

This report will be made public on 4 December 2018



Report Number **C/18/53**

**To:** Cabinet  
**Date:** 12<sup>th</sup> December 2018  
**Status:** Non-Key Decision  
**Director:** John Bunnett, Corporate Director, Place and Commercial  
**Oportunitas Chairman:** Councillor Russell Tillson

**SUBJECT: OPORTUNITAS PROGRESS REPORT 2018/19**

**SUMMARY:** This report provides an update from the Board of Oportunitas Ltd (“the company”) covering activities undertaken so far in 2018/19 financial year, including a financial statement for the period from 1 April 2018 to 30 September 2018, 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 the report.

## 1. BACKGROUND

- 1.1 The report sets out the progress of Oportunitas Ltd. in 2018/19 in relation to its investments and trading activity.
- 1.2 A financial statement for the period from 1 April 2018 to 30 September 2018 is included in appendix 1 of this report. .

## 2 INVESTMENT PORTFOLIO UPDATE

- 2.1 The company has acquired two further properties so far in 2018/19 to provide rented residential accommodation. On 6 June 2018 it acquired 84 Sidney Street, Folkestone, a block of four flats, for £385k plus £11k Stamp Duty Land Tax (SDLT). On 2 October 2018 it acquired 1 Claremont Road, Folkestone, again a block of four flats with further development potential, for £350k plus £10.5k SDLT.
- 2.2 The current property portfolio of 37 residential units and 1 commercial unit is 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	4	4 x 1 bed units
<b>Total</b>	<b>38</b>	

- 2.3 The property at 1 Claremont Road has planning consent to convert a garage to an additional one bedroom unit and the potential to undertake this is currently being explored.
- 2.4 All properties are currently tenanted and when 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, three properties at Walter Tull Way remain being managed by Reeds Rains and these will be transferred to Smith Woolley as and when tenancies change.
- 2.5 As Shareholder, the council originally provided a capital investment facility of £4.78m to the company to acquire property. To date £4.22m has been committed to meet the company's property acquisitions leaving a balance

of £0.56m for further investment. Additionally, the council provided the company with a working capital loan facility of £300k of which £80k has been drawn down so far.

- 2.6 As part of the 2018/19 budget process, Full Council approved a further investment in Oportunitas of £6.9m through a mixture of share and loan capital to expand its property acquisitions. The investment is intended to provide the council with an enhanced revenue stream and help to ensure the company remains financially viable over the long term. To date no action has been taken to utilise this facility, in part because funding remains for the original facility, outlined above. The Board of Directors are currently in the early stages of exploring a longer term strategy for future property investment and it is proposed to bring this back to Cabinet as part of the next Business Plan in the Spring 2019. In the meantime the company continues to actively seek other local investment opportunities.

### **3 TRADING ACTIVITY – UPDATE**

- 3.1 The number of ground maintenance quotations for private clients from 1 April 2018 to 30 September 2018 was 316. This is a significant increase of about 80% on 2017/18 figure of 175 quotes given.
- 3.2 The number of accepted quotes was 109, the number not accepted was 159, with 48 awaiting confirmation.
- 3.3 The total value of quotes accepted during the period was £28,173 excluding VAT. The total value of works invoiced for during this period was £28,790, excluding VAT although some of this relates to quotes accepted prior to 1 April 2018.

### **4. FINANCIAL UPDATE**

- 4.1 A financial update for the company for the six month period to 30 September 2018 is shown in appendix 1 to this report. This excludes the transactions relating to the acquisition of 1 Claremont Road, Folkestone which took place in early October.
- 4.2 A small net loss of £4.5k has been incurred to 30 September 2018, a reduction of £16k compared to the loss incurred of £20k for the same period in 2017.
- 4.3 The financial update provides details of the accrued benefit to the council as Shareholder from its investment and relationship with the company. In summary the council received an accrued income of £117,835 from the company.
- 4.4 The Directors of Oportunitas are due to consider the company's audited accounts for the period ending 31 March 2018 at their meeting scheduled for 26 November 2018. Subject to approval, the accounts will then be lodged with Companies House.

## **5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

5.1 Legal (NE) – 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 more recently in the Localism Act 2011. The company model provides the only 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 Resources (LW) – The council's total approved capital funding of £11.687m towards the company is identified in the body of the report along with the £0.3m working capital facility. The company has approximately £7.4m of resources available to it through the council to support further acquisitions in line with the approved Business Plan. The accrued benefit to the council from its investment and relationship with the company is being captured in the General Fund budget projections for 2018/19.

5.3 Equalities (GE) – There are no diversity or equalities 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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**Appendix 1 - Financial Statement Period 1 April 2018 to 30 September 2018**