

Supplementary Committee Agenda



Overview & Scrutiny Committee Tuesday, 27th September, 2022

Place: Council Chamber - Civic Offices

Time: 7.00 pm

Democratic Services Officer: Gary Woodhall & V Messenger Tel: (01992) 564243
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10. QUALIS 1 YEAR BUSINESS PLAN – 2022/23 (Pages 3 - 22)

To consider the attached Qualis 1 Year Business Plan presented in Appendix A and make such comments as considered appropriate for Cabinet to take into account in their consideration of the Plan.

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Report to the Overview & Scrutiny Committee



Date of meeting: 27 September 2022

Portfolio: Finance – Cllr J. Philip

Subject: Qualis 1 Year Business Plan – 2022/23

Responsible Officer: Andrew Small (07548 145665).

Democratic Services: Vivienne Messenger (01992 564265).

Recommendations/Decisions Required:

To consider the Qualis 1 year Business Plan presented in Appendix A and make such comments as considered appropriate for Cabinet to take into account in their consideration of the Plan.

1. Executive Summary

- 1.1. It is a requirement of the Shareholder agreement that each year Qualis produce and present to the Council a one year and a 4 year Business Plan for the Council to consider and sign-off.
- 1.2. Events at a national and global level have introduced a rapidly changing and volatile position which is impacting heavily upon the Council's own financial planning. Qualis is far from immune to these impacts and is needing to adapt and change its plans in response to external influences and factors, inflation not being the least of these. In this space Qualis have brought forward a 1-year plan which responds to the uncertainty immediately in front of them. The medium-term impacts on their strategy will be reflected in the 4 year Business Plan which will be presented when the current uncertainty reduces.
- 1.3. This report presents the 1 Year Qualis Business Plan and seeks the Council's permission to adopt this as its direction and focus.
- 1.4. Qualis was initially created by the Council to solve specific problems including the housing maintenance contract re-let and to progress a number of council owned regeneration sites. In the last Business Plan the Council had worked with Qualis to explore and refine its future purpose and the emerging focus was that of property development and management company. The shared ambition seeks to consolidate all property Council management and development activities under the Qualis umbrella so that their specialism and expertise could be utilised to provided better quality and better value services.
- 1.5. This Business Plan seeks to build on and further develop this intention. However, the work jointly undertaken by Qualis and the Council to develop this plan has had to take account of the uncertain economic landscape and is deliberately more cautious as a result.

- 1.6. The Council is asked to consider and reflect on the detail of the attached 1 year Business Plan and either approve the plan or make such suggested amendments as the shareholder considers necessary.

2. Introduction

- 2.1. The ownership structure of Qualis was specifically defined in a way to reserve certain key decision for the Shareholder to make. These include certain matters of Governance, Risk and Strategic Direction.
- 2.2. The detail is set out in the Shareholder Agreement and Governance arrangements agreed by Cabinet in February 2020. This sets out the decision-making framework for Qualis and the ways in which the Council can influence or control Qualis activities in its capacity as Shareholder.
- 2.3. Broadly, the principal control will be through the approval of the annual Business Plan. Qualis presents its proposals each year within the Business Plan and only if the Council agrees this can Qualis implement them. This represents the critical control over the activities of Qualis and appropriate and detailed consideration should be given to the sign-off accordingly.
- 2.4. If Qualis wishes to undertake certain activities that was not included within the Business Plan then under the 'Reserved Matters' part of the Shareholder Agreement it must ask for the Council's permission.
- 2.5. Once the Business Plan is agreed, the Council monitors delivery through Quarterly Monitoring reports. This provides the opportunity to monitor progress and to receive assurance that performance and the finances of Qualis are as expected.
- 2.6. The Shareholder agreement requires a 1 year plan for the forthcoming year and a longer looking 4 year plan, setting out direction of travel and broad intent. As the actions included in the 4 year plan become imminent, they are included in the 1 year plan and seek Council approval at that point. Inclusion in the plan and the Council's agreement to it, gives Qualis the permission to proceed without further recourse to the Shareholder, unless the permission is qualified thereby requiring that it should.
- 2.7. The current national and global economic uncertainty creates significant difficulty in updating the 4 year plan as there is little confidence over how long current conditions will last, where they will peak and how high they peak at. The logical impact on business planning would be to build in additional caution which may be undeserved. Qualis has therefore focused on the more immediate activities contained in the 1 year plan and seeks a pause whilst they try to better understand how markets are developing and their likely impact on prices. This will enable them to develop a more realistic plan for future years enabling both the Council and Qualis to better understand future benefit.
- 2.8. The key elements of the attached plan are set out below divided into the respective headings.

