Summary of Treasury Management, including Central Banking System (February 2021)

This document provides a summary comparison of the differences between the current 2018 Standing Directions and the revisions to those Standing Directions relating to Treasury Management (SD 3.7.2) which come into operation on 1 February 2021 (Directions). The compliance date for the changes to the CBS provisions of the Directions is 30 June 2022 with additional timelines for the establishment of CBS bank accounts and transition to the new Banking and Financial Services Contract (SPC). For full details, refer to the revised Directions (including SD 1.4 Transitional arrangements) or the related Instructions and Guidance at: [www.dtf.vic.gov.au/financial-management-government](https://www.dtf.vic.gov.au/financial-management-government/standing-directions-2018-under-financial-management-act-1994)

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| **SD Section (2021 update)** | **Current Standing Directions (Updated February 2021)** | **Previous Standing Directions (Updated December 2019)** |
| 3.7.2.1 SPC arrangements | This is a new direction that requires:- All agency bank accounts (CBS accounts) to be provided to the Agency under the SPC. This includes transactional bank accounts- All products or services available to the Agency under the SPC to be provided to the Agency under the SPC | Transactional accounts can be kept outside of the SPC (CBS). |
| 3.7.2.2 Central Banking System and eligible financial asset | Direction 3.7.2.1 in 2018 is now 3.7.2.2 in 2020All eligible financial assets (including working capital funds) must be deposited in the Central Banking System (account in the new SPC).Exempt funds (from third-parties, non-government, or long-term investments) must be invested with TCV or VFMC.Long-term investment funds do not include funds that have been put aside to meet accrual obligations such as long service leave.A rolling (12 month) cash-flow forecast must be povided to DTF on request.  | Agency funds must be deposited within the Central Banking SystemWorking Capital funds can be kept in a transactional account outside of the CBS. Exempt funds (from third-parties, non-government, or long-term investments) must be invested with TCV or VFMC |

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| 1.6 Definitions and interpretations | The following are new definitions to help classify *Financial Assets*: - long-term invesment funds - non-government source funds - own source revenue - State funds - third-party funds - working capitalThe following definitions have been added or amended: - bank account - Central Banking System (CBS) - SPC - new SPC |  |
| 1.4 Transition arrangements | The SPC is estimated to be finalised by 1 July 2021.Six months after the commencement of the SPC, the responsible body must: - establish a CBS bank account and move all eligible financial assets into the CBS, including working capital funds, and;- ensure financial assets that are exempt from the CBS are invested with Treasury Corporation of Victoria (TCV) or Victorian Funds Management Corporation (VFMC)Agencies can apply for extensions but a transition plan must be approved by DTF within 3 months of the commencement of the SPC 12 months after the commencement of the SPC, the responsible body must ensure that all products or services available to the Agency under the SPC are provided to the Agency under the SPCAgencies can apply for extensions but a transition plan must be approved by DTF within 6 months of the commencement of the SPC | Agencies must deposit financial assets into a CBS bank account by: - 14 February 2019, or; - A date agreed in consultation with DTF |
| 1.2.2 Exemptions from using the CBS and the SPC | PNFCs and PFCs must now participate in the CBS (with a bank account under the new SPC) unless an exemption is granted by the Assistant Treasurer under Direction 1.5. | PFCs and PNFCs were exempt from mandatory participation in the CBS (the old SPC) |

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| 3.7.2.3 Treasury management policy | Agencies must establish and maintain policies and procedures to manage treasury and investment risks only if they have: - borrowings with TCV - financial assets outside of the CBS - known risk exposuresAgencies must report at least annually to DTF on any Financial Assets that have been provided an exemption to invest outside of the CBS, TCV or VFMC under Direction 1.5. | Agencies must establish and maintain policies and procedures to manage treasury and investment risks |