

Covid-19: Practical Steps for the Community Housing Sector

Viability | Workforce | Stimulus | Recovery



April 2020



Building a better
working world

Agenda

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What are the key risks to providers as a result of COVID-19?

Risks to Revenue

- ▶ Risk that rent revenues are reduced because of:
 - ▶ Affordable tenants risk losing income and yet some may not be eligible for Jobkeeper
 - ▶ Some social tenants may lose income and Jobseeker will not be included in assessable income
 - ▶ Some tenants may elect to cancel direct deductions and withhold rent due to uncertainty of situation.
- ▶ 6 monthly rent reviews postponed
- ▶ Risk that turnaround times are increased (vacant days increased) because of operational challenges in undertaking maintenance and inspections in COVID conditions.
- ▶ CHPs operating other revenue sources subsidising operations, such as social enterprises, may experience a fall in revenue.

Risks to Costs

- ▶ Limited capacity to reduce overheads in a lockdown environment.
- ▶ Increased cost and complexity of undertaking reactive maintenance safely in a COVID environment.
- ▶ Operating budgets already strained with insurance costs forecast to be going up significantly this year due to other factors.

Risks to Tenants

- ▶ Risk of negative impacts to tenants due to a reduction or loss in effectiveness of wrap around services and supports, such as mental health, domestic violence, and substance abuse.
- ▶ Aside from the human cost, the flow on effects of this to providers could mean negative exits, bad debts and increased maintenance.

Risks to Capital

- ▶ Despite falling base interest rates, margins have been rising.
- ▶ Challenges in restructuring property debt in an environment of extreme uncertainty around valuations.

Regulator/Funder Risks

- ▶ Risk COVID related operating constraints place mean providers are failing key performance metrics under either the regulatory system or contracts with funders.



CHPs operate on thin operating margins, meaning even relatively contained exposure to these risks could result in financial distress

Post COVID Risks and Opportunities

- ▶ Prolonged recession increases demand for social and affordable housing.
- ▶ Tenant incomes do not recover in line with scaling back of Government supports.
- ▶ Broader property market downturn impacts debt refinancing.

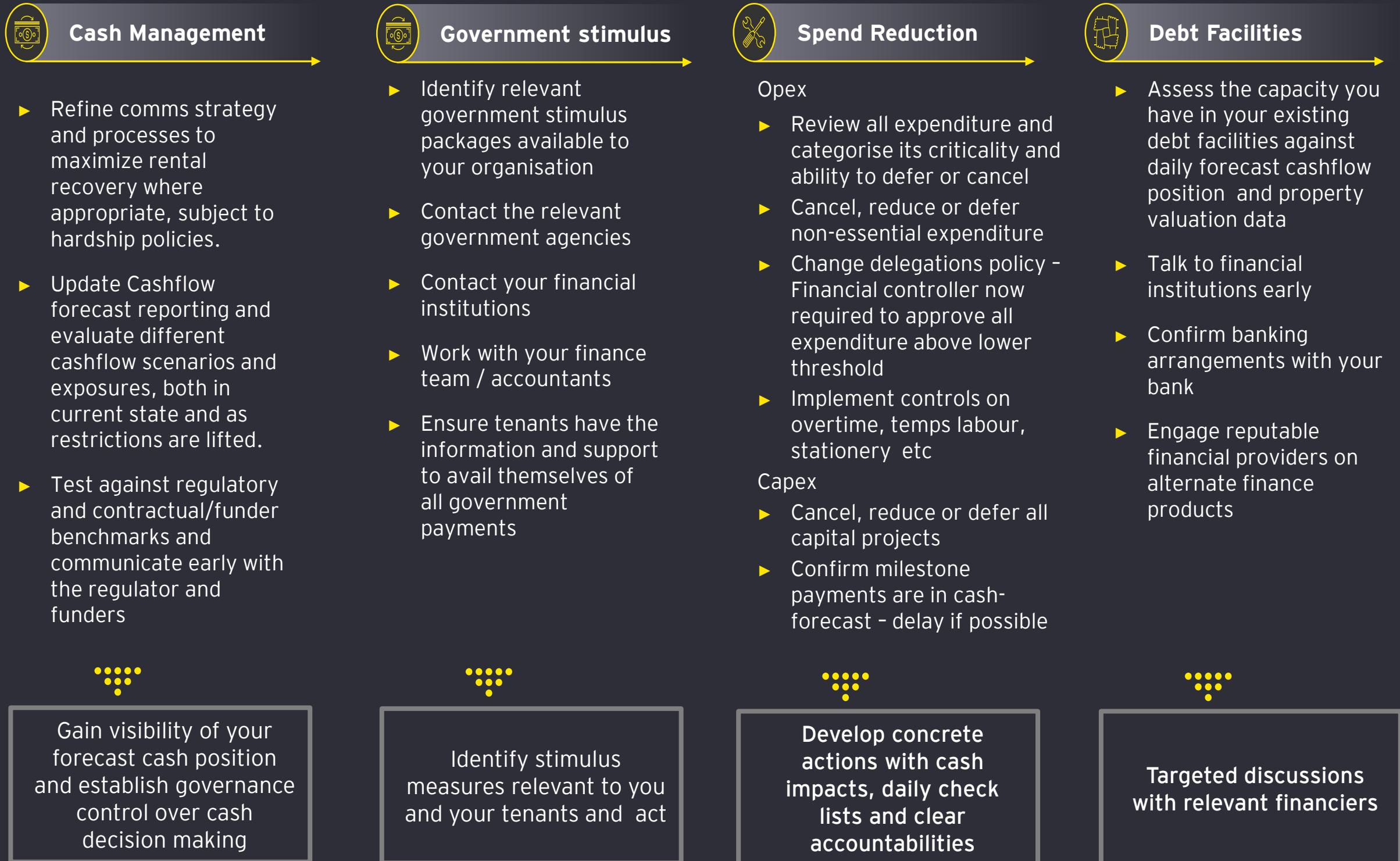
How can you prioritise your action plan to address these risks?



