

Report to the Cabinet

Report reference: C-004-2022/23

Date of meeting: 18th July 2022



**Epping Forest
District Council**

Portfolio: Finance– Cllr J. Philip

Subject: Qualis Management Performance Update and Future Development

Responsible Officer: Andrew Small (07548 145665).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

Discuss this report and agree any actions.

1. Executive Summary

- 1.1. Qualis has now been in operation for more than 2 years. In this time, Qualis has acquired commercial premises, achieved Planning consent and commenced development for the Epping Town regeneration sites and has successfully taken over provision of the Housing Maintenance function on behalf of the Council.
- 1.2. The Council receives regular financial updates on Qualis' financial performance, but members have commented that they receive little in the way of formal performance reporting. With further service transfers to Qualis mooted, an update on the performance for the existing transferred Housing Maintenance operations is timely.
- 1.3. This is now possible as sufficient time has elapsed for service delivery to settle down and for an objective assessment of performance and satisfaction to be made.

2. Introduction

- 2.1. Qualis Management took responsibility for the delivery of Responsive repairs to the Council's Housing Stock in September 2020. This included the transfer of all the Council's direct Housing Maintenance workforce to Qualis under TUPE arrangements. Since then, Qualis has been successfully delivering these services using new systems and processes.
- 2.2. Qualis was created by the Council to undertake a variety of property related functions that the Council either historically provided for itself or outsourced to the market. In creating a company that it wholly owned, the Council was actively taking back control of its supplier relationships. In turn, Qualis (using private sector expertise and methods) would drive out inefficiency, lower costs and, in time, generate profits for the Council.
- 2.3. Following the success of its earlier transfers, in April 2022, Qualis took on Gas Servicing and Breakdown (domestic & commercial) and further Planned Housing Repair work is due to transfer to Qualis shortly.

- 2.4. Without any trend performance data, any comparative assessment of the success of this transfer has been difficult to collate and present to members. However, with more than 18 months' worth of data on the Qualis management of Housing repair work now available it is possible to present this for member consideration.
- 2.5. Qualis has submitted the attached analysis, (Appendix A), of their performance at the Council's request for Cabinet's consideration.
- 2.6. Table 3.1 in the attached Appendix sets out the estimated annualised savings achieved by Qualis. It is nearly impossible to measure this accurately, as the workforce and the means of delivery has all transferred to Qualis. But based on the work undertaken by Qualis, it is estimated that the savings to the Council from transferring this work will amount to more than £560,000 annually. This is being returned to the Council through a combination of lower repair costs, enabling more works to be carried out from the same amount of repair budget, and through profits to Qualis. The Council, as the sole shared-holder, will ultimately benefit from any Qualis Group profits.
- 2.7. Table 4.1.3 sets out the performance (Qualis years 2020/21 and 21/22 to date) against a series of standard housing measures. These show that performance is generally strong and improving. Some measures are below the high standards set for them, but these are improving in the main.
- 2.8. As the baseline comparator becomes more out of date, by virtue of time elapsed, a new method for determining whether the Qualis contract remains good value compared to that which could be delivered by the market will be required. To measure this, Qualis will undertake an annual performance benchmarking exercise. The first exercise will be carried out in September 2022.
- 2.9. Qualis continues to invest in new technologies and performance management, which they believe will continue to drive up overall performance.
- 2.10. Qualis has also been able to create new local jobs, many in the form of apprenticeships, and to invest in training thereby creating a more skilled workforce over time.

3. Conclusion

- 3.1. The information attached is encouraging and point to the successes Qualis is delivering around performance, efficiency and savings in line with the original concept and Business Plan.
- 3.2. There has been, and will continue to be individual issues arising, (as with any client contractor relationship), but the special ownership driven relationship which exists between the Council and Qualis means that these can be resolved quickly and effectively in the most mutually advantageous way.
- 3.3. Members play an important role in identifying and addressing any performance issues and considerably more transparency and visibility exists than would in a traditional outsourced contractual relationship. This relationship means that members can raise issues and receive explanations in a democratic environment leading to faster and more flexible resolution.

- 3.4. With the Council and Qualis now both employing similar property and operational staff management expertise, duplication exists between the two organisations, which is inefficient and ultimately costly to the Taxpayer. Part of the purpose for creating Qualis was to create 'Centres of Excellence' where those organisations best skilled, best equipped and best able, would focus on the delivery of key activities. The Council, through its robust Governance structures, is best able to undertake Statutory and Regulatory functions, whilst Qualis is best equipped to undertake commercial property management, property development and property maintenance based and functions.
- 3.5. The successes to date justify the creation of Qualis and increase confidence that further property related Council services could be transferred to, and delivered by Qualis, with efficiencies returned to the Council and with no significant loss of control over service standards.
- 3.6. As Qualis grows its operations its management overhead will be spread further across the services provided, thereby increasing savings to the Council on each new transfer of services.
- 3.7. Works continues in developing the Business Cases for potential service transfers. These are expected to be presented for member scrutiny and consideration in the Autumn.

4. Resource Implications

- 4.1. These are presented within the report and attached Appendix.

5. Legal and Governance Implications

- 5.1. None contained within this report.

6. Safer, Cleaner and Greener Implications

- 6.1. None.

7. Consultation Undertaken

- 7.1. None

Background Papers