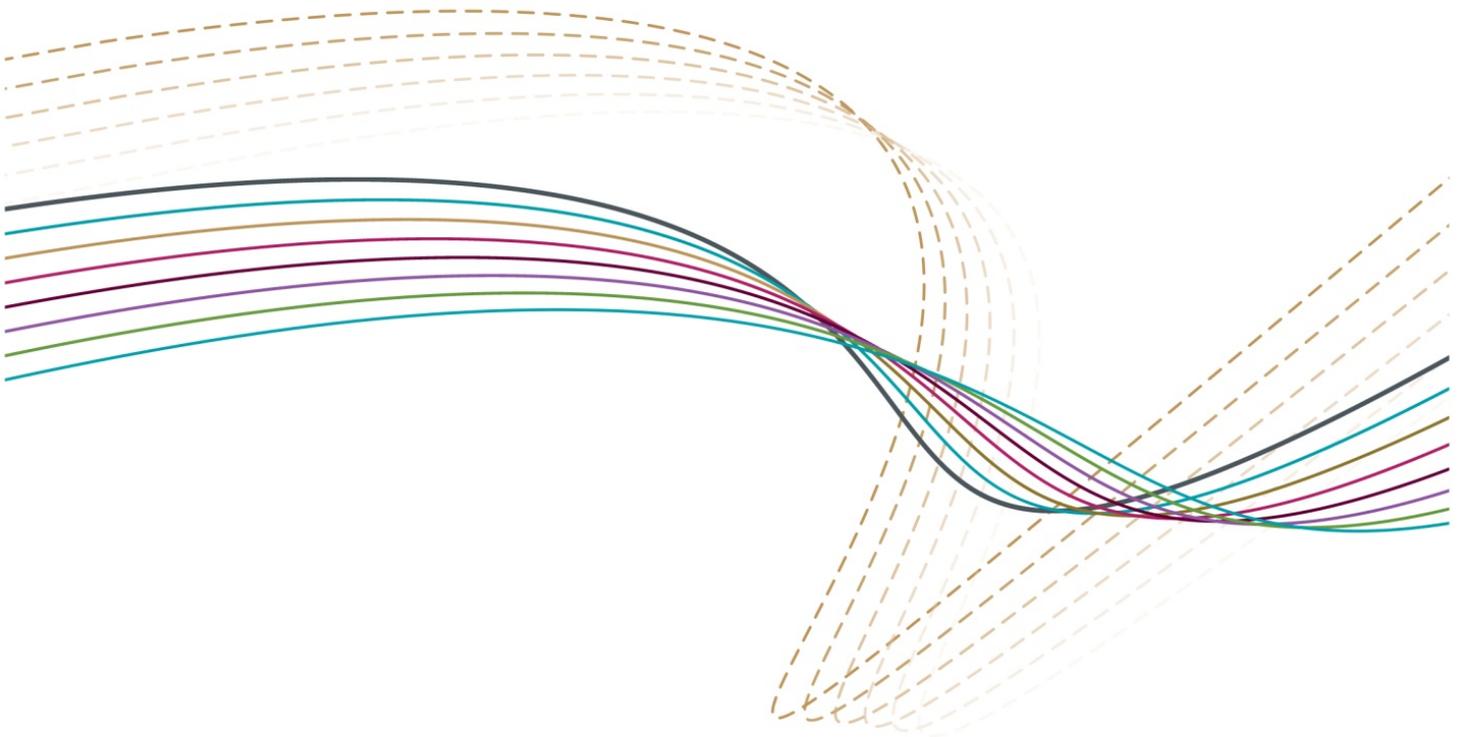


QUEENSLAND TREASURY

# Cash Management Handbook for Departments and Agencies

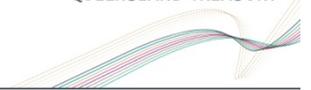
Fiscal Management Division

Updated September 2018



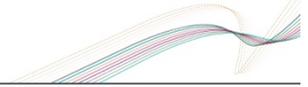


<b>1.0</b>	<b>Overview .....</b>	<b>3</b>
1.1	Importance of effective agency cash flow management .....	3
1.2	Comments and feedback .....	3
<b>2.0</b>	<b>Cash management in the General Government Sector .....</b>	<b>4</b>
2.1	Legal and investment framework .....	4
<b>3.0</b>	<b>Roles and responsibilities .....</b>	<b>6</b>
3.1	Agencies (General Government Sector) .....	6
3.2	Agencies (Cash Forecasting Officer and Cash Coordinator) .....	6
3.3	Queensland Treasury (Treasury Analysts) .....	7
3.4	Queensland Treasury (Fiscal Management Division) .....	7
3.5	Queensland Treasury (Government Banking Unit) .....	8
3.6	Queensland Treasury (Finance) .....	8
3.7	QTC (Cash Management Team) .....	8
<b>4.0</b>	<b>Cash flow forecasting using QTC Link .....</b>	<b>9</b>
4.1	Overview .....	9
4.2	QTC Link and QTC Cash Management .....	9
4.3	Agency cash flow forecasting .....	9
4.4	Large transactions .....	10
4.5	Outflows and inflows .....	10
4.6	Cash flow type (Intra-GLF and external flows) .....	10
4.7	Required format (QTC Link online submission) .....	11
<b>5.0</b>	<b>Cash flow forecasting accuracy .....</b>	<b>13</b>
5.1	Reporting of cash flow accuracy .....	13
5.2	Penalties for inaccurate forecasting .....	13
<b>6.0</b>	<b>Overview of cash management principles .....</b>	<b>14</b>
6.1	Discounts .....	14
6.2	Delaying cash outflows .....	14
6.3	Accelerating cash inflows .....	15
6.4	Asset management .....	15
6.5	Negotiating better terms of trade .....	15



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<b>7.0</b>	<b>Contacts.....</b>	<b>16</b>
7.1	Treasury .....	16
7.2	Queensland Treasury Corporation .....	16
<b>8.0</b>	<b>Intra-GLF Agencies for Cash Flow Forecasting.....</b>	<b>17</b>



## 1.0 Overview

This Cash Management Handbook provides General Government Sector agencies with an understanding of:

- cash management concepts;
- daily cash flow forecasting requirements; and
- general principles of cash management to be considered in developing their cash management systems.

### 1.1 Importance of effective agency cash flow management

All Queensland Government employees have a responsibility to manage taxpayer funds in an optimal manner, and to maximise the funds available to meet the social and economic objectives of the Government.

Queensland Treasury Corporation (QTC) has responsibility for managing Queensland's Group Limit Facility (GLF) on behalf of Treasury. QTC assesses whether the GLF (which consists of agency account balances combined with the Consolidated Fund) is expected to be in surplus (enabling investment of surplus funds) or deficit (which can be managed through use of short-term borrowings), and manages the GLF to a minimise costs or risks to the State.

