



Finance and Performance Monitoring Quarterly Report

Year 3, Quarter 3, (1st April 2022 – 30th June 2022)

- Subject:** Finance and Performance Monitoring
- Author:** Frances Malone, Finance Business Partner
- 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.

1. Purpose of this report

- 1.1 The Group Board receives monthly financial reports.
- 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 agreed One Year 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 Finance and Performance Report will be passed to the Shareholder for review.

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.
	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

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

Indicator	Target	Actual	Variance	Performance
	£	£	£	
Cash in Bank	6,000,000	3,266,782	-2,733,218	↓
Income and Expenditure	918,039	- 370,288	-1,288,327	↓

3.2 The cash position is below the target of £6 million by £2,733,218 which is based on the initial working capital position. This variation is principally due to delays drawing £6m from the construction loan facility.



Qualis Group, Qualis Commercial, Qualis Management, Qualis Living

- 3.3 There is an outstanding amount owed to Qualis by EFDC of £500k.
- 3.4 Plans to draw the initial £10m from the agreed £35m regeneration loan facility have been delayed due to investments that meet the criteria not being available.
- 3.5 The income and expenditure position is £1,288,327, which is below target due to delays purchasing additional investment property (note search challenges referenced above) that provides a surplus after the cost of finance.

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.

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.

5.2 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	- 191,120	2,695
Apr-22	192,290	- 180,215	12,075
May-22	192,290	- 145,001	47,289
Jun-22	192,290	- 177,738	14,552
Jul-22			
Aug-22			
Sep-22			
		TOTAL	100,109
		TARGET	8,195
		VARIANCE	91,913

Underspend against budget following the appointment of employees previously seconded from EFDC, which has provided a saving. Vacant permanent positions have been filled recently, later than forecast also providing a saving against budget. The health and safety project for mixed use properties (as referenced in the Group Operations Director update) provides a small income benefit, with the recharge of costs for the interim consultant plus margin, which was previously a Group cost.

Actions

- None

5.3 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	2,096		28,833		30,930
May-22	2,096	-	42,064	-	39,968
Jun-22	2,096	-	53,264	-	51,168
Jul-22					
Aug-22					
Sep-22					
			TOTAL	-	489,112
			TARGET		-
			VARIANCE	-	489,112

Items to note:

- In the balance sheet £7.9m (which includes subsidiary and Group overheads and project finance costs) have been transferred to work in progress and will be released at the point of sale. This represents the spending incurred since October 2019 to date on the Epping Sites.
- 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 31 March 2022.
- Pyrles Lane & Cartersfield expenditure is also held in the P&L until planning permission is agreed.

Actions

- None



Qualis Group, Qualis Commercial, Qualis Management, Qualis Living

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	- 600,383	- 6,668
Apr-22	775,252	- 763,894	11,358
May-22	824,479	- 855,922	- 31,443
Jun-22	719,118	- 706,126	12,992
Jul-22			
Aug-22			
Sep-22			
		TOTAL	41,220
		TARGET	12,395
		VARIANCE	28,825

Items to note:

- Agreed reduction in income following amendments to SLA with EFDC.
- 2.5% income inflation funding impact has yet to be agreed with EFDC until external benchmarking exercise completed. Income below target due to delayed handover and implementation of planned and electrical works.
- Salaries overspend against budget due to additional resources required in advance of new service transfers.
- Additional materials costs have been noted. An element of material prices are fixed for the year with an annual review aligned to the contract with EFDC. Due to increase in operatives employed by QM completing more repairs, additional cost offset by reduction in sub-contractors being used.
- Holding a £30k legal fee accrual relating to a contractor dispute.

Actions

- Benchmarking exercise to be completed.



5.4 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	-	161,321	41,830
Mar-22	202,689	-	589,612	386,923
Apr-22	206,547	-	187,647	18,900
May-22	203,046	-	288,364	85,318
Jun-22	214,544		10,977	225,521
Jul-22				
Aug-22				
Sep-22				
			TOTAL	- 22,526
			TARGET	897,449
			VARIANCE	- 919,975

Items to note:

- In cost of sales we had a higher amount of premises insurance for developments sites that was not included in the budgets. The insurance policy sits with the landowner of development sites, this will be recharged later in the year.
- Plans to draw the initial £10m from the agreed £35m regeneration loan facility have been delayed due to investments that meet the criteria not being available.

Actions

- None

6. Balance Sheets

6.1 A summary view of each balance sheet is shown below. The increasing net worth of the Qualis Group should be noted as the impact of initial loan financing diminishes through the repayment of principal.

6.2 Overall Qualis is due to have balance sheets with a positive net worth within five years, i.e., in 2024/2025.

Qualis All Companies		
Net assets and liabilities		-3,265,530
Total Capital Employed		-3,265,530



Qualis Living		
Net assets and liabilities		-781,314
Total Capital Employed		-781,314

Qualis Management		
Net assets and liabilities		-127,019
Total Capital Employed		-127,019

Qualis Group		
Net assets and liabilities		172,828
Total Capital Employed		172,828

Qualis Commercial		
Net assets and liabilities		-2,530,047
Total Capital Employed		-2,530,047

7. Cash and Loans

7.1 The cash position of the Group is below target. This variation is principally due to delays drawing £6m from the construction loan facility.
There is £500k 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
EFDC Asset Purchase Loan	16			
Construction Loan	6	6	6	6
Regeneration Loan	10	5	5	5
Working Capital Loan	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:

	Q1 £m	Q2 £m	Q3 £m	Q4 £m
EFDC Asset Purchase Loan	14			
Construction Loan		5		6
Regeneration Loan				15
Working Capital Loan				2
External Loan				0
Total	0	19	0	28
Grand Total				47

7.4 The reduced call down of loans during the year is a result of the certification process for the drawdown of the construction loan, and difficulty finding investment properties that meet the narrow criteria set by PWLB for the regeneration loan. Options are to be discussed with the Shareholder Representative.

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”.

Frances Malone, Group Finance
20/07/2022