportunitas Limited
Statement of Changes in Equity
for the year ended 31 March 2022

	Share capital	Share premium	Profit and loss account	Total
	£	£	£	£
At 1 April 2020	955	1,787,796	163,161	1,951,912
Profit for the financial year	-	-	269,028	269,028
Shares issued	1,040	2,078,960	-	2,080,000
At 31 March 2021	1,995	3,866,756	432,189	4,300,940
At 1 April 2021	**1,995**	**3,866,756**	**432,189**	**4,300,940**
Profit for the financial year	**-**	**-**	**476,423**	**476,423**
Shares issued	**520**	**1,039,480**	**-**	**1,040,000**
At 31 March 2022	**2,515**	**4,906,236**	**908,612**	**5,817,363**

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2022

1 Accounting policies

Basis of preparation
The accounts have been prepared under the historical cost convention, as modified to include investment properties at fair value, 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).

The accounts are prepared in sterling, which is the functional currency of the company. Monetary amounts in these accounts are rounded to the nearest £.

Turnover
Turnover is measured at the fair value of the consideration received or receivable, net of discounts

Investments
Investment property, which is property held to earn rental income and capital appreciation, is
Assets in the course of construction are included at cost.

Debtors
Short term debtors are measured at transaction price (which is usually the invoice price), less any

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. 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 and that are expected to apply to the reversal of the timing difference. No current tax liability is recognised in the current or prior year but a deferred tax liability is accrued in respect of investment property revaluations.

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. The provision carried in the current and prior year account is in respect of deferred tax on property revaluations.

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2022

2 Audit information

The audit report is unqualified.

Senior statutory auditor:	Daniel Valentine ACA
Firm:	Begbies Chartered Accountants and Registered Auditors
Date of audit report:	…............... 2022

3 Employees

	2022 Number	2021 Number
Average number of persons employed by the company	**0**	0

4 Tangible fixed assets

	Investment Properties £	**Assets under contruction £**	**Total £**
Cost			
At 1 April 2021	5,195,500	2,502,050	7,697,550
Additions	112,500	1,734,450	1,846,950
Transfer on completion of construction	3,150,000	(3,150,000)	-
Surplus on revaluation	736,500	-	736,500
At 31 March 2022	**9,194,500**	**1,086,500**	10,281,000
Depreciation			
At 31 March 2022	-	-	-
Net book value			
At 31 March 2022	**9,194,500**	**1,086,500**	10,281,000
At 31 March 2021	5,195,500	2,502,050	7,697,550

Freehold land and buildings:	**2022 £**	2021 £
Historical cost	**8,652,506**	6,805,556
Cumulative depreciation based on historical cost	**-**	-
	8,652,506	6,805,556

The investment properties were valued at 31 March 2022 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.

In 2020 the company entered into a contract with a property developer to purchase residential accommodation on the site of the former Royal Victoria Hospital, Folkestone. The contracts became unconditional upon receipt of planning permission. Phase A was completed in the year and transferred to investment properties and Phase B is included under 'Assets under construction'.

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2022

5 Debtors

	2022	2021
	£	£
Trade debtors	327	3,334
Other debtors	27,486	20,010
	27,813	23,344

6 Creditors: amounts falling due within one year

	2022	2021
	£	£
Other loans	30,222	28,800
Trade creditors	1,548	-
Taxation and social security costs	-	1,235
Other creditors	27,295	29,255
	59,065	59,290

7 Creditors: amounts falling due after one year

	2022	2021
	£	£
Other loans	4,222,284	4,252,506

8 Loans

	2022	2021
	£	£
Creditors include:		
Instalments falling due for payment within one year	30,222	28,800
Instalments falling due for payment within two to five years	136,573	130,145
Instalments falling due for payment after more than five years	4,085,711	4,122,361
	4,252,506	4,281,306
Secured bank loans	4,252,506	4,281,306

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

9 Capital commitments

	2022	2021
	£	£
Amounts contracted for but not provided in the accounts	2,213,500	3,947,950

10 Related party transactions

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

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2022

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.

