

# Treasurer's Direction

TD22-30

December 2022

## Management of Cash, Banking and Payments

### Summary/Archibald statement:

This Direction makes provision with respect to the use of financial services and arrangements by GSF agencies, accountable authorities, and government officers, including management of cash, banking, and payments for GSF agencies. This includes financial services under a State financial service agreement or other, under the *Government Sector Finance Act 2018* (GSF Act). This Direction replaces Treasurer's Direction TD19-01 Financial services.

### Commencement:

This Direction takes effect on 23 December 2022.

### Application:

This Direction applies to all GSF agencies to which the financial services and arrangements provisions of Part 6 of the *Government Sector Finance Act 2018* (GSF Act) apply, and to the accountable authorities and government officers of those GSF agencies.

### Purpose/objectives:

The purpose/objectives of this Direction are to:

1. replace TD19-01 Financial services;
2. regulate the use of financial services (including banking services) provided under a State financial service agreement or otherwise;
3. ensure consistency in the opening, closing, and operating of banking accounts of a GSF agency;
4. require the efficient, effective, and economical use of financial services for the State and GSF agencies;
5. optimally manage the State's balance sheet and facilitate best practice cash management;
6. drive efficiency and digitisation of payments for the State and GSF agencies.

### Interpretation:

In this Direction:

**accountable authority** for a GSF agency has the same meaning as in section 2.7(2) of the GSF Act.

**appropriation payment procedure** means a procedure for the payment of funds appropriated for the activities of a GSF agency to that agency's banking account.

**arrangement** has the same meaning as in section 6.5 of the GSF Act.

**banking account** has the same meaning as in section 6.4(2) of the GSF Act.

**cash management** means a tool for the efficient and effective financial management and stewardship of government money.

**financial service** has the same meaning as in section 6.6 of the GSF Act.

**financial service agreement** is an arrangement for a financial service. This includes an arrangement that is new or extended from a previous arrangement.

**GSF agency** has the same meaning as in section 2.4 of the GSF Act.

**government money** has the same meaning as in section 1.4 of the GSF Act.

**investment** has the same meaning as in section 6.9 of the GSF Act.

**payment** means the tender of money or its equivalent by one party to another in exchange for goods or services provided by them, or to fulfil a legal obligation.

**product agreement** (or service order) means the product agreement entered for products and services for the GSF agency under a State financial service agreement.

**product terms and conditions** mean product terms and conditions in a product agreement.

**Secretary** means the Secretary of NSW Treasury.

**Special Deposits Account (SDA)** has the same meaning as in section 4.15 of the GSF Act.

**State financial service agreement** has the same meaning as in section 6.14 of the GSF Act.

**State financial service provider** means an entity that provides financial services for the State and/or GSF agencies (or both) under a State financial service agreement.

**Treasury** means NSW Treasury.

**Treasury Banking System** means the grouping of banking accounts managed by Treasury, for the purpose of managing government money and liquidity for the State.

**working account money** has the same meaning as in section 4.17(2) of the GSF Act.

## Direction:

### 1. Use of a financial service under a State financial service agreement

(1) A GSF agency, the accountable authority for a GSF agency and government officers are required to use a financial service provided under a State financial service agreement (including to open or operate banking accounts of the agency), unless an exemption has been granted in accordance with clause 7.

(2) A GSF agency, the accountable authority for a GSF agency and government officers, to access a financial service under a State financial service agreement must, unless an exemption has been granted in accordance with clause 7:

- (i) notify Treasury that the GSF agency proposes to enter into a product agreement (or similar) under a State financial service agreement;
- (ii) enter into a product agreement (or similar) as a principal agency; and
- (iii) provide Treasury copies of material as the Secretary, or a person nominated by the Secretary, requires.

(3) A GSF agency must not depart from the product terms and conditions defined under a State financial service agreement unless an exemption has been granted in accordance with clause 7. A GSF agency may request that additional products and services be made available under a State financial service agreement.

## 2. Use of a financial service that is not under a State financial service agreement

(1) A GSF agency, the accountable authority for a GSF agency or government officers must not enter into an agreement in respect of a financial service that is not provided under a State financial service agreement, unless they are granted an exemption in accordance with clause 7.

(2) The Secretary and any person nominated by the Secretary may request information from a GSF agency, the accountable authority for a GSF agency or government officer in respect of any financial service that is not provided under a State financial service agreement.

(3) Where an investment is not provided under a State financial service agreement, a GSF agency will require an exemption in accordance with clause 7 before it can make an application for a financial arrangement approval under section 6.23 of the GSF Act to enter that investment.

## 3. Banking Accounts

(1) For the purpose of section 6.22(1) of the GSF Act, a GSF agency is authorised to deposit money into banking accounts of the agency provided under a State financial service agreement (but not where that deposit is a term deposit).

