



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

Finance and Performance Monitoring Quarterly Report

Year 3, Quarter 2, (1st January 2022 – 31st March 2022)

Subject: Finance and Performance Monitoring

Author: Nick Dawe, Group Finance Director

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

- 1. To note the figures and performance highlighted in this report.**
- 2. To support the key actions set out through Section 5 of this report.**
- 3. To agree that this report should be passed to Epping Forest District Council in line with the Shareholder Agreement.**



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1. Purpose of this report

- 1.1 The Qualis Group Board receives monthly financial reports direct by email
- 1.2 In line with the Shareholder Agreement, the Group Board receives a quarterly Finance and Performance Report that tracks the success of the Group against the (EFDC) agreed Annual Business Plan and Annual Budget at alternating six-weekly meetings.
- 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 Finance and Performance Report will be passed to EFDC to allow scrutiny and to be noted.
- 1.5 The format of the report has been altered to match the monthly reports distributed to the Board and operational performance and key performance indicators are the subject of a separate report.
- 1.6 Comments shown in red are internal comments to the Qualis Board and will be excluded from the version of the report sent to EFDC.

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 Major exceptions are reported as are actions to remedy any exception. 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.



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

	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.
	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.

2.4 Direction of travel indicators are shown as arrows, either up for improved performance or down for deteriorating performance. An equal sign indicates no change in the reported trend.

3. Key financial performance indicators

Indicator	Target £	Actual £	Variance £	Performance
Cash in Bank	6,000,000	5,277,466	-722,534	▼
Income and Expenditure	185,832	-458,391	-644,224	▼
Balance Sheet	Reported from Q2	Reported from Q2	Reported from Q2	Not applicable

3.1 The top-level indicators are shown above including performance and trend flags.

3.2 The cash position is below the target of £6 million by £722,534, which is based on the initial working capital position. This variation is principally due to delays drawing £6m from the construction loan facility, and £10m from the regeneration loan facility, noting



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

that the £6m would be used to fund development costs in Quarter 3, whilst the £10m would have been used to purchase income earning assets in Quarter 2

3.3 The income and expenditure position is £644,224 off target, mainly due to two factors: the delays in finding and investing in additional local income earning assets and the temporary treating of Roundhills development costs as expenditure until planning permission is sought and hopefully gained in June.

4. Budget and business plan amendments this quarter

4.1 There have been no agreed amendments to the 2021/22 Budget in respect of an increase in the quantum of income and cost or to reflect a redistribution between spending budgets.

4.2 The Budget will be subject to a mid-year review at the end of March 2022 with any alterations noted and appearing in the next report.

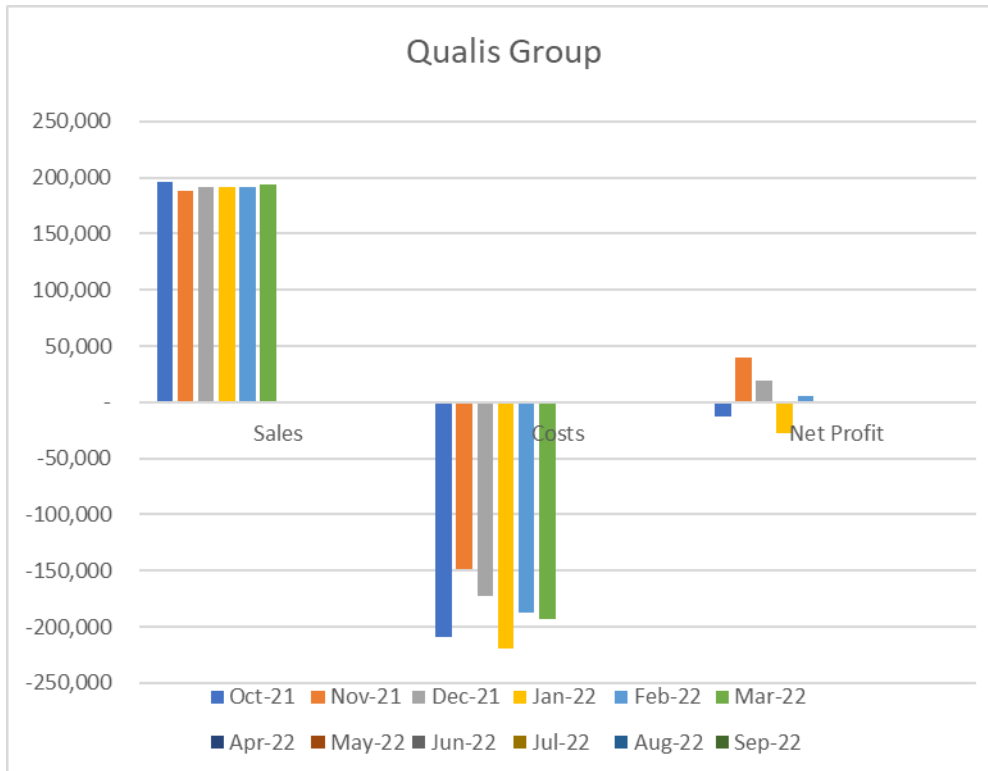
5 Company financial performance, income, and expenditure.

