



Overview & Scrutiny Committee Tuesday, 8th June, 2021

You are invited to attend the next meeting of **Overview & Scrutiny Committee**, which will be held at:

**Conference Suite - Civic Offices
on Tuesday, 8th June, 2021
at 7.00 pm.**

**Georgina Blakemore
Chief Executive**

**Democratic Services
Officer:**

Vivienne Messenger Tel: (01992) 564243
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors M Sartin (Chairman), R Jennings (Vice-Chairman), R Baldwin, P Bhanot, P Bolton, I Hadley, S Heather, J Lea, A Lion, T Matthews, S Murray, D Plummer, S Rackham, P Stalker, J H Whitehouse, K Williamson and D Wixley

**PLEASE NOTE THAT THIS MEETING IS OPEN TO ALL MEMBERS TO ATTEND
SUBSTITUTE NOMINATION DEADLINE 18:00**

WEBCASTING NOTICE

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy and copies made available to those who request it.

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1. WEBCASTING INTRODUCTION

The Chairman will read the following announcement:

“I would like to remind everyone present that this meeting will be broadcast live to the internet (or filmed) and will be capable of repeated viewing (or another use by such third parties).

Therefore, by entering the Conference Suite and using the seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.”

2. APOLOGIES FOR ABSENCE

3. SUBSTITUTE MEMBERS

To report the appointment of any substitute members for the meeting.

4. MINUTES

To note that the minutes of the meeting of the Committee held on 3 June 2021 will be confirmed at the next meeting on 1 July 2021.

5. DECLARATIONS OF INTEREST

To declare interests in any item on the agenda.

In considering whether to declare a pecuniary or a non-pecuniary interest under the Council’s Code of Conduct, Members are requested to pay particular attention to paragraph (11) of the Code in addition to the more familiar requirements.

This requires the declaration of a non-pecuniary interest in any matter before Overview & Scrutiny which relates to a decision of or action by another Committee or Sub-Committee of the Council, a Joint Committee or Joint Sub-Committee in which the Council is involved and of which the Councillor is also a Member.

Paragraph (11) of the Code of Conduct does not refer to Cabinet decisions or attendance at an Overview & Scrutiny meeting purely for the purpose of answering questions or providing information on such a matter.

6. PUBLIC QUESTIONS & REQUESTS TO ADDRESS THE OVERVIEW AND SCRUTINY COMMITTEE

(Democratic & Electoral Services Team Manager) To receive questions submitted by members of the public and any requests to address the Committee, in accordance with Article 6 (Overview and Scrutiny) of the Council’s Constitution.

(a) Public Questions

Members of the public may ask questions of the Chairman of Overview and Scrutiny Committee at ordinary meetings of the Committee, in accordance with the procedure set out in the Constitution.

(b) Requests to address the Overview and Scrutiny Committee

Any member of the public or a representative of another organisation may address the Overview and Scrutiny Committee on any agenda item (except those dealt with in private session as exempt or confidential business), due to be considered at the meeting.

7. EXECUTIVE DECISIONS - CALL-IN

(Democratic & Electoral Services Team Manager) To consider any matter referred to the Committee for decision in relation to a call-in, in accordance with Article 6 (Overview and Scrutiny) of the Council's Constitution.

8. SALE OF PYRLES LANE SITE TO QUALIS (Pages 5 - 10)

To discuss and comment on the outline proposals from Qualis for the redevelopment of the Pyrles Lane site in Loughton (report attached).

9. QUALIS QUARTERLY MONITORING REPORT - QUARTER 2 2020/21 (Pages 11 - 26)

To pre-scrutinise the attached Qualis Monitoring Report for quarter 2, prior to its consideration by Cabinet.

10. EXCLUSION OF PUBLIC AND PRESS

Exclusion

(Democratic & Electoral Services Team Manager) To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers

(Democratic & Electoral Services Team Manager) Article 17 - Access to Information, Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and

- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers.