*Note: Where a deposit of money is an “investment” under the GSF Act, that does not fall within paragraph (1) (such as the deposit of money into a term deposit), the investment is not authorised under this Treasurer’s direction for the purpose of section 6.22(1) of the Act. A GSF agency will need to ensure that the investment is otherwise “authorised” for the purposes of section 6.22(1) of the Act – for example, by obtaining a financial arrangement approval issued by the Treasurer under section 6.23 of the GSF Act.*

(2) Any money or funds held by a GSF agency (whether government money or not) must be placed in a banking account provided under a State financial service agreement unless an exemption has been granted in accordance with clause 7.

(3) A GSF agency, the accountable authority for a GSF agency or government officers must place all government money (which includes Special Deposits Account money and working account money), in a banking account that is linked to the Treasury Banking System, unless they are granted an exemption in accordance with clause 7.

(4) Effective as of 1 September 2023, interest payable on a banking account of a GSF agency under the Treasury Banking System is to be paid to the Treasurer or to any other entity nominated by the Treasurer, unless the GSF agency has been granted an exemption in accordance with clause 7.

## 4. Cash management and cash forecasting

(1) For the purposes of managing the State’s cash, the Secretary, or a person nominated by the Secretary may, in respect of a GSF agency:

- (i) require the agency to submit a cash forecast to Treasury using a system and/or process prescribed by the Secretary (or a person nominated by the Secretary);
- (ii) set an appropriation payment procedure (where funds are appropriated for the agency’s activities);
- (iii) set a procedure for managing money in an agency banking account;

- (iv) set a minimum and/or a maximum level of funds that may be held in an agency banking account; and
- (v) set performance targets for an agency's cash forecasting and cash management procedures.

## 5. Bank guarantees

- (1) A GSF agency must not:
  - (i) request a bank guarantee from another GSF agency; and/or
  - (ii) provide a bank guarantee to another GSF agency.

*Note: A GSF agency may request or provide a bank guarantee from a non-GSF agency (subject to any required financial arrangement approval).*

## 6. A payment made or received by a GSF agency

- (1) For a payment that is received or made by a GSF agency, the accountable authority for a GSF agency and government officers, the Secretary and any person nominated by the Secretary may:
  - (i) set any payment method, process and/or procedure to be used or accepted by the GSF agency through any payment service provided to the GSF agency under a State financial service agreement (so long as the method, process or procedure set allows for any applicable legislative requirements);
  - (ii) determine whether a surcharge fee may, must or must not be charged to the customer and determine the amount of that surcharge fee (in relation to payments accepted by the GSF agency using payment services provided under a State financial service agreement), where the GSF agency has statutory authority to charge the surcharge fee;
  - (iii) set a requirement for how a tax invoice and/or remittance information may be sent or received;
  - (iv) determine the payment data to be captured; and
  - (v) set a rule about the timing of the payment made by a GSF agency to a supplier and any related penalty fee for not meeting the required timeframe.

- (2) Effective as of 1 July 2023, a GSF agency, the accountable authority for the GSF agency and government officers must cease the use of a cheque and/or a money order to:
  - (i) make a payment to another GSF agency; and
  - (ii) make a payment to another government agency that is not a GSF agency (that is, a local, State, Territory, or a Commonwealth government agency in Australia) unless the other government agency requires payment by way of cheque or money order.

## 7. Application for an exemption under this direction

- (1) The Treasurer, the Secretary or a person nominated by the Secretary may grant an exemption, in writing, where allowed under this direction.

- (2) The Treasurer, the Secretary or a person nominated by the Secretary for the purposes of clause 7(1) may give an exemption on his or her own initiative, or on an application by an accountable authority for a GSF agency.

(3) An accountable authority for a GSF agency may apply in writing to the Treasurer, the Secretary or a person nominated by the Secretary for the purposes of clause 7(1) for an exemption.

**This Direction replaces:**

- Treasurer's Direction TD19-01 Financial services.
- TC15-01 Cash Management – Expanding the Scope of the Treasury Banking System.

**This is a Direction made under sections 3.1, 6.15, 6.19 and 6.22 of the *Government Sector Finance Act 2018 (NSW)* and clause 6A of the *Government Sector Finance Regulation 2018 (NSW)*.**

**End date or review date for this Direction:**

This Direction is to be reviewed on or before 1 November 2027.

**(Legislative) References:**

Division 3.1 of Part 3, Part 6 of the *Government Sector Finance Act 2018 (NSW)* and clause 6A of the *Government Sector Finance Regulation 2018 (NSW)*.

**Matt Kean MP**

**Treasurer**

**16/12/2022**