



# QUALIS GROUP FOUR YEAR BUSINESS PLAN

1st October 2021 to  
30th September 2025



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# 1. Introduction

Qualis Group Limited (Qualis), which is wholly owned by Epping Forest District Council (EFDC), was established in 2019. It is the Council's property company that operates with flexibility and commercial focus to generate returns that support key services and regeneration.

Core activities include:

- Development
- Investment
- Property Asset Management
- Facilities Management (FM)

Qualis will contribute to the Council's objective to create more jobs, grow the local economy, improve housing and public amenities.

Through the planning process and public consultation we are able to identify key priorities for the local area and its residents.

We welcome stakeholder input to ensure that company activities provide maximum benefit to the community.

The company is currently working to deliver against agreed objectives as set out in the one year (2020-2021) Business Plan. The four year plan provides details on the next phase and sets out key targets and growth opportunities.

The financial plan in section 5 covers the approach, assumptions and key financial information for the Group and each subsidiary.

**Since the company became operational in September 2020, Qualis has;**

- Submitted planning applications for the five initial Epping sites including; St John's Road, Cottis Lane and Bakers Lane car parks, Conder and Hemnall Street.
- Completed public consultation for the Roundhills development in Waltham Abbey.
- Acquired two investment properties and agreed terms on a third investment.
- Provided financial benefits back to the Council.
- Set up Qualis Management and successfully transferred the housing repairs service from EFDC.
- Appointed the permanent leadership team and Group Board.

- Implemented robust corporate governance arrangements.
- Commenced the development of our Environmental Social Governance (ESG) and sustainability strategies.
- Established a Community Interest Company (CIC) and initiated stakeholder engagement.
- Identified a pipeline of development opportunities and services for transfer.
- Started the development of our corporate culture and introduced employee engagement initiatives.

**Over the next four years Qualis will aim to deliver:**

- The initial Epping Town Centre developments (subject to planning permission) providing approximately 270 new homes and a new car park that will allow the development of the Council's new leisure centre.
- Build 28 homes on the Roundhills site at Waltham Abbey.
- Explore how we will continue to invest in regeneration across the District, which includes a proposal for a further £35m loan facility from EFDC for site acquisitions.
- Undertake further work to identify potential development and regeneration opportunities across the EFDC property portfolio.
- Continue to build the investment portfolio.
- Continue to grow Qualis Management through the implementation of additional repairs and maintenance workstreams (as agreed in the original Business Plan).
- Consider the benefits of transferring the additional services from the Council including; asset management, grounds maintenance, FM and housing contract services.
- Advance projects within Qualis Community, focussing on employment, sustainability and other key areas.

# 2. Organisational Structure

**Qualis Group Ltd is a private company limited by shares, incorporated in England and Wales. The Group structure is shown below:**

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

**Qualis Living** – is the property investment company that will own, manage, buy and sell assets to maximise returns for the Group.

**Qualis Commercial** – is the development company that will build schemes on land purchased from the Council or land acquired on the open market.

*We are currently reviewing the organisational structure with a view to identifying operational and financial efficiencies.*

**Qualis Management** – is the facilities management company that provides a range of services to the Council and will in future years offer services to neighbouring councils and in the private sector.

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



## 3. Purpose

Qualis Group was established by EFDC in 2019 as the Council's property company. Its purpose is to ensure that the Council's objectives to create more jobs, grow the local economy, improve housing and public amenities are achieved.

With central government funding to councils being reduced, EFDC, like many other local authorities has embraced the trading company model that will deliver financial returns to the benefit of the Council and its residents.

### The primary objectives of the Group are unchanged from the 2020/2021 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.

## 4. Governance

A governance framework has been put in place to enable the Group to effectively organise its operational, financial, risk management and reporting processes. These underpin the Group's plans, assign clear responsibilities and accountabilities ensuring effective decision making and compliance with relevant regulations and legal obligations.

Qualis has entered into a Shareholder Agreement with the Council. The Agreement sets out obligations of the parties and 'Reserved Matters' that Qualis Group Board cannot approve without separate consent from the Council.

The Council has appointed Andrew Small as the Section 151 Officer and Shareholder's representative, responsible for general monitoring, compliance and administration.

One year and four year Business Plans are submitted to the Council for approval. Quarterly financial and operational performance reports are also provided.

The permanent Board was appointed in October 2020 and is responsible for governance and oversight of all company activities. It is made up of nine members including –

**Paul ffolkes Davis**  
Independent Non-Executive Director & Chair

**Councillor Richard Bassett**  
Non-Executive Director

**Peter Baynham**  
Independent Non-Executive Director

**Georgina Blakemore**  
Non-Executive Director

**Councillor Howard Kauffman**  
Non-Executive Director

**Farooq Mohammed**  
Independent Non-Executive Director

**Sacha Jevans**  
Group Managing Director, Executive Director

**Paul Hewitt**  
Group Operations Director, Executive Director

**Nick Dawe**  
Group Finance Director, Executive Director

An annual Board and Committee programme is in place with standing and ad hoc agenda items. Meetings for all companies are currently held on a monthly basis.

The Managing Director of each subsidiary will be appointed as a Board Director for their respective company.

### The following Committee structure was introduced in February 2021:

- Executive Committee
- Investment and Development Committee
- Audit and Risk Committee
- Remuneration, Nominations and Governance Committee

A Health, Safety and Sustainability Committee will be established during the next financial year.

## 5. Finance

### Expectation

The original expectation was that within five years of creating Qualis, the Group would be sustainable and returning profit from all its companies. The targets set were as follows:

- Qualis Group would make an annual return of 3% from supervision and other services provided to subsidiary companies.
- Qualis Living, from rental returns and associated services, would make an annual 6% net return on capital invested in buying property.
- Qualis Commercial developments would make an average 15% return on the capital employed to buy land, construct, and complete projects. A slightly lower return would be considered acceptable if a significant regeneration benefit was delivered.
- Qualis Management, from providing services to EFDC, other public bodies, private companies and individuals would make an annual 6% net return within five years of set-up.

EFDC as Shareholder would benefit from the success of Qualis as follows:

- Immediate benefit from the full interest margin from loans provided and a partial margin where cash loans are provided.
- Medium-term benefit from the provision of services where productivity improvements meet inflation costs and income generated from external sales allow discounts to be offered.
- Long-term benefit from dividends, although in the early years re-investment planned to allow Qualis to continue to grow.

### Approach

All figures and assumptions are agreed with the appropriate budget holder. In terms of the level of detail the following is expected:

- An annual detailed budget.
- The four year plan in outline detail.
- The thirty five year plan formulaic approach.

Developments undertaken by Qualis would be delivered quicker and more efficiently than would be the case if delivery of the project were by EFDC.

As a broad financial benchmark, the assumption is that services transferring from EFDC to Qualis will be delivered at the same or improved quality, more efficiently and raise up to 20% of income from non EFDC sources in the medium-term.