Report to Overview and Scrutiny Committee

Date of meeting: 8th June 2021

**Portfolio: Finance, Qualis and Economic Development –
Cllr J. Philip**

Subject: Sale of Pyrles Lane to Qualis

Officer contact for further information: Andrew Small

Democratic Services Officer: V Messenger (01992 564243)



Recommendations/Decisions Required:

- (1) To discuss the outline proposals put forward by Qualis for the redevelopment of the Pyrles Lane site and make any comments or observations that they would wish Cabinet to consider when a detailed acquisition proposal is put forward by Qualis.**

1. Detailed Report

- 1.1. When Qualis was created at the end of 2019 it was with the intention of taking forward a number of potential redevelopment sites that the Council had been holding on to for some time as the market was unable or unwilling to respond, due to local conditions or site challenges.
- 1.2. The Council agreed to transfer to Qualis the sites in Epping and at Roundhills in Waltham Abbey last year. Pyrles Lane site was held back for more detailed consideration by Qualis, because of access and site issues that made this site more complex and challenging to redevelop.
- 1.3. With the progression of the Epping sites, Qualis has now started to focus on potential uses for Pyrles Lane and has set out early thinking as to how the site might be developed taking into account the challenges it presents.
- 1.4. Qualis has supplied a recent report presented to their Board and has copied this to Epping Forest District Council in light of members' wishes to have the opportunity to consider and have a say on the initial proposals before the Cabinet considers any application by Qualis to acquire the site.
- 1.5. At this stage there is no detailed business case for the Council to consider and this will follow on from the crystallisation of design, but when it is presented Epping Forest District Council, as shareholder, will want to see the financial model and risk register associated with this site before Cabinet considers any application for acquisition.
- 1.6. It is expected that any disposal would need to take place at fair market value and that Qualis will also need to apply to the Council for acquisition and development finance to enable them to complete the transaction and to develop the site.

- 1.7. Scrutiny is asked to consider the intended use and outlined design proposals for the site and consider whether this is an appropriate use of the opportunity this site affords. Issues around detail design would be Planning considerations and for the Planner's to advise on through the pre-application process and ultimately through Planning application consideration, should this come forward, and so members of the Committee are advised to avoid a discussion around detailed planning matters.

2. Resource Implications

- 2.1. It is a requirement that every council obtains best consideration (Section 123 of the Local Government Act 1972) for disposals of land and property, including to council owned companies. If Qualis wishes to proceed then the disposal will need to be at fair market value, and in line with the other development sites Qualis will need to seek loan finance from the Council to complete the transaction and develop the site.

3. Legal and Governance Implications

- 3.1. None contained within this report.

4. Safer, Cleaner and Greener Implications

- 4.1. None.

5. Consultation Undertaken

- 5.1. None

Background Papers

Group Company Governance Document – Cabinet 6 February 2020



Meeting Title:	Qualis Group Board	
Meeting Date:	26 th May 2021	
Title of Paper:	Board Update Paper for Pyrles Lane, Loughton	
Author/Job Title:	Karen Telling. Development Manager	
Presenter:	Simon Rutter, Development Director	
Action Required: <i>Please tick ✓</i>	Decision	[]
	Discussion	[]
	Noting	[✓]
Purpose of the paper: The purpose of this paper is to provide an update to the Board regarding the continued progress of this scheme.		
Recommendation: Update only.		
Risks: financial, regulatory or other:		

Reference	Pyrles Lane	Version	Draft / Final	Information Classification	Confidential
Date	April 2021 Board report	Author	Karen Telling		Page 1 of 4

1. Executive Summary

The purpose of this paper is to provide an update to the Board regarding the continued progress of this scheme.

2. Background

As a general update the scheme currently comprises of the following.

- 33 houses with 20 x 2 bed, 7 x 3 bed, 6 x 4 bed Town houses.
- 35 car parking spaces. 1 per unit and an additional 2 visitor's spaces.
- Affordable housing.
- New access from Pyrles Lane following the demolition of number 79.

To provide a suitable access to the development (in addition to 79 Pyrles Lane) there is the need to acquire three additional portions of land from EFDC, including a section of the rear garden to 81 Pyrles Lane.



Indicative site plan

3. Financials – Fee forecast for consultants

Consultant spend to date – up to end April 2021 - **£273,570**

Reference	Pyrles Lane	Version	Draft / Final	Information Classification	Confidential
Date	May 2021 Board report	Author	Karen Telling		Page 2 of 4



Indicative Aerial plan

4. Timeline

Action	Target Dates
Pre-Application No 1	27 th April 2021
Land Valuations EFDC	May 2021
Full Business Case to Qualis Board	June 2021
Legal Agreement including access negotiations with 81 Pyrles Lane	July 2021
QRP	6 th August 2021
Public Consultation	15 th September – 28 th September 2021
Planning Submission	November 2021

Reference	Pyrles Lane	Version	Draft / Final	Information Classification	Confidential
Date	May 2021 Board report	Author	Karen Telling		Page 3 of 4

5. Next Steps

Following a positive Pre-application meeting in April, the team await formal comments from the LPA.