3. 1 Year Business Plan

- 3.1. As with the Council budget, the Qualis Business model is sensitive to turbulent market conditions. Notably the impacts of construction price inflation and higher costs

of borrowing. The Business Plan focuses on reviewing all existing assumptions and refining these considering tightening margins.

- 3.2. Originally the council created Qualis to solve specific problems around redevelopment and housing maintenance but this has been expanded to take on a wider property development and management portfolio.
- 3.3. In accordance with this some new areas of activity are proposed for inclusion within the Business Plan for 2022/23, such as Grounds Maintenance and a longer-term agreement on Asset Management. Terms for each of these new proposed activity areas have yet to be agreed.

Commentary

- 3.4. The economic challenges facing the Country impact on Qualis in a similar way to the Council, yet Qualis is more sensitive to certain inflationary pressures. Building materials are energy intensive to produce and so inflation is having a greater impact on these. Add to this higher borrowing costs and uncertainty over the sales prices and the result is a squeeze in developer margins. The Business Plan focuses on these impacts and introduces approaches and strategies to manage the impacts.
- 3.5. Qualis is well set with an experienced and capable management team to respond to the challenges ahead, but it recognises that one option may be to slow certain developments if viability looks too challenging or too high risk. Whilst disappointing, the wider events which have caused this are outside of the control of Qualis and the Council. The correct response is to be aware of the impacts and take action accordingly to mitigate risk and maximise return.
- 3.6. Qualis has a robust governance structure, including members and officer board representation, which gives the Council considerable control over direction and performance and allows it to directly benefit from the successes of Qualis. This position of confidence can be exploited to allow for complementary working and specialism without the requirement for duplication. For example, the Council doesn't need its own property advisors when Qualis also has a team of property advisors, similarly this applies with maintenance functions. Duplication is expensive and inefficient for the taxpayer when the Council could equally utilise its close relationship with Qualis to deliver these functions.
- 3.7. Allowing Qualis to specialise and grow its activity in the property area enables the council to delegate or transfer those aligned activities and associated risks to Qualis at an appropriate time in the future, (subject to the appropriate checks, balances and performance measures), allowing for better outcomes, better returns and greater efficiency. In turn, higher profits will be returned to the council from these activities, whilst enabling the council to reduce its cost base and allowing it to concentrate on its key priority activities.
- 3.8. Last year it had been agreed to explore asset transfer (the Council's commercial assets) to Qualis, but current market conditions have also reduced financial viability here to the point where it is necessary to pause exploration. However, Qualis has been successful in their management of these assets on the Council's behalf and the Plan contains a proposal to put this within a formal arrangement. Given the uplift in rental incomes secured by Qualis over the past 12 months this makes sense. This is explored in more detail in a later section.

Specific Permissions Required from Epping Forest District Council

3.9. To agree the 1 year Business Plan as attached as Appendix A.

4. Qualis Living

Key Priorities Identified by Qualis

- 4.1. As part of the Council loan facilities to Qualis, the Council agreed a £35 million Regeneration Loan facility so that Qualis could identify and acquire properties within the District which would benefit from regeneration through redevelopment. To date, Qualis has yet to secure any suitable opportunities and so this facility remains unused at the present time. Qualis is optimistic that the wider market uncertainty might create opportunities and with this facility at their disposal they will be well placed to move swiftly.
- 4.2. Last year's Business Plan, adopted by the Council, included the temporary transfer of the management of Council's commercial asset portfolio to Qualis in order that Qualis might better understand the nature of the portfolio and the opportunities for maximising returns and redevelopment contained within it.
- 4.3. Qualis was able to do this as it had its own team of property specialists and together with the secondment of the Council's property management team, the skills and expertise to undertake this review were then co-located in the same place.
- 4.4. Ultimately this was intended to lead to the development of a proposal to transfer all the Council's commercial assets to Qualis. However, the economic uncertainty has now made this unattractive in the current market. Increased borrowing costs and uncertainty over the income stream derived from the portfolio in a potential recessionary scenario create higher risks to viability, which mean that now is not the right time to progress this opportunity.
- 4.5. However, Qualis has successfully improved the management of the Council's portfolio, with improvements to record management, reduction in tenants' arrears and proactive action on expired and expiring leases.
- 4.6. The net result is a 5% uplift in the income derived from the Portfolio to the Council's benefit, which it is expected would not have been achieved under historic arrangements.
- 4.7. To date Qualis has been undertaking this function at 'cost' to the Council as it suited the Qualis development of a wider acquisition proposal. With this no longer viable in the short-term any formalisation of this activity would need to be accompanied by market commercial terms. This would normally include some incentivisation to increase the income derived from the Portfolio.

