

Financial impacts of COVID-19 on AHBs

Webinar: 30th June 2020, 3pm

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**Head of Financial Regulation, Governance
& Registration**



Voluntary Regulation Office

Finance Webinar

June 30th 2020

3pm

Medium and Long- Term Financial impacts of COVID-19 on AHBs



1⁰¹

Introduction & welcome attendees

3:00pm Start

02²

Miriam Kavanagh - Head of Financial Regulation, Governance and Registration. Housing Agency, Regulation Office

Medium and Long-Term Financial impacts of COVID-19 on AHBs

03³

Neil Anderson - Director of Finance, Tuath Housing
Financial impacts of Covid-19 on Tuath Housing

04⁴

Clíodhna O'Leary - Head of Finance, HAIL
Financial impacts of Covid-19 on HAIL

05⁵

Ray Fanning- Head of Finance, Respond
Financial impacts of Covid-19 on Respond

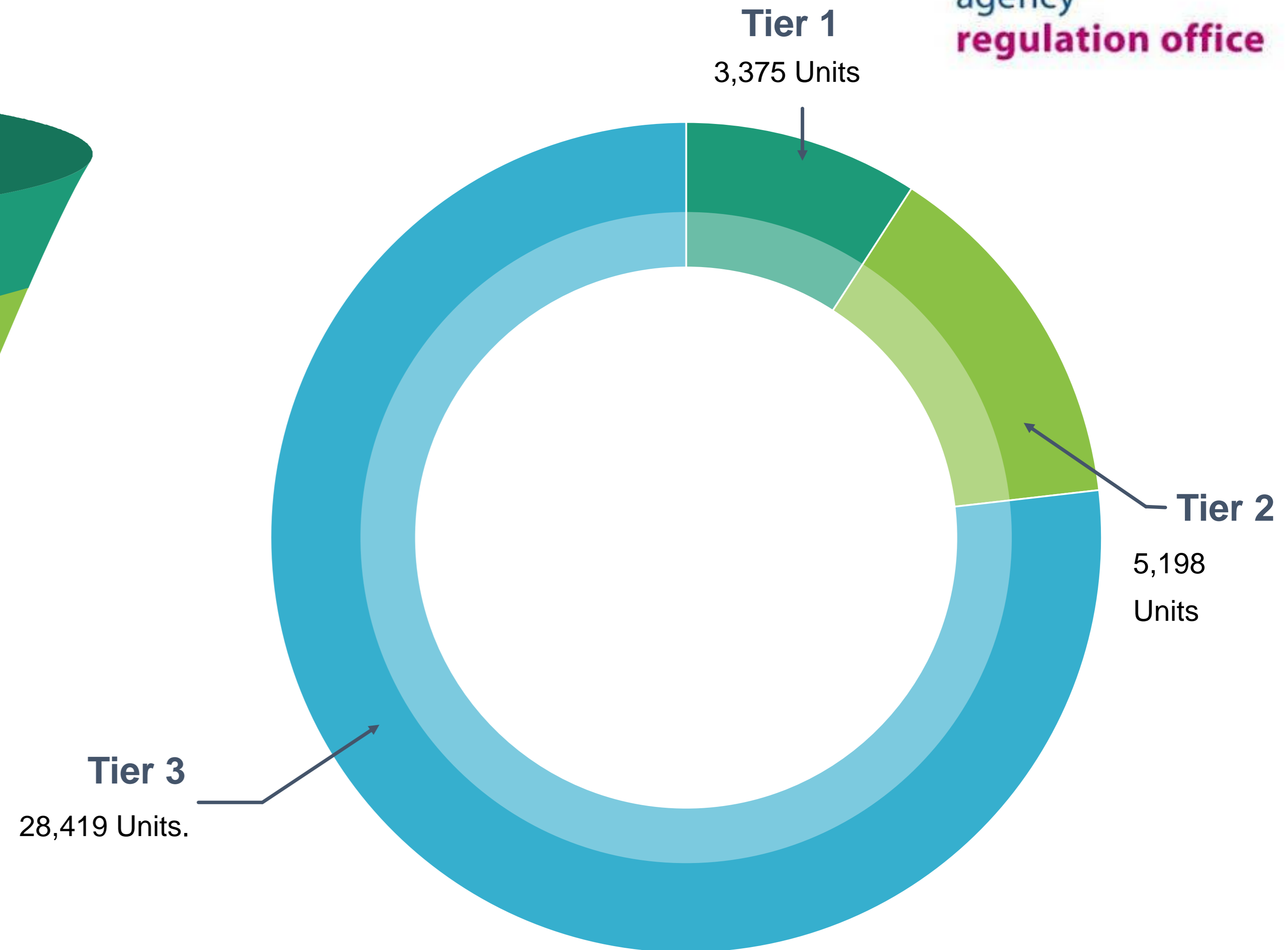
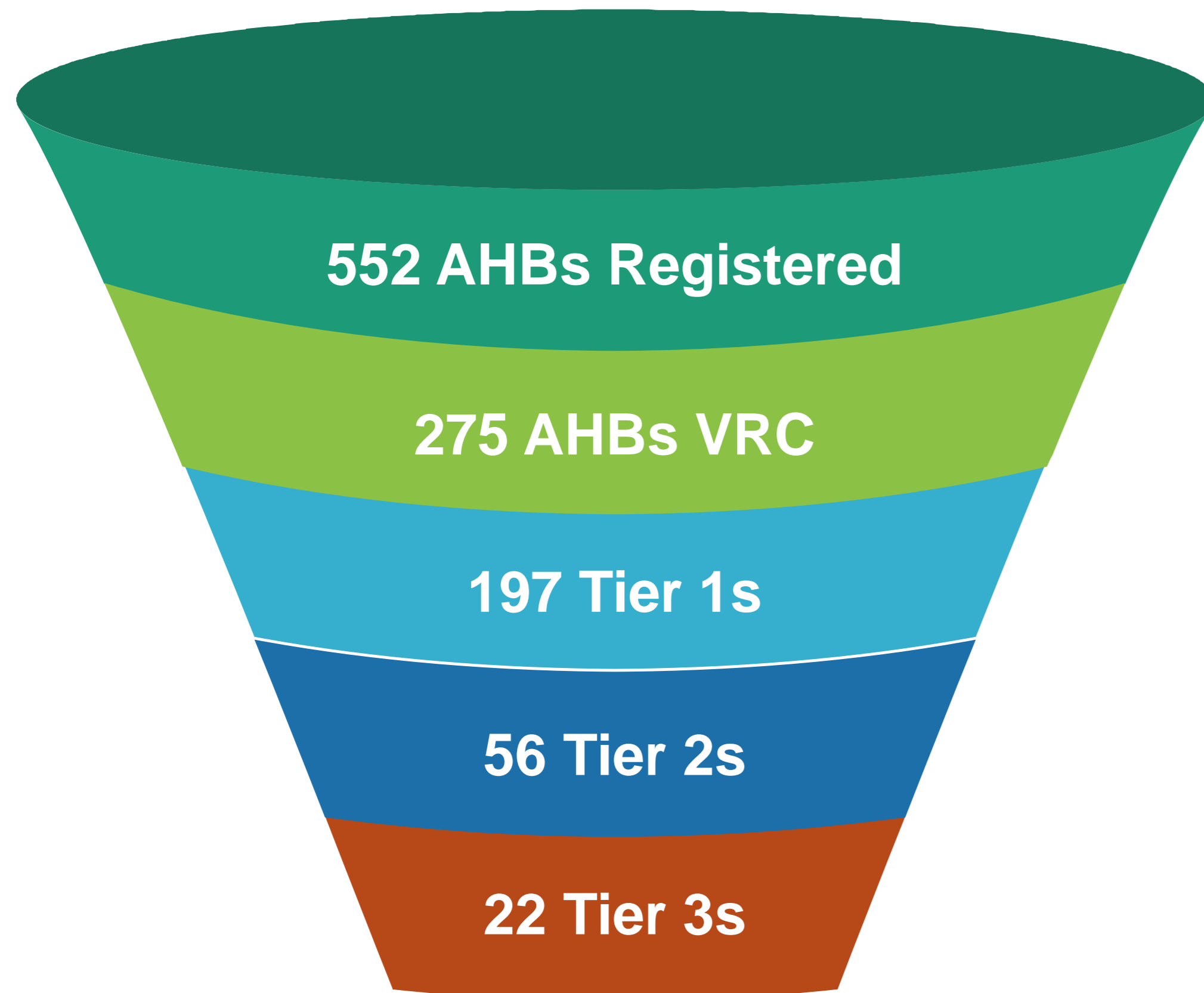
Question & Answer Session

