

## Appendix – Financial Update for 2020/21

### Oportunitas Board Meeting 23 February 2021

### 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 January 2021 reported through the profit and loss account, provides an updated 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 2020/21

- 2.1 The table below summarises the latest trading position for the company to 31 January 2021 and provides the latest projected outturn for the financial year ending 31 March 2021 compared to the original forecast for the year:

<b>Profit and Loss Account</b>	Actual to 31 January 2021	Original Forecast 2020/21	Latest Projection 2020/21	Variance Projection to Original Forecast
	£	£	£	£
<b>Housing Rental</b>				
Rental Income	212,059	269,516	256,500	(13,016)
Rental Expenses	(50,102)	(91,235)	(83,252)	7,983
Net	161,957	178,281	173,248	(5,033)
<b>Grounds Maintenance</b>				
Income	7,462	15,300	10,000	(5,300)
Expenses	(5,971)	(12,240)	(8,000)	4,240
Net	1,491	3,060	2,000	(1,060)
<b>Overheads</b>				
Directors Remuneration	(8,059)	(11,361)	(9,693)	1,668
FHDC Officer Support	(19,380)	(23,256)	(23,256)	0
Operating Expenses	(3,767)	(47,534)	(43,034)	4,500
Total Overheads	(31,206)	(82,151)	(75,983)	6,168
<b>Loan Interest</b>	(175,002)	(208,535)	(208,535)	0
<b>P &amp; L Operating Surplus / (Deficit) for period</b>	(42,760)	(109,345)	(109,270)	75

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### 2.2 Trading Position to 31 January 2021

2.2.1 The company has generated a net income of £163k from its trading activities for the period to 31 January 2021, mainly from its housing rentals. However, after allowing for the interest on its loan with the Council and its operating overheads, the company has made an operating loss of almost £43k for the period. This is in line with expectations.

2.2.2 There are costs, particularly for overheads, that are due to be incurred or accrued by the end of the financial year that do not feature in the actual position to 31 January 2021, such as the loan arrangement fee for the new loan facility, property valuation fees and the Audit fee.

### 2.3 Projected Outturn to 31 March 2021

2.3.1 The latest projected outturn for the financial year to 31 March 2021 shows a trading loss of almost £109k and is in line with the original forecast. This latest projected outturn is also consistent with the position reported to the Board at its last meeting on 16 November 2020.

2.3.2 Although the projected net trading loss for the year is unchanged from the original forecast, there are variances within the different categories of the profit and loss account and these are summarised in the table below:

<b>Variances – Projected Outturn to Original Forecast</b>		<b>£'000</b>
i)	<b>Housing Rental Income</b> – reduction from higher than anticipated void periods mainly due to two units being unable to let for lengthy following serious water damage due to accidental leaks	(13)
ii)	<b>Housing Rental Expenses</b> – increase in provision for bad debts due to a rise in rental arrears over the year	(5)
iii)	<b>Housing Rental Expenses</b> – 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.	13
iv)	<b>Grounds Maintenance Work</b> – only a limited amount of work has been undertaken in the period due to Covid-19 restrictions. This has made little difference to the net income position to the company	(1)
v)	<b>Overheads</b> – mainly due to a saving on interest for the short-term working capital facility with the Council which has not been utilised.	6
<b>Total reduction in deficit compared to forecast</b>		-

2.3.3 The company is due to make its half-yearly scheduled repayment of loan interest (£105k) and principal (£14k) to the Council on 31 March 2021.

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- 2.3.4 The company's property portfolio is required to be revalued as at 31 March 2021. Any (unrealised) valuation gain or loss to the property portfolio will need to be reflected in the profit and loss account when the company's Statement of Accounts are prepared for the year ending 31 March 2021.

### **3 Capital Expenditure – Royal Victoria Hospital (RVH) Development**

- 3.1 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
25/11/2020	Phase A – stage payment no. 4	266,400
22/01/2021	Phase A – stage payment no. 5	249,000
	Total Paid	<b><u>2,329,400</u></b>

- 3.2 The funding of the capital expenditure incurred has been met from the proceeds of the Council's new equity investment in the company.
- 3.3 The Board are reminded the current equity agreement with the Council provides for the equity of £4.43m to be drawn down in four tranches. The first two tranches totalling £2.35m have already be drawn down from the Council. The third tranche for £1.04m will need to be drawn down ahead of the next stage payment being made for the RVH development.

### **4 Recommendations**

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