Commentary

- 4.8. As the Council and Qualis are now both managing commercial assets for financial return it would make sense if just one party continued to develop this specialism and their expertise in this area so that duplicated costs can be avoided. This has proved successful with improvements in processes and, importantly at this current time, the income generated by the Council.

- 4.9. Therefore, subject to suitable commercial terms being agreed, the Business Plan proposes, and the Council is recommended to endorse, the formalisation of this arrangement with the Council and Qualis standing to benefit financially from Qualis creating additional value from the portfolio. Subject to consultation this would include the permanent transfer of the property team to Qualis.

Specific Permissions Required from Epping Forest District Council

- 4.10. Subject to terms being agreed that demonstrate Value for Money, to contract with Qualis for the management of the Council's investment and commercial property portfolio and to permanently transfer the staff in the Asset Management team under TUPE arrangements.

5. Qualis Commercial

Key Priorities Identified by Qualis

- 5.1. The Business Plan sets out the existing regeneration schemes that Qualis is currently progressing, specifically, Cottis Lane, supporting the Bakers Lane Council Leisure centre, St John's Road, Conder Building, Hemnall Street and Roundhills.
- 5.2. A Business Case was put to the Council for the acquisition and redevelopment of Pyrles Lane and this was subsequently approved. It is expected this will require loan funding from the Council in order to develop out the site and this is covered within the £35 million Regeneration facility approved by the Council below.
- 5.3. The Council has also agreed the sale to Qualis of an industrial site in Cartersfield Road also funded through the £35 million Regeneration Loan Facility.
- 5.4. Beyond these existing specific sites, the Qualis Business Plan is predicated on the identification and development of a pipeline of similar sites which would aid the district by bringing forward potentially difficult sites for regeneration and development of new private, affordable and rented housing, thereby addressing the housing shortage in the district and capturing potential developer profits for re-investment or for the benefit of the Council.
- 5.5. Regeneration across the District has always been a priority for the Council and the delivery of new housing and new jobs meets the Council's corporate aims and objectives.
- 5.6. However, the Plan recognises that delivering Regeneration schemes, particularly new housing, will become more challenging in the current environment as inflationary cost pressures, higher costs of borrowing and uncertainty in the housing market all put a squeeze on viability.

Commentary

- 5.7. The original vision for Qualis was around redeveloping some of the Council's more challenging sites for the benefit of the district (providing housing, retail, leisure and jobs).
- 5.8. The one year Business Plan presented here continues to focus on this ambition but deals honestly with the new challenges that the current economic uncertainty introduces. The main developments in this Business Plan window remain the

redevelopment of the Epping Sites, where tangible progress is being made, Roundhills, Pyrles Lane and Cartersfield.

- 5.9. It is important to respond to the dynamic environment that currently exists by continually re-evaluating and removing / mitigating risk wherever possible. It will be important to recognise where schemes temporarily cease to become viable and to pause development if this is the case, so as not to create loss making developments. This would be the same approach adopted by other private sector developers and will be mirrored by Qualis.
- 5.10. The Quarterly monitoring reports provided by Qualis provide the opportunity for the Shareholder to understand the current position and make recommendations, if felt necessary. The Council's representatives on the Board also provide a real-time check on investment decisions.
- 5.11. It is certain that the current financial instability facing the Country is temporary. Whilst the Council would wish to see the redevelopments proceed and to enjoy the financial returns that this would generate, proceeding whilst ignoring the risk inherent in the current financial landscape would be high risk. The Business Plan recognises this and instead proposes moving forward with caution, consulting with the Shareholder where appropriate.