5.1 The income and expenditure summary for the individual companies that form the Qualis Group of companies is summarised on the following pages.



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

5.2 Qualis Group





Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

Qualis Group

Month	Sales		Costs		Net Profit
Oct-21	196,406	-	209,304	-	12,898
Nov-21	187,716	-	148,318		39,398
Dec-21	192,040	-	172,372		19,668
Jan-22	192,040	-	219,687	-	27,647
Feb-22	192,040	-	187,064		4,976
Mar-22	193,815	-	193,487		328
Apr-22					
May-22					
Jun-22					
Jul-22					
Aug-22					
Sep-22					
			TOTAL		23,825
			TARGET	-	32,219
			VARIANCE		56,044

Items to note:

- Not all posts have been filled so expenditure is below budget. Recharges are based on current budget which in respect of the Qualis share of the consultancy and legal costs for the EFDC asset investment review, for the has not been used.

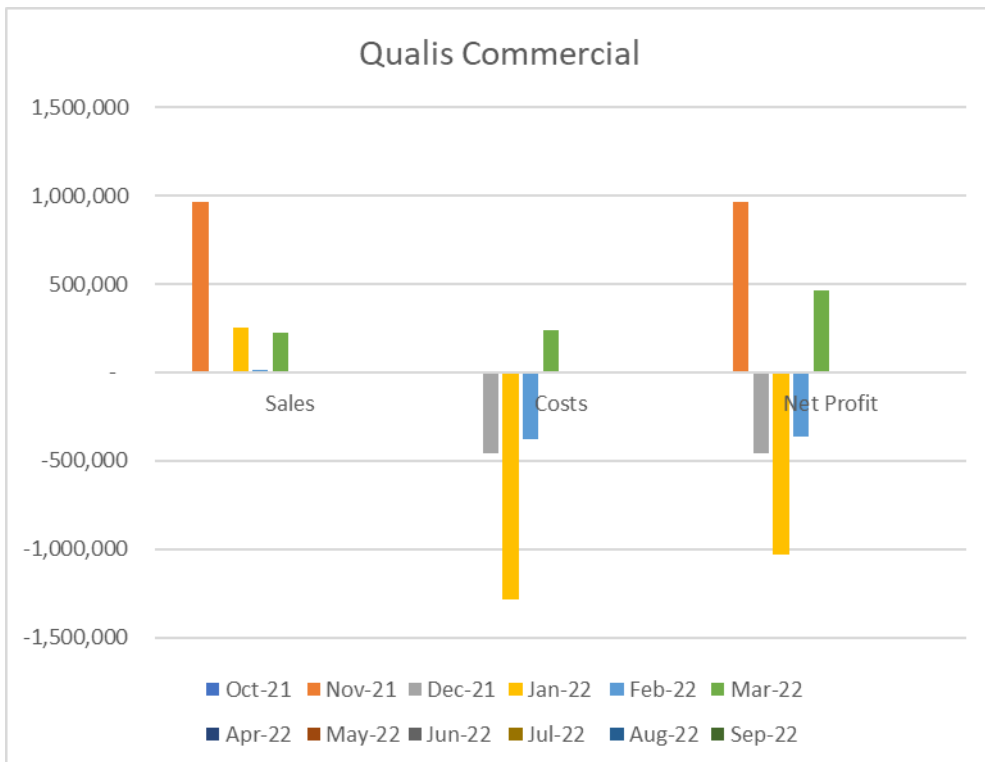
Actions

- None



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5.3 Qualis Commercial





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Qualis Commercial

Month	Sales	Costs	Net Profit
Oct-21	160	- 160	0
Nov-21	965,922	- 61	965,861
Dec-21	61	- 457,432	- 457,371
Jan-22	254,546	- 1,288,507	- 1,033,961
Feb-22	13,546	- 379,967	- 366,421
Mar-22	222,235	240,750	462,985
Apr-22			
May-22			
Jun-22			
Jul-22			
Aug-22			
Sep-22			
		TOTAL	- 428,906
		TARGET	-
		VARIANCE	- 428,906

Items to note:

- In the balance sheet £3.8m has been transferred to work in progress reducing the loss previously shown on the profit and loss account by a similar amount. This represents the spending incurred by Qualis since October 2019 to date on the Epping Sites. This should be cared to the £1.8m loss that booked as a loss in 2020/21 before planning permission was gained.
- Roundhills expenditure had been taken to WIP as planning permission was originally expected before the end of December. The expenditure has been moved back to income and expenditure until planning permission is gained indicatively by the 31st March 2022.