EFDC have appointed Savills to value the additional portions of land and these valuations are expected during the week commencing 24th May 2021. Number 79 Pyrles Lane has already been valued at £415,000.

With regards to 81 Pyrles Lane, this property was sold in 1982 on a long lease and EFDC will need to negotiate with the owner for this strip of garden.

With this information the team can then commence final negotiations with EFDC in relation to acquisition of all parts and develop the design in preparation for the QRP in August.

This is a challenging site due to the circa 14m fall in level across it and the restrictive access conditions requiring land acquisitions. This will impact the base land value.

The team are working through the detail on site abnormal costs and value engineering options to create a robust baseline financial appraisal.



Indicative CGI

6. Board Approval

A full business case will be presented to Qualis Board in June 2021 seeking approval before submission of the offer to EFDC.

Reference	Pyrles Lane	Version	Draft / Final	Information Classification	Confidential
Date	May 2021 Board report	Author	Karen Telling		Page 4 of 4



SCRUTINY



Report to Overview and Scrutiny Committee

Date of meeting: 8th June 2021

**Portfolio: Finance, Qualis & Economic Development –
Cllr J. Philip**

Subject: Qualis Quarterly Monitoring Report – Q2 2020/21

Officer contact for further information: Andrew Small

Democratic Services Officer: V Messenger (01992 564243)

Recommendations/Decisions Required:

- (1) To discuss this report prior to its consideration by Cabinet and to make any comments or identify any actions the Committee would like Qualis to consider.**

1. Executive Summary

- 1.1. The Governance framework for Qualis, as agreed by Cabinet in February 2020, included the requirement that Qualis should report to Epping Forest District Council on its performance Quarterly.
- 1.2. This report presents the second Quarter's monitoring report for the Qualis trading year 2020/21 and covers the period from 1 February to 31 March 2021. This reflects a shortened quarter due to the change in the Qualis year end. This report would usually be considered by Stronger Council Select Committee, but as this Committee does not next meet until July the report is being brought to Overview and Scrutiny so that it can be scrutinised, and any actions identified, in a timely fashion.
- 1.3. Attached to this report as Appendix A is the Qualis Board monitoring report for Quarter 2 as agreed by the Qualis Board on 29 April 2021.
- 1.4. Performance is measured against the business plan targets for 2020/21. The Board report highlights performance against these using the recognised Red, Amber, Green reporting system (RAG).
- 1.5. **Noting the objectives flagged as Amber and the explanations provided, Qualis has again performed in line with expectations during the second Quarter.**

2. Introduction

- 2.1. The Qualis Shareholder agreement, as agreed by Cabinet on February 2020 includes the following paragraph,

'The Company shall procure that quarterly management accounts and reports (including a balance sheet, profit and loss account and cash flow statement) containing such information as EFDC may reasonably require are provided to EFDC and EFDC's Representative.'

- 2.2. The Cabinet resolution also requires that the Council's S151, as the key conduit between Qualis and the Council, provides a commentary to the Council on the performance of Qualis at each Quarter review.
- 2.3. In compliance with this requirement Qualis has provided the Council with the Quarters' Management Accounts for the Council's consideration together with the commentary below from the Council's S151 officer.
- 2.4. As reported previously, Qualis requested, and the Council agreed, to a change in their year-end reporting date and this shortens their trading year by one month. To facilitate this change one of their reporting quarters needs to be squeezed during 20/21 and Qualis has elected that this be done in Quarter 2, so that their reporting dates aligns, by an offset of 6 months to the Council's own year-end. As a consequence, this Qualis Board report only covers a 2-month period.