Specific Permissions Required from Epping Forest District Council

- 5.12. No new permissions sought within this Business Plan.

6. Qualis Management

Key Priorities Identified by Qualis

- 6.1. The Business Plan continues to concentrate around developing the housing repair service provided to the Council but also on seek to develop other services which clearly or logically align to the property development and management focus of Qualis.
- 6.2. In addition to Asset Management, the other property function directly provided by the Council is Ground Maintenance. This was referenced and approved for consideration last year and work continues between Qualis and the Council to agree a proposal.

Specific Permissions Required from Epping Forest District Council

- 6.3. No new permissions sought in this single year Business Plan.

7. Qualis Community

Key Priorities Identified by Qualis

- 7.1. This year's Qualis Business Plan includes a set of priorities for Qualis Community. Qualis Commercial has been created as a community interest company where all activities and profits generated are reinvested for the benefit of the Community.

- 7.2. There are no detailed proposals coming forward to the Council at this stage.

Specific Permissions Required from Epping Forest District Council

- 7.3. No new permissions sought in this single year Business Plan.

8. Risk Analysis

- 8.1. The Business Plan identifies that this one year plan has been developed in a challenging economic environment that has implications for previously forecast ambitions and returns. These events have emerged rapidly, were largely unforeseen and consequently were near impossible to plan for. Higher prices and higher borrowing costs, which apply equally to the Council, also impact significantly upon Qualis forecasts and short-term planning. Long term plans will be re-evaluated when greater clarity exists over the potential impacts.
- 8.2. The risk which are seen as key to the Council are those set out below;
- 8.3. Qualis failure to repay loans – the Council has already invested heavily in Qualis with loans already made totalling £61.75 million and existing approvals given for a further £96 million. Total indebtedness of Qualis to the Council will rise to £157.75 million within a few years with £141 million directly borrowed by the Council from external lenders. The cost of borrowing to the Council had been at near historic lows since for more than a decade up until last year but are now rising steadily in response to the economic factors previously referred to. The borrowing already advanced to Qualis captured these low rates in the form of fixed term borrowing, thereby mitigating the risks from interest rate rises. However, any new borrowing will be at higher rates than had been envisaged when the original development plans had been put together and which had been assumed in the Council's budget plans. These increases erode the returns envisaged by the Council and, if passed on to Qualis, the viability of their development proposals. The terms of the construction loan facility previously agreed will need to be revisited in order to provide a balance between risk and return to the two parties. As the borrowing is taken in the Council's name, it will be responsible for the repayment of these loans, irrespective of whether Qualis makes its repayments. The Council needs to be confident that Qualis business model is sufficiently robust in order that it can meet its obligations and that it is not taking undue risks. The Council has sought to protect its own interests by taking security over all Qualis assets and bank balances so that in the unlikely event of default the Council can liquidate and repay its debts.
- 8.4. Optimism Bias – the Business Plan forecasts are dependent upon a number of actions and plans coming to fruition in accordance with timelines set out. In practice events may happen sooner than planned or be delayed as a result of events outside of the control of Qualis; the current economic conditions and the Covid19 Pandemic being good examples. Qualis has been through its current Business Plan and reassessed each element using central assumptions in order to eliminate any bias towards optimism but in a volatile operating environment a wider divergence from the central plan remains an elevated risk and the Council should expect that this may materially impact upon the level and timing of returns to Qualis and the Council.

Commentary

- 8.5. There are risks inherent in any commercial venture, whether run by the Council or carried out within an arms-length company. These can never be fully hedged off and

the need for councils to find new income streams and efficiencies means that doing nothing represents an even greater risk of failure.

- 8.6. Therefore, the Council needs to proceed by not trying to avoid all risk, but by understanding the risks and ensuring it has mitigations in place. The Council's commitment to Qualis is underpinned by security over property and cash held by Qualis, and whilst this creates its own problems (such as the risk of a property price crash) if suitable diversified and managed the absolute risk to the Council remains fairly low.
- 8.7. The Council's control over these risks is through the regular and robust monitoring of quarterly performance, the Council representation on the Board of Qualis, the annual review and monitoring of Business Plan updates and through the Council's democratic process. Qualis continues to make significant interest payments to the Council on the loans previously drawn down and these amounts are important to the Council in delivering its budget.

