

This Report will be made
public on 10 October
2023

Report Number **C/23/43**

To: Cabinet
Date: 18th October 2023
Status: Non-Key Decision
Director: Andy Blaszkwicz, Corporate Director – Housing & Operations
Oportunitas Chair: Councillor James Butcher

SUBJECT: OPORTUNITAS PROGRESS REPORT 2022/23– To 31 March 2023

SUMMARY: This report provides an update from the Board of Oportunitas Ltd (“the company”) on its provisional financial outturn and activities undertaken for the financial year ending 31 March 2023 and is 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 report C/23/43.
2. To note the provisional financial outturn for Oportunitas Ltd for the period from 1 April 2021 to 31 March 2023.

1. BACKGROUND

- 1.1 The report sets out the company's provisional financial outturn position for the year ending 31 March 2023 and also sets out the progress made over this period regarding its property portfolio and trading activity.
- 1.2 The report is a requirement of the Shareholder's Agreement between the company and the Council.

2. INVESTMENT PROPERTY PORTFOLIO UPDATE

- 2.1 The company's current property portfolio consists of 56 residential units and 1 commercial unit. The property portfolio 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
10 Radnor Park Avenue, Folkestone (RVH Phase 1)	18	15 x 2 bed units 3 x 1 bed units
Total	57	

- 2.2 The property portfolio has been revalued as at 31 March 2023 resulting in a rise from £9.19m to £9.50m, an increase of £0.31m. The average increase for properties held since 31 March 2022 has been 3.25%. A schedule of the latest valuations for the company's property portfolio is shown in appendix 1 to this report.
- 2.3 All properties are currently tenanted with the exception of one unit at Leyburne Road in Dover that is currently being remarketed for let following previous repair works. 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, continue to be kept under regular review.
- 2.4 The company continues to maintain 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 April 2023 position of the register in identifies no compliance issues within the portfolio.

2.5 Rental Arrears

2.5.1 Tenants rent arrears has increased over the past year from £23.5k to £29.5k at 31 March 2023. £17k is for sums owing for more than one month. £19k has previously been set-a-side as a bad debts provision for rents and this remains reasonable cover for the level of rent arrears at 31 March 2023.

2.5.2 At 31 March 2023 there are nine cases where tenants have rent arrears of more than one month, including two former tenants. The managing agent is in regular contact with the existing tenants regarding their arrears and they are currently paying at least their basic monthly rent with some making additional payments towards their arrears. The position is being closely monitored and action may be taken by the company, using the Council's Legal Services team in conjunction with the managing agents, to commence possession proceedings against individual tenants in arrears.

2.6 Royal Victoria Hospital Development

2.6.1 The company's main focus over during the 2023/24 year will be on the delivery of Phase 2 of the RVH development to bring forward a further 19 high quality units into the company's portfolio.

2.6.2 A progress report on Phase 2 works issued by the developer in July 2023 and highlights the following progress:

- Foundation piling – 100% completed
- Ground, first floor and second floor windows installed – 100% completed
- Ceilings – 100% completed
- Carpentry first fix – 100% completed
- Plastering 98% completed
- Decorating – 50% completed
- Carpentry second fix – 65% completed
- Kitchen Installations – 75% completed
- Tiling – 50% completed
- Plumbing and heating second fix – 50% completed

2.6.3 Phase 2 of the RVH development is now on course to complete in Autumn 2023. At the 31 March 2023 the company has paid almost £2.36m in staged payments to the contractor, RVH Folkestone Limited, towards Phase 2 of the development.

3. PROVISIONAL FINANCIAL OUTTURN FOR 2022/23

3.1 The company's provisional financial outturn for the year ending 31 March 2023, including a commentary on the accounts, was reported to the Board on 22 September 2023 and is shown in appendix 2 to this report. The accounts are subject to an independent Audit which is currently in progress.

3.2 **Profit and Loss Account** – In summary the key points from the company's Profit and Loss Account are:

- i) Profit before tax of £439k including the unrealised property valuation gain of £309k
- ii) Excluding valuation gain, an operating profit of £130k has been made and is £134k more than the budget for the year.
- iii) Majority of turnover is from residential property lettings
- iv) Grounds maintenance income is now limited to a small amount of activity mainly for tree works
- v) Return from the full investment in the RVH scheme required to make the company financially sustainable over the medium term

3.3 **Balance Sheet** – The key points from the company's Balance Sheet are:

- i) Property portfolio for investment assets in use is now £9.5m .
- ii) £2.36m paid towards phase 2 acquisition of a further 19 units at the RVH scheme
- iii) The Council has loaned Oportunitas a further £1.5m to support the RVH acquisition. This has increased the loan from £4.25m to £5.72m

3.4 **Shareholder Benefit** – The gross shareholder benefit to the Council from its interest in the company during 2022/23 was £340k. However, the equity investment of £4.91m has been met from prudential borrowing and this has incurred a capital financing cost estimated to be £333k reducing the net shareholder benefit to the Council to £7k. This is due to the increase in borrowing costs in the past year from historic lows to an average of 4-5%.

4. 84 Leyburne Road – Disposal of Land

4.1 The sale of the surplus land adjacent at 84 Leyburne Road, Dover for £60k was completed on 24 October 2022. The legal agreement between the Council and the company requires proceeds from property sales to be paid to the Council unless agreed otherwise. The company's business plan for 2022/23 approved by Cabinet on 23 March 2022, made specific reference to retaining the receipt from the sale to help additional operating costs for the stock condition survey and external redecoration and maintenance works at 19 Castle Hill Avenue and 82/84 Leyburne Road. However, the

previous Cabinet took the decision on 25 January 2023 to require the company to pay the receipt to the Council, as is their right under the Shareholder Agreement. The impact of this decision is covered in the 2023/24 Business Plan report.

5. Stock Condition Survey of the existing portfolio

- 5.1 The company budget for 2023/24 includes £20k towards the cost of undertaking of a full stock condition survey on its portfolio to establish a detailed understanding of the general condition of its properties, deferred from 2022/23. The survey will enable the company to establish a longer-term plan for property maintenance as well as forecasting the future investment required. The tender specification for the survey is to be drafted subject to resourcing requirements.
- 5.2. Two properties within the portfolio are to require significant external maintenance and preventative work over the next couple of years – 82/84 Leyburne Road, Dover and 19 Castle Hill Avenue, Folkestone. £64k has been provided over 2023/24 and 2024/25 for the cost of these works. Drone inspections have taken place on both properties and following advice sought from the managing agent, the maintenance and preventative work on 82/84 Leyburne Road, Dover will be prioritised first in the 2023/24 year. Formal quotes are being obtained ahead of committing to the works.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 6.1 **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.

- 6.2 **Finance (DL)** – This report has been prepared in conjunction with Financial Services and there are no further comments to add.
- 6.3 **Diversities and Equalities (GE)** – There are no diversity or equalities implications arising from this report.
- 6.4 **Climate Change (AT)** - There are no climate change 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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Appendices

Appendix 1: Oportunitas Property Portfolio Valuation Schedule 31 March 2023

Appendix 2: Oportunitas Limited Financial Outturn 2022/23 (subject to audit)