3. Commentary on the Trading Performance

- 3.1. The Qualis 1st year of operation was non-typical in that Qualis needed to create a management and staffing structure, secure finance and acquire both assets and services to manage before it could properly trade. Whilst this process remains ongoing Qualis had acquired both commercial property and the Housing Maintenance Service by the end of its first operational year.
- 3.2. Whilst the first year was financially dominated by outgoings, the second year should be a balance of income and expenditure with a small forecast profit targeted within the single year Business Plan presented to Council in December. So, this year's monitoring should be more typical of a trading company, recognising that revenue earnings will still gradually be built up over time.
- 3.3. The Qualis report attached at Appendix A meets the requirements placed upon Qualis within the Shareholder agreement. The Board report presents the Balance Sheets, P&Ls and a Cash Flow explanation. It also RAG rates key quarterly deliverables against the Business Plan.
- 3.4. **Overview and Scrutiny Committee should note that majority of the deliverables for Quarter 2 are flagged as Green with the exceptions highlighted below.**
- 3.5. **Cash (Moved to Green from Amber last Quarter)** – Qualis reports as having a Cash balance at the end of the first quarter which is £3.2 million higher than its £12.3 million target. This is primarily due to Qualis securing the first tranche of the construction loan from the Council in order to fund the on-going work to secure planning permission for the regeneration sites.
- 3.6. **Qualis Living (Flagged as Amber)** - The cash balance remains high as Qualis has yet to secure the final (£10 million) commercial property investment from the balance of the £30 million funding loaned to Qualis in September 2020. Whilst Qualis targeted acquiring an acquisition before this date, it is important that an acquisition is carefully selected for fit, security and return and shouldn't be unduly pressured in order acquiring a property that sits outside of their acquisition strategy in order to meet business plan cash targets. The delay is securing the third commercial property is the reason that this is KPI is flagged as Amber.
- 3.7. **Income and Expenditure (Remaining as Amber)** – The Board report includes cumulative losses up to the end of the 2nd quarter of £473,551 (analysed in the table in 3.9) compared to a business plan expectation of a loss of £197,295. This is an improvement on the cumulative loss reported last Quarter of £696,837. The reason given being largely associated with accrued expenditure on development sites which Qualis is unable to charge to its Balance Sheet as 'Work in Progress' until planning consent is

given. Once Planning consent is awarded, this cost will be removed from the Profit and Loss account. Achievement of Planning consent has taken longer than originally anticipated but now has a scheduled date set for the combined applications to be considered by the District Development Committee in July. Should Planning consent not be obtained this cost will remain a charge in the Profit and Loss account until permission is resolved. The increase in the carried cost of 'Work in Progress' masks improvements in Qualis Management revenues associated with the Housing Maintenance contract, and lower interest costs in Qualis Living.

3.8. **Roundhills and Pyrles Lane Delivery Plans to Board (Moved to Green from Amber last Quarter)** – The business cases have been reviewed by the Board and, in the case of Roundhills, some additional work is being undertaken. In respect of the Pyrles Lane site, Qualis has shared early thinking with the Council and another item appears on this agenda seeking views in relation to options for this site.

3.9. The table below sets out the actual net income and expenditure against that expected for each of the Qualis companies.

Qualis Company	Expected £	Actual £	Variance £	Last Report £
Group	29,047	28,272	-755	20,003
Commercial	18,303	-745,770	-764,073	-434,909
Management	45,042	106,272	61,230	-237,511
Living	-289,686	137,675	427,361	-44,420
Total	-197,294	-473,551	-276,257	-696,837

3.10. The Balance Sheet position, showing Fixed Assets and accumulated net worth of Qualis, is set out in the table below. Fixed Assets are individually identified as the Council charges these for security purposes against the loans provided. The Net Worth position reflects the accumulation and carry forward of set-up costs to be offset by future planned profits.

Qualis Company	Fixed Assets £	Net Worth (Q2) £	Last Report £
Group	48,844	44,652	36,383
Commercial	-	-1,717,507	-1,406,645
Management	74,588	-246,681	-509,464
Living	20,793,122	-45,241	-227,337
Total	20,871,415	-1,964,777	-2,107,063

3.11. Delivery of the £238,039 surplus contained in the single year Business Plan will largely depend upon successfully obtaining planning consent for the Epping regeneration sites. In all other respects the Qualis Business Plan objectives are being met and showing good performance against the individual targets set out in the Qualis Board report including progress on bringing forward the redevelopment sites in the District.

