QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION

FACT SHEET

MFR GUIDING STATEMENT 3 THE INTENT BEHIND MINIMUM FINANCIAL REQUIREMENTS

EFFECTIVE OCTOBER 2023

Behind every law is an intent – the reason or purpose for implementing rules, and what those rules are seeking to achieve.

The Minimum Financial Requirements are no different. So why do we have the financial requirements? They are to promote financially healthy businesses and encourage professional business practices, reduce financial failure (liquidations and bankruptcies) in the building industry, and assist everyone in the supply chain to be paid for their work.

How do the requirements do this, and why doesn't QBCC stop insolvencies?

Let's look at the laws surrounding driving a motor vehicle. You sit a written exam and complete 100 logged hours to be able to get a licence to drive a car in Australia. But it doesn't stop there.

There are numerous laws in place that kick in as soon as you get behind the wheel. There are speed limits, and these are enforced through speed cameras or police held radars. You need to wear a seatbelt. There are laws prohibiting you from driving a vehicle under the influence of alcohol or drugs, and these are enforced through random breath tests. It is against the law for you to drive a car while talking on your mobile phone.

Why are all of these laws in place? It is not to prevent motor vehicle accidents. You could drive a car at 10kms per hour and still have an accident. Those laws are in place to minimise the chance of you having an accident.

Your QBCC licence works in a similar way – it allows you to operate a business in the building and construction industry in Queensland. The Minimum Financial Requirements are in place to ensure that licensees and building businesses have sufficient working capital, have enough liquidity (can pay debts), and that there are enough assets to cover the turnover being completed in case something goes wrong.

QBCC cannot stop a director placing a company into administration or liquidation, as the director has a duty to prevent that company from trading and incurring debt while it is insolvent. But, by reviewing the financial information we now receive through annual reporting, as well as identifying other concerns such as monies owed complaints or defective works complaints, we can focus our attention on those riskier businesses and take action sooner.

It is your licence and your building business. The financial requirements are in place to make your business better. They are not just goalposts for QBCC, but also for you as the business owner.

By better understanding your business's financial position, this can lead to the following benefits:

- Helps to improve decision making in your business;
- Can help with planning for the future, identifying areas for improvement and setting goals for growth;
- Accurate financial reporting is essential for tax purposes. By properly recording income and expenses, this can help minimise tax liabilities and avoid legal consequences;
- Identifies that the work you carry out can result in a stable financial position, and also what financial position you need to be in to meet future obligations;
- Can potentially reduce wasteful expenditure or excessive drawings;
- Ensures you know what financial position you need to be in to ride out a downturn in the industry;
- Can avoid potential legal and regulatory issues occurring, which affect your ability to run the business;
- Provides transparency to stakeholders such as lenders or investors – the information helps stakeholders make informed decisions about whether to invest in or lend money to the business;
- Can minimise the risk to your personal assets – a strong business may minimise the need for personal guarantees or assurances over your personal assets;
- Creates a level playing field for everyone in the industry, which in turn provides assurance and confidence for the most important part of your business – your clients.

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