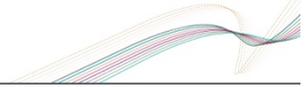
Therefore, the provision of accurate daily cash flow forecast information to QTC is of critical importance to determining the investment or borrowing requirements of the GLF.

From a whole-of-Government cash management perspective, funds should be held in the Consolidated Fund until they are required by agencies to fund service delivery. Effective cash management should enable allocation of agency appropriation across the financial year to closely match expenses, with the cash held in agency appropriation accounts approaching zero by the end of each fortnightly appropriation cycle. Tools such as overdraft facilities enable agencies to manage timing differences between appropriation payments without the need to hold cash reserves in agency accounts.

For agencies, a detailed understanding of the cash inflows and outflows to/from agency bank account/s is needed for accurate forecasting and to enable appropriation payments to be matched with agency service delivery requirements.

### 1.2 Comments and feedback

As this Handbook is written to assist agencies, your comments on how it could be improved would be appreciated. Any comments or feedback can be provided to the Fiscal Management Division, Treasury ([fiscal.coordination@treasury.qld.gov.au](mailto:fiscal.coordination@treasury.qld.gov.au)).



## 2.0 Cash management in the General Government Sector

### 2.1 Legal and investment framework

The *Financial Accountability Act 2009* (FA Act), *Statutory Bodies Financial Arrangements Act 1982* (SBFA) and the Queensland Whole-of-Government Transactional Banking and Payment Services Agreement (2014) (the Master Agreement) with the Commonwealth Bank of Australia (CommBank) provide the legal framework for the banking and investment activities of the General Government Sector.

#### Departmental bank accounts

Under section 83(1) of the FA Act, each accountable officer is to establish, at a financial institution approved by the Treasurer, such departmental financial institution accounts as are necessary for the operations of that accountable officer's department.

Section 83(2) of the FA Act provides that all public moneys and non-public moneys received by accountable officers must be paid to the credit of a departmental financial institution account of the officer's department.

Currently, the Treasurer directs that all departmental bank accounts must be held with CommBank as per the Master Agreement, unless approval to do otherwise has been granted by the Treasurer.