4:30pm Finish



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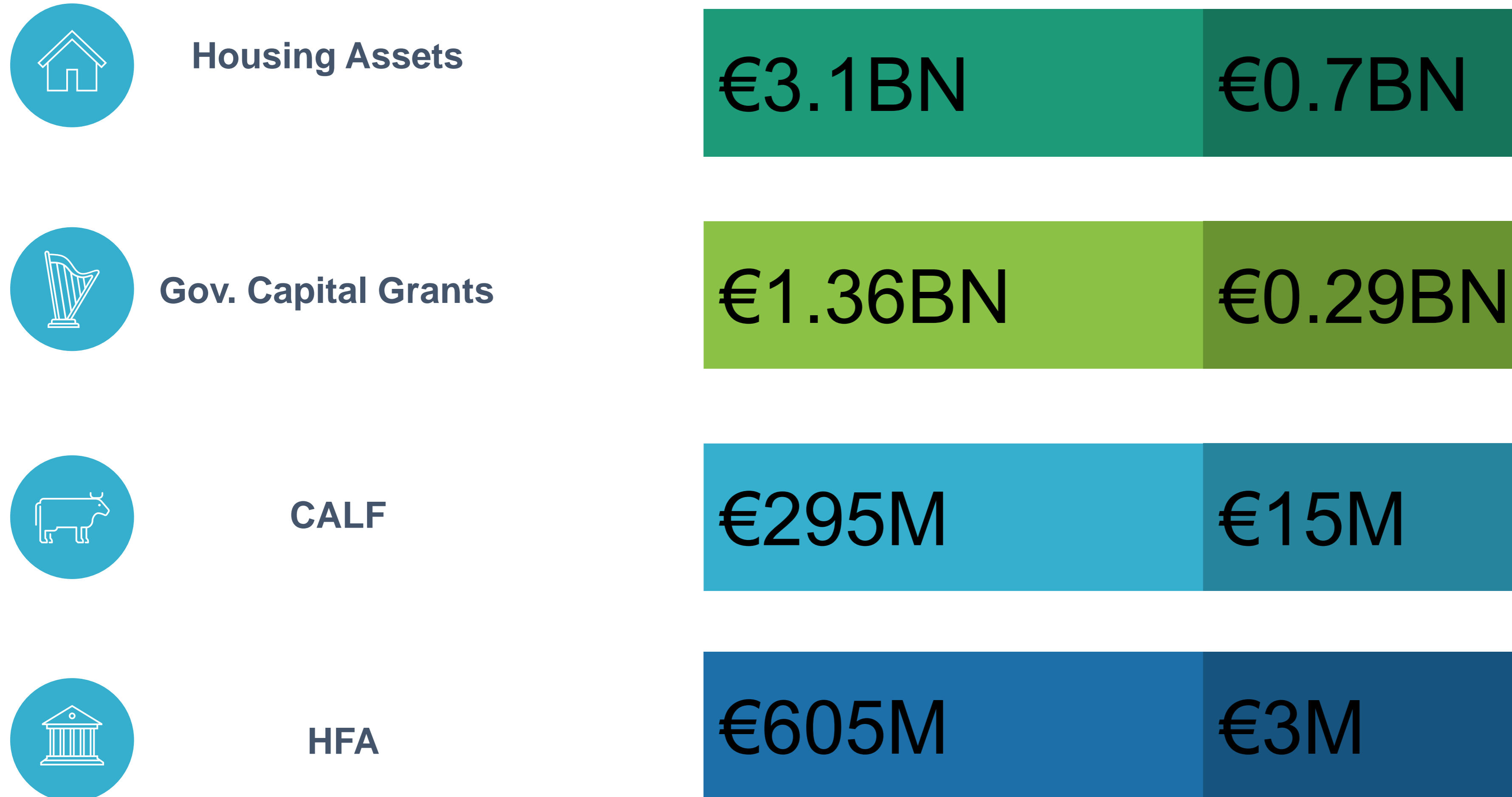
AHB Sector Scale & Size





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Financial Context - 2018



**17 Tier 3 AHBs & 56 Tier 2 AHBs. Figures are not audited, consolidation for directional purpose only*

COVID – 19 Initial Impact



Immediate Impacts

AHBs were fast to act with short-term solutions created in 'emergency period'.