### Assumptions

The following assumptions sit behind the four year plan:

- Inflation, staff costs, increase by 2.5% per year.
- Inflation, non staff costs, increase by 2.5% per year.
- Inflation, construction costs, increase by 2.5% per year.
- Inflation, sale of property and rental uplift increase by 2.5% per year.
- Inter-company recharges are actioned at full costs plus a 3% surcharge, (pending confirmation of the correct approach to reflect HMRC compliance).
- Services provided from EFDC or supplied to EFDC attract a 3% surcharge, (pending confirmation of the correct approach to reflect HMRC compliance).
- Costs incurred in respect of developments are treated as income and expenditure until planning permission is granted, at which point the charges are treated as work in progress and transferred to the balance sheet.

- The underlying cost of money is expected at 2.5%, the cost of loans from EFDC is no greater than 4% and the cost of money from the market at 4%.
- Interest earned through investment activities at 1.5%.
- Loans are expected to continue to be available for local regeneration and redevelopment from EFDC.
- Loans from the market will be required for out of District investment.

# 5. Finance

## Broad Timing and Financial Assumptions

### Qualis Management

2021/22	Investment Asset Team Capital Works Electrical Testing Cyclical Decoration
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2022/23	Gas- Breakdown and Servicing Aids and Adapts Grounds Maintenance
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2023/24	Boiler Installation
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2024/25	External Income Generation
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### Qualis Living

2021/22	£5m externally funded asset purchases
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2022/23	£10m externally funded asset purchases <i>Possible investment asset transfer from EFDC, not in figures</i>
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2023/24	£20m externally funded asset purchases
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2024/25	£40m a year investment
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### Qualis Commercial

2021/22	Epping Sites and Roundhills already in train Pyrles Lane and two other development opportunities in figures
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2022/23	<i>Possible advance of some pipeline projects, not in figures</i>
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2023/24	<i>Possible advance of some pipeline projects, not in figures</i>
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2024/25	<i>Possible advance of some pipeline projects, not in figures</i>
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### Qualis Community

2021/22	Simple Business Plan showing scale of ambition
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2022/23	Simple Business Plan showing scale of ambition
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2023/24	Simple Business Plan showing scale of ambition
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2024/25	Simple Business Plan showing scale of ambition
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### Qualis Group

2021/22	Performance allowance 5% Statutory employer pension contribution plus 3% Two additional transactional employees
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2022/23	As above
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2023/24	As above
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2024/25	As above
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## 5. Finance

### Income and Expenditure Summary View

The following figures have been calculated from the details submitted by the relevant budget holder.

Note:

- The figures exclude smaller specialist services that provide support to EFDC's Place Strategy.
- The benefit of the transfer of EFDC investment assets is excluded.
- The figures exclude predicted interest earned due to the volatility and the relatively small scale of the benefit.

Qualis Total	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Total Income	13,856,889	53,037,987	142,002,340	32,565,499
Total Expenditure	13,549,327	48,689,496	130,661,526	27,179,690
Profit/-Loss before Tax	307,561	4,348,492	11,340,814	5,385,809
Return	2.3%	8.9%	8.7%	19.8%

The figures show growing profitability delivered by increases in the range of services provided, a larger property investment portfolio and the completion of developments and subsequent sales. Corporation tax liabilities are subject to review and are not shown in the figures.

Qualis Management	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Total Income	9,185,726	12,899,262	14,078,890	14,685,863
Total Expenditure	9,120,799	12,494,149	13,514,987	13,853,239
Profit/-Loss before Tax	64,927	405,114	563,903	832,623
Return	0.7%	3.2%	4.2%	6.0%

- Qualis Management shows an increasing return as efficiency and external sales (subject to Teckal limitations) are gained.
- The figures include further transfers from EFDC (subject to approval).
- Estimated costs for resources to support the delivery of services to third parties have been included in the figures.

### Qualis Living

	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Total Income	2,229,150	2,929,150	4,329,150	7,129,150
Total Expenditure	2,054,930	2,513,263	3,254,930	4,854,930
Profit/-Loss before Tax	174,220	415,887	1,074,220	2,274,220
Return	8.5%	16.5%	33.0%	46.8%

- Qualis Living provides necessary short-term cash flow to the group whilst it is building a robust portfolio of assets.
- Future expansion of the portfolio will be reliant on obtaining finance from the market due to a change in the Public Works Loan Board lending criteria.
- To ensure maximum early cash flow, the portfolio is intended to be supported by loans repaid on maturity.
- The returns projected are based on the Company being able to sell assets within the time frames shown. The exact timing of those sales is not completely certain therefore the projected returns between 8.5% to 46.8% should be seen as indicative.

### Qualis Commercial

	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Total Income	1	34,298,048	120,062,552	7,723,013
Total Expenditure	1	30,939,508	110,729,370	5,539,126
Profit/-Loss before Tax	-	3,358,540	9,333,182	2,183,887
Return	0%	10.9%	8.4%	39.4%

- The figures show the anticipated profits to be made on the initial developments, Pyrles Lane in Loughton and other commercially sensitive opportunities.
- All costs are taken as work in progress from the grant of planning permission until completion of the project.
- The figures assume the sale of all completed developments, although these assets may be held to lease for rental income in whole or in part.
- Work has been undertaken to establish a pipeline of future projects, which are not shown in the figures, but could be brought forward.
- The returns from developments range from 0% to 39.4%. Returns in respect of any development are subject to uncertainties and risks (as noted in Section 10). In particular, returns are dependent upon timing, which may be subject to delay, such as the granting of planning permission.

## 5. Finance

Qualis Group	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Total Income	2,392,012	2,411,527	2,431,747	2,452,474
Total Expenditure	2,323,598	2,342,576	2,362,239	2,382,395
Profit/-Loss before Tax	68,414	68,951	69,508	70,079
Return	2.9%	2.9%	2.9%	2.9%

Includes costs associated with the Qualis Group Board, transactional and administrative support and some operational costs, such as IT and HR functions.

Qualis Community	2021/22 £	2022/23 £	2023/24 £	2024/25 £
Total Income	50,000	500,000	1,100,000	575,000
Total Expenditure	50,000	400,000	800,000	550,000
Profit/-Loss before Tax	-	100,000	300,000	25,000
Return	0.0%	25.0%	37.5%	4.5%

An initial budget has been produced reflecting the potential to raise income currently not available to EFDC, or use income collected by EFDC for specific purposes, i.e. Section 106 contributions for environmental improvements.

Expenditure is related to specific projects.

### Balance Sheet

The balance sheet shows a growing net worth of the company despite it being initially set up on a highly leveraged basis. i.e., by loans.

By the 30th September 2025 the net worth of the company is expected to be £27m. This is achieved by a combination of growing operational income, the repayment of loans, and profit made from the sale of completed developments.

Assets purchased from the market are supported by a maturity loan rather than a repayment loan. This will require a sophisticated approach to portfolio management to maintain income and hold assets as maturity loans are repaid.

The Group continues to rely on loans from EFDC to support development activities. The option to repay some loans at the end of the four year period or to use cash receipts from sales to fund subsequent projects requires further discussion and analysis.