4. Change of Accounting Date

4.1. Qualis advised the Council that they wished to change their reporting date by 1 month, bringing it forward to the 30th September from the 31st October. This is considered a minor change and aligns better with the Council's budget preparation timetable and so has been agreed. As a consequence, the quarterly reporting cycle will also need to change to align to this revised date and so this quarter is only 2 months, covering February and March 2021. This will not affect the performance, only the dates it is reported.

5. Resource Implications

5.1. The Epping Forest District Council 2020/21 Budget and Medium-Term Financial Plan approved in February 2020 included assumptions on the returns and income generated from Qualis.

5.2. The assumptions included are as follows;

Loan Purpose	Amount and Term	Interest Payments Per Annum £
Working Capital Loan	£5 million for 5 years	£225,000
Asset Purchase	£30 million 20 years	£1,800,000
EFDC Asset Purchase	£22 million 30 years	£1,605,000
Less EFDC Borrowing Costs		-£1,306,337
Net Receipts		£2,323,663

5.3. These assumptions were made pre Covid-19 and the information that underpinned these has now changed. For example, interest rates are now lower and the market value of assets to be transferred has reduced on the latest valuation and taken longer to complete.

5.4. Both these factors will reduce the expected gains to Epping Forest District Council and therefore add to the Council's ultimate cost of Covid-19 during 2020/21. Revised assumptions, factoring in the delays resulting from Covid19, have been used in preparing the Councils Medium Term Financial Plan for 2021/22.

6. Legal and Governance Implications

6.1. None contained within this report.

7. Safer, Cleaner and Greener Implications

7.1. None.

8. Consultation Undertaken

8.1. None

Background Papers

Group Company Governance Document – Cabinet 6 February 2020



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

Finance and Performance Monitoring Quarterly Report

Year 2, Quarter 2, (1st Feb 2020 – 31st Mar 2021)

Noting that all figures are cumulative from 1st November 2019 and that quarter 2 is a two-month period so that Qualis' half-year coincides with EFDC's full year ending 31st March.

Subject: Finance and Performance Monitoring

Author: Nick Dawe, Finance Director (finance)
Paul Hewitt, Operations Director (performance)
Sacha Jevans, Managing Director (summary)

Decisions Required: To approve the report and note the actions.

1. To note the figures and performance highlighted in this report that are to plan or will be on plan by the end of the financial year.
2. To support the key actions detailed in Section 7 or this report.
3. To agree that this report should be passed to Epping Forest District Council in line with the shareholder agreement (with any agreed amendments).
4. To note that detailed operational progress is now recorded on the Key Performance Indicator (KPI) Report. The Board may wish to share the KPI report quarterly with the shareholder.



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

1. Purpose of this report

- 1.1 The Qualis Group Board regularly receives updates on financial and operational issues at its monthly Board Meetings.
- 1.2 In line with the shareholder agreement, the Qualis Group Board receives a quarterly Finance and Performance Report that tracks the success of the Group against the shareholder (EFDC) agreed Annual Business Plan and Annual Budget.
- 1.3 This formal monitoring will include any Board and subsequently shareholder approved amendments to the Business Plan and Annual Budget.
- 1.4 The quarterly Qualis Finance and Performance Report will be passed to EFDC to allow scrutiny and to be noted.
- 1.5 The report covers only a two-month period to allow the synchronisation between Qualis' half-year and EFDC's full-year, i.e. 31st March.

2. Monitoring finance and operational performance indicators

- 2.1 The key performance indicators set out below are those proposed to be used for monitoring purposes in the future. They are top level indicators of the financial health and operation delivery of the Qualis group of companies.
- 2.2 In line with standard practice, the following colour coded performance flags are used:

Colour	Overall Performance	Detailed Measure
	Cyan, exceptional performance	For finance; over twice the expected figure, for operations, over one month ahead of target delivery.
	Green, good performance	For finance; positive performance up to twice the expected figure, for operations, up to one month ahead of target delivery.
	Amber, poor performance but will be remedied next quarter	For finance; negative performance variance of between 5% and 10% of the expected figure, for operations, one and three months behind target delivery.



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

	Red, poor performance but will be remedied in two further quarters	For finance; negative performance variance of between 5% and 10% of the expected figure, for operations, one and three months behind target delivery.
	Black, poor performance requiring immediate board level intervention	For finance; negative performance variance in excess of 10% of the expected figure, for operations, over three months behind target delivery.