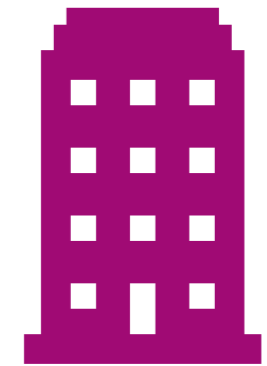


Homeless Services

Successful short-term solutions implemented with AHBs & DRHE

Housing Impacts

Suspension of non-essential services, rent reductions & arrears, repairs



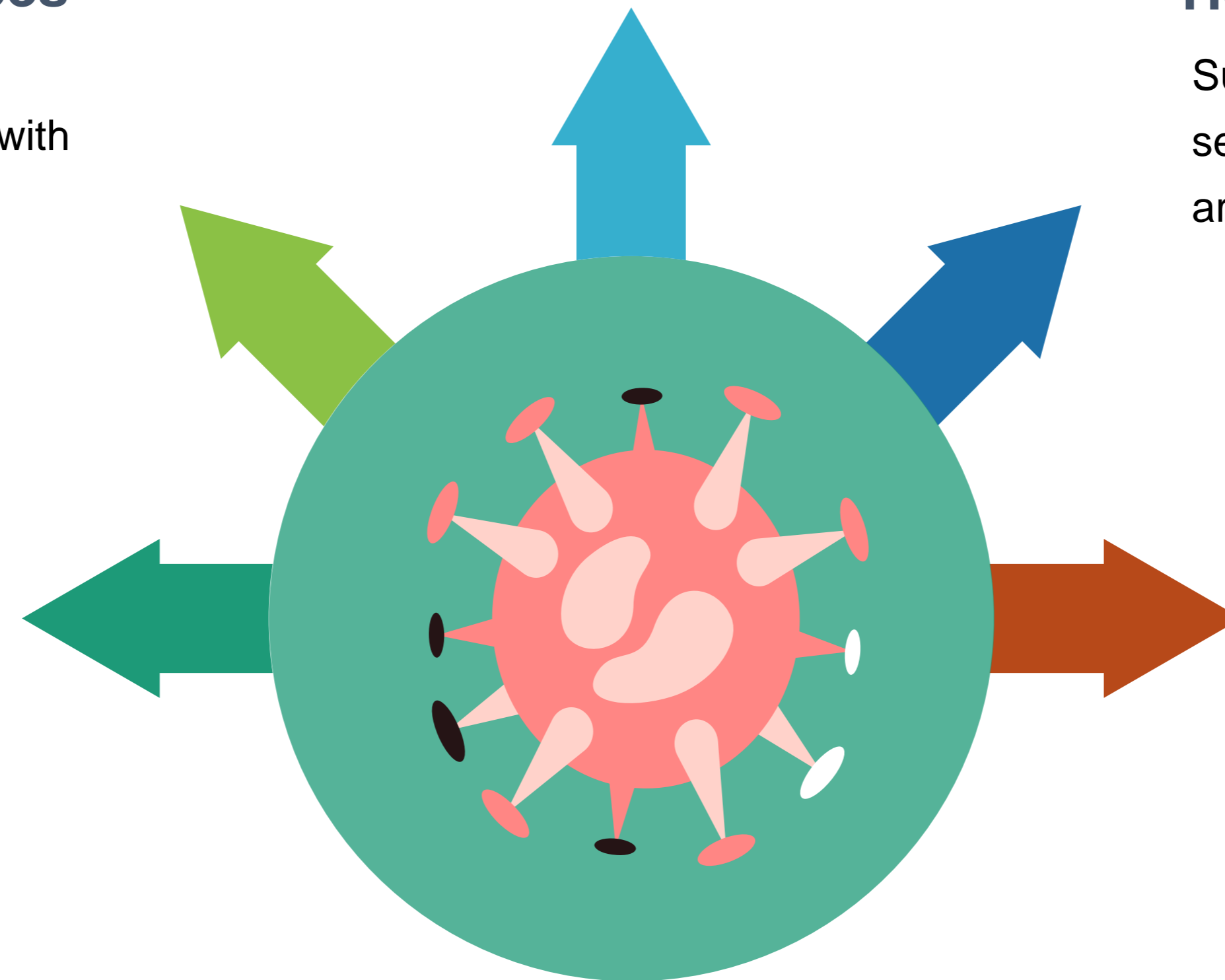
Developments

Initially development sites closed due to restrictions, impact to delivery.



Care & Support Services

Patient care, staff & patient risk of infection.
Increase in costs for PPE and support staff.



