



This Report will be made public on 10 October 2023



Report Number: **C/23/44**

**To:** Cabinet  
**Date:** 18<sup>th</sup> October 2023  
**Status:** Non-Key Decision  
**Director:** Andy Blaszkowicz, Corporate Director – Housing & Operations  
**Oportunitas Chair:** Councillor James Butcher

**SUBJECT: OPORTUNITAS PROGRESS REPORT 2023-24**

**SUMMARY:** This report provides an update from the Board of Oportunitas Ltd (“the company”) on activities undertaken so far during the 2023/24 financial year, including a projected outturn for the profit and loss account for the period to 31 March 2024 compared to the original forecast. This report is in-line with the requirement contained in the Shareholder’s Agreement between the company and the Council.

**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/23/44.

## 1. BACKGROUND

- 1.1 The report sets out the company's current progress for the 2023-24 financial year in relation to its property holdings and trading activity and is a requirement of the Shareholder's Agreement between the company and the Council.
- 1.2 The report provides a financial update for the current year including an initial projected outturn for the company's profit and loss account for the financial year ending 31 March 2024 compared to the original forecast for the year, included as part of the current Business Plan approved by Cabinet on 22 March 2023. The financial update also provides 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 (RVH Phase 1)	18	15 x 2 bed units 3 x 1 bed units
<b>Total</b>	<b>57</b>	

- 2.12 All residential 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 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 pursued an insurance claim for the repairs, however the claim was unsuccessful as the commercial unit had been vacant for more than 90 days when the leak occurred. The company will now have to undertake the repairs at its own cost which is estimate to be £25k in order to bring the unit back into a rentable condition.

- 2.13 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 August 2023 position of the register in identifies no compliance issues within the portfolio.

## **2.2 Rental Arrears**

- 2.2.1 On 31 August 2023 the property portfolio has tenant rental arrears of £15.7k for its property portfolio, a reduction of £0.7k from the value at 31 March 2022 of £16.4k. The arrears are reviewed monthly and closely monitored by the managing agent, the level of arrears if you exclude the £5.5k relating to one tenant are reasonable, and there is no cause for concern. The main reason for the reduction a number of tenants with arrears are on payment plans to help reduce their outstanding amounts. Legal action is currently being undertaken against one former tenant to try and reclaim an outstanding debt.

- 2.2.2 There are nine tenants with rental arrears of one month or more as at 31 August 2023 and the managing agent is working closely with those tenants to actively reduce this. £5.5k of 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. 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 Debt Management Policy.

## **2.3 Royal Victoria Hospital**

- 2.3.1 Work on Phase 2 of the RVH Development will bring forward a further 19 units in a new four storey block of flats adjacent to the former RVH building, Phase 2, has continued to make progress during the first half of the current financial year. The scheme is to be completed by end of September 2023, a delay of 9 months compared to original assumptions due to materials inflation and shortages and some labour shortages reported by the developer (RVH Folkestone Ltd) at the time and this position was reported to Cabinet in October 2022. Cabinet is reminded that the company is acquiring the building for a fixed price which was agreed before the pandemic and Russia's invasion of Ukraine. This had also previously given the developer issues with securing materials to help keep costs down and, along with labour shortages, has contributed to the overall delay to the scheme.

2.3.2 A marketing strategy to showcase the 19 Phase 2 units and generate interest from perspective tenants is being finalised by the managing agent (Smith Woolley). The proposed strategy to market Phase 2 will include:

- Professional photography of a selection of units for marketing purposes
- Social media advertising, to consist of various adverts and messages linked to expected completion dates and availability.
- Several site boards advertising the forthcoming properties on various floors and elevations. To be in place approximately 1 week prior to contract completion.
- Listing on Rightmove of a selection of properties. To be in place approximately 1 week prior to contract completion.
- Open day for viewings with appropriate Social Media promotion- the first Saturday after legal completion, subject to satisfactory notice, with further days depending on levels of interest.

The agent has a number of potential people interested to view the new units once completed and the company aspires to have tenants in place as soon as the property is handed over to the company.

