

# 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?

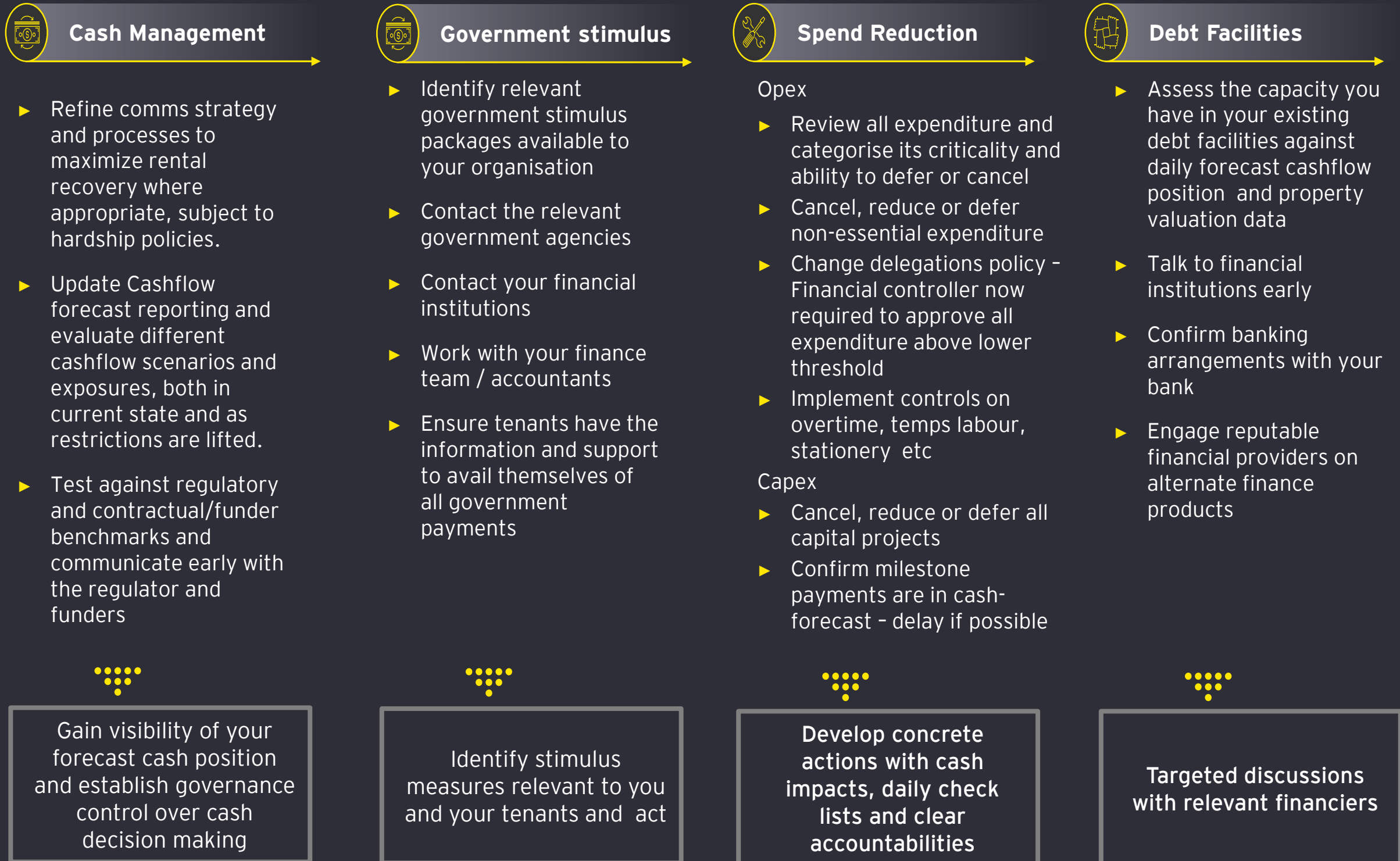
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# How is your business continuity plan faring under Covid-19?



# 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!

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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

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Accounts receivable checklist	A
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# 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

<b>\$130 billion</b>	Over six months
	To incentivise keeping staff employed

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



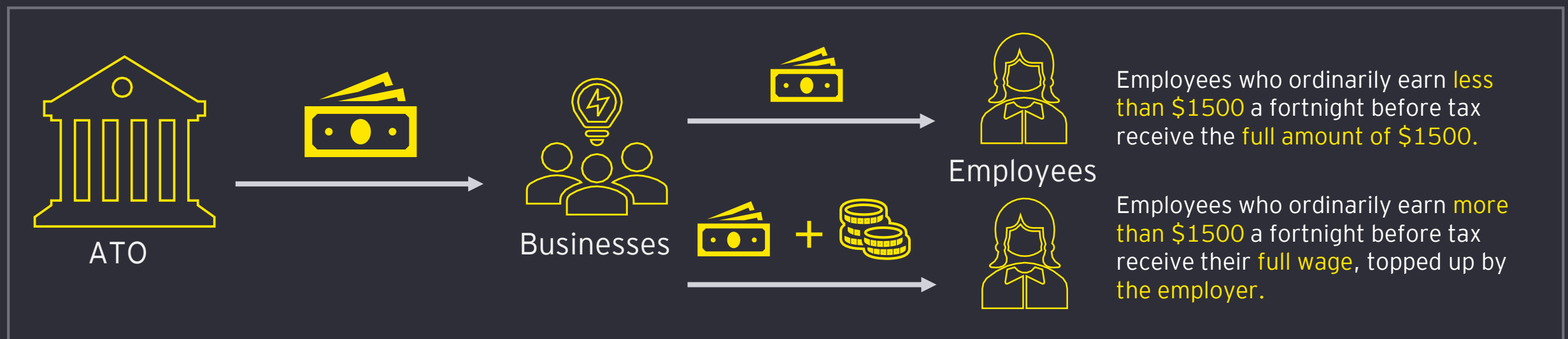
## Organisational eligibility

- ▶ 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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