

This Report will be made public on 9 July 2024



Report Number **C/24/18**

To: Cabinet
Date: 17 July 2024
Status: Key Decision
Corporate Directors: Lydia Morrison, Interim Director - Governance and Finance
Andy Blaszkowicz, Director – Housing & Operations
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance
Oportunitas Chair: Councillor James Butcher
Subject: **OPORTUNITAS LIMITED FINANCIAL REVIEW AND BUSINESS PLAN 2024/25 TO 2028/29**

SUMMARY:

This report proposes changes to the loan agreement between the Council and Oportunitas Limited (the company) and considers the proposed business plan submitted by the Board of the company for the 5-year period from 2024/25 to 2028/29. The report meets the requirement contained in the Shareholder's agreement between the company and the Council.

REASONS FOR RECOMMENDATION:

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

- a) Changes to the structure of the loan agreement between the Council and the company are required to be approved in advance.
- b) The Shareholder Agreement between the Council and the company requires a Business Plan to be approved for the next trading period.

RECOMMENDATIONS:

1. To receive and note Report C/24/18.
2. To approve changing the loan agreement between the Council and the company to a variable interest rate of 6.88% and for this to be reviewed annually to be matched to the relevant Public Works Loan Board annuity rate at 1 April each financial year plus two per cent.
3. To agree the proposed Business Plan for Oportunitas Limited for the period through to 31 March 2029.

1. INTRODUCTION

- 1.1 The Shareholder Agreement requires the company to prepare and submit an annual business plan to the Council for its next trading period.
- 1.2 The proposed business plan from the company covers a rolling 5-year period from 2024/25 to 2028/29 financial years. The intention is this will be reviewed annually on a continuing 5-year rolling basis unless otherwise agreed with the Council.
- 1.3 The company commissioned an independent financial review of its business, undertaken by Arlingclose Limited, and the proposed business plan incorporates some of the recommendations identified from this work, outlined later in this report.
- 1.4 The previous business plan approved by Cabinet on 22 March 2023 (minute 85 refers) outlined that the Council was not expected to recover its full capital financing costs from the return from the company for 2023/24 and beyond. This was due to changes affecting the statutory Minimum Revenue Provision (MRP) charge required to be made on capital expenditure met from borrowing, and an increase in the Council's own borrowing costs due to the rise in interest rates.
- 1.5 The Council's policy is to seek full cost recovery where possible for its discretionary services. This report proposes changes to the loan agreement with the company to increase the income received by the Council and move towards full cost recovery, with the company remaining financially sustainable in the long-term.

2. BACKGROUND AND CURRENT POSITION

- 2.1 The Council established the company in 2014 with the broad aims of allowing it to:
 - i) lead on regeneration, economic and development activity,
 - ii) to acquire housing and property to make available housing for rent and sale on a range of tenures including (but not limited to) shared ownership, shared equity, market sale and rent, affordable rent,
 - iii) to carry out such trading activities as are identified in the Business Plan, initially relating to grounds and parks maintenance, and
 - iv) to carry out such trading activities as the Council and the company may agree from time to time.
- 2.2 Since its inception in 2014, the company has grown organically through the Council's capital investment of approximately £11.7m with the intention of becoming financially sustainable, providing an on-going return to the Council as the shareholder.
- 2.3 During the past 10 years the company has focused on acquiring residential property, predominantly in the district, to let at market rents. It has also provided a limited grounds maintenance service, mainly tree works, to local clients.

2.4 Capital Investment

2.4.1 The Council has invested two tranches of capital funding totaling about £11.7m in the company, split between debt and equity, to acquire predominantly residential accommodation for rent, summarised below:

	Debt £m	Equity £m	Total £m
Phase 1	4.31	0.48	4.79
Phase 2	2.47	4.43	6.90
Total	6.78	4.91	11.69
Ratio	58%	42%	

2.4.2 The capital funding structure was set to allow the company to become financially sustainable in the long term while providing a suitable return to the Council as the shareholder. As part of this, the debt funding was agreed at the time at a market interest rate of 4.88%. Additionally, as part of the funding agreement, a short-term loan facility of up to £0.3m was made available to the company to help manage its cash flows if required.

