# Frequently Asked Questions

### State Purchase Contract – Banking and Financial Services

#### 1. Who manages the Victorian Government banking arrangements?

Victorian Government banking arrangements are managed by the Department of Treasury and Finance (DTF). DTF manages the contractual arrangements including access to the Banking and Financial Services State Purchase Contract (SPC), as well as the operational and technical aspects of the arrangement including the ‘Central Banking System’ (CBS), which centralises surplus funds liquidity held in bank accounts.

#### 2. What is the Central Banking System (CBS)?

The CBS enables DTF to centralise surplus funds held by departments and agencies in bank accounts across the Victorian Government. Centralising funds in the CBS improves the efficiency of the State’s cashflow management task and reduces higher cost long-term borrowings. Reducing long-term borrowings delivers net interest savings to the budget, provides support to the State’s credit rating, and the capacity to fund government services.

Funds held by department and agencies in CBS are held in bank accounts provided by SPC panel banks. The terms and conditions and operational arrangements of accounts are governed by the SPC and funds held in bank accounts can continue to be immediately accessed.

#### 3. When does the Westpac SPC expire?

The previous SPC (with Westpac as a sole supplier) expired on 30 September 2021, with a transition out period from 1 October 2021 to 31 March 2022. Westpac will continue to provide services and/or products under the current SPC during the transition out period.

#### 4. When will the new Banking SPC begin and what is the contract term?

The new banking SPC commenced on 1 October 2021 with a transition-in period of six months ending 31 March 2022. The initial term of the contract is five years. The State has the option to extend the SPC for two further two-year terms.

#### 5. Who are the banks that are party to the new Banking SPC?

The Victorian Government has appointed a three-bank panel comprising Commonwealth Bank of Australia (CBA), National Australia Bank (NAB) and Westpac to deliver the State’s Banking and Financial Services.

This followed an open tender process where large domestic and global banks, along with smaller and more specialised banks and service providers, including community banks, were invited to participate.

#### 6. How does the panel arrangement work?

The SPC is a non-exclusive panel arrangement. State Purchase Entity (SPE, i.e., a department or agency) can procure services from any of the panel banks, noting that the service offerings are not identical. SPEs may opt to obtain services from more than one bank and can select services from the relevant module (i.e., an SPE does not have to take all the services in a particular module).

#### 7. Who must use the panel banks?

SPEs which are subject to the Standing Directions 2018 or are mandated by the Victorian Government Purchasing Board (VGPB) to use the SPC must obtain banking, payment and collections services from one of the SPC panel banks.

Local councils are not required to use the SPC.

#### 8. Is there flexibility to choose suppliers?

SPEs can obtain financial services with any of the three panel banks for all or part of their services (i.e., any module). SPEs can also choose more than one panel bank for different products and services within a module.

#### 9. When do I need to transition to the new Banking SPC?

SPEs must transition all bank accounts to the new Banking SPC by 31 March 2022 and by 1 October 2022 for all other products and services offered under the new Banking SPC.

#### 10. What if an SPE already banks with a panel bank?

If a State Purchase Entity (SPE, i.e., a department or agency) currently banks with one of the panel banks, it has the option to stay with that bank, but will need to complete a new Purchase Order Contract (POC). If a SPE wants to change banks, it will be required to complete a new POC with the new panel bank.

#### 11. What if an SPE currently does not bank with a panel bank or wants to change panel banks?

If an SPE (that is subject to Standing Directions/VGPB requirements) does not bank with one of the panel banks or obtains financial services from a non-bank financial service provider, it must move its banking arrangements (for products or services available under the new SPC) from those service providers to one of the three SPC panel banks.

#### 12. Can government entities still use local community banks?

All government agencies have been mandated to use the new Banking SPC. However, agencies who have raised funds from their local community to will still be allowed to hold these funds with a bank of their choice.

#### 13. How many local branches are available to regional communities across Victoria?

The new contract will provide State Purchasing Entities with access to over 640 regional branches and over 830 metro branches (across all three banks and Australia Post).

#### 14. How do I access information on the new Banking SPC?

SPEs will need to register to gain access to information on the new SPC using the following link https://www.buyingfor.vic.gov.au/banking-and-financial-services-contract. This link provides details on how to access the new SPC terms and conditions as well as DTF’s Bank Selector Tool. SPEs will need to complete confidentiality requirements (noting the high commercial sensitivity of this information).

#### 15. Will a bank account in the new Banking SPC be part of the State’s Central Banking System?

Bank accounts acquired through the SPC will become part of the Central Banking System (CBS).

