



Report Number: **C/24/89**

To: Cabinet
Date: 26 March 2025
Status: Non-Key Decision
Director: Andy Blaszkowicz, Corporate Director – Housing & Operations
Oportunitas Chair: Councillor James Butcher

SUBJECT: OPORTUNITAS – Q3 PROGRESS REPORT 24/25 To 31 December 2024

SUMMARY: This report provides an update from the Board of Oportunitas Ltd (“the company”) on activities undertaken during the first three quarters for the 2024/25 financial year, including a projected outturn for the profit and loss account for the period to 31 March 2025 compared to the original forecast, based on activity to 31 December 2024. 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/24/89
2. To note the latest projected outturn for the Profit and Loss Account of Oportunitas Limited for the financial year ending 31 March 2025.

1. BACKGROUND

- 1.1 The report provides a financial update for the first three quarters of the current year including the latest projected outturn for the company's profit and loss account for the financial year ending 31 March 2025 compared to the original forecast for the year which was set as part of the current approved Business Plan.

2 INVESTMENT PORTFOLIO UPDATE

2.1 Property Portfolio

- 2.1.1 The company's current property portfolio remains at 75 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
8a Radnor Park Avenue, Folkestone (Royal Victoria – Phase B)	19	17x 2 bed units 2x 1 bed units
Total	76	

- 2.1.2 All existing residential properties are currently tenanted with the exception of three units at Leyburne Road in Dover, at the time of writing this report they are currently in the process of being prepared to let and will be marketed shortly. 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.
- 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 January 2025 position of the register identifies no compliance issues within the portfolio.

2.2 Rental Arrears

2.2.1 At 31 January 2025 the property portfolio has tenant rental arrears of £11.6k for its property portfolio, a decrease of £2.4k compared to the previously reported total of £14k at 31 August 24.

2.2.2 There are five tenants with rental arrears of one month or more as at 31 January 2025 and the managing agent is working closely with those tenants to actively reduce this. £9.5k arrears relates to two tenancies. One tenant is currently paying their basic monthly rent and making additional payments towards their arrears through a debt management plan. The second tenant vacated the property in September 2023 following legal action to evict them and take back possession of the property. 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.

3. FINANCIAL UPDATE FOR 2024/25

3.1 The company's latest financial update for 2024/25 was reported to the Board on 5 March 2025 and a copy is shown in **appendix 1** 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 2025.

3.2 In summary, the company's profit and loss account is projected to make an operating profit of approximately £1,406.3k for the year, an increase of £89k compared to the original forecast operating profit of £1,317k. The increase is due largely to the reprofiling of the budget for the stock condition survey and major external works to 25/26.

3.3 The company's property portfolio will be revalued as at 31 March 2025 ahead of finalising the accounts for the financial year.

3.4 The latest projected net financial benefit to the Council from the company in 2024/25 compared to the original estimate is shown in the table below:

	Estimate 2024/25 £'000	Projection 2024/25 £'000
Loan interest	368	352
Loan repayments	19	21
Staff costs - reimbursement	29	29
Members Allowances - reimbursement	12	12
Grounds Maintenance recharge	8	8
Total Benefit	436	422
Less, FHDC capital financing cost	(550)	(550)
Net Financial Deficit	(114)	(129)

- 3.5 The total benefit to the council has reduced by £16k, due to less interest being paid on the loan. Once the financing costs to the council are deducted the net position is a deficit although this is reducing year on year through the business plan period.
- 3.6 It should be noted that the cumulative benefit to the council from the company is projected to be £1,213k at the end of 24/25.

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 (DL)** – 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 (AT)** - There are no climate change implications arising from this report.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

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Appendices:

Appendix 1: Oportunitas Ltd Board Meeting 5 March 2025 - Financial Update Report for 2024/25



Agenda Item 4

Oportunitas Board Meeting 05 March 2025

Oportunitas Limited – Financial Update for 2024/25 – Quarter 3 (Q3)

Prepared by Dani Loxton

Summary: This paper provides an update of the company's financial position for the financial year ending 31 March 2025, based on income and expenditure to 31 December 2024, including the latest projected outturn for its trading activities.

Recommendations:

1. The Board note the latest financial position for 2024/25 outlined in this paper.

1. Executive Summary

- 1.1 This paper provides an update to the Board of the company's financial position for the financial year ending 31 March 2025, based on income and expenditure to 31 December 2024. 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.
- 1.2 The position at Q3 shows solid performance against budget in various key metrics. Outturn projection, based on the Q3 data, shows i) rental income is fractionally up on budget, ii) rental arrears are fractionally down and iii) rental expenses are significantly down against budget. This results in a projected gross profit margin of 73%, ahead of budget (63%). However, it should be noted that the main driver of this performance is the re-profiling of the special item expenditure due to occur (stock condition survey & major external repair/decorations). Removing these items from the assessment suggests performance is approximately in line with expectations from the original budget line estimates at the beginning of the financial year.