Treasury's Government Banking Unit provides the lead role for all government banking arrangements. The GovBanking site contains further information and resources to assist agencies with operational matters related to their banking requirements.

#### The Group Limit Facility

The Group Limit Facility (GLF) (formerly known as the set-off arrangement) exists to allow the balances of included agency bank accounts, together with the Consolidated Fund, to offset each other. Typically, this allows the Consolidated Fund to maintain a negative balance, offset by positive agency balances.

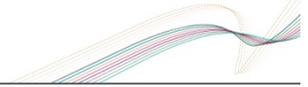
The GLF is administered by QTC on behalf of the Treasurer. QTC makes investment and borrowing decisions based on the net GLF position, reviewed daily in light of agency cash flow forecasts. If a surplus is expected, funds are withdrawn from the GLF and invested with QTC or used to repay short-term borrowing facilities. If a deficit is expected, funds are withdrawn from either Treasurer's investments held with QTC or accessed from short-term borrowing facilities and deposited into the GLF.

Any cash held in the GLF effectively reduces the State's borrowing requirements by an equal amount. Conversely, any reduction in the GLF increases the State's borrowing by an equal amount.

All departmental bank accounts (other than those for trust accounts or similar) are included in the GLF.

The bank accounts of statutory bodies and companies are not usually included in the GLF because they are separate legal entities, with their own powers with respect to banking. An assessment of whether to include a non-departmental bank account in the GLF is done on a case-by-case basis.

Individual accounts in the GLF neither earn interest on balances nor pay interest on overdrafts. Rather, the interest on the net balance of the GLF is paid to the Consolidated Fund. The exception to this is interest earning accounts in the GLF.



## Interest earning accounts in the GLF

In circumstances where, for statutory or other reasons, departments (or units of departments) are required to fully retain and apply interest earned on certain account balances for specified purposes, arrangements can be put in place for interest to continue to be received/paid on these bank account balances whilst remaining in the GLF. Participation in this arrangement requires the approval of the Treasurer.

## Group Deposit Facility

The Master Agreement also provides for the establishment of a Group Deposit Facility (GDF) with CommBank. CommBank pays interest directly to GDF accounts at a rate linked to the Reserve Bank of Australia overnight cash rate. These accounts are not part of the GLF and are generally held by statutory bodies and trust funds.

Participation by departments in the GDF requires the Treasurer's approval under section 87 of the FA Act.

## Investments

A department requires the Treasurer's approval, under section 87 of the FA Act, to invest public or other moneys.

Section 50(1) of the FA Act allows the Treasurer to invest all or part of the net credit balance of the Treasurer's Consolidated Fund bank account and all the departmental financial institution accounts. The investment of short-term balances is undertaken by QTC on behalf of the Treasurer.

Section 50(2) of the FA Act allows the Treasurer to arrange for QTC to offset the net debit balance of the Treasurer's Consolidated Fund and the departmental financial institution accounts.

## Overdraft facilities

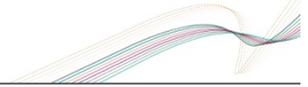
The accountable officer of a department requires the Treasurer's approval, under section 84 of the FA Act, to arrange an overdraft facility with regard to any departmental financial institution account.

Overdraft facilities are in place for all departmental bank accounts receiving appropriation. These facilities are intended to provide an additional tool to assist agencies in undertaking effective cash management.

Overdraft facilities should only be utilised to provide additional working capital to meet temporary cash requirements during periods of uneven cash flows. It is not appropriate for overdraft facilities to be used for medium or long-term financing purposes (for example, to purchase assets).

Departments should review the structure of their appropriation payments in the Cash Funding Module (CFM) and actively manage their fortnightly payments in the CFM to match expected outgoings. This should reduce the need to utilise an overdraft in many cases.

It is important that overdraft facilities operate on a fluctuating basis, such that they return to a credit position on a regular basis and there is no cumulative build up in the average outstanding balance over time. All overdrafts are monitored by Treasury based on the reporting provided by QTC.



## 3.0 Roles and responsibilities

### 3.1 Agencies (General Government Sector)

Agencies are responsible for:

- implementing sound management practices to ensure that cash outflows are minimised/delayed, cash inflows from debtors are received and deposited promptly and the level of working capital is optimised.
- implementing effective systems to ensure that forecasts detailed in the Cash Funding Profiles (CFPs) (annual/fortnightly) and the daily (and further three day) cash forecasts to QTC are as accurate as possible (on a cost/benefit basis). Daily cash forecasts (and variances) are to be submitted online using *QTC Link* prior to the cut-off times.