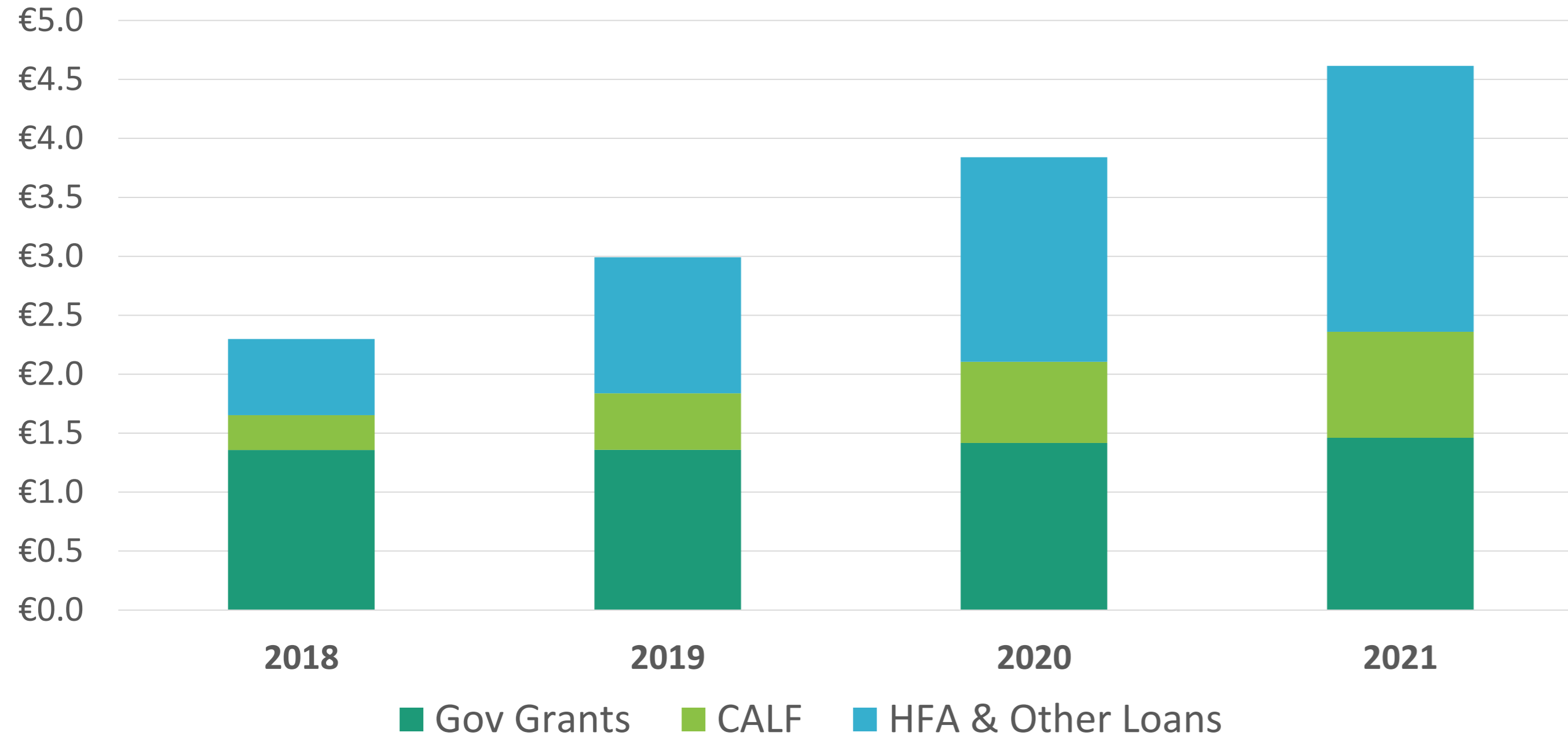
Context: Unit Growth Tier 3 AHBs

Planned Growth - Forecasts



€BN

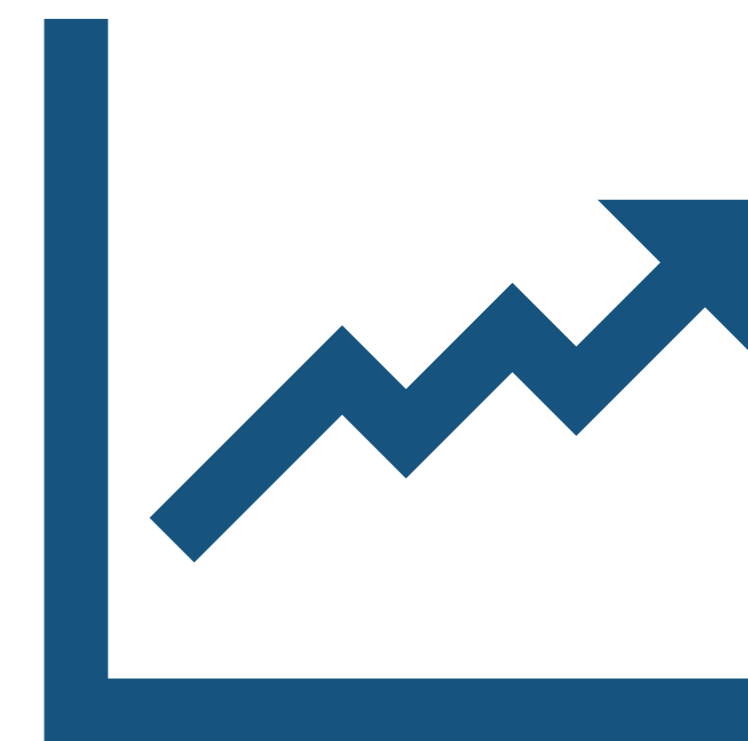