2.4.3 The phase 1 funding was fully utilised towards the cost of acquiring the company's original property portfolio of 38 residential units and 1 commercial unit up to 2018. The phase 2 funding has been used to acquire a further 37 units of residential property at the site of the former Royal Victoria Hospital (RVH) site in Folkestone which concluded in the autumn of 2023. In total, £11.45m of the capital funding has been required for the property acquisitions made, a saving of £0.24m to the Council's General Fund capital programme. There is no further planned capital investment from the Council to the company in its approved medium-term capital programme.

2.5 Current Property Portfolio

2.5.1 The table below summarises the company's current property portfolio as at 31 March 2024:

Units	Folkestone	Dover	Total Units	Value £'m	Yield %
Residential	67	8	75	13.687	5.49
Commercial (vacant)	1	-	1	0.045	-
Total	68	8	76	13.732	5.47

- 2.5.2 In total, the property portfolio has increased in value by £0.93m over the past year. The value of those properties held since 1 April 2023 has reduced by about 3.5% or £0.33m over the year from £9.50m to £9.16m, reflecting a slight downturn in local property prices in the period. However, the value of the new block of properties at 8A Radnor Park Avenue, Folkestone has risen from the acquisition cost of £3.3m to £4.56m, an increase of 38% or £1.26m, reflecting the underlying upward value in local property prices from when the acquisition price was agreed several years ago. In total, the company has seen the unrealised value of its property stock increase by about £2.1m since acquisition, providing security to the Council's investment in the company.
- 2.5.3 The turnover from the rental income is approximately £0.58m in 2023/24, rising to almost £0.75m in 2024/25, the company's first full year of receiving rents from the second phase of the RVH site. The average yield from rents of 5.47% is broadly in line with existing expectations.
- 2.5.4 The Council sees the company as an exemplar organisation in terms of the quality of residential accommodation offered in the local area and its role as a landlord.

2.6 Company - Current Financial Position

- 2.6.1 Previous approved business plans have been clear that the company needed to be able to grow organically over time to reach a point where it could become financially sustainable in the long-term while providing the Shareholder with a financial return. The Phase 2 funding of £6.9m for the RVH scheme was agreed to achieve this.
- 2.6.2 Excluding the accumulated unrealised property valuation gains, the company had an accumulated operating loss of £429k at 31 March 2023 and this is projected to increase by £12k to £441k at 31 March 2024.
- 2.6.3 The company will receive the full benefit from the second phase of the RVH site in 2024/25 and the previous business plan showed an operating profit of £40k after tax and for the accumulated operating loss to be offset within 8 years, confirming the company is financially sustainable in the long-term.

2.7 Council – Current Financial Position

- 2.7.1 Until 2021/22 the Council received a cumulative positive net return of about £1.56m on its investment in the company. In part this was due to the Council's original £4.8m capital investment being met from reserves rather than borrowing.
- 2.7.2 However, from 2022/23 the Council has seen this turnaround to a loss of £18k in 2022/23 and a projected loss of £212k for 2023/24, with further but reducing losses forecast over the next 5-year period. These losses are due to the impact of: -
- i) the Statutory Minimum Revenue Provision (MRP) charge for capital expenditure met from borrowing being higher than originally anticipated,
 - ii) interest rates on borrowing rising over the past 18 months, and
 - iii) the interest rate charged on the loans to the company being fixed at 4.88% as per the loan agreement.

2.7.3 The Council's policy is to seek full cost recovery where possible for its discretionary services, meaning action is required to address the net loss currently being made on its investment in the company.

3. INDEPENDENT FINANCIAL REVIEW

3.1 To coincide with the company completing its acquisition of the RVH scheme, the Board sought an independent review from Arlingclose Limited (treasury and capital accounting adviser to the Council) of its financial position and performance, including:

- Financial viability of the company.
- Assessment and modelling of profitability/breakeven.
- Assessment of financial structure of the company (debt and equity).
- Benefit to the shareholder while maintaining strong financial performance within the company.
- Considering whether to grow, maintain or reduce the property portfolio holding.

3.2 To support the review, Arlingclose were provided with financial modelling information from the Council's Financial Services team.

