



Qualis Group

Incorporating, Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

Finance and Performance Monitoring Quarterly Report

Year 2, Quarter 3, (1st April 2021 – 30th June 2021)

Subject: Finance and Performance Monitoring

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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 8 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).



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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.

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	13,534,060	13,743,663	=
Income and Expenditure	Total income and expenditure position of Qualis Group of companies, target versus actual	366,281	- 1,106,614	-
Balance Sheet	Net balance sheet worth of Qualis Group of companies, target versus actual		- 2,597,777	=

The overall financial position is satisfactory. The continued deterioration in the overall income and expenditure position reflects the fact that until planning permission is gained for the initial batch of sites, expenditure is shown as a charge to income and expenditure rather than as work in progress in the balance sheet.



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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 this quarter requiring approval by the Qualis Board.



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5. Detailed financial performance, cash

5.1 The actual cash held by Qualis at the end of June was £13,743,663 against a target expectation of £13,534,060. The difference is both positive and small and reflects operational creditor and debtor management issues.

5.2 Significant cash-flow movements over and above normal trading activity are expected in the next quarter, these being:

- Outflow of £9.5m for the purchase of the third out of district investment asset.
- £1.3m payment from EFDC for costs incurred in initial design and scoping of proposed new Leisure Centre in Epping.

5.2 Other major cash-flow agreements are expected to be made in September but will have no impact until the new financial year (of Qualis) and these are:

- The final detailed loan agreement with EFDC, in respect of the already approved construction loan of £65m for the initial development projects.
- The final detailed loan agreement with EFDC, in respect of the already approved second phase regeneration loan of £35m.
- Further progress on raising £5m from commercial lenders for out of district asset investments.

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.



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6.4 Qualis Group

		Actual £	Actual £
Assets		48,758	
Current Assets		41,877,119	
Current Liabilities		618,495	
Current Assets Less Current Liabilities			41,258,624
Long Term Assets			
Long Term Liabilities			41,250,000
Total			57,382
Profit and Loss Reserve			16,380
Profit and Loss Account			41,002
			57,382

6.5 Qualis Commercial

		Actual £	Actual £
Assets		-	
Current Assets		4,316,156	
Current Liabilities		- 2,099,101	
Current Assets Less Current Liabilities			- 2,099,101
Long Term Assets			
Long Term Liabilities			-
Total			- 2,099,101
Profit and Loss Reserve			- 971,737
Profit and Loss Account			- 1,127,364
			- 2,099,101



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6.6 Qualis Management

		Actual £	Actual £
Assets		69,353	
Current Assets		2,692,799	
Current Liabilities		2,807,680	
Current Assets Less Current Liabilities			- 45,528
Long Term Assets			-
Long Term Liabilities			
Total			- 45,528
Profit and Loss Reserve			- 352,953
Profit and Loss Account			307,425
			- 45,528

6.7 Qualis Living

		Actual £	Actual £
Assets		20,793,122	
Current Assets		9,128,541	
Current Liabilities		30,432,193	
Current Assets Less Current Liabilities			- 510,530
Long Term Assets			
Long Term Liabilities			-
Total			- 510,530
Profit and Loss Reserve			- 182,916
Profit and Loss Account			- 327,614
			- 510,530

There are no specific issues to raise in respect of the balance sheets.



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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 3.

7.2 Qualis Group

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income	1,349,519	1,196,139	- 153,380
Expenditure	1,307,653	1,155,136	- 152,516
Net +Profit / -Loss	41,866	41,002	- 864
Tax Liability		-	-
	41,866	41,002	- 864

There are no issues to raise and at year-end the income and expenditure position should deliver the expected profit of £41,896.



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7.3 Qualis Commercial

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income	999,267	-	- 999,267
Expenditure	970,162	1,011,636	41,473
Net +Profit / -Loss	29,105	- 1,011,636	- 1,040,741
Loan Interest	-	115,729	115,729
Profit After Loan	29,105	- 1,127,364	- 1,156,469

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 now until September 2021, (previously July).

7.4 Qualis Management

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income	2,648,892	4,983,763	2,334,871
Expenditure	2,603,850	4,676,401	2,072,551
Net +Profit / -Loss	45,042	307,362	262,320

The service continues to operate at a profit in excess of target. This position is expected to decline slightly in quarter 4.



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Recent work carried out on an open book basis with EFDC has shown that the volume and cost of maintenance and void jobs is in-line with previous years and that the major concern to the HRA, is it is yet to see the anticipated reduction in overhead charges from within EFDC.

A further extension of services as planned is in active discussion with EFDC as per the original business case.

7.5 Qualis Living

	Target Cumulative YTD £	Cumulative Actual £	Variance £
Income, (less hand-through)	1,481,667	955,235	- 526,431
Expenditure	381,399	382,849	1,451
Net +Profit / -Loss	1,100,268	572,386	- 527,882
Loan Interest	850,000	900,000	50,000
Profit after Loan	250,268	- 327,614	- 577,882

Understandable delay in selecting a third asset has meant that a loss is recorded this quarter, however as the third asset has now been purchased performance should improve throughout quarter 4.

For information the cash impact of purchasing the first three investment assets is tabled overleaf.



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Property		Leatherhead	
Supplier Name		Detail of Work	Sum of Debit
☒ Aquilla	Insurance		5,778.94
☒ Colliers International	Valuation Report		7,500.00
☒ Jones Hargreaves	Site Inspection & Survey		11,190.00
☒ Montagu Evans	Reporting		116,195.00
☒ Pinsent Masons	Asset Payment		12,957,656.50
	Professional Fees		40,720.32
	SDLT		672,880.00
	Land Registry Fee		455.00
	Title Insurance Premium		22,400.00
Grand Total			13,834,775.76
Property		Maldon	
Supplier Name		Detail of Work	Sum of Debit
☒ Aquilla	Insurance		4,502.03
☒ Asset Payment	Asset Payment		1,252.05
☒ Jones Hargreaves	Site Inspection & Survey		3,580.00
☒ Knight Frank	Valuation Report		5,500.00
☒ Montagu Evans	Reporting		59,000.00
☒ Pinsent Masons	Insurance		703.18
	Land Registry Fees		455.00
	Professional Fees		14,826.40
	SDLT		284,500.00
	Land Registry Fee		455.00
☒ Addleshaw Goddard	Asset Payment		5,874,427.12
Grand Total			6,249,200.78
Property		Coventry	
Supplier Name		Detail of Work	Sum of Debit
☒ Charles Russell Speechlys LLP	Asset Payment		9,000,000.00
	Land Registry Fees		455.00
	Professional Fees		22,005.06
	SDLT		439,500.00
☒ BNP	Professional Fees		8,150.00
Grand Total			9,470,110.06
Overall Cash Flow Impact			29,554,086.60



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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 Commercial Complete asset purchases from EFDC for Phase 1 properties	CI	April 2021 (moved from March 2021)	None
Qualis Commercial Finalise remaining loans of £63m 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

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.