How is your business continuity plan faring under Covid-19?



During a crisis, close management of your financial business is essential to ensure cash in-flows align to cash out-flows



What Government supports are available to providers and tenants?



Financial viability is only one part of the broader wellbeing of the organisation



Take Action Now

Plan for the immediate and medium term

- ▶ Develop and enact a wellbeing approach to help protect people and minimise impact on business continuity, recovery and future performance.
- ▶ Examine scenarios and their impact on wellbeing, critical success factors, parameters and non-negotiables
- ▶ Consider the immediate wellbeing response as well as preparing for the return to BAU, transition to a new 'normal' and future disruption.

Take a risk-based approach

- ▶ Define your organisation's psychosocial risk profile specific to your operating context - the key risks relevant to your people
- ▶ Targeted initiatives to enable cognitive agility, anxiety, sleep and fatigue, diet, exercise, financial wellbeing and social interaction.

Be agile and adaptive

- ▶ Adjust and fine-tune initiatives in response to ongoing changes
- ▶ Track progress and evaluate the effectiveness of initiatives, seeking feedback from your people

Please give us your feedback!

Please help us by taking the time to complete a 1 minute survey on this webinar and the materials provided at

<https://www.surveymonkey.com/r/ZNNMC87>

Appendices

Accounts receivable checklist	A
State by State breakdown of Government supports	B

A simple checklist of your accounts receivables & payables can help you manage during the Covid-19 crisis



Accounts Receivable

Outstanding receivables

✓/×/?

- ▶ Government are paying on a timely basis - contact them
- ▶ Invoice timeliness - check invoices are issued to contractual terms
- ▶ Provide information to customers on government programs to assist them with paying invoices
- ▶ Monitor tenants and negotiate delayed payments plans where appropriate

New invoices and credit

- ▶ Review credit limits to identify where aggregate exposure over multiple customer codes or subsidiaries is too high
- ▶ Confirm invoices are using contracted terms or better
- ▶ Increase approval for removal of order block to CFO



Accounts Payable

Strengthened Controls

✓/×/?

- ▶ Centralise control of the accounts payment schedules
- ▶ Categorise suppliers based on business priority and align payment terms accordingly
- ▶ Provide weekly payables dashboards to the executive team with recommendations to pay
- ▶ Ensure all payments are made to contractual terms and not earlier
- ▶ Review the frequency of payment runs

Supplier Terms

- ▶ Optimise payment terms of suppliers to the best terms you have with them
- ▶ Identify payment terms extensions opportunities, with immediate focus on uncontracted suppliers

Outbound payments

- ▶ Negotiate pause of outbound fees
- ▶ Identify government programs to delay tax payments
- ▶ Confirm GST is paid in correct monthly

There is a range of government assistance measures available



Federal government

Small/medium business cash flow support

A **tax free payment** to small and medium-sized businesses with a turnover of **less than \$50 million** that employ workers. There will be 2 payments. 1. Payment is based on salary and wages withheld and goes up to 100% of that amount (capped at \$50k). 2. If eligible, even if you don't withhold, you get \$10k.