#### 16. What are the Services (Modules) of the SPC?

Agencies can choose to use one bank or a combination of panel banks for different services.

Services and associated pricing provided by each of the banks are not identical.  The new contract provides the following banking and financial services structured in four categories (modules):

**Module 1 – Core transaction banking**

* transactional banking arrangements, bank account structures (including pooling arrangements), and ancillary services such as account maintenance
* a branch network to receive cash and cheques and offer encashment facilities
* cheque issuance and collection/negotiation
* BPay
* electronic payment services including payroll and outsourced payments
* electronic banking system capabilities, including an interface to receivables and general ledger systems

**Module 2 – Merchant services/acquiring**

Inbound credit card and debit card receipts including through:

* electronic funds transfer at point of sale
* interactive voice response
* operator assisted payments
* gateway services

**Module 3 – Purchasing/Procurement cards**

* procurement cards
* virtual cards
* prepaid, rechargeable and one-off cards
* interfaces to expense management systems

**Module 4 – Omni payment channels**

* collection services including over-the-counter bill payments
* other collection/payment services both in Australian Dollars and foreign currencies

#### 17. How do SPEs obtain details of the banking contract?

Details of the banking contract are available on the Buying for Victoria website under the confidential information section https://www.buyingfor.vic.gov.au/banking-and-financial-services-contract.

#### 18. Who can I contact to obtain assistance?

Assistance can be obtained from DTF by emailing working.capital@dtf.vic.gov.au.

#### 19. Do I need to confirm with DTF that my entity is eligible to be a party to the new Banking SPC?

If unsure if eligible, SPEs should then contact DTF to make sure that the entity will be accepted into the new SPC. A Purchase Order Contract (POC) should then be issued to panel bank(s). The panel bank(s) will provide proposals and work with the SPE to complete the POC and other required documentation.

#### 20. What happens to bank accounts outside of the SPC?

All bank accounts not operated with a panel bank should be closed and new bank accounts must be established with a panel bank by 31 March 2022. More complex banking arrangements such as receipt processing must be transitioned by 30 September 2022. Agencies can request a longer transition period by applying to DTF. If bank accounts or other services can’t be closed by the compliance dates, then a request for exemption should be submitted to DTF and agreed by 31 December 2021.

#### 21. How long have SPEs got to transition from a non-panel service provider to a panel bank?

From the commencement date of the new SPC, SPEs subject to the Standing Directions/VGPB requirements have a six-month period to establish a bank account within the SPC panel bank. For all other products and services offered under the new SPC, a 12-month transition period is allowed.

#### 22. What if an SPE can’t transition in time?

SPEs can apply for extensions of time by completing a Transition Plan pro-forma for DTF’s approval within 3 months of the commencement of the new SPC. To request a pro-forma Transition Plan, SPEs should email working.capital@dtf.vic.gov.au. For more information on transition requirements, refer to the Buying for Victoria webpage and Standing Directions.

#### 23. What do SPEs with stand-alone contracts with Australia Post do?

Australia Post individual contracts can remain in place until their expiry. Once expired, SPEs must procure these services from an SPC panel bank.

#### 24. How do SPEs choose a banking services supplier?

* It must be one of the panel banks.
* If an SPE is currently using a panel bank, it can stay with that bank.
* A panel bank must provide the services the SPE is seeking. The panel banks do not have a uniform service offering.
* Differentiation can be made on the best value for money, best price or best functionality.
* There should be a business case for transition from one panel bank to another panel bank considering both the explicit and implicit costs of transition.

#### 25. Where do I find the Purchase Order Contract (POC)?

* Existing arrangements with an SPC panel bank – please contact your current SPC bank for a short form POC to enable the ‘lift and shift’ to the new SPC contract
* New arrangements – the POC is available under the contract schedules (the MSA) for each bank.

### Central Banking System

#### 26. Do SPEs have to participate in the CBS?

General government agencies, Public Non-financial Corporations (PNFCs) and Public Financial Corporations (PFCs), that are subject to the Standing Directions are required to hold all bank accounts with a SPC panel bank. All bank accounts held with a SPC panel bank are accounts within the CBS.

#### 28. What are Eligible Financial Assets?

Standing Directions define ‘Eligible Financial Asset’, in respect of an Agency as:

(a) any asset of that Agency that would be recognised in accordance with Australian Accounting Standards as any of the following:

(i) cash and deposits

(ii) investment, loan and placement

(iii) any financial asset equivalent to any of those referred to in paragraphs (i) and (ii) above

(b) any asset or class of assets specified in writing by the Assistant Treasurer but does not include any Excluded Asset.