The summary balance sheet for Qualis Group is shown below

	2021/22	2022/23	2023/24	2024/25
Fixed Assets	35,000,000	45,000,000	65,000,000	105,000,000
Work in Progress	64,575,491	75,957,758	5,298,953	3,442,508
Debtors	70,000	77,000	84,700	93,170
Cash	24,565,406	47,198,298	126,031,253	132,106,841
Trade Creditors	-70,000	-77,000	-84,700	-93,170
Loan Balances	-123,833,333	-163,500,000	-180,333,333	-219,166,667
Net Assets and Liabilities	307,564	4,656,056	15,996,873	21,382,682
Share Capital	3	3	3	3
Profit and Loss	307,561	4,656,053	15,996,870	21,382,679
	307,564	4,656,056	15,996,873	21,382,682



## 5. Finance

### Cash Flow

Cash flow projections take into account income and expenditure performance, development, new loan facilities, and the repayment of existing loans, as well as interest receipts.

The success of the Group remains dependent on loans.

To allow continued investment out of District, loans from the market will be required.

To fund construction a further loan from EFDC of £65m is required as previously agreed. This figure is close to the original estimate. The loan is likely to be called down during 2021/22. EFDC will benefit from the loan margin by approximately £1m a year.

From 2023/2024, significant cash balances are forecast that would allow investment in future projects or early repayment of loans.

					2021/22	2022/23	2023/24	2024/25
Cash Brought Forward					2,000,000	24,565,406	47,198,298	44,831,253
Operational Activities	Management	Income			9,185,726	12,899,262	14,078,890	14,685,863
		Expenditure			- 9,120,799	- 12,494,149	- 13,514,987	- 13,853,239
	Living	Income			2,229,150	2,929,150	4,329,150	7,129,150
		Expenditure			- 2,054,930	- 2,513,263	- 3,254,930	- 4,854,930
		Asset Purchase			5,000,000	- 10,000,000	- 20,000,000	- 40,000,000
	Commercial	Sales			4,932,422	49,744,629	87,459,059	7,723,013
		Development Cost			- 58,870,946	- 53,465,868	- 9,329,599	7,723,013
	Group	Income			2,392,012	2,411,527	2,431,747	- 8,905,538
		Expenditure			- 2,323,598	- 2,342,576	- 2,362,239	- 2,382,395
	Community	Income			50,000	500,000	1,100,000	575,000
		Expenditure			- 50,000	- 400,000	- 800,000	- 550,000
New Loans	Investment Asset 2	10		Market	Maturity	5,000,000		
	Investment Asset 3	10		Market	Maturity	10,000,000	10,000,000	
	Investment Asset 4	10		Market	Maturity	20,000,000		20,000,000
	Investment Asset 5	10		Market	Maturity	40,000,000		40,000,000
	Construction Loan 2	30	2021/22	EFDC	Repay	65,000,000	35,000,000	30,000,000
	Construction Loan 3	30	2022/23	EFDC	Repay	35,000,000	35,000,000	
	Construction Loan 4	30	2023/24	EFDC/Market	Repay	-		
	Construction Loan 5	30	2024/25	EFDC/Market	Repay	-		
Repay Loans	Investment Asset 1	10	2019/20	EFDC	Maturity	30,000,000	-	-
	Investment Asset 2	10	2021/22	Market	Maturity	20,000,000	-	-
	Investment Asset 3	10	2022/23	Market	Maturity	20,000,000	-	-
	Investment Asset 4	10	2023/24	Market	Maturity	20,000,000	-	-
	Investment Asset 5	10	2024/25	Market	Maturity	20,000,000	-	-
	Working Capital	6	2019/20	EFDC	Repay	6,000,000	- 1,200,000	- 1,200,000
	Asset Purchase Loan	30	2020/21	EFDC	Repay	18,000,000	- 600,000	- 600,000
	Construction Loan 1	30	2020/21	EFDC	Repay	6,000,000	- 200,000	- 200,000
	Construction Loan 2	30	2021/22	EFDC	Repay	65,000,000	- 2,166,667	- 2,166,667
	Construction Loan 3	30	2022/23	EFDC	Repay	35,000,000	- 1,166,667	- 1,166,667
	Construction Loan 4	30	2023/24	EFDC	Repay	-	-	-
	Construction Loan 5	30	2024/25	EFDC	Repay	-	-	- 80,000,000
Sub Total						24,202,371	46,500,786	44,168,722
Interest Earned	Accounts / Investments	1.50%				363,036	697,512	662,531
Cash Balance						24,565,406	47,198,298	44,831,253
EFDC Provided Loan Balances								
Taken						125,000,000	35,000,000	
Repaid / Reapplied						- 4,166,667	- 5,333,333	- 83,166,667
Balance						120,833,333	150,500,000	67,333,333

## 5. Finance

The tables below show the options available in relation to loans taken from EFDC.

The first option shows running out the loans as agreed.

### Option 1

EFDC Provided Loan Balances	2021/22	2022/23	2023/24	2024/25
Taken	125,000,000	35,000,000		
Repaid / Reapplied	-4,166,667	-5,333,333	-3,166,667	-3,166,667
Balance	120,833,333	150,500,000	147,333,333	144,166,667

The second option shows the impact of using cash to repay loans rather than reapply it to future projects.

### Option 2

EFDC Provided Loan Balances	2021/22	2022/23	2023/24	2024/25
Taken	125,000,000	35,000,000		
Repaid / Reapplied	-4,166,667	-5,333,333	-83,166,667	-3,166,667
Balance	120,833,333	150,500,000	67,333,333	64,166,667

### Property Investment Portfolio

The assumptions around the asset investment portfolio are set out below. It should be noted the figures shown relate to the additional asset investment made by Qualis only.

It is planned that a high performing portfolio returning 6% to 7% will continue to grow over the next four years.

The initial funding for the portfolio was provided by EFDC, sourced from funds made available by the Public Works Loans Board. Following recent changes, investment for yield no longer meets lending criteria.

Growth of the asset portfolio is highly dependent on loan finance from the market.

The net performance of the proposed portfolio is acceptable and capital growth is probable.

