

Appendix 2

Oportunitas Board Meeting 16 November 2020

Oportunitas Limited – Financial Update for 2020/21

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1. Introduction

1.1 This paper provides an update to the Board of the company's financial position for the current financial year. It covers the latest trading position to 31 October 2020 reported through the Profit and Loss Account, provides a projection of the outturn for the Profit and Loss Account compared to the original forecast for 2020/21 and summarises the capital expenditure incurred to date.

2. Profit and Loss Account to 31 October 2020

2.1 The summarised Profit and Loss Account to 31 October 2020 compared to the profiled original forecast for the period is shown in the table below:

Profit and Loss Account	Original Forecast to 31 October 2020	Actual to 31 October 2020	Variance Projection to Original Forecast
	£	£	£
Housing Rental			
Rental Income	157,218	143,152	(14,066)
Rental Expenses	(46,918)	(31,102)	15,816
Net	110,300	112,050	1,750
Grounds Maintenance			
Income	8,925	4,673	(4,252)
Expenses	(7,140)	(3,738)	3,402
Net	1,785	935	(850)
Overheads			
Directors Remuneration	(6,627)	(5,641)	986
FHDC Officer Support	(13,566)	(13,566)	0
Operating Expenses	(7,111)	(4,170)	2,941
Total Overheads	(27,304)	(23,377)	3,927
Loan Interest	(121,646)	(121,646)	(0)
P & L Operating Surplus / (Deficit) for period	(36,864)	(32,038)	4,826

- 2.2 The profiled original forecast shown in the table above only reflects income and expenditure due for the period to 31 October 2020. There are costs, particularly for overheads, that are due to be incurred much later in the financial year, such as the loan arrangement fee for the new loan facility, property valuation fees and the Audit fee. These are excluded from the profiled forecast for the period.
- 2.3 The company has generated a net income of about £113k from its trading activities to the end of October with almost all of this coming from its housing rentals. However, after allowing for the interest on its loan to the Council and its operational overheads, the company has made an operational loss of £32k for the period. This loss is £5k lower than the profiled forecast for the period of £37k and the main reasons for the variance are outlined below:

Variances – Period to 31 October 2020		£'000
i)	Housing Rental Income – higher than anticipated void periods for properties being re-let, including one unit being unable to let following a serious water leak	(6)
ii)	Housing Rental Income – increase in rent arrears, in part due to the impact of Covid-19 on tenants. Rent arrears are being actively pursued within the current Government restrictions for recovery and enforcement action.	(8)
iii)	Housing Rental Expenses – a reduction in the cost of managing and maintaining the property stock. The majority of repairs and maintenance to the stock are currently undertaken on a responsive basis and arranged by the two managing agents.	16
iv)	Grounds Maintenance Work – only a limited amount of work was undertaken in the period due to Covid-19 restrictions. This has made little difference to the net income position to the company	(1)
v)	Overheads – the original forecast provided for interest on the working capital facility as well as a general contingency sum, neither of which have been required in the period	4
Total reduction in deficit compared to forecast		5

- 2.4 The company made its half-yearly scheduled repayment of loan interest (£105k) and principal (£14k) to the Council on 30 September 2020.

3 Profit and Loss Account Projected Outturn 2020/21

- 3.1 The table below provides an initial projection of the outturn position for the current financial year compared to the original forecast:

	Original Forecast 2020/21	Latest Projection 2020/21	Variance Projection to Original Forecast
Profit and Loss Account	£	£	£
Housing Rental			
Rental Income	269,516	258,400	(11,116)
Rental Expenses	(91,235)	(84,556)	6,679
Net	178,281	173,844	(4,437)
Grounds Maintenance			
Income	15,300	10,000	(5,300)
Expenses	(12,240)	(8,000)	4,240
Net	3,060	2,000	(1,060)
Overheads			
Directors Remuneration	(11,361)	(9,693)	1,668
FHDC Officer Support	(23,256)	(23,256)	0
Operating Expenses	(47,534)	(43,034)	4,500
Total Overheads	(82,151)	(75,983)	6,168
Loan Interest	(208,535)	(208,535)	0
P & L Operating Surplus / (Deficit) for period	(109,345)	(108,674)	671

3.2 In total, the projected outturn shows an operating loss of almost £109k for the year, very much in line with the original forecast.

3.3 The housing rental income is expected to be about £11k lower than the forecast due to increases in the void periods and arrears, partly offset by increases in rent from new tenancies agreed during the year. There is a projected saving of almost £7k on rental expenses mainly from property maintenance budgets.

3.4 There is a projected saving of about £6k on the company's overheads, including £4.5k for interest on a working capital facility from the Council that will not be required this year.

3.5 A further update on the projection of the outturn for the current financial year will be made to the Board at their meeting, planned for early in 2021.

4 Capital Expenditure – Royal Victoria Hospital (RVH) Development

4.3 The table summarises the latest position for capital expenditure incurred on the RVH development.

Date	Description	Amount £
17/02/2020	Deposit – Phases A & B	1,275,000
11/06/2020	Phase A – stage payment no. 1	110,250
07/08/2020	Phase A – stage payment no. 2	220,500
29/09/2020	Phase A – stage payment no. 3	208,250
	Total Paid	<u>1,814,000</u>

4.4 The funding of the capital expenditure incurred has been met from the proceeds of the Council's new equity investment in the company.

5 Recommendations

5.1 The Board note the latest financial position for 2020/21 outlined in this paper.