2. Key Performance Metrics:

- 2.1 The following key metrics summarise company performance:

Rental Performance	2023/24 Outturn (Full Year)	2024/25 Budget	2024/25 Outturn Q3	Projection vs prior

				year outturn
Current rent arrears	£13.0k	£13.6k	£11.6k	↓

Profit and loss account	2023/24 Outturn (Full Year)	2024/25 Budget	2024/25 Outturn Q3 Projection	Projection vs prior year outturn
Housing Rental Income	£587.0k	£743.7k	£744.9k	↑
Rental expenses	£175.0k	£274.2k	£201.2k	↓
Gross Profit Margin	70%	63%	73%	↑
Operating Surplus/(Deficit)	£(4)k	£1,317.1k	£1,406.3k	↑

Key:	↑ Increase in value
	▬ No change in value
	↓ Decrease in value

Commentary on key performance

- 2.2 Excluding the one-off £1.3m loan restructuring discount, the Q2 projection for 2024/25 (year 2 of the 5-year business plan forecast) presented in October 2024 to Cabinet was a £43k operating surplus for operating activities. At Q3 2024, there is a projected £106k operating surplus (again, excluding the loan restructuring discount); if this profit level is maintained, the projected outturn will marginally beat the expectations from the 2nd year of the 5-year business plan. Considered in the overall context of the current business plan, performance is broadly in line with expectations. The rationale for excluding the loan restructuring discount from the analysis in this paragraph is that it represents a one-off adjustment and does not reflect the 'true' performance of Oportunitas from its trading activities; it is therefore helpful to the Board to focus on performance excluding this balance.
- 2.3 The stock condition survey and major external works will now be undertaken in 2025/26 and so the budget has been reprofiled. This will now impact a future year's profit margin and operating profit estimates.
- 2.4 It is worth highlighting that the financial years 2023/24 and 2024/25 represent a transitional period for the company whilst the effects of the restructuring of the loan and the completion of the RVH units take full effect. Taking these items to one side, the Board should continue to focus on cost control, particularly

variable expenses such as 'Rental Expenses' and 'Major External Repairs'. These items will invariably relate to the older Company stock which, unlike the RVH properties, are not new and in many cases were constructed in the Victorian/Edwardian periods i.e. late 19th century/early 20th century.

2.5 Performance remains, however, in line with expectations presented as part of the financial review of the Company to Cabinet on 17 July 2024.

3. Profit and Loss Account Projected Outturn 2024/25

3.1 The table below provides a projection of the outturn position of the company's trading activities for the financial year to 31 March 2025, compared to the approved business plan forecast and the previous projection for the year reported to the Board on 17 October 2024. Caution should be exercised when reviewing 'Actuals' data. Operationally, some items are not charged/calculated until year end and when work is performed on the outturn e.g. FHDC officer support; subtotals are therefore not to be relied upon.

Profit and Loss Account	2024/25 Budget £	2024/25 Previous Projected Outturn	2024/25 Latest Projected Outturn £	2024/25 Actual to date 31.12.24	2024/25 Variance Budget to Latest Projection £
Property Rental					
Rental Income	743,735	742,147	744,962	557,883	1,227
Rental Expenses	(222,075)	(209,199)	(201,199)	(145,638)	20,876
Special Item - Stock Condition Survey	(20,000)	(20,000)	0	0	20,000
Special Item - Major External Repairs & Redecorations	(32,150)	(32,150)	0	0	32,150
Net	469,510	480,798	543,764	412,244	74,253
Grounds Maintenance					
Income	10,574	10,574	10,574	6,520	0
Expenses	(8,459)	(8,459)	(8,459)	0	0
Net	2,115	2,115	2,115	6,520	0
Overheads					
Directors Remuneration	(12,094)	(12,094)	(12,094)	0	0
FHDC Officer Support	(29,417)	(29,417)	(29,417)	0	0
Operating Expenses	(45,261)	(46,457)	(46,457)	(19,333)	(1,196)
Total Overheads	(86,772)	(87,968)	(87,968)	(19,333)	(1,196)
Loan Interest	(367,763)	(351,576)	(351,576)	(175,939)	16,187
Loan Restructuring Discount	1,300,000	1,300,000	1,300,000		0
P & L Operating Surplus / (Deficit) for period	1,317,090	1,343,368	1,406,334	223,492	89,244
P & L Operating Loss b/f	(441,498)	(441,498)	(441,498)	(441,498)	0
P & L Operating Profit c/f	875,591	901,870	964,836	(218,006)	89,244

Variance Analysis

3.2 The projected outturn shows a cumulative operating profit carried forward of £965k, an increase of £89k compared to the forecast cumulative profit of £876k

brought forward in the business plan/budget. The main reasons for this variance are outlined below:

Variances 2024/25 Business Plan to Projected Outturn		£'000
i)	Rental Income – Net impact of increase in rent and void properties	2
ii)	Housing Rental Expenses – Repairs and maintenance costs reduced based on 23/24 actuals and spend to date	21
iii)	Special Item – Stock condition survey	20
iv)	Special Item – Major external repairs	32
v)	Loan Interest – change in interest rate and loan amount as per financial review	16
vi)	Operating Expenses – increase in professional fees	(2)
Total increase in operating profit compared to business plan		89

- 3.3 The company's £441k operating loss brought forward is forecast to decrease by £1,406k and move to £965k profit at 31 March 2025. The movement from the usual operations of the company is £89k which otherwise represents reasonable performance, in line with expectations. The Board is reminded that these excludes unrealised cumulative valuation gains on the company's property portfolio which provisionally stands at £2,775k after tax at 31 March 2024. A further revaluation of the company's property portfolio will be undertaken at 31 March 2025.