## 5. Finance

### Living summary

Financial Year			LEATHERHEAD	MALDON	COVENTRY	ASSET 4	ASSET 5, 6	ASSET 7-10	ASSET 11-18	TOTAL
		Inclusive Purchase Value	13,807,635	5,565,604	9,500,000	5,000,000	10,000,000	20,000,000	40,000,000	103,873,239
		Gross Return	6.50%	6.54%	6.50%	7.00%	7.00%	7.00%	7.00%	-
2021/22		Rent	897,650	364,000	617,500	350,000				2,229,150
Year 3		Other Income			-	-				-
		Total Income	897,650	364,000	617,500	350,000				2,229,150
	100,000	Living Overhead	4	25,000	25,000	25,000	25,000			100,000
	600,000	Group Overhead	4	150,000	150,000	150,000	150,000			600,000
		Financing Costs		552,305	222,624	380,000	200,000			1,354,930
		Total Costs		727,305	397,624	555,000	375,000			2,054,930
		Net Position		170,345	- 33,624	62,500	- 25,000			174,220
				1.23%	-0.60%	0.66%	-0.50%			0.17%
2022/23		Rent	897,650	364,000	617,500	350,000	700,000			2,929,150
Year 4		Other Income			-	-				-
Total		Income	897,650	364,000	617,500	350,000	700,000			2,929,150
	100,000	Living Overhead	6	16,667	16,667	25,000	33,333			108,333
	600,000	Group Overhead	6	100,000	100,000	100,000	150,000	200,000		650,000
		Financing Costs		552,305	222,624	380,000	200,000	400,000		1,754,930
		Total Costs		668,972	339,291	496,667	375,000	633,333		2,513,263
		Net Position		228,678	24,709	120,833	- 25,000	66,667		415,887
				1.66%	0.44%	1.27%	-0.50%	0.67%		0.95%
2023/24		Rent	897,650	364,000	617,500	350,000	700,000	1,400,000		4,329,150
Year 5		Other Income			-	-	-	-		-
		Total Income	897,650	364,000	617,500	350,000	700,000	1,400,000		4,329,150
	100,000	Living Overhead	10	10,000	10,000	10,000	20,000	40,000		100,000
	600,000	Group Overhead	10	60,000	60,000	60,000	60,000	120,000	240,000	600,000
		Financing Costs		552,305	222,624	380,000	200,000	400,000	800,000	2,554,930
		Total Costs		622,305	292,624	450,000	270,000	540,000	1,080,000	3,254,930
		Net Position		275,345	71,376	167,500	80,000	160,000	320,000	1,074,220
				1.99%	1.28%	1.76%	1.60%	1.60%	1.60%	1.03%
2024/25		Rent	897,650	364,000	617,500	350,000	700,000	1,400,000	2,800,000	7,129,150
Year 6		Other Income			-	-	-	-	-	-
		Total Income	897,650	364,000	617,500	350,000	700,000	1,400,000	2,800,000	7,129,150
	100,000	Living Overhead	18	5,556	5,556	5,556	11,111	22,222	44,444	100,000
	600,000	Group Overhead	18	33,333	33,333	33,333	66,667	133,333	266,667	600,000
		Financing Costs		552,305	222,624	380,000	200,000	400,000	800,000	4,154,930
		Total Costs		591,194	261,513	418,889	238,889	477,778	955,556	4,854,930
		Net Position		306,456	102,487	198,611	111,111	222,222	444,444	2,274,220
				2.22%	1.84%	2.09%	2.22%	2.22%	2.22%	2.19%
Performance				1.00%+	1.00%+	1.00%+	1.00%+	1.00%+	1.00%+	1.00%+
Loan Principle				Maturity	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity
Net Cash In 2024/25										

## 5. Finance

### Development Sites

A financial summary for each of the initial developments is set out below.

The figures assume 25% affordable housing provision which is based on standard financial viability assessments, considerate to Shareholder profit expectations and other public good and benefits provided by the projects.

A pipeline of projects has been identified but is not included in the figures.

### Initial sites

Financial Year		BAKERS	COTTIS 1	CONDER	ST JOHNS	HEMNALL	ROUNDHILLS
Cumulative till 30/09/21	Sale Income						
Year 1 and 2	Other Income						
	Total Income	-	-	-	-	-	-
	Land		1,700,000	2,050,000	7,840,000	2,030,000	1,300,000
	Building Costs		920,662	844,365	1,435,125	470,067	330,170
	Fees	588,788	226,999	142,499	489,899	119,799	5,000
	Interest Costs		59,789	37,377	127,599	34,475	21,649
	Qualis Development Overhead						
	Qualis Group Overheads	678,712	750,712	750,712	750,712	750,712	221,502
	Total Costs	1,267,500	3,658,162	3,824,953	10,643,335	3,405,053	1,878,321
	Less Value Engineering	-	-	-	-	-	-
		-1,267,500	-3,658,162	-3,824,953	-10,643,335	-3,405,053	-1,878,321
2021/22	Sale Income			1,591,641	-		1,658,218
Year 3	Other Income						
	Total Income	-	-	1,591,641	-	-	1,658,218
	Land						
	Building Costs		8,274,455	7,934,478	19,451,825		6,910,462
	Fees		25,000				
	Interest Costs		314,284	199,497	549,552	107,772	148,251
	Qualis Development Overhead						
	Qualis Group Overheads		229,741	229,741	229,741	229,741	229,741
	Total Costs	-	8,843,480	8,363,716	20,231,118	337,513	7,288,454
	Less Value Engineering		221,087	209,093	505,778	8,438	182,211
		-	-8,622,393	-6,562,982	-19,725,340	-329,075	-5,448,025

## 5. Finance

Financial Year		BAKERS	COTTIS 1	CONDER	ST JOHNS	HEMNALL	ROUNDHILLS
<b>2022/23</b>	Sale Income		13,357,490	17,856,408	-		7,914,393
Year 4	Other Income						
	Total Income	-	13,357,490	17,856,408	-	-	7,914,393
	Land						
	Building Costs		1,084,170	5,230,498	23,332,155		635,315
	Fees						
	Interest Costs			291,425	537,247	112,147	80,478
	Qualis Development Overhead						
	Qualis Group Overheads		20,379	224,172	244,551	244,551	244,551
	Total Costs	-	1,104,549	5,746,095	24,113,953	356,698	960,344
	Less Value Engineering		27,614	143,652	602,849	8,917	24,009
		-	12,280,555	12,253,965	-23,511,104	-347,781	6,978,058
<b>2023/24</b>	Sale Income				54,558,473	202,078	900,000
Year 5	Other Income						
	Total Income	-	-	-	54,558,473	202,078	900,000
	Land						
	Building Costs				630,402	1,085,225	23,580
	Fees					24,999	
	Interest Costs				3,765	125,722	
	Qualis Development Overhead						
	Qualis Group Overheads				61,929	247,717	41,286
	Total Costs	-	-	-	696,096	1,483,663	64,866
	Less Value Engineering		-	-	17,402	37,092	1,622
		-	-	-	53,879,779	-1,244,493	836,756
<b>2024/25</b>	Sale Income					1,636,835	
Year 6	Other Income						
	Total Income	-	-	-		1,636,835	-
	Land						
	Building Costs					8,244,563	
	Fees						
	Interest Costs					266,072	
	Qualis Development Overhead						
	Qualis Group Overheads					250,963	
	Total Costs	-	-	-	-	8,761,598	-
	Less Value Engineering		-	-	-	219,040	-
		-	-	-	-	-6,905,723	-

## 5. Finance

Financial Year		BAKERS	COTTIS 1	CONDER	ST JOHNS	HEMNALL	ROUNDHILLS
<b>Total</b>	Sale Income	-	14,849,999	19,448,049	59,406,354	15,700,331	10,472,611
Including years	Other Income	-	-	-	-	-	-
after 2024/25	Total Income	1,267,500	14,849,999	19,448,049	59,406,354	15,700,331	10,472,611
	Land	-	1,700,000	2,050,000	7,840,000	2,030,000	1,300,000
	Building Costs	-	10,279,287	14,009,341	44,849,507	10,978,566	7,899,527
	Fees	588,788	251,999	142,499	489,899	144,798	5,000
	Interest Costs	-	374,073	528,299	1,218,163	765,865	250,378
	Qualis Development Overhead	-	-	-	-	-	-
	Qualis Group Overheads	678,712	1,000,832	1,204,625	1,286,933	1,850,302	737,080
	Total Costs	1,267,500	13,606,191	17,934,764	55,684,502	15,769,531	10,191,985
	Less Value Engineering	-	248,701	352,745	1,126,029	309,112	207,842
		-	1,492,509	1,866,031	4,847,881	239,912	488,468
	Real Return Inclusive of Funding Costs and Overheads at 25% Affordable	0.00%	10.97%	10.40%	8.71%	1.52%	4.79%
	Sale Value Based on Lease Value		14,849,999		59,406,354		
	Sale Value at Cost		12,231,286		53,179,406		
	Implied Return		21.41%		11.71%		
	Income and Expenditure Charge Across						
2021/22	Income	-					
	Expenditure Net						
2022/23	Income		14,849,999	19,448,049			
	Expenditure Net		13,357,490	17,582,018			
2023/24	Income				59,406,354		10,472,611
	Expenditure Net				54,558,473		9,984,143
2024/25	Income	-	-	-	-	1,636,835	-
	Expenditure Net	-	-	-	-	8,542,558	-

