



+ COVID-19 Health Crisis
5 point Action Checklist for Strata
06 April 2020



Strata Checklist

Strata Checklist for Committee Members

Some sectors of the economy will be more affected than others but the flow on effects from business interruption, loss of employment and mortgage pressures will undoubtedly impact on Strata Plans. As a Committee member, your leadership and decision-making during this period of economic instability will be crucial to ensuring your strata plan is well-positioned to properly function in the event of a Cash Crunch. Below is a checklist for the essential actions you should undertake for your strata plan:



1. Develop a cash flow plan with your strata manager

Review your cashflow position

- 1) Assess the levies collections and any other revenue you expect to receive (rental income , insurance receipts , laundry, storage etc) over the next 3 months with 3 different collection scenarios (Best , Expected , Worst Case Scenario) Our Strata Cash Flow Model can assist you with planning for these scenarios.
- 2) Review your current approved budget with your Strata Manager and discuss a reframing of the timeline of any planned expenditures. It is important to ensure that common property continues to operate in compliance with all relevant laws and regulations and that it is properly maintained to ensure the safety of all residents.
- 3) Obtain advice about any possible government stimulus your strata plan may be eligible to receive over the coming months. Most of the stimulus measures are designed to assist small business but speak to your Strata Manager and Chartered Accountant about any potential relief measures that may be available directly to your body corporate.
- 4) Develop a cash flow forecast which incorporates your quarterly BAS obligations, including PAYG Income Tax instalments, PAYGW for employees and GST. If you operate on a quarterly GST Accruals basis, speak with your Strata Manager and Chartered Accountant, it may be possible to shift to a monthly Cash Basis to help smooth cash flows, allowing for any reduced collections and bring forward any expected GST refunds.
- 5) Discuss with your Strata Manager any other ways to smooth cash flows by shifting from Annual & Quarterly payment cycles to monthly. Consider a monthly instalment cycle for insurance, Fire protection, Lift Contracts & Utilities to ensure the maintenance of critical assets while closely monitoring the cash position month by month.



2. Navigate your arrears position

- 1) Communicate regularly with all Lot Owners and work closely with your Strata manager to understand the impact of any financially distressed Lot owners on the collection of budgeted levies.
- 2) Monitor closely with the Strata Manager the cancellation of Direct Debits and anticipate the likelihood of increased average arrears %
- 3) Consider a Discounting policy with your Strata manager as a Carrot rather than a Stick approach to encouraging early payment of levies by lot owners.
- 4) Consistently review the arrears positions with your Strata manager on a monthly basis, tighten the reins on collections and update cash flow projections monthly to reflect the true current position.
- 5) Review with your Strata manager any avenues under your relevant State based legislation to vary the contributions agreed at the last AGM. This potentially is an emergency avenue to redirect critical cash flows to the appropriate fund and should be considered after all other option exhausted.



3. Consider key risk areas

- 1) Review with your strata manager continuing contracts with key contractors and suppliers. Ensure you are aware of current Terms & Conditions
- 2) Understand the potential flow on effect of any rent amnesties granted by landlords and watch for any updated announcements.
- 3) Do your supplier contracts with suppliers contain a force majeure clause that allows termination in the event of a pandemic? If so, discuss with your Strata Manager the impact of termination of this contract on your strata plan. Strata Managers work closely with their trusted suppliers. All avenues should be exhausted before termination of a contract where the supplier has acted in good faith.

The importance of maintaining strong supplier relationships during this period of uncertainty should not be underestimated.



4. Finance for your strata plan

- 1) If your strata plan has existing loan financing you should review your loan documentation with your strata manager and bank to determine what your strata plans obligations are under the current circumstances.
- 2) Discuss with your strata manager the impact of obtaining external finance for the strata plan where individual lot owners have hardship applications or where there are significant arrears.
- 3) Generally, what does your Strata loan agreement say about situations where the normal operation and collections of the strata plan has been interrupted due to external events beyond the strata plans control?
- 4) Work with your Strata manager and ask for assistance from the bank including:
 - a) reduction in interest rates and any ongoing charges
 - b) a deferral of repayments and interest for your strata plan
- 5) During times of uncertainty a Strata plans decisions to allocate its cash need to be based on reliable information. An independent audit of the Strata Plans financial statements makes sense as part of any Committees good governance



5. Negotiate with 3rd parties

- 1) Speak with your bank regarding available finance facilities and their capacity to be flexible. Your Strata Manager will be key to helping you get the best possible arrangement here.
- 2) Sit down with your strata manager and see where a better deal can be struck with upcoming quotes or instalment plans put in place.
- 3) Discuss with your Chartered Accountant the possibility of a tax arrangement with the ATO where your strata plan has any outstanding Income Tax or GST liability.

+ Kelly+Partners is here to help.

We have developed a Strata Cash Flow Model to help you navigate this period of uncertainty with your trusted Strata Manager. If your Strata Committee would like assistance with the Strata Cash Flow model for your Strata Plan or if you have some questions you would like answered, get in touch with your Kelly+Partners Strata Specialist Client Director today.

You can also click the button below to request a call back at a time that suits you.

Request a call back from your Strata Specialist



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We are also offering a free weekly Grow Program Webinar, typically valued at \$14,500, exclusive to all Kelly+Partners clients. Every Friday at 8:30am, Brett Kelly, Founder & CEO of Kelly+Partners Chartered Accountants, will be hosting a free webinar via closed Facebook group.

The program is designed to help you plan head, manage the risks of the virus to your business and emerge from this rapidly changing economy stronger than ever.

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Kelly+Partners is here to help.

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