### 3.2 Agencies (Cash Forecasting Officer and Cash Coordinator)

The contact details of the Cash Forecasting Officer and the Cash Coordinator are to be kept updated via *QTC Link*. Agencies are responsible for advising QTC of any changes to the staff involved in the preparation of daily cash flow forecasts. This includes advising of changes related to staff leave or other absences.

Where agency cash forecasts are prepared (fully or partially) by a shared service provider, the allocation of the Cash Forecasting Officer and Cash Coordinator roles will be dependent on the allocation of cash forecasting (process) and cash management (policy) functions between the agency and its shared service provider. As such, effective communication arrangements need to be put in place between the agency and its shared service provider regarding these functions.

**Note:** *The allocation of the cash management and forecasting roles within the agency (including where applicable between an agency and its shared service provider) is an internal decision for each agency and will need to reflect their individual operational circumstances and be advised to QTC accordingly.*

#### Cash Forecasting Officer

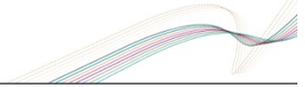
All agencies are to nominate an officer (Cash Forecasting Officer) as the **primary point of contact with QTC** for all cash forecasting (process) issues for the agency. This is intended to reduce the potential for miscommunication or difficulties experienced by QTC in obtaining additional information on daily cash forecasts.

Agencies are responsible for the continuous improvement of their cash management practices. This includes, but is not limited to, monitoring monthly Cash Flow Forecasting Accuracy Indicator (CFFAI) reports, escalating errors to internal agency management and implementing processes to reduce the instances of cash forecasting errors.

The Cash Forecasting Officer will need to have a detailed knowledge of the operations of the agency, including both its cash inflows and outflows, and cash forecasting processes.

The Cash Forecasting Officer's responsibilities include:

- ensuring QTC is provided with both a morning and afternoon daily cash flow forecast via *QTC Link*
- where a forecast cannot be submitted via *QTC Link* (due to issues with either the agency's or QTC's systems), contacting QTC immediately
- responding to queries from QTC in relation to cash flow forecasts on behalf of the agency, including obtaining information from other agency officers
- developing and maintaining a relationship with the agency's Cash Coordinator (this is particularly relevant where cash flow forecasts are prepared (either partially or fully) by a shared service provider on behalf of the agency)



- attending and ensuring that other cash flow forecasting staff for the agency attend QTC Cash Management information sessions.

## Cash Coordinator

All agencies are to nominate an officer (Cash Coordinator) who has responsibility for the broader Cash Management function of the agency. This officer is the primary point of contact with QTC for all cash management issues that cannot be resolved with the Cash Management Forecasting Officer and the primary contact for Treasury regarding Cash Management (policy) issues. The Cash Coordinator will need to have an understanding of both the operations of the agency and its cash forecasting processes.

The Cash Coordinator's responsibilities include:

- ensuring cash management principles are applied to agency financial operations
- monitoring and actioning the monthly CFFAI reports provided by QTC, and ensuring that the Cash Forecasting Officer and other cash forecasting operational staff (including relevant shared service provider officers preparing forecasts on the agency's behalf) are provided with a copy of the CFFAI report
- endeavouring to improve the accuracy of agency cash flow forecasts, including consideration of any issues identified by the CFFAI reports and escalating issues within the agency
- responding to queries from QTC in relation to cash flow forecasts on behalf of the agency in the event that QTC is unable to make contact with the Cash Forecasting Officer or a satisfactory response is unable to be obtained
- developing and maintaining a relationship with the agency's Cash Forecasting Officer
- attending and ensuring the relevant officers within the agency attend *QTC Cash Management* information sessions.

## 3.3 Queensland Treasury (Treasury Analysts)

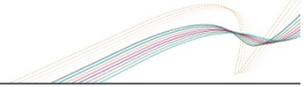
Treasury Analysts are responsible for:

- being the contact officer for CFPs (refer Cash Funding Profile Guidelines)
- reviewing CFPs to ensure that the level of appropriation funding being requested for disbursement is reasonable based on their knowledge of the agency's operations
- monitoring agency cash balances to identify instances where agencies may be accumulating large cash balances in advance of their service delivery requirements
- working with agencies to investigate and identify possible options for managing these balances, such as tailoring of CFPs.