Projected Debt - Tier 3 AHBs



Planned Growth - Units

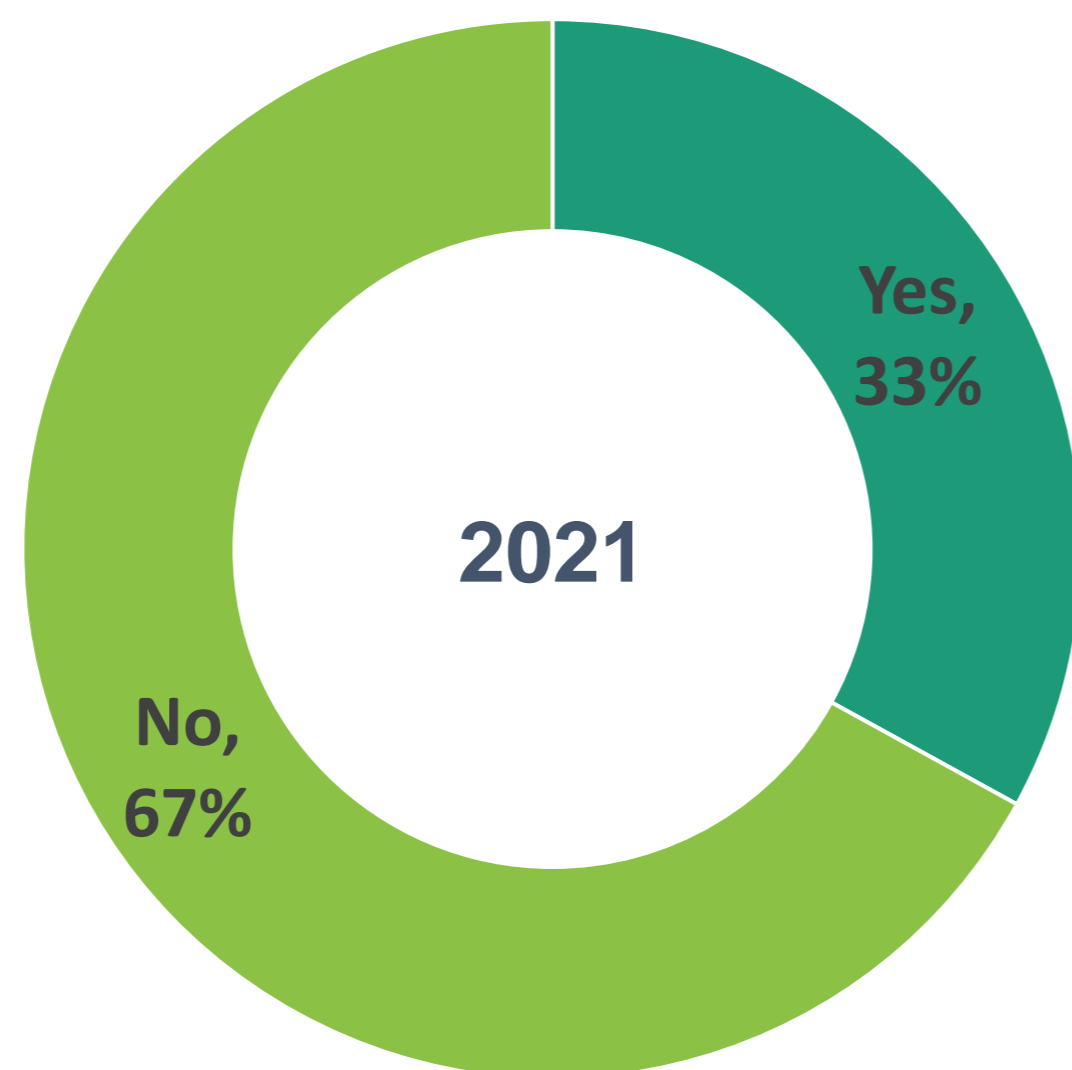
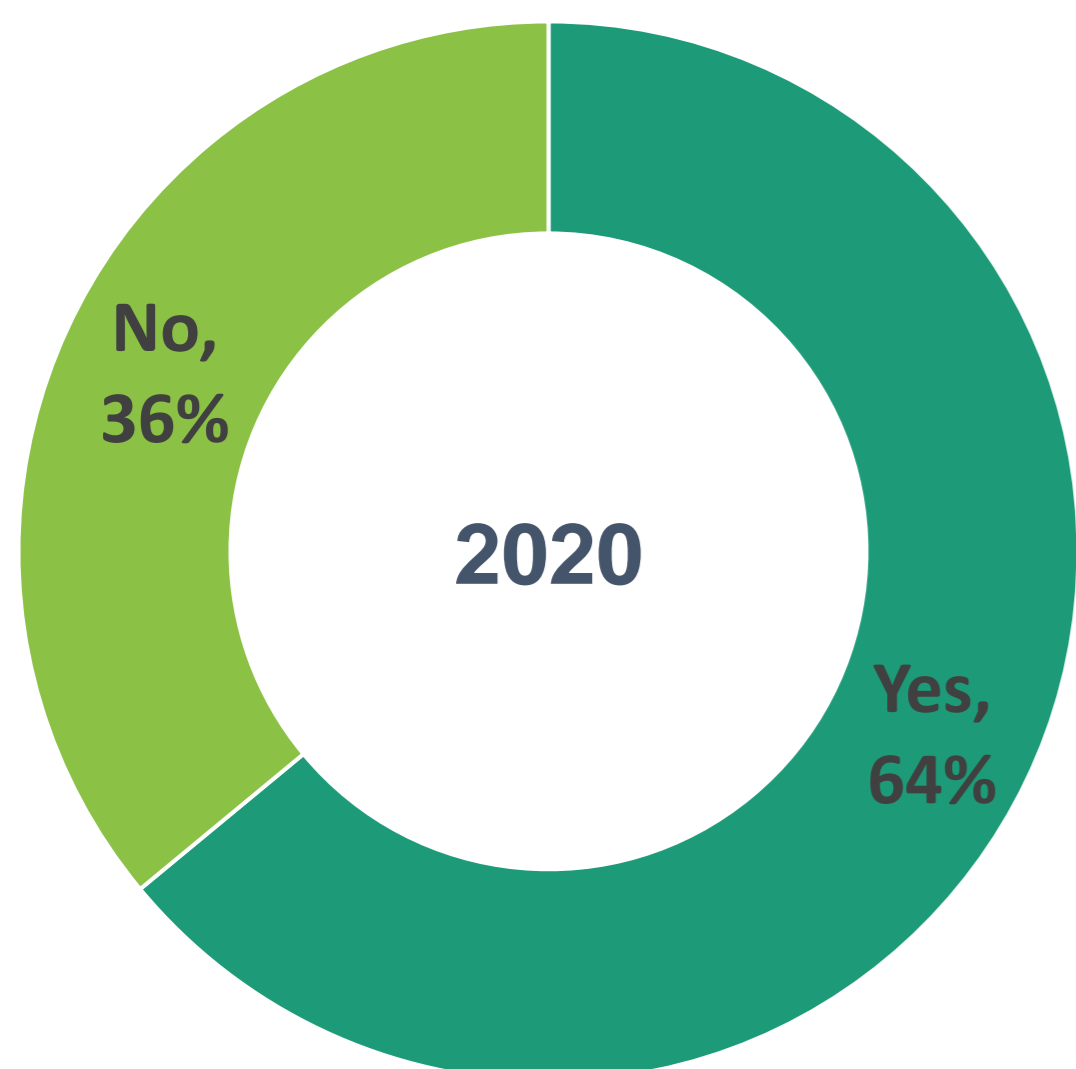
2019	2020	2021
3,024	4,171	3,886
		11,081