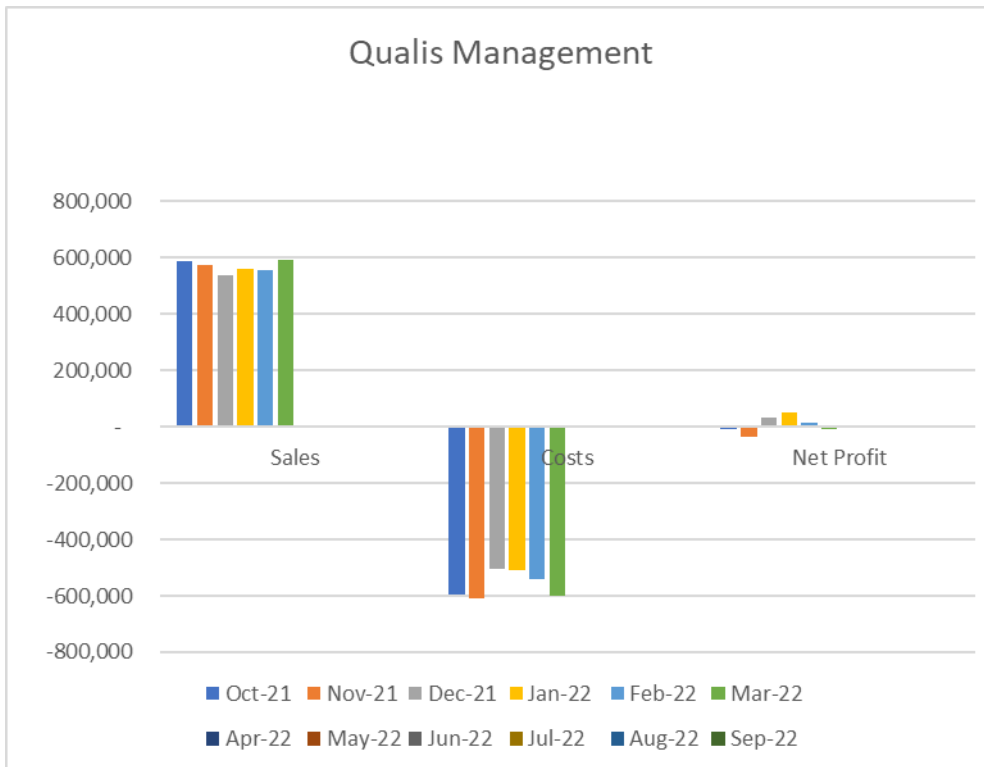
Actions

- The quantum and phasing of all business cases is due to be reviewed in January. No major change is expected other than the setting of the short-term interest rate at 6% and the long-term interest rate at 3%, in accordance with the amended loan facility agreement.



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

5.4 Qualis Management





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Qualis Management

Month	Sales	Costs	Net Profit
Oct-21	588,438	- 595,370	6,931
Nov-21	576,311	- 609,829	33,518
Dec-21	536,003	- 505,302	30,701
Jan-22	558,722	- 510,049	48,673
Feb-22	558,112	- 542,056	16,056
Mar-22	593,715	- 600,377	6,662
Apr-22			
May-22			
Jun-22			
Jul-22			
Aug-22			
Sep-22			
		TOTAL	48,319
		TARGET	- 30,248
		VARIANCE	78,567