## **2.4 Property Maintenance and preventative work**

2.4.1 The company business plan allocates a budget of £64k over 2023/24 and 2024/25 for the cost of undertaking maintenance and preventative works at 82/84 Leyburne Road, Dover and 19 Castle Hill Avenue, Folkestone. Following advice from the managing agent and footage from the drone inspections, the works on 82/84 Leyburne Road, Dover will be prioritized in this financial year. The managing agent has now confirmed that repairs works have now commenced and below is a following summary of works to be undertaken:

- Repairs to timber frames on the front gable of 84 Leyburne Road
- Repairs to front gable boards and under soffits to both properties
- Repairs to cracked concrete lintel above second floor window of 84 Leyburne Road
- Cleaning of vegetation, sealing and repairs to bay roofs at both properties
- Repairs to bay windows and other timber frame window on front elevations at both properties
- Cleaning of vegetation on the valley roofs at both properties
- Clearing of rubbish from basement footwell enclosures

### **3. FINANCIAL UPDATE FOR 2023/24**

- 3.2 The company's initial projected outturn for its profit and loss account compared to the original forecast for the current financial year to 31 March 2024 is based on income and expenditure to 31 August 2023, and an update on its investment in the RVH scheme was reported to the Board on 22 September 2023 and is shown in appendix 1 to this report.
- 3.3 In summary, the company's profit and loss account is projected to make a small operating profit of approximately £34k for the year, an improvement of £85k compared to the original forecasted operating loss of £51k. The main reason for the improvement is a better than expected anticipated rental income for the RVH Phase 2 properties, which should be all let by the end of November. Also a revision of the amount required for repairs and maintenance based on actual 22/23 expenditure and spend to date in 23/24.
- 3.4 The stock condition survey (£20k) is expected to be undertaken during 2023/24. £31.2k has been budgeted for major external repairs for 23/24 and 24/25.
- 3.5 The company's accumulated operating loss is forecast to reduce to £313k at 31 March 2024. Cabinet is reminded that the company is expected to make an annual operating profit once both phases of the RVH development are completed, and that over a 4–5 year period this will offset the accumulated loss. It should also 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 2024 ahead of finalising the accounts for the financial year.
- 3.6 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	2.752	5.902	0.112	6.014
Balance	-	0.548	0.548	0.138	0.686

3.7 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 £1.5m 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.

3.9 The latest projected net financial benefit to the Council from the company in 2023/24 compared to the original estimate is shown in the table below:

	Estimate 2023/24 £'000	Projection 2023/24 £'000
Loan interest	309	309
Loan repayments	32	32
Staff costs - reimbursement	29	29
Members Allowances - reimbursement	12	12
Grounds Maintenance recharge	8	8
<b>Total Benefit</b>	<b>389</b>	<b>389</b>
Less, FHDC capital financing cost	(500)	(500)
<b>Net Financial Benefit</b>	<b>(111)</b>	<b>(111)</b>

3.10 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 and increase in the capital financing costs due to increased interest rates. The net financial benefit to the Council has been included in the latest General Fund budget monitoring report for 2023/24.

#### 4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 **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.

- 4.2 **Finance (DL)** – This report has been prepared in conjunction with Financial Services and there are no further comments to add.
- 4.3 **Equalities (GE)** – There are no diversity or equalities implications arising from this report.
- 4.4 **Climate Change (AT)** - There are no climate change implications arising from this report.

## **5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

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

Dani Loxton, Capital & Treasury Senior Specialist  
Telephone: 01303 853583  
Email: [daniella.loxton@folkestone-hythe.gov.uk](mailto:daniella.loxton@folkestone-hythe.gov.uk)

Gavin Edwards, Performance & Improvement Specialist  
Telephone: 01303 853436  
Email: [gavin.edwards@folkestone-hythe.gov.uk](mailto:gavin.edwards@folkestone-hythe.gov.uk)

### **Appendices:**

**Appendix 1:** Oportunitas Ltd Financial Update for 2023/24

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**Oportunitas Board Meeting 22 September 2023**

**Oportunitas Limited – Financial Update for 2023/24**

**Prepared by Dani Loxton**

**Summary:** This paper provides an initial update of the company's financial position for the financial year ending 31 March 2024, based on income and expenditure to 31 August 2023, including the latest projected outturn for its trading activities. It also summarises the capital expenditure incurred to date on the Royal Victoria Hospital scheme and the funding used towards this.