## 3.4 Queensland Treasury (Fiscal Management Division)

Fiscal Management Division is responsible for:

- developing and maintaining the processes for cash management
- developing and maintaining the policy, including the relevant legislation (FA Act)
- providing data to Treasury Finance for processing the fortnightly payments to agencies based on funding requested in the CFPs
- considering requests made by agencies to waive penalties for inaccurate cash flow forecasting.



## 3.5 Queensland Treasury (Government Banking Unit)

Government Banking Unit is responsible for:

- managing the Queensland Whole-of-Government Transactional Banking and Payment Services Agreements on behalf of the State
- working with agencies to improve the efficiency of banking activities and to adopt efficient and innovative practices.

## 3.6 Queensland Treasury (Finance)

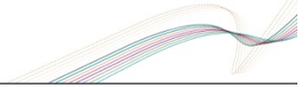
Treasury Finance is responsible for:

- processing the fortnightly payments to agencies based on funding requested in the CFPs as advised by Financial Management Division
- issuing invoices for penalties on behalf of Treasury
- following up on overdue invoices on behalf of Treasury.

## 3.7 QTC (Cash Management Team)

QTC Cash Management Team is responsible for:

- making investment and borrowing decisions on behalf of the Treasurer based on the net GLF position and daily cash flow forecasts provided by agencies
- requesting the issuing of invoices by Treasury Finance to agencies for incorrect forecasting
- preparing and distributing the Cash Flow Forecasting Accuracy Indicator reports to the Cash Coordinators and the Chief Finance Officer at Treasury on a monthly basis
- providing Treasury with a quarterly report on agency cash forecasting
- maintaining online access for agency Cash Forecasting Officers and Cash Coordinators in accordance with *QTC Link* (Website) and *QTC Cash Management* Access forms, as received from the agency from time to time
- providing training and ongoing assistance to agencies in the use of *QTC Link* and *QTC Cash Management* for the submission of cash flow forecasts, including system support where necessary
- ensuring that an alternative forecast submission process is available for those agencies that are unable to access *QTC Link* or for use in any instance where the online system is unavailable.



## 4.0 Cash flow forecasting using QTC Link

### 4.1 Overview

The objective of the QTC Cash Management Team is to determine the net position of the GLF each day and on behalf of the Treasurer to invest or borrow accordingly.

QTC downloads the balances of every account within the GLF (via Commbiz) each morning to determine the net GLF balances, and then adds the daily cash flow forecasts from agencies to determine whether the GLF is expected to be in surplus or deficit at the end of that day.

### 4.2 QTC Link and QTC Cash Management

*QTC Link* and *QTC Cash Management* are managed by QTC's Cash Management Team.

*QTC Link* is the online secure website for clients. The site provides clients with self-service functionality to improve access to QTC products and services, expand the scope of real-time information, streamline manual processes and support client decision-making.

*QTC Cash Management* (available via *QTC Link*) is an online system that enables departments and agencies to submit accurate, secure and timely cash forecasts online. Forecasts submitted to QTC go towards the management of Queensland's investment and borrowing program. In this context, QTC aims to use the cash management system to assist agencies and departments to better manage and forecast their future cash inflows and outflows.

It is the agency's responsibility to ensure access for both the Cash Forecasting Officer and the Cash Coordinator. Requests for new or changed access can be made using *QTC Link* and *QTC Cash Management Access form* (available from the QTC Cash Management Team or attached to the *QTC Cash Management Quick Reference Guide*).

### 4.3 Agency cash flow forecasting

#### Cut off times

Cash Flow Forecasting Submissions must be received by QTC by no later than

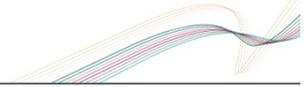
	EST	ESDST	
am	10:30	9:30	daily cash flow forecast
pm	3:15	2:15	any variances to the original cash flow

#### Morning and afternoon forecasts

To allow QTC to ensure all forecasts have been received and processed, all agencies must submit both a morning forecast and an afternoon variation (even where this is a "Nil" forecast or variation).

**Note:** *There is often limited or no scope to undertake transactions in the early afternoon, as such returns obtained are generally not as favourable as those in the earlier market. Agencies should ensure that the morning cash flow forecasts are as accurate as possible to reduce afternoon cash flow forecasting variations.*

If agencies wish to submit more than one afternoon variation on a given day, they must contact QTC by telephone prior to submitting the second variation.



## Internal communication protocols

Often multiple areas within an agency or a third party (e.g. a shared service provider) are involved in the provision of information for the preparation of an overall agency forecast. Where this is the case, internal communication protocols should be developed by agencies with a view to ensuring that completed forecasts reach QTC by the cut-off times. Any communication issues will be raised by QTC with agencies and Treasury to ensure these communication protocols are revised and updated as appropriate.

