



Qualis Group

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

# Finance and Performance Monitoring Quarterly Report

Year 2, Quarter 2, (1<sup>st</sup> Feb 2020 – 31<sup>st</sup> Mar 2021)

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



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## 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. 31<sup>st</sup> 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.



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	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	=



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Operational KPI	Target	Actual	
<b>Qualis Commercial</b> , submission of Epping sites for planning	2 to be submitted by December 2020, remaining 3 by end of March 2021	Submitted to timescale	+
<b>Qualis Commercial</b> , consideration of full business case by Qualis Board for Roundhills	Re-set for April		+
<b>Qualis Commercial</b> , consideration of full business case by Qualis Board for Pyrles Lane	Re-set for May	In train	
<b>Qualis Living</b> , 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	-
<b>Qualis Management</b> , deliver phase 1 Business Plan targets	To be achieved by end of May 2021	Achieved by the end of January 2021	+
<b>Qualis Group</b>	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.



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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
<b>Net Impact</b>	Estimate	Reduce		<b>- 208,000.00</b>
<b>Total</b>			<b>0.00</b>	<b>-</b>

## 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).



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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



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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



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### 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.





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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



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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.



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## 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



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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 30<sup>th</sup> September 2021.