**Recommendations:**

**The Board note the latest financial position for 2023/24 outlined in this paper.**

## Appendix 1

### 1. Introduction and Background

1.1 This paper provides an initial update to the Board of the company's financial position for the financial year ending 31 March 2024, based on income and expenditure to 31 August 2023. 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 also summarises the capital expenditure incurred to date on the Royal Victoria Hospital scheme and the funding used towards this. Further updates on the company's projected outturn for the current financial year are planned to be made to future Board meetings over this period.

### 2. Profit and Loss Account Projected Outturn 2023/24

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 2024, compared to the approved business plan.

<b>Profit and Loss Account</b>	<b>2023/24</b>	<b>2023/24</b>	<b>2023/24</b>
	<b>Budget</b>	<b>Projected</b>	<b>Variance</b>
	<b>£</b>	<b>Outturn</b>	<b>£</b>
		<b>£</b>	
<b>Property Rental</b>			
Rental Income	562,830	616,150	53,320
Rental Expenses	(187,128)	(155,052)	32,076
Special Item – Stock Condition Survey	(20,000)	(20,000)	0
Special Item – Major External Repairs & Redecorations	(32,150)	(31,150)	0
Net	323,552	408,948	85,396
<b>Grounds Maintenance</b>			
Income	10,167	10,167	0
Expenses	(8,134)	(8,134)	0
Net	2,033	2,033	0
<b>Overheads</b>			
Directors Remuneration	(11,878)	(11,878)	0
FHDC Officer Support	(28,560)	(28,560)	0
Operating Expenses	(27,409)	(27,409)	0
Total Overheads	(67,847)	(67,847)	0
<b>Loan Interest</b>	(308,748)	(308,748)	0
<b>P &amp; L Operating Surplus / (Deficit) for period</b>	<b>(51,010)</b>	<b>34,387</b>	<b>85,396</b>
P & L Operating Loss b/f	(348,000)	(348,000)	0
<b>P &amp; L Operating Loss c/f</b>	<b>(399,010)</b>	<b>(313,613)</b>	<b>85,396</b>

## Appendix 1

2.2 The projected outturn shows a small operating profit of £34k for the year, an improvement over £85k compared to the loss of almost £51k in the business plan. The main reasons for this variance are outlined below:

<b>Variiances 2023/24 Business Plan to Projected Outturn</b>		£'000
i)	<b>Rental Income</b> – Rental income expected from the new flats at Radnor Park Avenue anticipated to be higher than budgeted.	53
ii)	<b>Housing Rental Expenses</b> – Repairs and maintenance costs and management costs reduced based on 22/23 actual expenditure and spend to date	32
<b>Total increase in operating profit compared to business plan</b>		85

2.3 The approved business plan and projected outturn for the year currently include the special items for;-

i)	Stock condition survey	£20k
ii)	Major external repairs	£31.2k

The company business plan allocates a budget of £64k over 2023/24 and 2024/25 for the cost of undertaking maintenance and preventative works at 82/84 Leyburne Road, Dover and 19 Castle Hill Avenue Folkestone. Following advice from the managing agent and footage from the drone inspections, the works on Leyburne Road, Dover will be prioritised in this financial year. The managing agent has now received two contractual quotations for the repairs to be undertaken with a third currently being awaited. Both quotations received are less than what was originally budgeted for in undertaking the works.

**15 Grace Hill** – An insurance claim for the cost of the repairs was unsuccessful due to the office being vacant for more than 90 days when the leak occurred. The estimated cost of repairs is £25k, £15k has been set aside in the business plan and the balance of £10k will be met from savings on the general repairs budget.

2.4 The company's accumulated operating loss is forecast to reduce by £85k to £313k at 31 March 2024. The Board is reminded that this loss excludes unrealised valuation gains on the company's property portfolio which provisionally stands at £1,937k after tax at 31 March 2023. A further revaluation of the company's property portfolio will be undertaken at 31 March 2024.

## 3 Capital Expenditure – Royal Victoria Hospital (RVH) Development

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

## Appendix 1

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