## 5. Finance

### Following Opportunities

Financial Year		PYRLES LANE	COTTIS PHASE 2	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	TOTAL	TOTAL CUMULATIVE
<b>Cumulative till 30/09/21</b>	Sale Income					-	-
Year 1 and 2	Other Income					-	-
	Total Income	-	-	-	-	-	-
	Land	1,600,000	1,700,000			18,220,000	18,220,000
	Building Costs	368,380		60,000		4,428,769	4,428,769
	Fees	800,499		30,000		2,403,483	2,403,483
	Interest Costs	20,558				301,447	301,447
	Qualis Development Overhead					-	-
	Qualis Group Overheads	221,502			221,502	4,346,065	4,346,065
	Total Costs	3,010,939	1,700,000	-	311,502	29,699,764	29,699,764
	Less Value Engineering	-	-	-	-	-	-
		-3,010,939	-1,700,000	-	-311,502	-29,699,764	-29,699,764
<b>2021/22</b>	Sale Income	941,163			433,400	4,624,422	4,624,422
Year 3	Other Income			308,000		308,000	308,000
	Total Income	941,163	-	308,000	433,400	4,932,422	4,932,422
	Land			8,297,240		8,297,240	26,517,240
	Building Costs	3,669,466			198,723	46,439,409	50,868,178
	Fees			434,360		459,360	2,862,843
	Interest Costs	132,142		318,249	67,262	1,837,009	2,138,456
	Qualis Development Overhead					-	-
	Qualis Group Overheads	229,741		229,741	229,741	1,837,928	6,183,993
	Total Costs	4,031,349	-	9,279,590	495,726	58,870,946	88,570,710
	Less Value Engineering	100,784	-	231,990	12,393	1,471,774	1,471,774
		-2,989,402	-	-8,739,600	-49,933	-52,466,750	-83,638,288

## 5. Finance

Financial Year		PYRLES LANE	COTTIS PHASE 2	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	TOTAL	TOTAL CUMULATIVE
<b>2022/23</b>	Sale Income	7,896,313			2,720,025	49,744,629	54,369,051
Year 4	Other Income					-	308,000
	Total Income	7,896,313	-	-	2,720,025	49,744,629	54,677,051
	Land					-	26,517,240
	Building Costs	5,979,592	2,673,160	6,409,290	4,311,740	49,655,920	100,524,098
	Fees					-	2,862,843
	Interest Costs	262,247	27,087	450,817	112,471	1,873,919	4,012,375
	Qualis Development Overhead					-	-
	Qualis Group Overheads	244,551	224,172	244,551	244,551	1,936,029	8,120,022
	Total Costs	6,486,390	2,924,419	7,104,658	4,668,762	53,465,868	142,036,578
	Less Value Engineering	162,160	73,110	177,616	116,719	1,336,647	2,808,420
		1,572,083	-2,851,309	-6,927,042	-1,832,018	-2,384,592	-87,359,527
<b>2023/24</b>	Sale Income	6,574,992	5,410,474	15,553,567	4,259,475	87,459,059	141,828,109
Year 5	Other Income					-	308,000
	Total Income	6,574,992	5,410,474	15,553,567	4,259,475	87,459,059	142,136,109
	Land					-	26,517,240
	Building Costs	172,246	2,436,382	3,007,787	78,885	7,434,507	107,958,605
	Fees					24,999	2,887,842
	Interest Costs	49,367	71,999	510,079	15,077	776,009	4,788,384
	Qualis Development Overhead					-	-
	Qualis Group Overheads	247,717	144,502	247,717	103,216	1,094,084	9,214,106
	Total Costs	469,330	2,652,883	3,765,583	197,178	9,329,599	151,366,177
	Less Value Engineering	11,733	66,322	94,140	4,929	233,240	3,041,660
		6,117,395	2,823,913	11,882,124	4,067,226	78,362,699	-9,230,068



## 5. Finance

Financial Year		PYRLES LANE	COTTIS PHASE 2	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	TOTAL	TOTAL CUMULATIVE
<b>2024/25</b>	Sale Income			6,086,178		7,723,013	149,551,122
Year 6	Other Income					-	308,000
	Total Income	-	-	6,086,178	-	7,723,013	149,859,122
	Land					-	26,517,240
	Building Costs			76,074		8,320,637	116,279,242
	Fees					-	2,887,842
	Interest Costs			5,125		271,197	5,059,581
	Qualis Development Overhead					-	-
	Qualis Group Overheads			62,741		313,704	9,527,810
	Total Costs	-	-	143,940	-	8,905,538	160,271,715
	Less Value Engineering	-	-	3,599	-	222,638	3,264,299
		-	-	5,945,837	-	-959,887	-10,412,593
<b>Total</b>	Sale Income	15,412,468	5,410,474	21,639,745	7,412,900	169,752,931	
Including years after 2024/25	Other Income	-	-	308,000	-	308,000	
	Total Income	15,412,468	5,410,474	21,947,745	7,412,900	170,060,931	
	Land	1,600,000	1,700,000	8,297,240	-	26,517,240	
	Building Costs	10,189,684	5,109,542	9,493,151	4,649,348	117,457,953	
	Fees	800,499	-	434,360	30,000	2,887,842	
	Interest Costs	464,314	99,086	1,284,270	194,810	5,179,258	
	Qualis Development Overhead	-	-	-	-	-	
	Qualis Group Overheads	943,511	368,674	784,750	799,010	9,654,428	
	Total Costs	13,998,008	7,277,302	20,293,771	5,673,168	161,696,721	
	Less Value Engineering	274,677	139,433	507,344	134,042	3,299,924	
		1,689,137	-1,727,395	2,161,318	1,873,774	11,664,134	

## 5. Finance

Financial Year		PYRLES LANE	COTTIS PHASE 2	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	LOCAL OPPORTUNITY COMMERCIALY SENSITIVE	TOTAL	TOTAL CUMULATIVE
Note:							
Real Return Inclusive of Funding Costs and Overheads at 25% Affordable		12.07%	-23.74%	10.65%	33.03%	7.21%	
Sale Value Based on Lease Value							
Sale Value at Cost							
Implied Return							
Income and Expenditure Charge Across							
2021/22	Income						-
	Expenditure Net						-
2022/23	Income					34,298,048	
	Expenditure Net					30,939,508	
2023/24	Income	15,412,468	5,410,474	21,947,745	7,412,900	120,062,552	
	Expenditure Net	13,723,331	7,137,869	19,786,427	5,539,126	110,729,370	
2024/25	Income	-	-	6,086,178	-	7,723,013	
	Expenditure Net	-	-	140,342	-	3,143,773	

## 5. Finance

### Financial Benefit to Shareholder

The following table gives a summary of the financial benefits that are currently forecast to fall to EFDC.