3. Key performance indicators

Finance KPI	Measure	Target £	Actual £	
Cash	Cash held by Qualis Group of companies, target versus actual	12,348,957	15,548,957	=
Income and Expenditure	Total income and expenditure position of Qualis Group of companies, target	- 197,295	- 473,551	=
Balance Sheet	Net balance sheet worth of Qualis Group of companies, target versus actual		- 1,964,777	=



Qualis Group

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Operational KPI	Target	Actual	
Qualis Commercial , submission of Epping sites for planning	2 to be submitted by December 2020, remaining 3 by end of March 2021	Submitted to timescale	+
Qualis Commercial , consideration of full business case by Qualis Board for Roundhills	Re-set for April		+
Qualis Commercial , consideration of full business case by Qualis Board for Pyrles Lane	Re-set for May	In train	
Qualis Living , secure start portfolio position	Third asset from £30m loan to be secured by December 2020	Third asset not yet secured but balance for portfolio and long-term income guarantee	-
Qualis Management , deliver phase 1 Business Plan targets	To be achieved by end of May 2021	Achieved by the end of January 2021	+
Qualis Group	Secure external asset loan by end of May 2021	In train	

4. Budget and business plan amendments this quarter

4.1 There have been no agreed amendments to the budget in respect of an increase in the quantum of income and cost. The adjustments have occurred as a result of the planned usage of the Contingency Reserve and are detailed on the following page.

The proposed adjustments for Q2 are estimated as follows.



Qualis Group

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Adjustments for Quarter 2	Line	Action	WTE Impact	£ Impact
Health and Safety IT		Add		20,000.00
Mainstream IT, Optins and System	Estimate	Add		150,000.00
Benefits Broker	Estimate	Add		5,000.00
Insurance Broker	Estimate	Add		5,000.00
Extension of Auditors Term	Estimate	Add		9,000.00
Community Interest Company Set-up	Estimate	Add		3,000.00
Community Interest Company Primera	Estimate	Add		6,000.00
Community Interest Company Other	Estimate	Add		10,000.00
Net Impact	Estimate	Reduce		- 208,000.00
Total			0.00	-

5. Detailed financial performance, cash

5.1 The actual cash held by Qualis at the end of March was £15,548,957 against a target expectation of £12,358,957. The difference is because though two investment properties had been secured and are earning income, a prudent investment in the third asset has yet to be secured. The performance is shown as green as more cash is held than predicted, but the cost of borrowing this money is 4% whereas the interest earned on cash balances, is 1%.

5.2 Qualis was set-up based on loans supplied by EFDC as these provided certain and affordable funding to Qualis whilst giving EFDC immediate benefit from the margin made in loans. The loans drawn down in the first year are as follows:

- £6m working capital loan (5-year term, repayments of principal and interest half yearly).
- £30m asset investment loan (10-year term, principal repaid on maturity and interest half-yearly).



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

5.3 Work is continuing with EFDC regarding the finalisation of the remaining loans totalling £85m to cover asset purchases from EFDC and the subsequent development of these sites with an initial loan of £6m having been agreed, called down and received and included in this report.

6 Detailed financial performance, balance sheets

6.1 Reflecting the leveraged position of Qualis and the fact that income earning assets have yet to be purchased and the Housing Maintenance Service has yet to transfer. Please note that these are the interim balance sheets pending a review of the income and expenditure position and the finalisation of loans.

6.2 It should be noted that the costs of development projects are by convention treated as “work in progress, i.e., an asset.

6.3 All loans pass through Qualis Group and therefore any uncalled balance remains shown at group level even if the destination of the loan is eventually another company on the Qualis group of companies.