9. Resource Implications

- 9.1. Qualis was created partly to resolve operational and development challenges being faced by the Council but the Council was also attracted to the significant financial upside, (as shareholder and lender), of benefiting from returns and development profits which would normally have been returned to lenders or the private sector.
- 9.2. The returns and margins delivered by Qualis are central to the Council's Medium Term Financial Plans which allow the continued delivery of core and value-added services to the residents, whilst at the same time minimising Council Tax increases.
- 9.3. Unfortunately, Qualis is no more immune from wider economic factors anymore than the Council is. The sudden increase in fuel prices, leading to large inflationary pressures and increases in borrowing costs is squeezing the Qualis financial model from all sides and causing profits and returns to be pushed out. This has required a large readjustment of assumptions and forecasts of gain. The Council is wrestling with similar challenges that are creating massive pressures on its on budget.
- 9.4. The table below sets out the combined Profit and Loss account for Qualis as included within the single year Business Plan.

Qualis	Group £,000's	Commercial £,000's	Living £,000's	Management £,000's	Total £,000's
Total Income	2,532	1,764	3,378	12,324	19,998
Total Expenditure	2,412	1,684	1,312	11,980	17,388
Interest Payable			2,458		2,458
Profit / -Loss before Tax	-120	80	-392	344	152
Return					0.9%

- 9.5. These forecasts include the assumption that the Asset Management arrangements are formalised, and that Grounds Maintenance is transferred before the 1st April.
- 9.6. For comparison the predicted Profit and Loss Account in the 4 Business Plan presented last year (shown below) had shown fast growth in income, expenditure and profits in 2022/23 of the Plan. The 4 year plan update will need to reflect a slowdown in developments associated with current and forecast economic conditions.

Qualis	2021/22	2022/23
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	£,000's	£,000's
Total Income	13,857	53,038
Total Expenditure	13,549	48,689
Profit / -Loss before Tax	308	4,349
Return		8.9%

- 9.7. Last year's figures include expected returns from the growth in the Qualis commercial property portfolio (funded from market borrowing), development profits from new sites which have yet to be acquired (funded by loans from the Council) and the transfer of Council services, specifically Grounds Maintenance and the Asset Management Team, but excludes any opportunity derived from the potential transfer to Qualis of the Council's commercial asset portfolio. The reduction in forecast profit is largely associated with not being able to acquire new commercial property, (funded by market borrowing), outside of the District and with delays in securing Planning consent for the Epping sites.

Commentary

- 9.8. The Business Plan presented shows a significant downwards readjustment in forecast returns associated with wider economic factors. All elements of the economy are dealing with the same pressures and commentators are predicting that this will result in a slow down of the wider economy. Neither the Council nor Qualis are immune from these pressures and must adjust plans accordingly.
- 9.9. It is hoped that these factors are short term and that inflationary quickly peaks and returns toward its historic long terms target. However, whilst they persist Qualis must factor in the consequences into its plans.
- 9.10. In turn the Council will need to be realistic, that any prospect of dividends will also be pushed out and borrowing margins on new borrowing taken by Qualis will be lower than had been previously assumed. These impacts will need to be factor into the Council's own financial planning over the next few months.
- 9.11. The Council had previously not assumed the receipt of any profits forecast from the Qualis Business Plan, instead allowing Qualis to reinvest it profits so that it could build resilience into its financial model, provide investment capital and to build a buffer which could absorb financial shocks.
- 9.12. Other than a reduction in margin on lending to Qualis, the Council's budget is not impacted by the reduced profit forecast, but Qualis own ability to build strength into their financial model will take significantly longer than had been previously assumed because of these wider external factors.
- 9.13. It is considered that the assumptions are more realistic and more reflective of the current operating environment, and whilst it is hoped these factors are short lived, it is considered right that Qualis is more cautious at this time.

10. Legal and Governance Implications

- 10.1. None contained within this report.