‘Excluded Asset’ means any:

(a) share or equivalent equity interest in another entity held by an Agency, or

(b) loan provided by an Agency to another entity.

An SPE is not required to liquidate an Eligible Financial Asset where the SPE has existing approval from the Treasurer or the Assistant Treasurer to hold that Eligible Financial Asset in a specified form.

#### 29. What funds are excluded from the CBS?

Standing Directions specify that the following funds are exempt from the CBS:

* notes and coins
* third-party funds
* non-government source funds, other than own source revenue
* any part of the Agency’s Long-Term Investment Funds which the Agency originally received from money appropriated for tangible asset investment, with approval to invest in financial assets pending payment for the tangible asset
* Financial Assets in respect of which an exemption has been provided under Standing Direction 1.5(b); and the Treasurer may also provide specific exemptions to SPEs where appropriate. SPEs should contact DTF for exemption process clarification.

Some agencies are exempt from the Standing Directions, however, under Direction 2.3.5, Portfolio Departments must establish appropriate financial management requirements for these entities.

#### 30. Can an SPE access funds from its CBS account at any time?

Yes, funds remain in SPE bank account, which will operate as a standard transactional bank account.

#### 31. What is an SPEs credit risk exposure when holding funds in a CBS account?

Credit risk exposure remains with the panel bank, as it does with a standard bank account. In the unlikely event that the panel bank defaults, it is reasonable to expect that the State would provide financial assistance, however an explicit guarantee from the State does not exist. This statement holds true for all entities that are part of the off-set arrangement that the State has in place with all SPC panel banks.

#### 32. How does an SPE obtain visibility of its CBS account?

Via online electronic banking platforms such as Westpac’s Corporate Online (COL), CBA’s Commbiz and NAB’s NAB Connect, in addition to monthly account statements.

#### 33. If an SPE has multiple accounts as part of its bank account structure – what does it do?

The balances of all bank accounts need to be held within the CBS unless specifically exempted. SPEs can have more than one account within the CBS and with different providers to maximise efficiency of cash management systems and functions.

#### 34. How are Department Trust Funds that have been appropriated for specific purpose managed under the new SPC?

Trust accounts are department accounts that have been established in the CBS. All department accounts will be transitioned to the new SPC under the Umbrella POC approved by the Assistant Treasurer so there are no transition requirements for departments.

#### 35. SPEs that have an overdraft facility available for its current account - what changes does it need to make?

SPEs cannot have an overdraft unless specifically approved by the Treasurer.

SPEs need to ensure that their CBS account does not go into overdraft. If an SPE CBS account goes into overdraft temporarily, an overdraft rate will be applied to the account until it returns to surplus. SPEs will need to ensure that the account is returned to a surplus by COB the following business day and advise DTF that this will occur.

#### 36. SPEs that have an existing set off facility available for its bank accounts - what changes does it need to make?

Please discuss this with DTF and the bank. Different banks have different approaches to this issue. Some cannot accommodate a ‘set-off’ within a set-off i.e., the CBS.

#### 37. Are there any implications to cash flow forecasting obligations?

Under the Standing Directions Portfolio Departments must maintain a rolling 12-month cash-flow forecast. DTF and the portfolio department can request an agency to submit an individual cashflow forecast.

DTF may request PNFCs and PFCs with large balances in CBS accounts to submit a cashflow forecast.

#### 38. Is interest paid on CBS accounts? What is the interest rate?

The interest rate paid on funds held in a CBS bank account is linked to the RBA cash rate (DTF reviews this interest rate margin on a monthly basis). Details of interest payments are provided in monthly bank statements. If an SPE account is in overdraft, an overdraft rate will be applied until it returns to surplus.

#### 39. Will SPEs be charged any additional fees on their CBS account?

There are no additional fees applied to accounts in the CBS.

#### 40. Can an SPE have a specific account for third party funds?

Separate CBS accounts can be opened to hold special purpose funds which need to be identified separately from other departmental or agency funds. To assist DTF reporting requirements, please ensure they are identified as such within the account name.

#### 41. Do interest payments within the CBS need to be reported?

It is important to note that from a tax reporting perspective, that interest payments apportioned to CBS accounts need to be accounted for as interest paid by DTF (not the bank). From a reporting perspective, interest on the whole arrangement is paid by DTF, and the banks (as directed by DTF) apportion a credit amount to the accounts within the CBS (proceeds transfer as per DTF instructions from DTF account).

Once the account is added to the CBS, any interest earned on the account is a transfer of funds from DTF to an SPE bank account, rather than a payment of interest from the bank to an SPE.