

## Oportunitas Board Meeting 23 September 2021

### Oportunitas Limited – Financial Update for 2021/22

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#### 1. Introduction

1.1 This paper provides an initial update to the Board of the company's financial position for the current financial year. It provides a projection of the outturn for the Profit and Loss Account compared to the original forecast for 2021/22 and explains the key variances. The paper also summarises the capital expenditure incurred to date on the Royal Victoria Hospital scheme and the funding utilised towards this.

#### 2. Profit and Loss Account Projected Outturn 2021/22

2.1 The table below provides an initial projection of the Profit and Loss Account outturn position for the current financial year to 31 March 2022 compared to both the original forecast for the year and the outturn for 2020/21:

	Outturn 2020/21	Original Forecast 2021/22	Projected Outturn 2021/22	Variance
<b>Profit and Loss Account</b>	£	£	£	£
<b>Housing Rental</b>				
Rental Income	254,221	405,383	352,931	(52,452)
Rental Expenses	(74,297)	(135,755)	(110,328)	25,427
Net	179,924	269,628	242,603	(27,025)
<b>Grounds Maintenance</b>				
Income	15,519	30,000	15,000	(15,000)
Expenses	(12,415)	(24,000)	(12,000)	12,000
Net	3,104	6,000	3,000	(3,000)
<b>Overheads</b>				
Directors Remuneration	(9,671)	(9,864)	(9,750)	114
FHDC Officer Support	(27,907)	(24,970)	(30,000)	(5,030)
Operating Expenses	(26,802)	(23,137)	(31,800)	(8,663)
Total Overheads	(64,380)	(57,971)	(71,550)	(13,579)
Loan Interest	(209,936)	(267,457)	(214,689)	52,768
<b>P &amp; L Operating Surplus / (Deficit) for period</b>	(91,288)	(49,800)	(40,636)	9,164
<b>P &amp; L Operating Loss b/f</b>	(316,145)	(407,433)	(407,433)	0
<b>P &amp; L Operating Loss c/f</b>	(407,433)	(457,233)	(448,069)	9,164

- 2.2 In total, the projected outturn shows an operating loss of almost £41k for the year, about £9k lower than originally forecast. The main reasons for the net reduction in the operating loss are outlined below:

<b>Variances 2021/22 Forecast to Projected Outturn</b>		<b>£'000</b>
i)	<b>Housing Rental Income</b> – reduction mainly due to a delay in the completion of phase 1 of the Royal Victoria Hospital (RVH) scheme from August to October 2021	(52)
ii)	<b>Housing Rental Expenses</b> – a reduction in projected operating costs for the RVH scheme due to the delay (£15k) and a reduction in the provision for bad debts (£10k) to reflect the provision already made	25
iii)	<b>Grounds Maintenance</b> – capacity to provide this service is now largely limited to tree maintenance work	(3)
iv)	<b>Overheads FHDC Officer Support</b> - increase to support the acquisition of the RVH properties and rent recovery action (£5k).	(5)
v)	<b>Overheads Operating Expenses</b> – additional cost for 50% of loan arrangement fee deferred from 2020/21 (£13k) less saving on interest for a working capital facility not required in 2021/22 (£4k)	(9)
vi)	<b>Loan Interest</b> – the utilisation of the loan element of the Council’s funding to support the acquisition of the RVH scheme has not been required as early as originally anticipated mainly due to the delay to the project	53
<b>Total reduction in deficit compared to forecast</b>		<b>9</b>

- 2.3 The company’s accumulated operating loss is forecast to rise to £448k at 31 March 2022. The Board are reminded that this loss excludes unrealised valuation gains on the company’s property portfolio which stands at £757k after tax at 31 March 2021. A further revaluation of the company’s property portfolio will be undertaken at 31 March 2022.

- 2.4 Further updates on the company’s projected outturn for the current financial year are planned to be made at future Board meetings over this period.

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

- 3.1 The table below summarises the latest position for capital expenditure incurred on the RVH development:

	Phase A £	Phase B £	Total £
Agreed Sale Price	3,150,000	3,300,000	6,450,000
Paid to date	2,684,000	595,000	3,279,000
Balance	<u>466,000</u>	<u>2,705,000</u>	<u>3,171,000</u>

3.2 The funding of the capital expenditure incurred to date has been met from the proceeds of the Council's new equity investment in the company. One further tranche of equity funding for £1.04m remains to draw down from the Council before the loan facility of £2.47m is utilised to fund the acquisition.

#### 4. Recommendations

4.1 The Board note the latest financial position for 2021/22 outlined in this paper.