11. Safer, Cleaner and Greener Implications

11.1. None.

12. Consultation Undertaken

12.1. None

Background Papers

Group Company Governance Document – Cabinet 6 February 2020



Qualis Group
Business Plan
1 October 2022 to
30 September 2023

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1. Introduction

Qualis Group Limited (“Qualis”) was established in 2019 and is wholly owned by Epping Forest District Council (“EFDC”). Qualis was set up to deliver benefits to both the Council and the wider community by generating income and to provide innovative solutions to drive efficiencies. With an agile business model and strong commercial expertise, the Group is ideally placed to do this whilst also responding to the challenges within the marketplace.

This is the third One Year Business Plan (“the Plan”) for Qualis Group and subsidiaries covering the period from 1 October 2022 to 30 September 2023. The Plan provides updates on progress against objectives set out in the first Four Year 2021-2025 and 2021-2022 One Year Business Plan and provides details of strategic focus over the next 12 months.

2. Group Structure

Qualis Group – is the parent company that has responsibility for the operational and financial performance and governance of the subsidiary companies.

Qualis Living – is the property investment company that owns and manages property to maximise returns for the Group.

Qualis Commercial – is the development company that builds schemes on land purchased from the Council and land acquired on the open market.

Qualis Management – is the property services company that provides a range of services to the Council and will in future years will develop external partnerships.

Qualis Community – is the community interest company that will support activities and projects that provide a direct benefit to the community.

3. Market Conditions

Both public and private sector organisations are feeling the pressure of the current economic climate, with inflation and energy prices remaining a top concern for businesses. For Qualis, the primary challenge relates to construction price inflation, which has the potential to significantly reduce the profitability of our initial projects.

To mitigate the impact of these turbulent market conditions on our development profits and the broader financial strength of the Group, we are taking the following action:

- Revisiting appraisals to identify savings through changes to specification, supply chain efficiency, and project resourcing.
- Continuing open dialogue with EFDC to ensure budget assumptions are realistic, in particular around loan draw down and project timings.
- Reviewing the suitability of loan facility agreements noting rising interest rates and the economic outlook.
- Reassessing the approach to procurement for each development to provide maximum flexibility, and where possible, transfer risk.

- Leveraging the Group structure and diverse capabilities to create new sources of income through a wider range of activities, including bringing forward the search for partners and company acquisitions in Qualis Management.
- Reviewing our risk appetite and assessing potential upside risk, including capital value adjustments that may create new investment opportunities.
- Rebalancing our development pipeline between industrial and residential to improve the resilience during uncertain economic times.

4. Strategic Priorities

The primary objectives of the Group are unchanged from the last Business Plan:

- To bring forward the development of key sites to provide new homes, public amenities and business premises within the District.
- To act commercially to maximise profits within Qualis and deliver sustainable returns to the Council as Shareholder that will replace reduced Government funding.
- To deliver long-term value across all Group activities and positively impact communities, the environment and local economy.
- To build a highly effective team and create a corporate culture that empowers and inspires people to deliver excellence.

In line with these objectives, focus will be on the following activity during the year ahead.

- Identify market opportunities within the District that meet investment criteria and satisfy Public Works Loan Board requirements.
- Formalise management arrangements for the EFDC commercial investment portfolio.
- Complete the purchase of leasehold interests at key industrial sites that will provide additional income and bring forward options for redevelopment.
- Move forward with project milestones on the initial Epping site, including a construction start at Conder, St Johns and completion of the highway infrastructure to facilitate the start of the new leisure centre.
- Complete and open to the public the new multi-storey car park on Cottis Lane.
- Commence demolition and accelerate the delivery of the new industrial units at Cartersfield Road, Waltham Abbey.
- Progress development at Roundhills and Pyles Lane sites (subject to planning permission and local plan adoption).
- Transfer and successfully mobilise the grounds maintenance, boiler installation and aids and adaptation services.
- Develop partnership strategy for established services to increase income and reduce costs to EFDC HRA.

- Identify suitable joint venture opportunities or company acquisitions to accelerate growth and maximise income.

5. Financial Information

For the 2022-2023 financial year we have adjusted assumptions to reflect the current economic challenges. These include adjustments for:

- Higher inflation
- Rising interest rates and energy prices
- labour shortages and the broader cost of living crisis.

The direct impact of these factors means that the business should expect a higher cost of operation and lower returns from its activities. These impacts are reflected in our assumptions.