		Loan Value	Margin	Duration Years	Already Assumed	2021/22	2022/23	2023/24	2024/25
Loans	Working Capital	6,000,000	1.50%	5	90,000	90,000	90,000	90,000	90,000
	Asset Purchase Market	30,000,000	1.50%	10	450,000	450,000	450,000	450,000	450,000
	Asset Purchase EDFC	18,000,000	4.00%	30	720,000	720,000	720,000	720,000	720,000
	Construction Loan Original Pt 1	35,000,000	1.50%	30	-	525,000	525,000	525,000	525,000
	Construction Loan Original Pt 2	30,000,000	1.50%	30	-	-	450,000	450,000	450,000
	Asset Construction Loan New	35,000,000	1.50%	30	-	525,000	525,000	525,000	525,000
Discount									900,000
Dividend						Reinvest	Reinvest	Reinvest	Reinvest
Direct Benefit to EFDC					1,260,000	2,310,000	2,760,000	2,760,000	3,660,000
Indirect Benefits EFDC Overhead Reductions				600,000	600,000	600,000	600,000	600,000	
Total Benefit				1,860,000	2,910,000	3,360,000	3,360,000	4,260,000	

## 5. Finance

### Risk and Sensitivities

The financial plan has been put together using a standard planning approach with low medium and high growth options. The Four Year Business Plan (2021-2025) is based on the medium growth option.

	Low Growth	This Plan	High Growth
Overall profit in 2021/22	£295,218	£307,561	£319,863
Overall profit in 2024/25	£10,487,935	£10,924,935	£11,361,932
Range	94%		104%

The following specific risks and sensitivities have been considered and are summarised with outline risk management actions below:

Issue	Probability 1-20	Impact 1-20	Summary Management Action
General pay inflation over Treasury norm of 2.5%	5	5	Pay and incentive arrangement pegged to financial performance of Qualis.
General non-pay inflation over Treasury norm of 2.5%	5	5	Contracts and procurement approaches control prices of goods supplied.
Development construction costs	7	10	Economic uncertainty in short-term assumed and therefore procurement designed to fix development cost at commencement of project.
Development sale price	7	10	Baseline set prudently however if costs increase then probability of market rate for sales increasing is high, i.e., this risk offsets impact of cost risk.
External funding asset investment	7	5	Initially low amounts of private sector funding assumed, £5m in 2021/22, negligible impact initially. Risk addressed through agreed approach to lenders and feedback already received.
EFDC does not provide additional £35m loan for further projects	5	5	Financial benefit to EFDC is high. Qualis can offer repayment of this loan in full over five years.

## 6. Qualis Living

Qualis Living has developed a strategy to build a diverse property investment portfolio across a mix of locations and asset classes with minimal occupational risk and no immediate capital expenditure requirement. The company has targeted assets with immediate and long-term income, with strong tenant covenants and attractive yields that provide a surplus after the cost of finance.

All investment proposals are assessed by the Investment and Development Committee before being recommended to the Group Board.

The 2020-2021 Business Plan made reference to an objective to build a £90m portfolio. Following changes to Public Works Loan Board lending criteria, which now prohibits investment for yield, the primary source of finance to grow the portfolio is unavailable. The company will now seek to raise debt from the market.

**Detail on the two properties purchased in 2020 is provided on the following pages.**

## 6. Qualis Living



**Birchwood Building, Leatherhead**

The Birchwood Building is a recently refurbished multi-let office building of 34,939 sq ft (3,246 sq m) together with 154 car parking spaces. It is located within The Leatherhead Park situated on Springfield Drive adjacent to the international headquarters of Unilever and the national headquarters of CGI.

The building provides modern, high specification, trendy office space. The property is let to Zoetis UK and Hyundai Motor UK on full repairing and insuring (FRI) leases producing a total income of £916,389.75 per annum.



Hyundai UK is a wholly owned subsidiary of Hyundai Motor Company, with its principal activities include the importation and sale of cars and parts to consumers. Hyundai is a Korean company that sells cars to customers in more than 190 countries and employs over 75,000 staff. Hyundai is the fastest growing car manufacturer in the world due to its focus on technologically advanced, high quality vehicles.



Zoetis UK undertakes the development, manufacture, marketing and sales of animal health medicines and vaccines, with a focus on livestock and companion animals. Its parent company Zoetis Inc is listed on the New York Stock Exchange and is the global leader in the sector with over 300 product lines and a presence in 120+ countries.



**Wicket's, Maldon**

The property is a purpose built stand-alone retail warehouse of 28,199 sq ft (2,620 sq m). The site extends to 3.13 acres with the store occupying 0.7 acres. In addition, there are 149 car parking spaces to the front of the building.

The building is located in Maldon, East Essex and is let to Wicket's Building Supplies Limited and provides a total income of £457,000 per annum.



Wicket's was established in 1972 and has grown into one of the UK's leading DIY retailers. In April 2021 the company demerged from Travis Perkins Plc and was listed on the London Stock Market in its own right. It has a market capitalisation of circa £630m, and in a sector that is performing well.

## 6. Qualis Living

Detail on the property to be purchased provided below, target completion July 2021.



### Greenfields House, Coventry

Greenfields House is located on the Westwood Business Park, which sits adjacent to Warwick University Campus. 50 companies are based on the park including, EON, Tui, Barclays, RBS and the Institute of Housing.

The property is a two storey office building of 30,000 sq ft split into two wings with external car parking for 106 cars. It has low site coverage of 14%.

The building is the head office of the Camping and Caravan Club Ltd.

The tenure is long leasehold from Coventry City Council for 125 years from 2003. Coventry City Council has confirmed that it will be prepared to extend the long leasehold subject to negotiation.

The current rent is £694,503 per annum and is let to the Camping and Caravan Club on a FRI lease until 25 March 2031.

### Proposed Investment Assets Transfer

EFDC owns and manages a property investment portfolio that provides approximately £9.43m of net rental income per annum and has a capital value of £148m (based on a March 2021 draft valuation). The portfolio is made up of mostly retail and industrial property.

The Shareholder has indicated that they wish for Qualis, as the Council's property company, to consider the transfer of the investment assets to consolidate the portfolio and drive performance to maximise returns for the Council.

It is proposed that Qualis will purchase the investment assets on a part loan and part equity arrangement. EFDC would receive an income guarantee from Qualis, and benefit from a full loan margin. It is also proposed that the Council receive a share of the upside achieved through proactive asset management.

Qualis will gain access to sites that have development potential, creating a strong pipeline for regeneration across the District, with each project expected to provide significant financial returns.

The indicative timetable which is subject to agreement, is provided below. This includes the transfer of personnel, assets and the joint appointment of professionals to undertake comprehensive financial, technical and legal due diligence.