NGO subsidies

\$100,000 (scaled to PAYG deducted) to eligible small and medium sized businesses, and not-for-profits (including charities) that employ people, with a minimum payment of \$20,000.

Accelerated depreciation until 30 June 2021

Accelerated depreciation deductions (50% on installation prior to 30 June 2021, remainder over useful life) for businesses with aggregated annual turnover of **<500m**

Supporting apprentices and trainees - 1 Jan 2020 to 30 September 2020

A **50% subsidy** on apprentice/trainee wages, up to \$21,000pp - for small businesses with **<20 employees**.

ATO administrative concessions for businesses affected by the coronavirus

Some of these may be available to business who contact the ATO:

- ▶ **Deferral** of income tax and GST payments;
- ▶ **PAYG** instalment variation (including refund of prior payments);
- ▶ Change of **business reporting cycle** to monthly where GST refunds are available;
- ▶ **Remission of interest and penalties** on tax liabilities incurred after 23 January 2020 for COVID-19 affected businesses;
- ▶ The ATO may apply a **low interest payment plan** on ongoing tax liabilities for affected businesses.

SME Guarantee Scheme

From 1 April 2020 the federal government will guarantee **50% of new loans, up to \$250k**, issued by eligible lenders to **small and medium entities**.

Temporary relief for financial distressed businesses

Government is temporarily **increasing the threshold** which creditors can issue a statutory demand on a company (**\$5,000 -> \$20,000**), and **time** companies have to respond from personal liability for trading while insolvent.

Extension of AIS submissions

Annual Information Statements (AIS) due between **12 March and 20 August 2020** are now due **by 31 August 2020**.

The Federal government announced a wage subsidy: Jobkeeper, which raises opportunities & challenges for managing workforce

\$130 billion	Over six months
	To incentivise keeping staff employed

\$1,500	Per worker per fortnight
	Paid directly to businesses including non-profits and charities



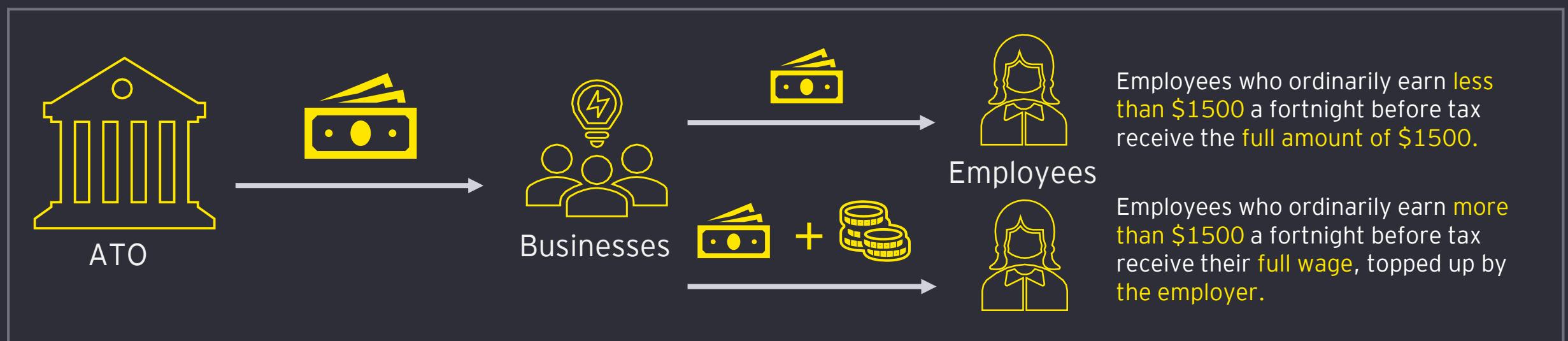
Organisational eligibility

- ▶ The business has turnover of **less than \$1 billion** and turnover will be reduced by **30%** relative to a comparable period a year ago
- ▶ The business has turnover of **more than \$1 billion** and turnover will be reduced by **50%** relative to a comparable period a year ago
- ▶ Registered charities and turnover will be reduced by **15%** relative to a comparable period a year ago



