



Barristers' Chambers Limited Rent Relief Response – Frequently Asked Questions

1.0 How many rent relief applications has BCL provided to date?

We have received more than 1,400 applications for rent relief from across the Bar. The total value of the relief provided to date is more than \$1.8 million and the current approval rate is around 70%.

We are currently providing on average 45% rent relief for those members of the Bar requesting rent relief and we have provided rent relief to more than 50% of our tenants.

2.0 How is the COVID-19 pandemic affecting the Bar?

The impact has been significant and across all areas of the Bar.

- The average fall in income for all the applicants for rent relief is 68% and this is consistent across all areas of the Bar.
- While the Criminal Bar has been impacted significantly by the closure of the courts, the greatest impact has been on the Commercial Bar as solicitors and in-house counsel do more work themselves, matters are settled out of court and the level of economic activity declines significantly. A little more than 30% of the applications for rent relief are from the Criminal Bar whilst 55% are from the Commercial Bar.
- Since March 2020, 60 barristers have left chambers due to COVID19. 50% of these have been Commercial barristers, 25% have been Criminal barristers and 25% have been in other practice areas.
- The cohort that have been most severely impacted are barristers who have been at the Bar for more than 15 years. They account for 53% of the applications for rent relief and 61% of the vacancies. Barristers under five years' call account for 20% of the applications and 20% of the barristers who have left chambers.

We expect that the pandemic will have a greater economic impact the longer it drags on, and that we will potentially need to provide rent relief beyond the end of the current rent-relief legislation.

3.0 Will BCL continue to charge rent during the Stage 4 restrictions?

Yes. We need to continue to charge rent to ensure we can continue to provide the vital services members need during the pandemic, and to continue to remain financially viable. The cost of these services are, in the majority, contracted (e.g. rent, technology costs, telecommunications, taxes, security and interest) and we are obliged to pay irrespective of the Stage 4 lockdown. We are continuing to negotiate with our landlords for rent relief and to reduce costs wherever possible and these savings are being used to provide rent relief to those in need.



4.0 Why can't BCL afford to provide more rent relief?

We are providing the maximum rent relief that we can afford. Our only source of income is rent paid by the Bar and our continued viability is linked to the Bar's continued ability to pay rent. The impact of the pandemic has been significant on the Bar and in turn on BCL:

- BCL's net profit before tax and property revaluations for FY20 will be \$2.5 million (FY19: \$5.7 million). After revaluations it will be a net loss after tax of \$3.1 million.
- The negative impact of COVID-19 on BCL for the three months to June 2020 has been \$2.75 million due to rent relief, increased doubtful debts and increased vacancies.
- Combined with the devaluation of BCL properties, the negative impact of COVID-19 on BCL's profit for FY20 is \$9 million.
- Based on BCL's cash flow forecast, the company will have a negative cash flow of \$1.2 million per month as a result the pandemic.
- BCL needs to collect 88% of its revenue each month to cover its costs.
- BCL has accessed all government assistance and continues to negotiate with its commercial landlords. BCL has reduced costs and is monitoring cash flows. BCL's continued survival is completely dependent on most of the Bar continuing to pay rent.

It is also important to recognise that BCL is unlike other landlords. We are completely dependent on one income source – the Bar. We have operated effectively as a not for profit where our rents are determined based on our costs of running the business and planned capital expenditure. There are no significant cash reserves that BCL can use to fund rent relief and it is not able to borrow from the bank to fund further relief (see below).

5.0 Is BCL receiving rent relief from its landlords?

Yes. We have received some rent relief from some of our landlords and we are continuing to negotiate with others. It is important to note that whatever rent relief we receive from our landlords is significantly less than what we provide to the Bar. This is because most barristers are in BCL-owned buildings. Any rent relief we receive from our landlords is being used to fund rent relief to those barristers most in need across all 80 floors and seven buildings. It is not building specific.

6.0 Why doesn't BCL borrow to fund rent relief?

While we have a strong asset position, these assets are primarily our owned buildings. As you would appreciate, in providing funding, the banks do not just look at a proposed borrower's asset position. They also consider the purpose for which the funds are to be used and the underlying cash flow of the business to assess the borrower's ability to meet its interest costs and to repay the loan. Our current cash flow is uncertain with increasing rent relief, vacancies and more barristers being unable to pay. Based on our current forecast we will have a significant negative monthly cash flow. With this level of uncertainty, we would not be able to increase our debt as the bank would have concerns about our solvency.



It would not be prudent for the Board, in the present circumstances, to agree to increasing our debt levels. Using borrowed funds to provide rent relief on the assumption that it will guarantee our longer-term ability to repay the debt would be questioned by the bank given the Bar is on monthly tenancies.

7.0 Why isn't BCL offering proportionate rent relief? Is this in line with the Legislation?

The legislation says that landlords and tenants need to take into account all the factors in the lease – this includes the decline in turnover, the barrister's ability to pay and the level of rent relief BCL as landlord can afford to provide. BCL has capped the maximum level of rent relief at 50% because offering more would undermine BCL's financial viability.

8.0 Why is BCL assessing rent relief monthly?

We are all uncertain about how long the pandemic will last and how significant and widespread the impact will be. The monthly assessment has been designed to help the Bar. It has ensured that BCL has been able to provide increased relief which is commensurate with need where decline in turnover has evolved for members with the passing months.

It has also allowed us to monitor the impact on the Bar and how we respond.

9.0 What is BCL doing to reduce its costs?

We are continuing to negotiate with our landlords and to reduce costs wherever possible and these savings are being used to provide rent relief to those in need. We are reducing all the operating costs that can be reduced while we are unable to access chambers. Unfortunately, most of our costs are fixed. We have accessed all the government assistance that we are entitled to, including JobKeeper.

10.0 What will happen after 30 September when the current legislation expires?

The State Government announced on 20th August 2020 that it will be extending the rent relief scheme until 31 December 2020. We expect that we will need to provide support beyond that date. We have extended the time for payment of the deferred rent relief from 1 October 2020 to 1 June 2021.

11.0 Does BCL have pandemic cover on which it can claim?

No. The major insurers have included exclusions for pandemics, and they are extending this to include infectious diseases once the World Health Organisation deems the pandemic to be over. Our insurance broker has advised this is an industry-wide change.



12.0 Does BCL have the right to claim additional rent relief from its landlords because of the Stage 4 restrictions?

No. The only rent relief available to BCL is under the Commercial Tenancy Relief Scheme Legislation. We cannot claim any additional rent relief because members are not permitted to access buildings during Stage 4 Restrictions. BCL claims relief from its commercial landlords under the same legislation that governs BCL's rent relief response for the Bar. There are also no provisions in BCL's lease agreements that allow BCL to claim rent relief in the event of a government-imposed lockdown.

13.0 What do I need to do to apply for rent relief?

There is an application form on the BCL website that you need to complete when you first apply [here](#). All you then need to do is send or authorise your clerk to send your income information to bclrentrelief@vicbar.com.au. Please note no personal information is required. Rent relief for a month is based on the percentage drop in the previous month's income in 2020 compared with 2019 e.g. September rent relief is based on the drop between August 2020 and August 2019. You must be eligible for JobKeeper to apply for rent relief.