Item	Timing
Secondment of asset team	October 2021
Financial	October to December 2021
Property valuation and technical	October 2021 to January 2022
Legal	October 2021 to February 2022
Transfer of assets and personnel	April to October 2022

## 6. Qualis Living

The key priorities for Qualis Living over the four year period are as follows -

- Secure new debt facilities from the market to grow the investment portfolio.
- Take interim management responsibility for the EFDC investment assets.
- Complete the due diligence exercise in connection with the proposed transfer of investment assets from EFDC.
- Complete the transfer of investment assets from EFDC.
- Establish a fit for purpose internal property asset management function to manage the property portfolio and reduce outsourcing.

## 7. Qualis Commercial

Qualis Commercial has several key development schemes in Epping that featured in the 2020-2021 Business Plan. The schemes are at different stages of development and approval. The planning applications for Cottis Lane and Bakers Lane were submitted in December 2020, and the applications for the three residential schemes at St John's, Conder and Hemnall Street were submitted in March 2021. A summary of each scheme is provided below:

**Cottis Lane** - 330 multi-storey car park with ancillary retail and office accommodation.



**Bakers Lane** - Leisure Centre



*Images above are for illustrative purposes only*

# 7. Qualis Commercial

## St John's Road

£ Value: £58m 🏠 Residential homes: 184



## Conder Building

£ Value: £17m 🏠 Residential homes: 45



Images above and opposite are for illustrative purposes only

## Hemnal Street

£ Value: £15m 🏠 Residential homes: 41



For the purposes of the four year Business Plan, it was assumed a Planning Committee meeting would take place in July 2021, with a completed Section 106 Agreement and the issue of planning permission in September 2021.

Each scheme requires enabling works as preparation for a full start on site, these were envisaged to commence from September 2021.

<b>Cottis Lane</b> Phase 1 (car park only)	Start November 2021	Completion September 2022
<b>Bakers Lane</b> To follow Cottis Lane <i>Note: The project is now being delivered by Places Leisure working in partnership with EFDC</i>	Start October 2022	Completion May 2024
<b>St John's Road</b> To be delivered in phases	Start January 2022	Completion June 2023
<b>Conder Building</b> Independent from other sites	Start January 2022	Completion March 2023
<b>Hemnal Street</b> To follow Bakers Lane	Start June 2024	Completion July 2025



## 7. Qualis Commercial

In addition to the Epping Town Centre sites we have also included the following in the Business Plan. The Roundhills scheme in Waltham Abbey will provide 28 new homes. Public consultation concluded in June 2021, and the planning application will be submitted in July 2021. Subject to consent being granted, the development could be completed before the end of 2022.

### Roundhills



The development proposal for the Pyrles Lane site in Loughton was presented to Overview and Scrutiny Committee in June 2021. The indicative scheme will provide 33 new homes. This is subject to agreeing terms with EFDC but we aim to complete negotiation by September 2021, with a view to submit the planning application in November 2021. If successful, completion of the development is programmed for August 2023.

Beyond the initial developments in Epping, Waltham Abbey and Loughton, the business intends to establish a significant pipeline.

A high-level review of additional opportunities across the District has been completed. This review indicates significant scope for growth. We are proposing to invest a further £35m to progress other regeneration opportunities within the District.

### The key priorities for Qualis Commercial over the four year period are as follows

- Secure planning permission for the five Town Centre Sites
- Complete development of these five initial sites
- Establish a sales brand to manage this process and the customer experience
- Secure planning permission for Roundhills and Pyrles Lane
- Increase the pipeline at a minimum rate of 120%

## 8. Qualis Management

Qualis Management was established to provide FM services. Its initial focus is on the Council's housing repairs and maintenance service which transferred in September 2020.

The company operates commercially and delivers quality services at competitive rates. It uses the latest technology and smart sourcing solutions, to drive efficiency and increase productivity.

Over the next four years (subject to agreement), the company will transfer additional services from EFDC ensuring continuity and mitigation of risk. Relationships with specialist contractors and subcontractors will continue until such a time when Qualis is able to self-deliver.

Qualis Management will also provide services to Group companies and extend the service offer to neighbouring local authorities and the private sector to increase income and profitability.

To generate income from sources other than EFDC, the company will require additional internal skills and expertise in business development, bid writing and marketing, which has been included in the budget forecast. Opportunities identified include:

### Direct Customer Services

There are currently 1085 leaseholders within EFDC housing portfolio. Providing volume based repairs activities that operationally fit alongside current services. Ideas could include:

- Undertaking general repairs in leaseholders homes, which avoids any Leaseholder Section 20 considerations.
- Providing a 24 hour emergency home care service to leaseholders for a fixed monthly fee.

The offer would need to be developed in year three, to launch in year four.

### Commercial Arrangement

To generate sizable revenue, the company will need to consider bidding for contracts on a competitive basis.

A full analysis of the potential target clients and market is planned in 2023. It is proposed that we initially target smaller providers who are less likely to fall into complex procurement arrangements. Further consideration is needed from a risk and reward perspective.

Additional expenditure in the way of resources to service larger contracts would be required.

### Productivity

Driving productivity through effective management is a priority. It is anticipated by year four, Qualis Management will be able to provide a 2% efficiency saving against the initial business case. Annual value for money reviews will be undertaken to track progress against this target.

### Planned / Capital Works

The Business Plan assumes £2m per annum from planned / capital works from year one onwards. EFDC are in the process of undertaking a major stock condition survey, which may change the assumptions made in the original financial model. The plan will be revisited in year two once the new EFDC five year plan is developed and available.

## 8. Qualis Management

### Residential Asset Management and Facilities

There are opportunities to explore a more holistic approach to management of the housing assets. In addition to repairs and void management, the company could provide a comprehensive service to include; compliance and building safety, full capital works and mechanical and electrical delivery.

Linked to the commercial assets and maintenance aspect there is also an opportunity to explore a full FM package for all office spaces.

A full business case would need to be developed in conjunction with EFDC over the course of this Business Plan.

### Grounds Maintenance

The integration of this service into Qualis Management makes sense from a commercial and customer perspective. The Council are currently reviewing the service to understand whether this would be better delivered through Qualis. The service currently generates £1.6m of income and £1.5m of expenditure. The primary areas where Qualis Management could add value include -

- Technology
- Customer service and engagement
- Productivity
- Contractual arrangements
- Service integration

The proposed timetable (subject to agreement) for the transfer of additional services from EFDC and external income generation is provided below:

QM 4 Year Business Plan	2021/22	2022/23	2023/24	2024/25
Capital Works	■			
Electrical Testing	■			
Cyclical Decoration	■			
Gas- Breakdown & Servicing		■		
Aids & Adapts		■		
Grounds Maintenance		■		
Boiler Installation			■	
External Income Generation				■

The key priorities for Qualis Management over the four year period are as follows -

- Successfully manage service transfers
- Generate productivity and efficiency savings
- Explore opportunities for external income generating work
- Explore other areas of service which could add value to EFDC, residents and the community

## 9. Qualis Community

A new Community Interest Company (CIC) was set up in 2021 to deliver a range of projects to benefit the people and communities of Epping Forest District.

Qualis Community will work to improve the socio-economic aspirations for all, including the most disadvantaged communities, and collaborate with existing community groups and stakeholders.

The creation of a CIC will see profits and assets generated used for public and community good.

A rigorous and transparent governance structure will ensure that activities align with local needs, to be developed through close dialogue with local communities and wider stakeholders including District, Town and Parish Councils.

The CIC aims to generate funding and create a surplus, which in turn is used to fund services which have been identified by the community as key priorities.