Employee eligibility

- ▶ Must have been employed as at **1 March 2020**
- ▶ Must **still be employed**
- ▶ Includes **stood down** employees
- ▶ Includes employees who were made **redundant** but have since be **re-employed**
- ▶ All full-time, part-time and **casuals** who have been regularly employed for longer than 12 months



State governments are also providing some financial assistance measures



Victorian State Government

Payroll tax incentives - refund & deferral

- ▶ **\$550m in refunds on payroll tax** paid in the first three quarters of FY19/20, for small and medium businesses with annual payroll <\$3m.
- ▶ Above businesses will also be able to **defer** any payroll tax incurred in the first three months of FY20/21 until **1 Jan 2021**.

Land tax payments - deferral

2020 land tax payments will be **deferred** for eligible small businesses.

Commercial Rent Relief

Commercial tenants in government buildings can apply for **rent relief**.

Outstanding supplier invoices

- ▶ All **outstanding supplier invoices** will be paid by the Victorian Government within **five business days**, releasing up to **\$750 million** into the economy earlier - the private sector has been urged to do the same where possible
- ▶ While this initiative relates to **current outstanding invoices**, it is likely that this initiative will continue in some form.

Homelessness support

- ▶ **\$6m** to be provided to entities providing services to Vic homeless

Rental relief package

- ▶ **\$500m** package implementing the Federal 6 month ban on evictions and rent rises. **\$420m** in land tax relief, **\$80m** for renters facing hardship. Tenants cannot be evicted if they cannot pay rent due to COVID-19

Working for Vic Fund

- ▶ **\$500m** fund set up to assist entities helping job seekers

Small Business grant

- ▶ **\$10,000** grants available to eligible small businesses

State governments are also providing some financial assistance measures



NSW State Government

Payroll tax incentives

- ▶ Tax-free threshold increase from \$900,000 to \$1 million.
- ▶ Deferral of payroll tax for business with payrolls over \$10 million for 6 months (up to \$4 billion deferred).
- ▶ An additional 3-month deferral for businesses with payrolls of \$10 million or less who received a 3-month waiver on payroll tax in the first package.

Parking space levy - deferral

Deferral of the parking space levy for 6 months.

Commercial Rent Relief

Deferral of rents for 6 months for commercial tenants with less than 20 employees in all Government-owned properties

Licence fee relief

Waiver of a range of State licence and registration fees for business enterprises for 12 months

Homeless support package

\$34m package announced to support entities providing homelessness services

Charity funding

\$10m package of additional funding for charities

Working Support fund

\$1b fund established to support entities continue to employ staff

Residential Rental Support

60 day interim order preventing eviction from residential due to rental arrears requires tenant to demonstrate they have lost 25% of their income. Legislation to implement the Federal 6 month ban has been introduced

State governments are also provides some financial assistance measures



Queensland State Government

Payroll tax incentives

All small and medium businesses (annual payrolls of \$6.5 million or less) in Queensland will be eligible for:

- ▶ a **two-month** refund of payroll tax,
- ▶ a **three-month payroll tax holiday**, deferral of all payroll tax payments for the rest of 2020.

Larger businesses (annual payrolls over \$6.5 million) affected by COVID-19 will be eligible for the **two-month payroll tax refund** and have their deferral extended for **all of 2020**.

Job support loans

Concessional loans of up to **\$250,000** are available to assist companies retain staff and maintain operations. Loans are **interest free for the first 12 months**

Electricity costs rebate

Sole traders, small and medium businesses will get a **\$500 rebate** on their power bill.

Commercial Rent Relief

Deferral of rents **for 6 months** for commercial tenants in all Government-owned properties

Mental Health funding

\$28m package of funding for entities providing mental health services

Residential Rental relief

Will legislate a six-month moratorium on evictions due to rent arrears caused by Covid-19 and property owners will be prohibited from evicting a tenant if their lease expires during the public health crisis.

State governments are also provides some financial assistance measures



WA Government

Payroll tax incentives

- ▶ Payroll tax will be waived for a **four-month period between March 1, 2020 to June 30, 2020** for small-to-medium sized businesses with Australia-wide **annual wages of less than \$7.5 million in 2019-20**.

NGO support fund

- ▶ **\$159 million** COVID-19 Crisis Relief Fund to support not-for-profit sport, arts and community groups in dealing with the coronavirus.

