



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 Pyrles 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
<b>Expenditure</b>		
	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
		<b>2,412</b>
	<b>Inter-company re-charge of Group overhead (with a 5% margin):</b>	
	Qualis Living	844
	Qualis Commercial	844
	Qualis Management	844
		2,532
	Net income/(expenditure) before tax	<b>120</b>

## Qualis Commercial

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

## Qualis Living

Qualis Living	Budgeted Income and Expenditure Statement	2022/23
	Description	£000's
<b>Income</b>		
	Rental income	2,670
	Asset management fee income	708
	Profit on disposal of properties	0
		<b>3,378</b>
<b>Expenditure</b>		
	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
		<b>468</b>
	Group recharge	844
	Total overhead	1,312
	Interest payable	2,458
	Net income/(expenditure) before tax	<b>(392)</b>

## Qualis Management

Qualis Management	Budgeted Income and Expenditure Statement	2022/2023
	Description	£000's
<b>Income</b>		
	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
		<b>12,324</b>
<b>Expenditure</b>		
	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	<b>344</b>

## 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
	<b>Sub-total</b>	<b>76,841</b>
Inflows (operational)		
	Living	3,398
	Commercial	444
	Management	12,324
	<b>Sub-total</b>	<b>16,166</b>
<b>Total inflows</b>		<b>93,007</b>
Expenditure (Investment)		
	Construction costs	66,052
	Acquisitions	7,326
	<b>Sub-total</b>	<b>73,378</b>
Expenditure (Operational Including Interest)		
	Group	2,412
	Living	2,740
	Commercial	840
	Management	11,136
	<b>Sub-total</b>	<b>17,128</b>
Loan Repayments		
	Investment Asset Purchase	1,200
	Asset Purchase	492
	Working capital	1,200
	Development advance	200
	Construction - amortisation	300
	Construction - on disposals	297
	<b>Sub-total</b>	<b>3,689</b>
<b>Total cash outflows</b>		<b>94,195</b>
<b>Net cash movement in the year</b>		<b>(1,188)</b>
<b>Closing position</b>		<b>392</b>



## Consolidated Balance Sheet

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