Consultation with stakeholders to build a picture of what the local community would like to see the CIC deliver commenced in May 2021.

Early feedback has highlighted some key priorities for the area including:

- Employment and Training
- Enhancements to the look and feel of the area
- Business and Enterprise
- Sustainable Environment
- Transport
- Community Facilities

The finance section includes income and expenditure forecasts for the CIC, which is based on assumptions around project opportunities and funding.

# 10. Risk Management

The Group has developed a risk mitigation strategy which identifies the following key internal and external risks:

## External

- Economic
- Political and regulatory
- Investment market
- Occupier markets
- Availability and cost of finance
- Catastrophic business event

## Internal

- Finance strategy
- Investment strategy
- Development strategy
- Operational strategy
- People and culture
- Information technology and systems
- Governance
- Supply chain management

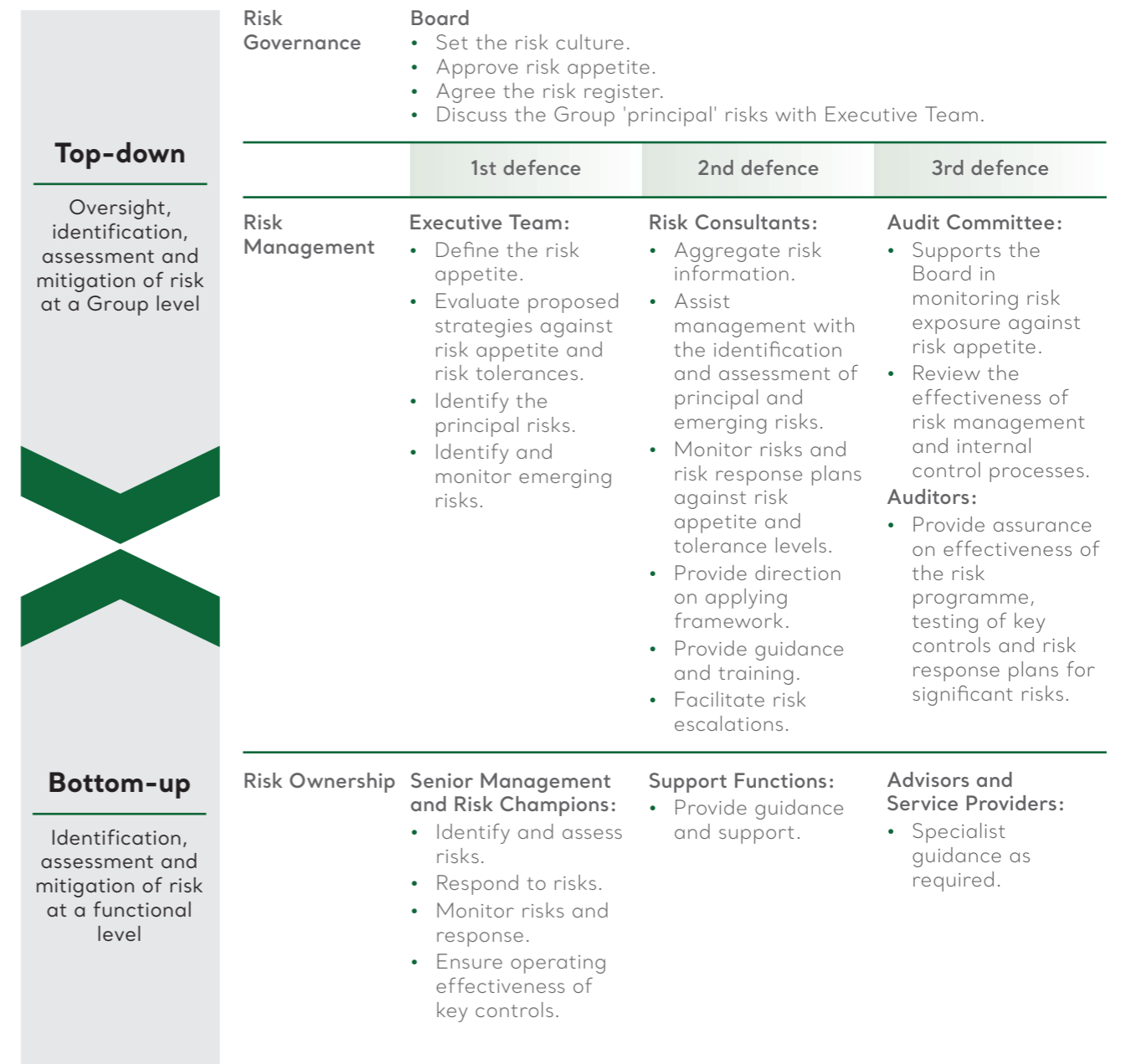
The Risk Framework opposite shows the high level approach to risk management across the Group.

A detailed risk register was produced and approved by Qualis Group Board in February 2021. Key strategic risks were also identified. All risks are reviewed regularly.

The Group was established in 2019, a time of relatively high economic and political uncertainty. In 2020, the arrival of COVID-19 impacted the economy in ways we have not seen in a generation. The structure and purpose of the Group mean it is fairly resilient to the impacts of the pandemic. The importance of activities to be undertaken by Qualis are arguably even more important as EFDC will likely see further budget / funding cuts as part of the recovery effort.

Property development requires significant capital investment in project cycles for up to five years. This combined with uncertain investment and occupier markets makes development activities the highest risk activity of the Group.

As the Group becomes more established and there is more certainty around investment, development and service opportunities, it will be possible to consider a different approach to risk.



## 11. Health and Safety

Qualis Group Board and the Executive Team believe that the health and safety culture comes from the top of the organisation. It applies to all activities of the Group as an employer, service provider, owner, developer and manager of property and operator of a community interest company.

The Board of Directors accepts responsibility for Qualis Group to provide safe and healthy environments and to prevent injury and ill health, in accordance with the Health and Safety at Work Act 1974 and associated regulations.

The company employs competent personnel and ensures that adequate resources are provided for the prevention of incidents and ill health in the workplace.

We will provide appropriate health and safety information, instruction, training and supervision for all employees and we are committed to creating a positive health and safety culture. We will do this by actively promoting health and safety throughout the organisation through the development of a behavioural based health and safety program which will be delivered to all employees.

Health and Safety performance is assessed through internal and external audits. Findings from audits will be used to identify areas for improvement to management systems and to the overall health and safety performance.

## 12. ESG and Sustainability

We recognise the importance of Environmental Social Governance (ESG) and we are currently developing our strategy to ensure it is fully embedded in the vision, purpose and operation of the business. We are working to implement robust performance measurement against ESG criteria and transparent reporting.

Alongside ESG, we are developing our sustainability strategy which will be finalised in October 2021. The business has agreed key priorities as shown in the diagram below.



### The Group is committed to:

- Comply with legislation, regulations and codes of practice.
- Work with the Shareholder to promote the ESG and sustainability agenda.
- Integrate ESG and sustainability considerations across all business activities.
- Ensure all employees are fully aware of our strategy and targets.
- Make customers and partners aware of our targets and encourage them to adopt similar practices.
- Be transparent about performance.
- Strive to continuously improve.



**If you would like this information in another format or language please contact:**

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