## 4.4 Large transactions

Where a large transaction/estimate in the forecast raises concerns about a potential error, QTC will contact the agency's Cash Forecasting Officer via telephone to discuss the issue. If QTC is unable to contact the Cash Forecasting Officer, the Cash Coordinator will be contacted. In the event that QTC cannot contact either of these nominated officers, QTC will escalate the issue to the Fiscal Management Division, Treasury. If QTC is unable to obtain an explanation from any of the abovementioned parties, the forecast will be assumed to be correct and the agency will be responsible for any forecast error and associated penalty that results.

## 4.5 Outflows and inflows

### Outflows

- Are monies that will be withdrawn (debited) from the bank account/s.
- All outflows, **material or not**, are to be included whether the payments are made by Electronic Funds Transfer, system-produced cheque, manual cheque or a third party (direct debit).
- Monies remitted to the Consolidated Fund must be forecast by the agency as an internal cash flow.
- The only cash flows that do not need to be forecast are monies that CITEC take for payroll.

### Inflows

- Are amounts of money being deposited (credited) to the bank account/s, whether by departmental personnel or third parties.
- All inflows, **material or not**, must be included whether the money is deposited by the agency itself, by Electronic Funds Transfer or direct deposit from a third party.
- Agencies should **not** forecast inflows for monies appropriated fortnightly by the Consolidated Fund (Parent Entity) as these will be forecast by the QTC Cash Management Team.
- QTC Cash Management Team will also forecast quarterly interest receipts/payments to interest bearing accounts in the GLF.

## 4.6 Cash flow type (Intra-GLF and external flows)

Outflows and inflows are to be further classified into Intra-GLF and External flows.

Intra-GLF flows are flows between bank accounts within the GLF, including intra-agency flows. A list of agencies (primarily departments) within the GLF is attached.

External flows are flows between an agency and an organisation whose bank account is outside the GLF. Not all Queensland Government entities are in the GLF. Any entity **not** on the list is **outside** the GLF.

For some agencies, outflows will include cheque payments. The agency will need to have a system in place to forecast when the payee will present the cheques at the bank.

The most popular systems are the **postcode method** (estimates the date of deposit based on the destination postcode (e.g. 4000-4200 Day 1, 4200-4500 Day 2) and the **60/20/20 method** (i.e. 60% - day 1, 20% - day 2, and 20% - day 3) or another ratio based on historical data.



Be aware of any cheques that are collected by or delivered to the payee as these are often deposited on the same day. For large cheques (i.e. in excess of \$1 million) a phone call to the payee to determine when the cheque will be deposited is required.

Electronic Funds Transfer (EFT) payments by contrast, will normally occur on the day processed. Subsequently, EFT is a good way of improving cash flow forecasting as well as providing cost efficiencies in comparison to cheques.

## 4.7 Required format (QTC Link online submission)

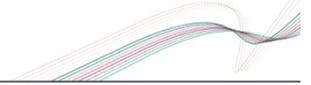
Use of the online forecasting system is explained in detail in the *QTC Cash Management Quick Reference Guide*, which is available through *QTC Link* or from the QTC Cash Management Team.

1. Daily cash flow forecasts must be submitted online via *QTC Link*. If *QTC Link* is unavailable, please contact QTC urgently. A list of contacts is attached.
2. All cash flows on agency bank accounts, internal or external, must be captured in the daily Forecasts and Variations. Entries can be aggregated by forecast type (Outflow external, Inflow intra-government etc) where appropriate. "Nil" forecasts or variations must also be provided to QTC.
3. As QTC relies heavily on agency cash flow forecasts to make investment and borrowing decisions, agencies must attempt to forecast all transactions, not just material transactions.
4. For inflow or outflow amounts greater than \$10 million, agencies are required to assign a purpose type (e.g. dividend or mining royalty). This will assist with identifying patterns in cash flows which will assist with long-term forecasting. A full list of purpose types is available as an attachment to the *QTC Cash Management Quick Reference Guide*.
5. The forecast requires transactions for four working days (the current day, and the next 3 working days) Agencies **must** provide projected transactions for all days on the forecast screen. QTC relies on these projections to assist in determining its money market strategies. Failure to provide reliable forward projections may adversely impact on the General Government Sector's interest revenue or cost of funds.
6. Cash flow forecasts are to be classified as follows:

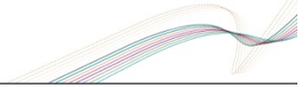
Outflows	Intra-GLF
	External flows
Inflows	Intra-GLF
	External flows

For cash management purposes, "expenditure" and "collections" are not important. The focus is on the cash inflows to and cash outflows from the agency bank account/s. That is, cash management is about cheques being presented, monies being deposited or electronic funds transfer transactions against bank accounts on a particular day. Although reports from the departmental ledger on cheques produced can assist in the cash management process, the departmental ledger will not contain all the necessary details for estimating cash flows.