Items to note:

- The reduction agreed in SLA income with EFDC.
- 2.5% income inflation funding impact has yet to be agreed with EFDC until the Shareholder has set its own budget.
- Out of hours policy has been reviewed and expenditure has decreased.
- Voids specification and associated costs have reduced and have been more profitable in this period.
- Salaries, a slight increase as new starters have been employed ready for new work-streams.
- Additional materials costs have been noted.
- Agreed changes to the SLA has reduced income, which has been factored into 2021/22 budget.

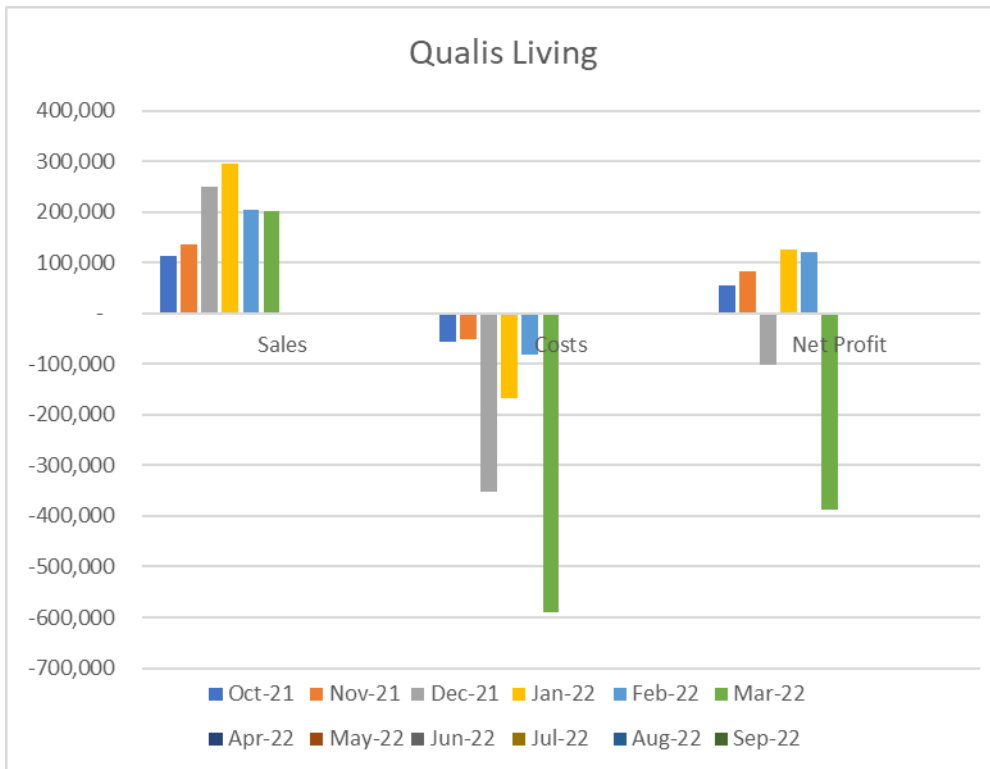
Actions

- Inflation costs and charges to be agreed with EFDC before 31st March 2022.
- A review of material costs to understand the increase will be reviewed before the end of April.



