

This Report will be made public on 1 December 2020



Report Number **C/20/57**

**To:** Cabinet  
**Date:** 9 December 2020  
**Status:** Non-Key Decision  
**Director:** Andy Blaszkowicz, Corporate Director – Housing & Operations  
**Cabinet Member:** Councillor David Monk, Leader of the Council

**SUBJECT: OPORTUNITAS PROGRESS REPORT 2020/21 (To 31 October 2020)**

**SUMMARY:** This report provides an update from the Board of Oportunitas Ltd (“the company”) on its financial outturn for the financial year ending 31 March 2020 and on activities undertaken so far during the 2020/21 financial year, including a financial statement for the period from 1 April 2020 to 31 October 2020, in-line with the requirement contained in the Shareholder’s Agreement between the company and the Council. The chairman of Oportunitas will be available at the meeting of cabinet to present the report and to address any questions.

**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/20/57.
2. To note the Full Statement of Accounts and Directors’ Report for the financial year ending 31 March 2020.
3. To note the Financial update covering the period 1 April 2020 to 31 October 2020.

## 1. BACKGROUND

- 1.1 The report sets out the company's financial outturn for the financial year ending 31 March 2020 and current progress in 2020/21 in relation to its investments and trading activity.
- 1.2 A full Statement of Accounts and Directors' Report for the 2019/20 financial year ending 31 March 2020 is set out in appendix 1 and a financial update for the current year covering the period 1 April 2020 to 31 October 2020 is set out in appendix 2 of this report.

## 2 INVESTMENT PORTFOLIO UPDATE

- 2.1 The company's current property portfolio consists of 38 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	5	5 x 1 bed units
<b>Total</b>	<b>38</b>	

- 2.3 All properties are currently tenanted with the exception of one unit that will be undergoing repairs at Leyburne Road in Dover and 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 will, however, be kept under regular review.
- 2.4 In the aftermath of compliance issues identified at East Kent Housing, the company introduced 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 latest position of the register in October 2020 identifies no compliance issues within the portfolio.

### Rental Arrears

- 2.5 The property portfolio to 30<sup>th</sup> September 2020 has recorded £21,510 of rental arrears partly, but not entirely due to the impact of Covid-19 on tenants. The recent audit of the company accounts highlighted that this was partly due to the managing agent's approach to debt collection. Meetings have taken place between officers and the managing agent to review and tighten procedures.

Under the Coronavirus Act 2020, the Government has increased the required notice period landlords need to give to their tenants, which has resulted in landlords not being able to start possession proceedings unless tenants have been given 6 months' notice with exception of the most serious cases that include: anti-social behaviour (including rioting), domestic abuse, false statement and where a tenant has accrued rent arrears to the value of over 6 months' rent.

- 2.6. The company has now established a rental arrears register so that all arrears can be monitored on a monthly basis with both the managing agents and the company board. Both managing agents are instructed to notify the Company of any tenants that fall one month behind with their rent to enable the company to decide on an appropriate course of action to recover any arrears through either an established repayment plan or Section 8/Section 21 notices.

The difference between Section 8 and Section 21 are as follows:

- **Section 8 ('Notice to Quit')**: Also known as a "section 8 possession notice" is used to terminate an Assured Shorthold Tenancy Agreement (AST), and can be used at any time during a tenancy. Rent arrears are the most common cause of a section 8 notice.
  - **Section 21 ('Notice of Possession')**: This notice is served to end a tenancy agreement, and requires no other reason for serving the notice other than they want the tenant to vacate.
- 2.7 At the time of writing this report, a total of four properties within the portfolio have arrears, three of which have established repayment plans in place with the managing agent and one property that has been served with a Section 8 notice in January 2020 followed by Section 21 notice in June 2020 for a continual failure to engage with a repayment plan. The application to start possession proceedings with the court is being considered for the one property previously mentioned, however as result of the current COVID legislation guiding the courts, a case for eviction is unlikely to be heard until the New Year at the earliest. The company will continually review its decisions on arrears and evictions in line with the latest legislation.

## **Royal Victoria Hospital**

- 2.6 Cabinet previously approved the Company's business plan covering the period 2020-22 on 16th September 2020 (ref: C/20/32). The business plan demonstrated how the majority of the £6.9 million of additional funding allocated to the company would be utilised over the plan period to acquire 37 units of residential accommodation at the Royal Victoria Hospital development.