Forecast total debt €5.22BN in 2023



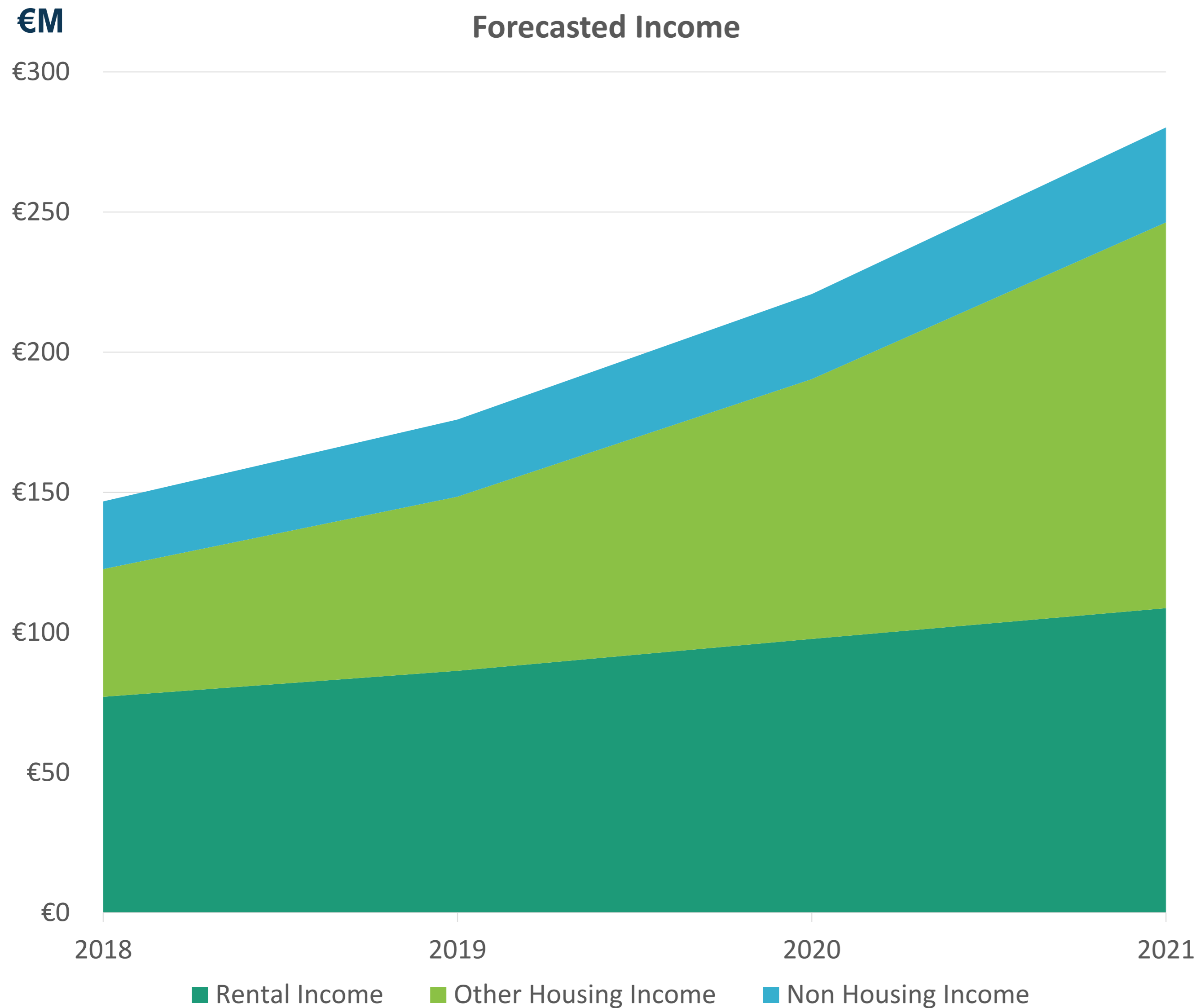
COVID Impact on Unit Growth Survey Results

Question: Have you assumed unit growth will be impacted due to COVID-19?



- 64% of organisations assume unit growth will be impacted in 2020
- 33% of organisations assume unit growth will be impacted in 2021
- Feedback on Impact on Growth:
 - Delays in delivery due to restrictions
 - Up to 25% reduction vs. targets
 - Delays in closing acquisitions
 - Delays in allocations due to viewings restrictions
 - Revised 2020 budgets

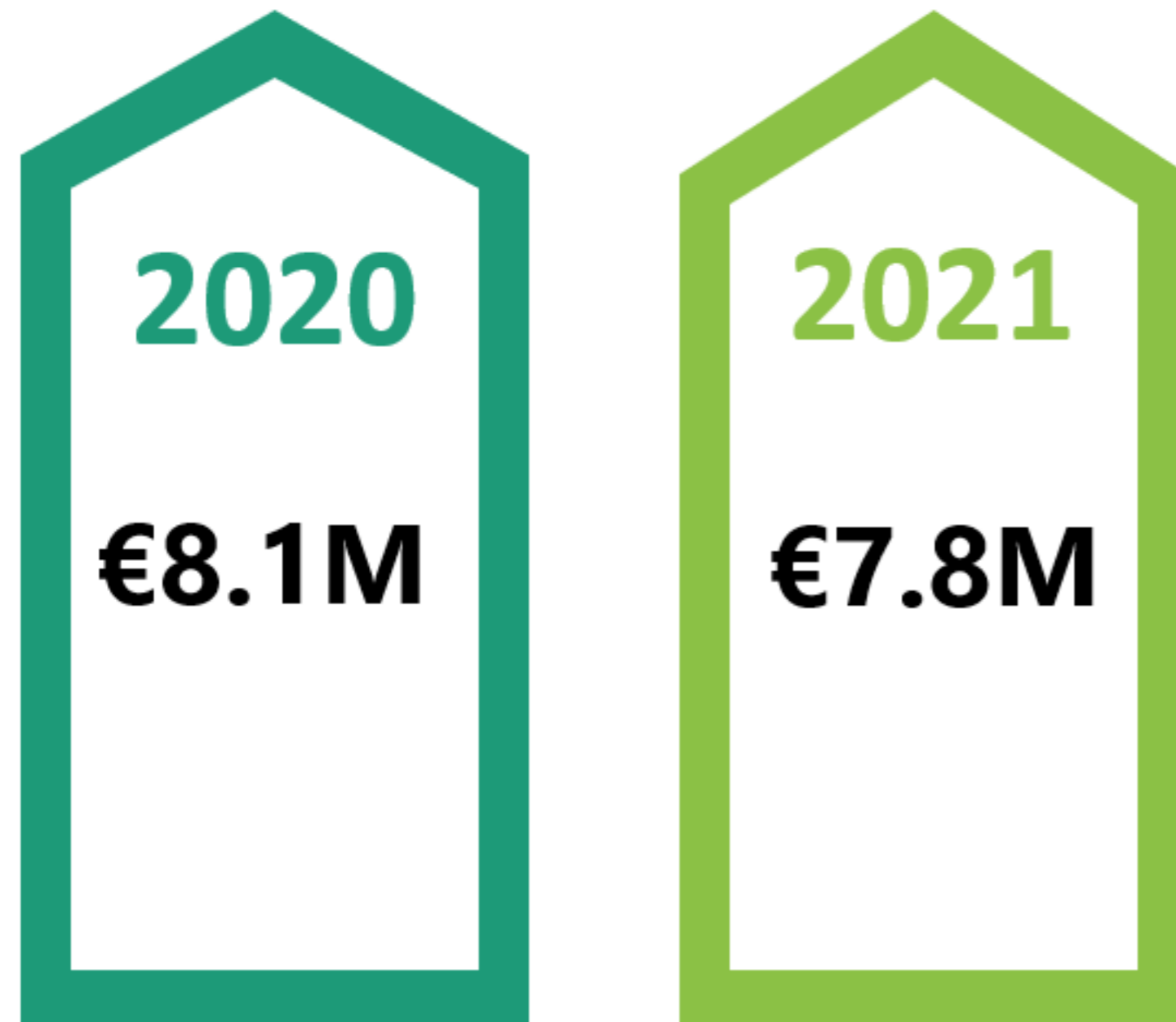
Rental & Housing Income



COVID- 19 Impacts to Housing Income

- Unemployment impacting differential rents
- No Rent Reviews
- Slow down in development/acquisition impacting P&A