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

5.5 Qualis Living





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Qualis Living

Month	Sales	Costs	Net Profit
Oct-21	111,839	- 56,939	54,900
Nov-21	136,101	- 52,295	83,806
Dec-21	250,702	- 351,863	101,162
Jan-22	294,657	- 168,738	125,919
Feb-22	203,151	- 81,321	121,830
Mar-22	202,689	- 589,612	386,923
Apr-22			
May-22			
Jun-22			
Jul-22			
Aug-22			
Sep-22			
		TOTAL	- 101,629
		TARGET	248,299
		VARIANCE	- 349,929

Items to note:

- The delays in finding and investing in additional local regeneration and income earning assets is increasingly pronounced.
- The impact of the periodic payment of loan interest is evident this month. This impact will be smoothed in subsequent reports.

Actions

- A more vigorous and disciplined approach to reviewing and discussing asset investment opportunities now takes place and around four possible investment opportunities have been identified.
- Rephasing of interest to be actioned for next quarter's report.



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6. Balance Sheets

- 6.1 A simple summary view of each of the company balance sheets is shown below. The increasing net worth of the Qualis Group should be noted as the impact of initial loan financing diminishes.
- 6.2 Overall Qualis is due to have balance sheets with net worth within five years of operation, i.e. in 2024/25.

Qualis All Companies		
Net assets and liabilities	-4,330,984	
Total Capital Employed	-4,330,984	

Qualis Living		
Net assets and liabilities	-1,061,246	
Total Capital Employed	-1,061,246	

Qualis Management		
Net assets and liabilities	-441,474	
Total Capital Employed	-441,474	

Qualis Group		
Net assets and liabilities	133,907	
Total Capital Employed	133,907	

Qualis Commercial		
Net assets and liabilities	-2,962,171	
Total Capital Employed	-2,962,171	



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

7. Cash and Loans

7.1 The cash position of the Group is below target mainly due to a slow down in the call down and spending of loans compared to the original budget targets and due to approximately £1m being owed to Qualis by EFDC for work carried out regarding the Epping Leisure Centre.

7.2 In the original financial plan for this year, based on the business cases that existed at the time, the aim was to call down the following:

	Q1 £m	Q2 £m	Q3 £m	Q4 £m
Development Loan Land Purchase from EFDC	16			
Development Loan	6	6	6	6
Regeneration Loan	10	5	5	5
Working Capital Revolving Credit Draw Down	1			1
External Loan				5
Total	33	11	11	17
Grand Total				72

7.3 The actual and/or predicted call down of loans is shown overleaf:



Qualis Group, Qualis Living, Qualis Management, Qualis Commercial

	Q1 £m	Q2 £m	Q3 £m	Q4 £m
Development Loan Land Purchase from EFDC		14		
Development Loan		6		6
Regeneration Loan		10		15
Working Capital Revolving Credit Draw Down				2
External Loan				5
Total	0	30	0	28
Grand Total				58

7.4 A meeting will be organised with EFDC to agree timings on outstanding loans, the application of these loans to additional agreed development projects, e.g., Pyrles Lane, so the arrangement continue to offer business opportunity to Qualis and immediate financial benefit to EFDC.

8. Summary going concern statement

The underlying trend of the performance of all Qualis companies is considered satisfactory and therefore all Qualis companies should be considered, “going concerns”.

Finance

20/04/2022 (approved for release by the Qualis Board)