2.7 In August 2020, the Company board and officers attended a site visit to review the works being undertaken on phase A of the development and concluded that significant progress has been made during the current financial year against the backdrop of the coronavirus pandemic. The site has also been subject to quarterly inspections from an appropriately qualified member of the Council's estates team to document the project's development progress to provide technical assurance and to ensure the company is satisfied with the works before contractual tranche payments are released against an agreed schedule. Phase A of the development is still on course to complete in summer 2021 as set out in the business plan.

### 3. FINANCIAL OUTTURN 2019/20

3.1 The company's provisional financial outturn for the financial year ending 31 March 2020, subject to Audit, was considered by Cabinet on 16 September 2020 (minute 33 refers). Since then the Board considered and approved the company's audited statement of accounts at its meeting on 16 November 2020. A copy of the full Statement of Accounts and Directors' Report for the financial year ending 31 March 2020 is shown in appendix 1 to this report.

3.2 Two changes have been made to the final Statement of Accounts compared to the provisional financial outturn.

- i) A further £6k in property maintenance costs for works completed but where invoices were unpaid at 31 March 2020 has been accrued in the accounts. This has reduced the company's profit after tax from £119k to £112k, including a minor revision in the value of the deferred tax on profit. The increase in the creditor accrual and the reduction in profit after tax are reflected in the revised Balance Sheet.
- ii) The draft Balance Sheet treated the deposit of £1.275m paid for the Royal Victoria Hospital site development as an increase to the Investment Assets of the company (Fixed Assets). The Auditor advised the deposit should be classified as a debtor on the Balance Sheet because the company does not yet have legal title to the property and will not until practical completion of each phase of the development. This change is reflected in the revised Balance Sheet and disclosure notes.

3.3 **Audit Opinion** - It is pleasing to note the Auditor has given an unqualified opinion of the company's accounts for the financial year ending 31 March 2020.

### 4. FINANCIAL UPDATE FOR 2020/21

4.1 The company's latest financial update for the current financial year to 31 October 2020 was reported to the Board on 16 November and is shown in appendix 2 to this report.

4.2 In summary, the company's Profit and Loss Account has made a loss of £32k for the period to 31 October 2020. This is £5k less than the original profiled forecast loss for the period. A reduction in housing rental income has been offset by lower than anticipated housing rental expenses. Only a very limited amount of grounds maintenance work has been possible due to the Covid-19

restrictions. There has been a saving of £4k on overhead expenses during the period.

Cabinet will be interested and pleased to note that the company made its half-yearly scheduled repayment of loan interest (£105k) and principal (£14k) to the Council on 30 September 2020.

- 4.3 An initial projected outturn for the financial year to 31 March 2021 shows the loss to the Profit and Loss Account to be in line with the original forecast for the year of a loss of £109k. It should be noted this excludes any change in unrealised property values. The company's property portfolio will be revalued as at 31 March 2021 ahead of finalising the accounts for the financial year.
- 4.4 Three stage payments totalling £539k have been made to the developer undertaking the Royal Victoria Hospital development during the period to 31 October 2020. These payments are for work on phase A of the scheme covering the redevelopment of the former hospital building itself. This means a total of £1.814m has been paid to the developer including the original deposit of £1.275m made in February 2020 covering both phases A and B of the scheme.
- 4.5 The financial benefit to the Council from the company in 2019/20 and projected for 2020/21 is shown in the table below:

	Actual 2019/20	Projected 2020/21
	£'000	£'000
Loan interest	173	209
Loan repayments	-	27
Staff costs - reimbursement	24	23
Members Allowances - reimbursement	9	10
Grounds Maintenance recharge	17	8
<b>Total</b>	<b>223</b>	<b>277</b>

## 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 (LW)** – 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.

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

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

Lee Walker, Capital & Treasury Senior Specialist

Telephone: 01303 85 3593

Email: [lee.walker@folkestone-hythe.gov.uk](mailto:lee.walker@folkestone-hythe.gov.uk)

### **Appendices**

**Appendix 1** – Full Statement of Accounts and Directors' Report for the financial year ending 31 March 2020

**Appendix 2:** Financial Update 1 April 2020 to 31 October 2020