

### **Oportunitas Board Meeting 6 March 2023**

### **Oportunitas Limited – Financial Update for 2022/23**

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**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 January 2023, 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.**

### **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 January 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 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. A provisional outturn position for the financial year ending 31 March 2023 is planned to be reported to the Board at its next meeting.

### **2. Profit and Loss Account Projected Outturn 2022/23**

- 2.1 The table below provides the latest 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 22 November 2022.
- 2.2 The projected outturn shows an operating profit of £81k for the year, an improvement almost £85k compared to the loss of almost £4k in the business plan. The main reasons for this variance are outlined below:

## Appendix 1 – Oportunitas Update 2022/23

Profit and Loss Account	2022/23	2022/23	2022/23	2022/23
		<i>Previous Projected Outturn</i>	<i>Latest Projected Outturn</i>	<i>Variance Budget to Latest Projection</i>
	<b>Budget</b>			
	£		£	£
<b>Property Rental</b>				
Rental Income	542,370	488,316	488,499	(53,870)
Other Income -Land Sale	60,000	60,000	0	(60,000)
Rental Expenses	(172,725)	(167,132)	(110,702)	62,023
Special Item - Stock Condition Survey	(20,000)	(20,000)	0	20,000
Special Item - Major External Repairs & Redecorations	(64,300)	0	0	64,300
Net	345,344	361,184	377,797	32,453
<b>Grounds Maintenance</b>				
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)
<b>Overheads</b>				
Directors Remuneration	(11,645)	(10,023)	(10,023)	1,622
FHDC Officer Support	(28,000)	(28,000)	(28,000)	0
Operating Expenses	(26,182)	(19,300)	(18,161)	8,021
Total Overheads	(65,827)	(57,323)	(56,184)	9,643
<b>Loan Interest</b>	(286,296)	(245,006)	(242,142)	44,154
<b>P &amp; L Operating Surplus / (Deficit) for period</b>	<b>(3,719)</b>	<b>60,355</b>	<b>80,971</b>	<b>84,690</b>
P & L Operating Loss b/f	(468,772)	(468,294)	(477,686)	(8,914)
<b>P &amp; L Operating Loss c/f</b>	<b>(472,491)</b>	<b>(407,939)</b>	<b>(396,715)</b>	<b>75,776</b>

### Variations 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** – The reduction is mainly due to a savings on responsive maintenance works required to the stock (£45k) and the bad debts provision for rents (£17k). However, no works have yet been undertaken to repair the commercial unit at 15 Grace Hill which suffered extensive damage following a water leak earlier in the year. 62
- iii) **Special Items – Stock Condition Survey & External Repairs and Redecorations** – The stock condition survey (£20k) is now expected to take place in 2023/24 and will need to be completed before a decision can be taken to proceed with external repairs and redecoration works (£64k) which have also been deferred. 84

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iv)	<b>Land Sale</b> – Pay receipt from the sale of surplus land at 84 Leyburne Road to the Council	(60)
v)	<b>Grounds Maintenance</b> – capacity to provide this service is now largely limited to tree maintenance work	(2)
vi)	<b>Overheads Directors Remuneration</b> – saving compared to budget	2
vii)	<b>Overheads Operating Expenses</b> – saving on budgeted contingency and other minor expenses	8
viii)	<b>Loan Interest saving</b> – 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	44
	<b>Total improvement in operating position compared to the business plan</b>	<hr/> <b>84</b> <hr/>

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. The company’s business plan for 2022/23 approved by Cabinet on 23 March 2022, made specific reference to retaining the receipt from the sale to help additional operating costs for the stock condition survey and external redecoration and maintenance works at 19 Castle Hill Avenue and 82/84 Leyburne Road. However, Cabinet took the decision on 25 January 2023 to require the company to pay the receipt to the Council, as is their right under the Shareholder Agreement. The impact of this decision is covered in the proposed 2023/24 Business Plan report on this agenda.

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 £25k 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, however so far without success. No remedial works have been undertaken to the property and this will now be deferred until the new financial year.

2.5 The company’s accumulated operating loss is forecast to reduce by £81k to £396k at 31 March 2023. The Board is reminded that this loss excludes unrealised valuation gains on the company’s property portfolio which stands at £1,386k after tax at 31 March 2022. A further revaluation of the company’s property portfolio will be undertaken at 31 March 2023. Although, at the time of writing, these valuations are not available, HM Land Registry data for 2022 shows local residential property prices have seen an average increase of about 12% for the year to 31 December 2022. The previous valuation of the company’s portfolio as at 31<sup>st</sup> March 2022 valued the company’s portfolio at over £9.1million.

## Appendix 1 – Oportunitas Update 2022/23

### 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	2.186	5.336	0.112	5.448
Balance	0.000	1.114	1.114	0.138	1.252

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 £1.0m 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, estimated to be completed in the autumn of 2023. Interest will accrue on this loan and becomes payable once the scheme is completed.

3.3 The impact of the delay to the completion of phase 2 of the RVH scheme was outlined to the Board at its last meeting and is reflected in the proposed 2023/24 Business Plan report on this agenda.