Oportunitas Limited
Detailed profit and loss account
for the year ended 31 March 2022
This schedule does not form part of the statutory accounts

	2022	2021
	£	£
Turnover		
Ground maintenance income	**9,968**	15,519
Rental income	**340,699**	260,344
	350,667	275,863
Cost of sales		
Council's charge for grounds maintenance	**8,488**	12,415
Administrative expenses		
Employee costs:		
Recharge from Folkestone and Hythe District Council	**9,721**	9,671
	9,721	9,671
General administrative expenses:		
Bank charges	**80**	37
Insurance	**15,217**	15,195
Software	**378**	360
Repairs and maintenance	**69,918**	30,266
Other property costs	**24,697**	2,036
Bad debts	**3**	10,000
Sundry expenses	**46**	(417)
	110,339	57,477
Legal and professional costs:		
Audit fees	**6,936**	6,546
Consultancy fees	**12,663**	5,289
Property management fees	**28,154**	19,247
Council management fees	**30,000**	27,907
Other legal and professional	**12,350**	12,350
	90,103	71,339
	210,163	138,487
Other gains		
Investment property revaluations	**736,500**	342,949

Oportunitas Board Meeting 22 November 2022

Oportunitas Limited – Financial Update for 2022/23

Prepared by Lee Walker

Summary: This paper provides an update of the company's financial position for the financial year ending 31 March 2023, based on income and expenditure to 31 October 2022, including the latest projected outturn for its trading activities. It also summarises the capital expenditure incurred to date on the Royal Victoria Hospital project and the funding used towards this and considers the impact to the delay on Phase 2 of the scheme.

Recommendations:

1) **The Board note the latest financial position for 2022/23 outlined in this paper.**

2) **The Board seek approval from the Council to retain the £60k receipt from the sale of surplus land at 84 Leyburne Road, Dover to be used towards future property maintenance costs.**

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 2023, based on income and expenditure to 31 October 2022. It provides the latest projected outturn for the company's trading activities compared to the approved business plan for the year and explains the key variances. The paper summarises the capital expenditure incurred to date on the Royal Victoria Hospital (RVH) project and the funding used towards this and considers the financial impact from the delay to Phase 2 of the scheme. Further updates on the company's projected outturn for the current financial year are planned to be made to future Board meeting over this period.

2. Profit and Loss Account Projected Outturn 2022/23

2.1 The table below provides an initial projection of the outturn position of the company's trading activities for the financial year to 31 March 2023, compared to the approved business plan forecast and the previous projection for the year reported to the Board on 5 September 2022.

Appendix 3 - Board Paper Financial Update 2022/23

Profit and Loss Account	**2022/23**	***2022/23***	**2022/23**	**2022/23**
	Budget	***Previous Projected Outturn***	**Latest Projected Outturn**	**Variance Budget to Latest Projection**
	£		£	£
Property Rental				
Rental Income	542,370	*537,926*	488,316	(54,053)
Other Income -Land Sale	60,000	*60,000*	60,000	0
Rental Expenses	(172,725)	*(182,219)*	(167,132)	5,594
Special Item - Stock Condition Survey	(20,000)	*(20,000)*	(20,000)	0
Special Item - Major External Repairs & Redecorations	(64,300)	*(64,300)*	0	64,300
Net	345,344	*331,408*	361,184	15,840
Grounds Maintenance				
Income	15,300	*7,500*	7,500	(7,800)
Expenses	(12,240)	*(6,000)*	(6,000)	6,240
Net	3,060	*1,500*	1,500	(1,560)
Overheads				
Directors Remuneration	(11,645)	*(10,023)*	(10,023)	1,622
FHDC Officer Support	(28,000)	*(28,000)*	(28,000)	0
Operating Expenses	(26,182)	*(23,550)*	(19,300)	6,882
Total Overheads	(65,827)	*(61,573)*	(57,323)	8,504
Loan Interest	(286,296)	*(257,926)*	(245,006)	41,290
P & L Operating Surplus / (Deficit) for period	**(3,719)**	***13,409***	**60,355**	**64,075**
P & L Operating Loss b/f	(468,772)	*(468,294)*	(468,294)	478
P & L Operating Loss c/f	**(472,491)**	***(454,885)***	**(407,939)**	**64,553**

2.2 The projected outturn shows an operating profit of £60k for the year, an improvement over £64k compared to the loss of almost £4k in the business plan. The main reasons for this variance are outlined below:

	Variances 2022/23 Business Plan to Projected Outturn	£'000
i)	**Rental Income** – Reduction mainly due the delay in completing RVH Phase 2 until late 2023.	(54)
ii)	**Housing Rental Expenses** – Net reduction is mainly due to a reduction in the bad debts provision. Provision of £25k for repairs to the office at 15 Grace Hill is offset by a reduction in other repairs and maintenance, partly due to a saving from the delayed RVH Phase 2 (£9k)	6
iii)	**Special Item – External Repairs and Redecorations –** The stock condition survey, planned for the current financial year, will need to be	64

	completed before a decision can be taken to proceed with these works which are now likely to take place from 2023/24	
iv)	**Grounds Maintenance** – capacity to provide this service is now largely limited to tree maintenance work	(2)
v)	**Overheads Directors Remuneration –** saving compared to budget	2
vi)	**Overheads Operating Expenses –** saving on budgeted contingency and other minor expenses	7
vii)	**Loan Interest saving –** the full utilisation of the loan element of the Council's funding to support the acquisition of the RVH scheme has been delayed until 2023/24	41
	Total reduction in operating loss compared to business plan	**64**