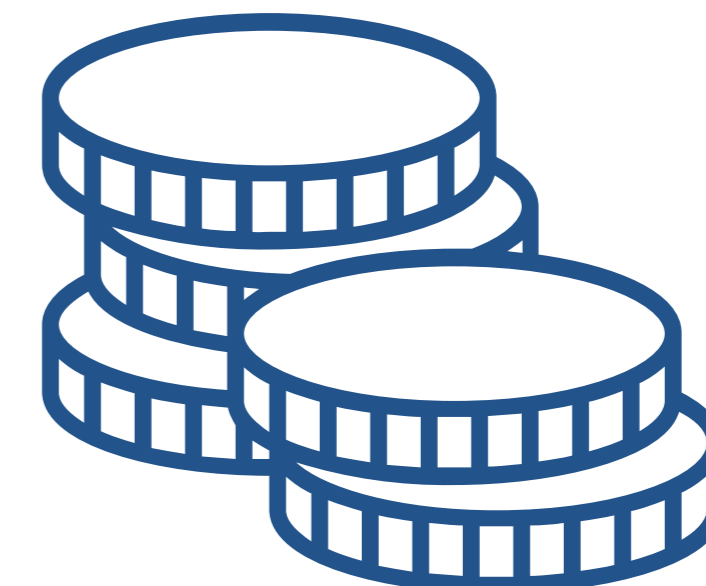
Fundraising Income



From 17 Tier 3 Forecasts

- Significant fundraising amounts forecasted for 2020 and 2021.
- COVID-19 has negatively impacted fundraising income.
- Reduction in fundraising highlighted by AHBs as a **top risk** to their organisation.
- Some AHBs expect that fundraising could drop by 25%.

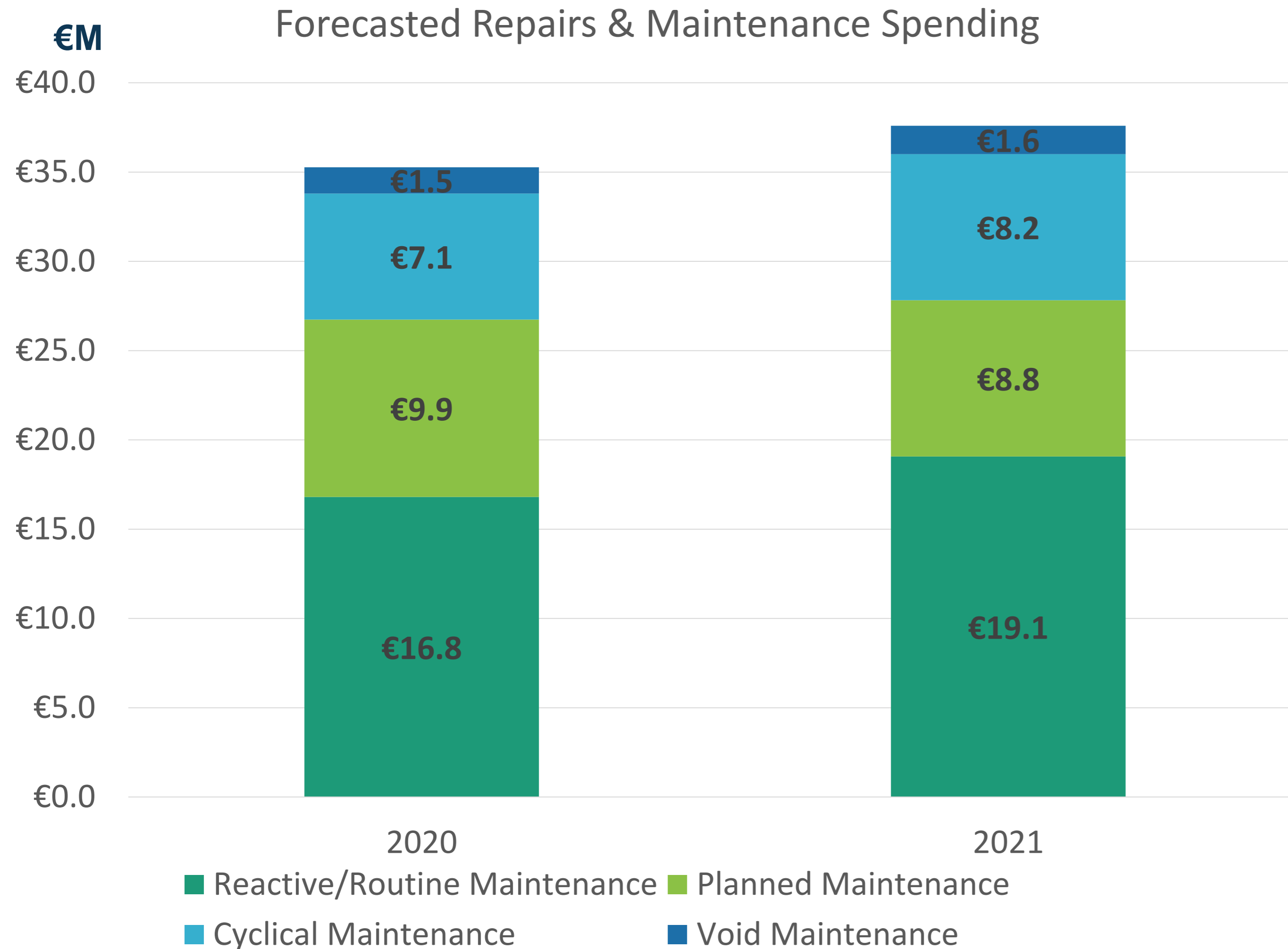
“90.31% indicated that their charities’ fundraising plans for 2020 had been cancelled or postponed“ Charities Regulator