The following statements summaries the forecast trading activity for the forthcoming year:

Income and Expenditure Statements for the Group Companies

Qualis Group

Qualis Group	Budgeted Income and Expenditure Statement	2022/2023
	Description	£000's
Expenditure		
	Staff costs, incl. employee benefits and Board costs	1,753
	IT software and subscriptions, depreciation, telephony, finance, and HR systems	257
	Premises costs and corporate insurances	97
	Legal, audit and other consultancy fees incl. risk management and KPMG	132
	Accreditations and certifications	140
	Contingency	33
		2,412
	Inter-company re-charge of Group overhead (with a 5% margin):	
	Qualis Living	844
	Qualis Commercial	844
	Qualis Management	844
		2,532
	Net income/(expenditure) before tax	120

Qualis Commercial

Qualis Commercial	Budgeted Income and Expenditure Statement	2022/2023
	Description	£000's
Income		
	Estimated recharge of WIP costs both externally to EFDC and to properties held by Qualis Living	1,764
		1,764
Expenditure		
	Salaries	734
	Training	6
	Legal and audit fees	13
	Recruitment	17
	Accreditations	6
	IT	45
	Expenses travel and other	14
	Contingency	5
		840
	Group recharge	844
	Total overhead	1,684
	Net income/(expenditure) before tax	80

Qualis Living

Qualis Living	Budgeted Income and Expenditure Statement	2022/23
	Description	£000's
Income		
	Rental income	2,670
	Asset management fee income	708
	Profit on disposal of properties	0
		3,378
Expenditure		
	Salaries	396
	Cost of collection and other external charges	20
	IT	15
	Recruitment	15
	Audit fee	13
	Training, accreditation and other expenses	5
	Contingency	4
		468
	Group recharge	844
	Total overhead	1,312
	Interest payable	2,458
	Net income/(expenditure) before tax	(392)

Qualis Management

Qualis Management	Budgeted Income and Expenditure Statement	2022/2023
	Description	£000's
Income		
	Responsive Repairs	4,073
	Voids	2,763
	Planned Maintenance	1,948
	Gas Servicing and Repairs	1,418
	Cyclical Decoration	40
	Boiler Replacements	500
	Grounds Maintenance	764
	Aids & Adapts	200
	Electrical Testing & Remedials	618
		12,324
Expenditure		
	Responsive Repairs	3,343
	Voids	2,637
	Planned Maintenance	1,831
	Gas Servicing and Repairs	1,299
	Cyclical Decoration	32
	Boiler Replacements	425
	Grounds Maintenance	690
	Aids & Adapts	155
	Electrical Testing & Remedials	724
		11,136
	Group recharge	844
	Total overhead	11,980
	Net income/(expenditure) before tax	344

Cash Flow Forecast

Qualis Group of Companies	Forecast Cash Flows	2022/2023
	Description	£000's
Opening Position		1,580
Inflows (Loans)		
	Construction	66,965
	Regeneration	7,326
	Working capital	2,550
	Sub-total	76,841
Inflows (operational)		
	Living	3,398
	Commercial	444
	Management	12,324
	Sub-total	16,166
Total inflows		93,007
Expenditure (Investment)		
	Construction costs	66,052
	Acquisitions	7,326
	Sub-total	73,378
Expenditure (Operational Including Interest)		
	Group	2,412
	Living	2,740
	Commercial	840
	Management	11,136
	Sub-total	17,128
Loan Repayments		
	Investment Asset Purchase	1,200
	Asset Purchase	492
	Working capital	1,200
	Development advance	200
	Construction - amortisation	300
	Construction - on disposals	297
	Sub-total	3,689
Total cash outflows		94,195
Net cash movement in the year		(1,188)
Closing position		392

Consolidated Balance Sheet

Qualis Group of Companies - Consolidated Balance Sheet	2022/2023
	£000's
Fixed Assets	
Plant, Vehicles and Equipment	134
Property	125,518
	125,652
Net Current Assets	
Cash	392
Debtors & creditors	3,040
	3,432
Loans	(132,686)
Net Asset/(Liabilities)	(3,602)
Capital and Reserves	
Profit and Loss Account	(3,602)
	(3,602)

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