7. In estimating cash flows for each day, agencies will need to perform a reconciliation of the previous day's actual activities on the bank account versus the forecasts.  
Agencies should take into account:
  - amounts expected to be presented the previous day but were not
  - amounts not expected to be presented the previous day but were.
8. When there is a variance greater than \$10 million agencies will be required to enter an explanation.
9. To assist agencies in improving the accuracy of daily forecasting and determining the GLF's longer-term funding requirements, a subsidiary work sheet that underlies the forecast can also be submitted to QTC with each forecast.



10. Due to the different cash flows of individual agencies, it is not possible to provide a template for a subsidiary worksheet. However, as a minimum, this work sheet should identify key components of the forecast and allow for explanatory notes and comments to be added to explain significant flows.
11. The forecast must be authorised by both the preparing officer and an appropriate authorising officer (noting that the Cash Forecasting Officer and/or the Cash Coordinator may perform one of these roles, depending on the circumstances of the individual agency).
12. The daily cash flow forecast screen allows for submission of variations that the agency becomes aware of after the submission of the original 10.30am (EST) (9.30am ESDST) forecast. QTC is able to amend daily investment and/or funding needs movements if new information is received, up until 3.15pm (EST) (2.15pm ESDST). As QTC monitors receipt of submissions, where on a given day an agency wishes to submit more than one afternoon variation, a telephone call must be made prior to submission of a second variation.



## 5.0 Cash flow forecasting accuracy

### 5.1 Reporting of cash flow accuracy

The cost of funds can be adversely affected by inaccurate cash forecasting.

To provide a means of assessing and monitoring the accuracy of cash flow forecasts, QTC provides each agency (via its Cash Coordinator) with a monthly CFFAI report showing the variance between actual and forecast outflows and inflows for each day of the month.

The Cash Coordinator is responsible for:

- circulating the CFFAI report to officers involved in the cash forecasting and cash management functions, this is to include the Cash Forecasting Officer and, where applicable, shared service provider officers
- reviewing the CFFAI report
- identifying the cause of any errors
- implementing procedures to mitigate the likelihood of a similar error occurring in the future
- escalating issues to agency management in accordance with agency procedures.

A quarterly report on agency forecasting errors will be provided to Treasury as agreed with QTC.

### 5.2 Penalties for inaccurate forecasting

To encourage accurate forecasting practices, and in recognition of the cost to Government of material forecasting errors, any agency that contributes to the net GLF position going into overdraft through inaccurate cash flow forecasting may incur a monetary penalty.

Agencies are charged overdraft costs in the event that the GLF is overdrawn; and the agency has either:

- over-estimated external cash inflows by greater than \$10 million
- under-estimated external cash outflows by greater than \$10 million
- a combination of the above.

In those circumstances, the agency will be charged the difference between the bank overdraft rate and the QTC Working Capital Facility rate on the amount of the incorrect forecast.

Treasury Finance will issue tax invoices for any penalties incurred. These invoices will be based on QTC's calculation of the difference between the forecast and actual outcome each day.

Agencies will be given the opportunity to show cause for each instance of major inaccuracy, which will be considered on its merits by Fiscal Management Division. The penalty charge may be waived if the agency is able to present a strong case demonstrating that the error was the result of exceptional circumstances genuinely beyond the agency's control. It should be noted that such circumstances are very rare.

A written application should be made to the Assistant Under Treasurer, Fiscal Management Division outlining the particular circumstances for Treasury's consideration. In the event that an agency disputes Treasury's decision on the application of a penalty, the Director-General of the relevant agency may write to the Under Treasurer requesting a review of the decision.

QTC maintains, for Treasury, a register of all agency forecasting errors above \$10 million, including those that fall within the range where the above penalty provisions apply. The application of penalties for inaccurate forecasting will be reported to Treasury on a monthly basis. In addition to new penalties incurred during the past month, this report will include information on penalties previously invoiced by Treasury Finance that have yet to be paid by the relevant agency.