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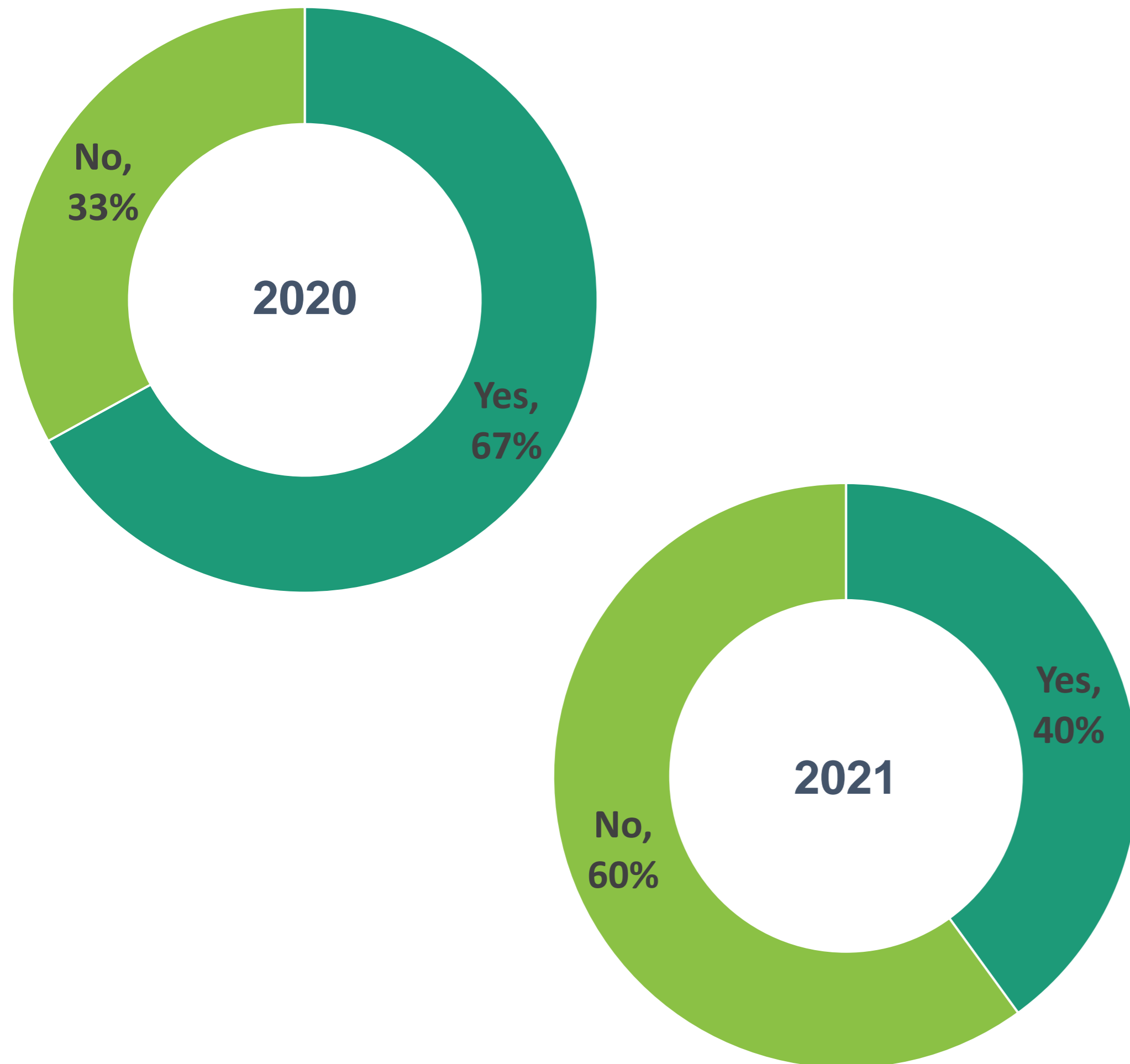
Repairs & Maintenance



- 60% of organisations reported they have recorded a material change in expenditure since the start of the COVID-19 crisis.
- AHBs highlighted that they had deferred planned maintenance works due to COVID-19 restrictions.
- Reductions in day-to-day repairs.
- Only essential repairs were carried out.
- Need to think about backlog in the medium term.

STRESS TESTING & FORECASTING

Question: Have you revised the budget/forecast?



- 60% of organisations have revised their organisations stressed scenarios for 2020 (**31% for 2021**).
- Changes to assumptions include:
 - Rental reductions
 - Reduction in Fundraising Income
 - Change to planned maintenance spending
 - Reduced interest payments
 - Increase services and PPE extra costs
 - Additional IT costs for remote working
- Only some organisations have conducted stress testing on revised plans



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Economic Outlook



“Ireland is only at the end of the beginning of the current economic shock caused by Covid-19 and the future scale of its economic impact is uncertain.”

Central Bank of Ireland



ESRI Report May 2020

Most Likely Scenario:

- GDP Declines by 12.4% 2020
- Consumer spending drops 13%
- Unemployment at 17% for 2020



Irish Fiscal Advisory Council Report May 2020

- Gov. deficit projected to be €13 billion in 2021 & likely to remain large for many years
- Unemployment at 9% for 2021



World Bank Report

- The global economy will shrink by 5.2% in 2020
- Deepest recession since WWII
- Emerging market and developing economies (EMDEs) are expected to shrink by 2.5% this year, their first contraction as a group in at least sixty years.



Second Wave?

“A second wave of Covid-19 would wipe out any chance of economic recovery in Ireland either for this year or next.” OECD

Regulation Office Expectations



- Revised Cashflow to the end of 2021
- Fully revised financials for the remainder of 2020 and 2021
- Stress tested 2020 and 2021 for the perfect storm
- The Board has fully reviewed and understands the economic, operational and financial impacts in the stressed scenarios
- Mitigating Actions

THANK YOU



Appendix: ASSESSMENT FINDINGS

STRESS TESTING

- Part of overall risk framework
- Scenario selection should be linked to risk identification
- Scenarios should not be too conservative
- Vulnerabilities of the Business Plan
- Mitigating actions

KEY RATIOS

- Gearing & Liquidity
- Clearly defined risk appetite around KPIs

ASSUMPTIONS

- All key underlying assumptions should be clearly identified
- Any changes from the previous year highlighted and explanation provided
- Business Plan and Financial Forecast linked

TREASURY

- Cash management
- Visibility of cash balances in Financial Statements
- Cash min/max balance