2.3 **Land Disposal** - The sale of the surplus land adjacent at 84 Leyburne Road, Dover for £60k was completed on 24 October 2022. The legal agreement between the Council and the company requires proceeds from property sales to be paid to the Council unless agreed otherwise. Essentially this is a safeguarding measure to protect the Council's investment in the company for the acquisition of the property for rent. Given the land sold was surplus to requirements, was a not a factor in the original decision to purchase the building itself and the approved business plan endorsed by Cabinet assumed the sale proceeds would be used by the company, the Board should now seek formal permission from the Council to retain the £60k receipt to be used towards property maintenance programme.

2.4 **15 Grace Hill** – The Board is reminded that its insurer had repudiated a claim being made to cover the estimated cost of repair of £25 to the vacant office in the building following a serious leak due to the unit being vacant for a substantial period of time prior the incident. The Council's Insurance Officer is continuing to pursue this matter with the insurer and a verbal update will be made to the Board regarding the latest position. However, a provision of £25k remains in the projected outturn for the current financial year for the cost of the repairs.

2.5 The company's accumulated operating loss is forecast to reduce by £64k to £408k at 31 March 2023. The Board is reminded that this loss excludes unrealised valuation gains on the company's property portfolio which provisionally stands at £1,207k after tax at 31 March 2022. A further revaluation of the company's property portfolio will be undertaken at 31 March 2023.

2.6 **Cost of Living Crisis** – As outlined to the Board at its last meeting, the emerging cost of living crisis is expected to have a two-fold impact to the company with its cost base increasing for inflation on maintenance and energy costs, coupled with an increased likelihood of bad debts on rents over time.

However, at this stage the financial impact to the company of these issues is expected to impact from 2023/24 rather than the current financial year. A detailed review of the company's planned budget for 2023/24, including the estimated impact of inflationary and other economic pressures, will be submitted to the Board over the winter as part of the annual business planning process required by the Council.

3 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	3.300	6.450	0.250	6.700
Paid to date	3.150	1.867	5.017	0.112	5.129
Balance	-	1.433	1.433	0.138	1.571

3.2 The funding of the capital expenditure incurred to date has been met from the proceeds of the Council's additional equity investment of £4.43m in the company and £0.5m of the agreed loan facility of £2.47m. The loan facility will be used to complete the purchase of phase 2 of the scheme over the remainder of the construction period, now estimated to be completed in the autumn of 2023. Interest will accrue on this loan and becomes payable once the scheme is completed.

4. Financial Impact of Delayed Completion for RVH Phase 2

4.1 The delay to the completion of RVH Phase 2 compared to the business plan budgeted forecast adversely impacts upon both 2022/23 and 2023/24 financial years. The existing business plan assumed the units would be let from December 2022, however the latest assumption this will now be from mid-November 2023. Financially, it is estimated this will mean a total reduction in net income to the company of £82k, £11k in 2022/23 and £71k in 2023/23, compared to the approved business plan. The position for both financial years is outlined in more detail in the table below:

	Budget 2022/23 £'000	Projection 2022/23 £'000	Variance 2022/23 £'000	Original Projection 2023/24 £'000	Latest Projection 2023/24 £'000	Variance 2023/24 £'000
Rental Income	68	0	(68)	205	77	(128)
Rental Expenses	(22)	0	22	(53)	(20)	33
Other Expenses	(7)	0	7	(3)	(7)	(4)
Loan Interest	(81)	(52)	28	(120)	(105)	15
Corporation tax	0	0	0	(13)	0	13
Net Total	(41)	(52)	(11)	17	(54)	(71)

4.2 The approved business plan projected an accumulated operating loss at 31 March 2024 of £418k. This is now forecast to be £488k, taking account of the impact of the delay to Phase 2 and other changes in the current financial year. Indicatively, previously it was anticipated it may take between 6 to 8 years to offset the accumulated operating loss from future profits. This is now likely to take 8 to 10 years to achieve. However, this will be dependent on the outcome of the stock condition survey in particular. The Board will be asked to consider it business plan and budget for 2023/24 early in 2023 and this will reflect the delay to Phase 2.

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