3.3 The outcome of the review is shown in appendix 1 to this report and the recommendations are summarised below:

- Minimum 5-year rolling business plan.
- Include a minimum major repairs provision of 5% of gross rent.
- Loan interest rate updated to current market rate – up to 2% increase.
- Consider debt restructuring for loans with the Council to generate a one-off saving (discount) for the company (to incorporate increasing the interest rate on the loan to the current market rate)
- Consider selling a limited number of existing assets to improve the efficiency of the portfolio.
- Consider the option to sell part of portfolio, reinvest proceeds and seek further capital investment from the Council to acquire further stock.
- Not to sell the company as a going concern.
- Not to transfer (sell) the assets to the Council for social housing (Housing Revenue Account).
- Request the Council consider taking up long-term loans at a fixed interest rate on a proportion of its debt, equivalent to the borrowing incurred for its capital investment in the company.

3.4 The Board considered the independent financial review at its meeting on 29 May 2024, and the outcome of this is summarised below:

- The review suggests that the current interest rate charged by the council to the company is below the current market rate although it was set at the market rate when the loans were put in place.
- The review states that the loans should be re-structured to allow the council as shareholder to receive a market rate interest.
- Restructuring the loans will require the old loans to be paid off and new loans to be taken out. This will lead to a £1.3 million loan discount (based on the existing outstanding loan fair value), following an accounting principle that is a requirement of International Financial Reporting Standard 9 (IFRS9) – covered within para 3.5 and 3.6 below.

- The debt restructure will not be detriment to the Council general fund as the amount is adjusted through the council’s capital adjustment account.
- The company should make a provision of 5% per year in general repairs sinking fund so that the cost of repairs can be met from this fund.
- The Board agreed to receive and note the report.

3.5 Outstanding Loan Fair Value - The fair value of debt may not be the same as its face value. A fair value of debt that is lower than the face value, reflects a situation where debt holder (i.e., Oportunitas) is locked into a debt liability with a lender (i.e., the Council) at a below-market interest rate. The fair value of the debt is simply its value when adjusted so that the lender would be earning the market rate of interest, i.e., the market price of debt has an inverse relationship to interest rates (as rates go up, prices go down).

3.6 Exchanges of debt instruments under IFRS 9 –

- The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing, and uncertainty of an entity’s future cash flows.
- IFRS 9 requires, where the terms of loan debt exchanged, for example as part of loan restructuring, are not substantially different or the modification of the terms of an existing liability is not substantial, the loan debt or financial liability is not accounted for as an extinguishment. The Code has interpreted this as not requiring the exchange to be affected by net settlement so long as any payments between the lender and the borrower are made on the same day. This allows the provisions to be applied to PWLB restructurings, where net settlement is not permitted.

3.7 Members are reminded that decisions on the company’s future investment, asset disposals and financial restructuring fall to the Council to consider and agree.

4. REVIEWING THE LOAN AGREEMENT WITH THE COMPANY

4.1 As outlined in section 2.4 of this report, the Council has provided loan funding totalling £6.75m in two phases to the company to support its capital investment in property. The characteristics of these loans are summarised below:

Loan type:	annuity
Loan period:	45 years
Interest rate:	4.88%
Interest rate review:	One month’s notice from Council

4.2 The interest rate for the agreement was set back in 2015 at a market rate for a commercial loan when the bank base rate was below 1% and local authority borrowing rates from the Public Works Loans Board (PWLB) were typically between 2.5% to 3%. These rates did not significantly change until mid-2022 when they started to rise, accelerated by the impact of the adverse market reaction to the Chancellor’s Budget in September 2022.

4.3 The Company's financial review has found that the current market rate it should be paying for its debt is about 6.7%, around 2% more than its actual charge. Although a market rate was established previously, the current commercial interest rate means the Council could be viewed as subsidising the company which may be considered as anti-competitive.