6.4 Qualis Group

		Actual £	Actual £
Assets		48,844	
Current Assets		41,827,116	
Current Liabilities		581,309	
Current Assets Less Current Liabilities			41,245,807
Long Term Assets			
Long Term Liabilities			41,250,000
Total			44,651
Profit and Loss Reserve			16,380
Profit and Loss Account			28,271
			44,651



Qualis Group

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6.5 Qualis Commercial

		Actual £	Actual £
Assets		-	
Current Assets		3,781,709	
Current Liabilities		5,499,216	
Current Assets Less Current Liabilities			- 1,717,507
Long Term Assets			
Long Term Liabilities			-
Total			- 1,717,507
Profit and Loss Reserve			- 971,737
Profit and Loss Account			- 745,770
			- 1,717,507

6.6 Qualis Management

		Actual £	Actual £
Assets		74,588	
Current Assets		1,695,021	
Current Liabilities		2,016,290	
Current Assets Less Current Liabilities			- 246,681
Long Term Assets			-
Long Term Liabilities			
Total			- 246,681
Profit and Loss Reserve			- 352,953
Profit and Loss Account			106,272
			- 246,681



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

6.7 Qualis Living

		Actual £	Actual £
Assets		20,793,122	
Current Assets		- 73,953	
Current Liabilities		20,764,410	
Current Assets Less Current Liabilities			- 45,241
Long Term Assets			
Long Term Liabilities			-
Total			- 45,241
Profit and Loss Reserve			- 182,916
Profit and Loss Account			137,675
			- 45,241

7 Detailed financial performance, income and expenditure.

7.1 The income and expenditure summary for the individual companies that form the Qualis Group of companies is summarised below. Noting that the figures are cumulative to the end of Quarter 2.



Qualis Group

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7.2 Qualis Group

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income	843,449	750,410	- 93,039
Expenditure	814,403	722,138	- 92,264
Net +Profit / -Loss	29,047	28,272	- 775
Tax Liability		-	-
	29,047	28,272	- 775

Key issues to note:

- No specific issues of concern however planned investment in IT and further work on health and safety, governance and risk arrangements should be noted.

7.3 Qualis Commercial

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income	628,389	- -	628,389
Expenditure	610,087	630,041	19,954
Net +Profit / -Loss	18,302	- 630,041	- 648,343
Loan Interest	-	115,729	115,729
Profit After Loan	18,302	- 745,770	- 764,072



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

Key issues to note:

- Operational costs incurred in delivering projects the costs that cannot be treated as “work in progress” until planning is gained. At this point, and if the planning submission is successful these costs will be transferred to work in progress and be treated as project costs. The position is unchanged as planning determination is not expected until July 2021.

7.4 Qualis Management

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income	2,648,892	2,908,042	259,150
Expenditure	2,603,850	2,801,770	197,920
Net +Profit / -Loss	45,042	106,272	61,230

Key issues to note:

- The service continues to operate at a profit and a further extension of services as planned is in active discussion with EFDC as per the original business case.



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

7.5 Qualis Living

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income, (less hand-through)	787,500	625,739	- 161,761
Expenditure	227,186	188,064	- 39,122
Net +Profit / -Loss	560,314	437,675	- 122,639
Loan Interest	850,000	300,000	- 550,000
Profit after Loan	- 289,686	137,675	427,361

Key issues to note:

- Delay in acquiring properties has resulted in operational underspend and no income receipt although it should be noted that two properties were acquired in October with a gross yield in excess of 6%. Originally a second loan of £30m was assumed to add to interest costs but this second loan has not been secured or called down.

8. Key Actions for completion in the next quarter

Action	Responsible Manager(s)	Target Date	Resource Implications Over Budget
Qualis Management Complete fine tuning of Housing Maintenance SLA and final confirmation of operational and financial KPIs.	BJ	March 2021	None



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Developments

Qualis Living Secure third investment property in Phase 1 of portfolio build	PH	May 2021, (moved from December and March)	Will increase income to budget levels.
Qualis Living Secure further loan of £30m as per approved Business Plan	ND	May 2021	None
Qualis Commercial Complete asset purchases from EFDC for Phase 1 properties	CI	April 2021(moved from March 2021)	None
Qualis Commercial Finalise remaining loans of £85m with EFDC as per the approved Business Plan.	ND	June 21, for remainder of loan as initial £6m was secured at the end of March 2021	None
Qualis Commercial Confirm impact of EFDC retaining ownership of Bakers, recovering costs spent to date and confirm project management role	PH/ND	March 2021, (EFDC decision awaited)	Receipt of approximately £1m expected.

9. Summary statement from the managing director

The Qualis group of companies continue to deliver its objectives and systems for reviewing financial and operational performance are in place. Qualis should achieve all its target by the end, (of the slightly shortened) financial year on the 30th September 2021.