Summary

Forecasts indicate that Whitsunday Regional Council (Council) will require emergency loan funding by June 2013. The emergency loan funds are required to enable Council to manage a significant forecast cash deficit and maintain their financial viability.

A number of issues have led to Council’s current distressed financial position, these include:
- poor governance and management of major capital works projects
- concurrent scheduling of a number of major capital works programs
- cost overruns on a number of capital works projects, and
- completion of out-of-scope and hence ineligible works which are not reimbursable under the Natural Disaster Relief and Recovery Arrangements (NDRRA) scheme.

As a result of the above, Council forecasts indicate that all cash holdings will be exhausted by the end of FY2013, with term and working capital funding support required during FY2014.

Queensland Treasury Corporation (QTC) has met with Council and following consideration of its financial position recommends that the Department approve:
1. emergency loan funding of up to $10 million to Council, with the loan to be repaid over a term of up to three years, and
2. a working capital facility to Council to support their liquidity position (expiring October 2014, but reviewed regularly for applicability), with a limit of up to $15 million

It is recommended that emergency funding support, as outlined above, be conditional on Council meeting lending terms and conditions set by QTC. The amount of the emergency funding will be determined by QTC upon finalisation of forecast cash flows by Council. The terms and conditions will include specific requirements regarding Council addressing their distressed financial position, including at a minimum that Council:

- implement proposed revenue and expenditure measures in their FY2014 Budget
- progress, over future financial years, to meet, at a minimum the Department of Local Government, Community Recovery and Resilience’s (DLG) financial sustainability ratios, and QTC’s credit benchmarks, and
- regularly and frequently report to DLG and QTC on its financial position.

Council has committed to the implementation of several revenue and expenditure measures to enable it to repay this funding, along with putting themselves in a more financially sustainable position. Council has already introduced a recruitment freeze, tight restrictions on new capital expenditure and has approved a new infrastructure levy on ratepayers. Together, Council’s proposed measures should generate additional revenue of $6.7 million in FY2014 and $7.0 million in FY2015 plus operating expense savings of $4.5 million over the same period.

Once Council’s short-term cashflow shortfall is resolved, its base case forecasts indicate Council will be financially sustainable, with a return to operating surplus and compliance with DLG’s and QTC’s minimum recommended financial sustainability and credit ratios by the end of FY2015. This assumes Council implements the revenue and expenditure measures and repays the emergency funding.