4.4 Although the loan agreement provides for the interest rate to the company to be changed, the Council cannot simply increase the interest rate on the loan to the current market rate. Proper accounting practice (International Financial Reporting Standard 9) views the 2% increase as a material change to the loan. The technical explanation for this is *the net present value of the cash flows under the new terms discounted at the original effective interest rate (EIR) is at least 10% different from the carrying amount of the original debt.*

4.5 Therefore, the Council is required to effectively cancel the original loans and replace them with new ones. To achieve this, it is necessary to discount the value of the outstanding principal by the change in the interest rate, summarised in the table below:

Loan Number	Loan Type	Remaining Term	Maturity Date	Interest Rate	Balance at 31/03/2024 £m	Current Market Rate	Fair Value £m	Write-Off £m
Loan #1	Annuity	41 years	31/03/2065	4.88%	4.19	6.88%	3.38	0.81
Loan #2	Annuity	41 years	31/03/2065	4.88%	2.23	6.88%	1.74	0.49
					<u>6.42</u>		<u>5.12</u>	<u>1.30</u>

4.6 The accounting implications to the Council and company from this are outlined below:

- i) The company does not have the cash resources to repay the loan. Therefore, the Council will extinguish the two existing loans totalling £6.42m and replace them with two new loans for approximately £5.12m. No cash will transfer between the Council and the company.
- ii) The proposed new commercial interest rate for the new loans is 6.88% effective from 1 April 2024 (interest rate may vary slightly depending on market rate at the point of execution).
- iii) The company will treat the non-cash discount of £1.3m as a credit to the profit and loss account in the financial year ending 31 March 2025 in accordance with proper accounting practice.
- iv) The Council is required to treat the reduction in the value of the loan of £1.3m as an adjustment in line with the accounting code of practice. However, as the original loan was treated as capital expenditure, capital accounting regulations provide for the adjustment to be made to the Capital Adjustment Account rather than the General Fund, meaning no direct impact to the Council's overall financial position.
- v) The Council used prudential borrowing of £2.23m to fund loan #2 to the company. Capital accounting regulations require the Council to make an annual Minimum Revenue Provision (MRP) charge to the General Fund over the life of the original loan equivalent to the principal repayments to be received from the company.

- vi) The MRP obligation to the Council remains unchanged despite the discount made to the company.
- vii) The interest rate increase will provide the Council with about an extra £57k per annum to the General Fund over the 5-year period of the next business plan. The additional interest will offset the loss of capital receipts over the remaining term of the loans from the accounting adjustment of £1.3m from the proposed debt restructuring. The overall financial implications to the Council from its investment in the company are outlined later in this report.

4.7 To ensure the interest rate on the loan remains at a commercial rate and to avoid the need to restate the loan value in the future it is proposed to change these from fixed rate annuity loans to variable interest rates loans, based on their remaining lives. The proposed key characteristics for the variable rate loans with the company are:

Benchmark interest rate:	Average PWLB annuity rate equivalent to the remaining life of each loan.
Commercial interest rate:	2% over the PWLB annuity rate
Rate reset:	On 30 September and 31 March each year

4.8 Using a benchmark interest rate and adding a commercial mark-up is the same principle used by the Council for its loan facility to Otterpool Park LLP.

4.9 The existing commercial loan agreement will need to be reviewed to incorporate the proposed changes and any cost to undertake this should be met by the company as it can offset this against the loan discount received. This is provided for by the company in its proposed business plan.

5. COMPANY BUSINESS PLAN

5.1 The Shareholder’s agreement requires the company to have a current business plan approved by Cabinet. The Board approved the company’s new 5-year business plan for the financial years 2024/25 to 2028/29 on 29 May 2024 and is shown in appendix 2 to this report.

5.2 The business plan assumes there will be no change to the company’s property portfolio over the 5-year term. Other key assumptions underpinning the business plan are:

- i) Rental income increased by 5% per annum.
- ii) Property costs and management fees increased by 5% per annum.
- iii) A major repairs provision to be introduced from 2025/26 at 5% of the rental income (£39,800 for 2025/26).
- iv) Loan interest rate increased from 4.88% to 6.88%.
- v) £1.3m (non-cash) discount from debt restructuring included.
- vi) FHDC staffing recharges and directors’ reimbursement increased by 3% per annum.
- vii) Other overheads increased by 4% per annum.
- vi) Grounds maintenance income and costs increased by 4% per annum.