Licence fee relief

- ▶ Large range of State licence fees to be waived for small and medium businesses

Utility concessions

- ▶ Range of power and water concessions are available to community service organisations.

Funding certainty

- ▶ State has committed to continue all community entity contract payments until at least **June 2020**

Residential rental relief

- ▶ Introduced legislation for a **six-month** moratorium on evictions, prohibition on rent increases during the emergency period, and providing that fixed term tenancies due to expire will continue as a periodic agreement.

State governments are also provides some financial assistance measures



Australian Capital Territory

Payroll tax incentives

- ▶ A **six month waiver** of payroll tax any businesses whose operations are directly affected by the 'prohibited activities list' now, and into the future.
- ▶ Interest free deferrals of payroll tax commencing **1 July 2020 for all businesses up to a payroll threshold of \$10 million.**

Additional NGO funding

- ▶ **\$7m** Additional funding to services providers involved in emergency support activities

Small business power rebate

- ▶ **\$750** to assist small businesses with power bills

Rate rebates

- ▶ Rebate on the fixed charge for 2019-20 on commercial rates for properties with an **AUV below \$2 million.**
- ▶ Deferring the issuing of notices for **2019-20 quarter four** commercial rates instalments by **four weeks** to provide immediate cash flow assistance to commercial property owners.

Rental Rebate

- ▶ Rental relief to commercial and community tenants of ACT Government owned properties that have been significantly impact by the virus.

Residential rental relief

- ▶ Implemented a short-term moratorium on evictions for non-payment of rent, temporary freeze of rental increases and prevention of blacklisting as a result of being unable to pay rent.

State governments are also provides some financial assistance measures



SA State Government

Payroll tax incentives

- ▶ **6-month waiver** for all businesses with an annual payroll (grouped) up to \$4 million, eligible businesses won't have to pay any payroll tax from April to September.
- ▶ Employers with grouped annual wages above \$4 million able **to defer payroll tax payments for 6 months** on demonstration of significant impacts on cash flow of coronavirus.

Job support funds

- ▶ **\$300m** Business and Jobs Support Fund will be used to directly assist individual businesses and industry sectors facing potential collapse and the loss of thousands of jobs.
- ▶ **\$250m** Community and Jobs Support Fund - Community organisations, such as sporting, arts and recreational bodies, non-profit organisations and some other industry sectors will be assisted.

Residential rental relief

- ▶ Has legislated a short-term moratorium on eviction for non-payment of rent due to severe financial distress, as well as banning rent increases.

State governments are also provides some financial assistance measures



Tasmanian Government

Payroll tax incentives

- ▶ Small to medium businesses not in the hospitality, tourism, seafood and exports sectors with an annual payroll of up to **\$5 million** in Australian wages will be able to not lodge payroll tax returns for the three months **March, April and May 2020**.
- ▶ Youth employment payroll tax rebate scheme for people aged 24 years and under, for **one year from 1 April 2020**.

NGO support

- ▶ **\$5 million** funding to enable NGOs to support vulnerable people through the provision of food hampers, medical supplies or counselling.

Small business loan

- ▶ **\$50m** Small Business Interest Free Loan Scheme available for businesses with turnovers less than **\$10 million**

Small business grants

- ▶ **\$40 million** Small Business Grants Program with **\$20 million** set aside for an emergency grants program of **\$2500** cash payments

Residential rental relief

- ▶ Implemented a moratorium on evictions. Any notice to vacate issued by an owner to a tenant is of no effect until **30 June 2020**. This measure will be reviewed after 90 days and may be extended. Does not remove the obligation to pay rentals.

State governments are also provides some financial assistance measures



Northern Territory Government

Expansion payments

- ▶ **\$10,000** payment for upgrades as a part of a new Business Improvement Scheme aimed at helping businesses service more customers. The government will match fund additional business expenditure for a total of **\$30,000**.

Works grants

- ▶ **\$5 million** Immediate Works Grants Package. This is for incorporated not-for-profit and community organisations to undertake repairs, renovations and upgrades to their premises/facilities. Applicants can apply for grants of up to **\$50,000**, contributes. Up to **\$200,000** on a dollar-for-dollar matching basis for amounts above **\$100,000**

Residential rental relief

- ▶ Parliament has been recalled to consider a range of COVID-19 legislation, including residential tenancy protection

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