5.3 The company's financial summary over the 5-year period is shown below:

Debt Restructure Model - Financial Review Summary	Projected					
	Outturn	Budget	Forecast	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£	£	£	£	£	£
Sales (Turnover)	590,167	754,309	783,805	822,886	863,916	906,992
Cost of Sales	(224,422)	(282,684)	(274,470)	(285,655)	(299,482)	(313,982)
Gross Profit	365,745	471,625	509,335	537,230	564,433	593,010
Administrative Costs	(84,949)	(86,772)	(69,024)	(71,353)	(73,763)	(76,256)
Profit/(Loss) on Revaluation	-	-	-	-	-	-
Operating Profit (EBIT)	280,797	384,853	440,311	465,877	490,670	516,754
Finance Costs	(293,049)	(367,763)	(366,452)	(365,050)	(363,549)	(361,943)
Loan Restructuring Discount	-	1,300,000	-	-	-	-
Profit before Tax	(12,252)	1,317,090	73,859	100,827	127,122	154,811
Tax	-	(4,272)	(18,465)	(25,207)	(31,780)	(38,703)
Profit after Tax (net income)	(12,252)	1,312,817	55,394	75,621	95,341	116,109
Cumulative Profit & Loss Account Balance	(441,498)	871,319	926,713	1,002,334	1,097,675	1,213,784

Company Cash Flow Debt Restructuring Model	Projected					
	Outturn	Budget	Forecast	Forecast	Forecast	Forecast
	31/03/24	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29
	£	£	£	£	£	£
Cash b/f (01/04)	352,890	29,734	23,820	59,171	113,346	185,741
Cap Ex - RVH	(1,037,400)	-	-	-	-	-
P & L net position after tax	(12,252)	1,312,817	55,394	75,621	95,341	116,109
Adjust non-cash items	-	(1,300,000)	-	-	-	-
Loan Repayments	(31,504)	(18,732)	(20,043)	(21,446)	(22,946)	(24,552)
Loan Funding	758,000	-	-	-	-	-
Cash c/f (31/03)	29,734	23,820	59,171	113,346	185,741	277,297
Increase / (Decrease)		(5,915)	35,351	54,175	72,395	91,556

5.4 The key points from financial summary above are; -

- i) the company is projected to make a profit from 2024/25 and absorb the previous accumulated operating profit and loss account balance with the benefit of the £1.3m discount from the proposed debt restructuring,
- ii) excluding the debt restructuring discount, provides an operating profit after tax of £27k, increasing each year after that, and
- iii) the company's cash flow remains positive throughout the period raising the possibility of paying a dividend to the Council.

5.5 The Board considered the Business Plan on 29 May 2024, commented on various aspects of the reports and the following points were discussed:

- There are no costs associated with the interest rate being reset annually, apart from the officer's time, which is similar to the arrangement between the Council and Otterpool Park LLP.
- There was a question about the company's financial summary over the 5-year period table set out at 5.3 of the report being different to the financial impact to the Council on para 6.1. Officers provided an explanation that the table within para 5.3 set out the company financial return, i.e., total rental income, while the council's table within para 6.1 set out the shareholder return, i.e., interest received, loan repayment, dividend, etc from the company to the council.
- The Board agreed to receive and note the report.

6. FINANCIAL IMPACT TO THE COUNCIL

6.1 The financial impact to the Council from the company over the 5-year period of the business plan, together with the cumulative cash return since inception, from the debt restructuring model is summarised in the table below:

Shareholder Return	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Debt Restructuring Model	Projected Outturn	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£
Gross Income	370,226	436,466	438,049	439,684	441,371	443,112
Capital Financing Cost	(582,768)	(550,062)	(523,484)	(512,852)	(502,220)	(491,588)
Net return / (Loss)	(212,542)	(113,597)	(85,435)	(73,169)	(60,849)	(48,476)
FHDC cumulative net return	1,326,475	1,212,878	1,127,443	1,054,274	993,425	944,949

6.2 Although this shows the Council is not covering its costs, it is an improving position over the term. This is more clearly demonstrated when comparing this to the base position which was factored into the latest medium-term financial strategy approved as part of the 2024/25 budget process:

Shareholder Return Comparison (Excl. Dividend)	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Projected Outturn	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£
Base Case	(212,542)	(180,996)	(159,127)	(121,300)	(108,679)	(97,005)
Business Plan (exc dividend)	(212,542)	(113,597)	(85,435)	(73,169)	(60,849)	(48,476)
Improvement	0	67,399	73,692	48,132	47,830	48,529

- 6.3 The company's business plan projects it will be profitable and have the cash available to be to pay a small annual dividend to the Council over the 5-year term. If this is included, the Council's net position improves further. The table below shows the Council fully covering its costs by the end of the 5-year period, meeting its policy objective.

**Shareholder Return
Comparison (Inc
Dividend)**

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Projected Outturn		Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£
Base Case Business Plan (inc dividend)	(212,542)	(180,996)	(159,127)	(121,300)	(108,679)	(97,005)
	(212,542)	(113,597)	(66,685)	(54,419)	(4,599)	7,774
Improvement	0	67,399	92,442	66,881	104,080	104,779
Dividend (after tax)	0	0	18,750	18,750	56,250	56,250
Cumulative return	1,326,475	1,212,878	1,146,193	1,091,774	1,087,175	1,094,949

- 6.4 To provide the Council with greater certainty with its interest costs associated with the borrowing incurred to invest in the company, it should consider fixing the interest cost of an equivalent proportion of its debt through long-term borrowing, if interest rate forecasts support this approach. This is in line with one of the recommendations the Arlingclose financial review. This can be achieved through the Council's approved Treasury Management Strategy Statement for 2024/25 and requires no further approval from Cabinet. This has been factored into the outcomes above, based on borrowing at 4.8%.

7. CONCLUSIONS

- 7.1 The company has grown organically to a point where it has a property portfolio worth £13.7m, a turnover of £0.75m, is financially sustainable in the long-term and can trade profitably.
- 7.2 The Council needs to take action to mitigate the net cost it is incurring on its capital investment in the company. This can be addressed by reviewing the loan agreement it has with the company to increase the interest rate to the current commercial rate and change to a variable rate loan to ensure the Council will receive an economic margin above its own borrowing cost in future.
- 7.3 These measures will enable the Council to reduce the net cost on its investment and should lead to full cost recovery by the end of the 5-year term of the company's proposed business plan.

8. RISK MANAGEMENT ISSUES

8.1 A summary of the perceived risks follows:

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
The company fail to meet their interest and loan repayment obligations to the Council on time	High	Low	Regular financial updates from the Board to Cabinet to provide an early warning of any cash flow issues for the company. Loans are secured on the investment assets of the company.
Company's turnover is less than forecast and/or costs are higher than expected	High	Medium	Regular Board meetings monitor rental income and vacant units. Some limited flexibility to delay expenditure and manage the cash flow. The Council provides the company with a £300k temporary loan facility to manage cash flow fluctuations.
The Council's interest rate costs rise	Medium	Medium	Change loan agreement with company to a variable rate to mitigate.

9. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

9.1 Legal Officer's Comments (NM)

There are no legal issues arising directly from this report.

9.2 Finance Officer's Comments (OO)

The report has been prepared by Finance and the relevant financial implications are contained within it.

9.3 Diversities and Equalities Implications (GE)

The report does not cover a new service/policy, or a revision of an existing service or policy therefore does not require an EIA.

9.4 Climate Change Implications (AT)

There are no climate implications arising directly from this report.

10. CONTACT OFFICER AND BACKGROUND DOCUMENTS

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

Olo Owolabi – Chief Financial Services Officer

Tel: 01303 853728 Email: ola.owolabi@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix A – Financial Review of Oportunitas Limited

Appendix B - Oportunitas Limited Business Plan 2024/25 to 2028/29

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Appendix 4 - Oportunitas Business Plan Outcomes 10-Years (Recommended Option)

Business Plan Model	Projected										
	Outturn 2023/24	Budget 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31	Forecast 2031/32	Forecast 2032/33	Forecast 2033/34
Business Plan Profit & Loss Account	£	£	£	£	£	£	£	£	£	£	£
Turnover	590,167	754,309	783,805	822,886	863,916	906,992	952,218	999,701	1,049,552	1,101,890	1,156,840
Cost of Sales	(224,422)	(282,684)	(274,470)	(285,655)	(299,482)	(313,982)	(329,188)	(345,135)	(361,858)	(379,396)	(397,789)
Gross Profit	365,745	471,625	509,335	537,230	564,433	593,010	623,030	654,566	687,694	722,494	759,051
Administrative Costs	(84,949)	(86,772)	(69,024)	(71,353)	(73,763)	(76,256)	(78,833)	(81,499)	(84,258)	(87,112)	(90,064)
Profit/(Loss) on Revaluation	-	-	-	-	-	-	-	-	-	-	-
Operating Profit (EBIT)	280,797	384,853	440,311	465,877	490,670	516,754	544,197	573,067	603,436	635,382	668,986
Finance Costs	(293,049)	(367,763)	(366,452)	(365,050)	(363,549)	(361,943)	(360,225)	(358,386)	(356,419)	(354,314)	(352,062)
Loan Restructuring Discount	-	1,300,000	-	-	-	-	-	-	-	-	-
Profit before Tax	(12,252)	1,317,090	73,859	100,827	127,122	154,811	183,973	214,681	247,017	281,068	316,924
Tax	-	(4,272)	(18,465)	(25,207)	(31,780)	(38,703)	(45,993)	(53,670)	(61,754)	(70,267)	(79,231)
Profit after Tax (net income)	(12,252)	1,312,817	55,394	75,621	95,341	116,109	137,979	161,010	185,263	210,801	237,693
Cumulative Profit & Loss Account											
Balance	(441,498)	871,319	926,713	1,002,334	1,097,675	1,213,784	1,351,763	1,512,774	1,698,036	1,908,837	2,146,531

Company Cash Flow	Projected										
	Outturn 31/03/24	Budget 31/03/25	Forecast 31/03/26	Forecast 31/03/27	Forecast 31/03/28	Forecast 31/03/29	Forecast 31/03/30	Forecast 31/03/31	Forecast 31/03/32	Forecast 31/03/33	Forecast 31/03/34
Debt Restructuring Model	£	£	£	£	£	£	£	£	£	£	£
Cash b/f (01/04)	352,890	29,734	23,820	34,171	63,346	60,741	77,297	89,006	96,907	102,094	105,714
Cap Ex - RVH	(1,037,400)	-	-	-	-	-	-	-	-	-	-
P & L net position after tax	(12,252)	1,312,817	55,394	75,621	95,341	116,109	137,979	161,010	185,263	210,801	237,693
Adjust non-cash items	-	(1,300,000)	-	-	-	-	-	-	-	-	-
Dividend	-	-	(25,000)	(25,000)	(75,000)	(75,000)	(100,000)	(125,000)	(150,000)	(175,000)	(200,000)
Loan Repayments	(31,504)	(18,732)	(20,043)	(21,446)	(22,946)	(24,552)	(26,271)	(28,109)	(30,076)	(32,181)	(34,433)
Loan Funding	758,000	-	-	-	-	-	-	-	-	-	-
Cash c/f (31/03)	29,734	23,820	34,171	63,346	60,741	77,297	89,006	96,907	102,094	105,714	108,973
Increase / (Decrease)		(5,915)	10,351	29,175	(2,605)	16,556	11,709	7,901	5,187	3,620	3,260
Return to FHDC as Shareholder	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Debt Restructuring Model	Projected										
	Outturn	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£	£	£	£
Gross Income	370,226	436,466	456,799	458,434	497,621	499,362	519,910	540,515	561,180	581,907	602,698
Capital Financing Cost	(582,768)	(550,062)	(523,484)	(512,852)	(502,220)	(491,588)	(480,956)	(470,324)	(459,692)	(449,060)	(438,428)
Net return / (Loss)	(212,542)	(113,597)	(66,685)	(54,419)	(4,599)	7,774	38,953	70,191	101,488	132,847	164,269
FHDC cumulative net return	1,326,475	1,212,878	1,146,193	1,091,774	1,087,175	1,094,949	1,133,902	1,204,093	1,305,581	1,438,428	1,602,697

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