## 6.0 Overview of cash management principles

The *Financial and Performance Management Standard 2009* requires the establishment of cash management systems to provide for:

- promptly identifying, collecting, paying and investing cash
- promptly recording transactions involving cash
- transmitting timely and reliable cash flow forecasts.

The general principles of cash management, that apply to any organisation whether private enterprise or government, are discussed below.

### 6.1 Discounts

Take advantage of discounts offered by creditors where discount offered is greater than 2% off the total due on an annualised basis. Be wary of offering discounts to debtors. Whilst it will encourage early receipt of funds, in most cases it will be more costly than receiving the full amount on the due date.

### 6.2 Delaying cash outflows

- After exploring any discount on offer by creditors as per Section 6.1, make payments as close as possible to the due date (within the negotiated or stated terms of trade). For example, if the vendor's invoice requests payment within 30 days from the end of the month in which the invoice is dated, the payment should be made as close to the 30th day as possible (taking into consideration operational factors). Paying the invoice immediately would result in the Government foregoing interest on the amount of the invoice for at least 30 days.

For large invoices or a multitude of small invoices, the amount of foregone investment income can be substantial, particularly in periods of high interest rates.

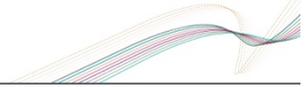
However, agencies need to consider the Queensland Government Late Payment Policy which requires agencies to pay penalty interest to small businesses for invoices which are paid later than 30 calendar days after invoice date. This relates to contracts up to \$1 million and applies to correctly rendered undisputed tax invoices only.

- Agencies should consider the most efficient methods of payment, including use of:

Electronic Funds Transfer (EFT) - the electronic transferring of funds directly to payee's bank accounts via the banking system. The benefits of EFT are that payments can be made on the due date and the timing of the cash outflows is certain. Forecasting is therefore easier.

The Corporate Purchasing Card (CPC) facility. This technique not only reduces administration costs but also improves predictability of cash outflows as the payment date is known in advance and involves an immediate direct transfer of cash from the Agency's bank account. The Treasurer's Guidelines for use of Queensland Government Corporate Purchasing Card also advises agencies that purchasing transactions under \$5,000 must be made using a CPC, unless:

- the CPC is not cost effective compared to end-to-end processes of other payments
  - agency policy has been reasonably restricted to satisfy a business need
  - CPC is not accepted by the supplier.
- The payment of grants should be made on a needs basis. This can include arranging regular interim payments rather than large sums in advance of need. This benefit is dependent on the size of the grants concerned and the administrative costs associated with more frequent payments.



## 6.3 Accelerating cash inflows

- Deposit receipts as soon as possible to increase the surplus cash available each day for investment.
- Ensure that invoices for accounts receivable are promptly generated and dispatched.
- Use cost effective methods of encouraging prompt payment, including the following facilities available under the Queensland Whole-of-Government Transactional Banking and Payment Services contracts (for more information on these methods of payment, refer to the GovBank website<sup>1</sup>):
  - Direct Debits
  - EFTPOS – Merchant
  - BPOINT Internet payments
  - BPAY (Biller arrangements) and BPAY View
  - Lockbox (Retail and Wholesale)
  - Agency Payment Facility
  - eLockBox
  - Mobile device receipts (QR code and QkR code)
- Consider the offer of a trade discount as an incentive for clients or customers to make early payments. However, the cost of providing the discount versus the benefit obtained will need to be taken into account.

## 6.4 Asset management

Inventory levels need to be adequate for the needs of the agency and its operations. However, to maximise the return on this investment, inventory should be kept to a minimum, taking into account holding costs, acquisition costs and usage patterns. Do not purchase or maintain any assets surplus to requirements.

Listed below are some aspects of inventory management which can be considered.

- Determine what level of inventory is required to meet operational needs thereby avoiding the storage of unnecessary supplies of inventory.
- Review reorder points. Attempts may be made to buy inventory in large quantities to take advantage of bulk discounts and cheaper administrative costs. However, large orders mean increased costs in storage, deterioration and obsolescence, handling and an investment cost. Large stocks of inventory tie up cash which could be invested elsewhere. Consideration may be given to using the “just in time” approach.
- Monitor inventory levels using ratio or statistical analysis and develop efficient stock control methods.
- Ensure inventory security.

## 6.5 Negotiating better terms of trade

In negotiating contracts or arrangements with potential creditors, aim to make the timing of payments as advantageous as possible (i.e. make the payment due date as late as possible).

Similarly, in negotiating contracts or arrangements with potential debtors, aim to receive payments as early as possible.

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<sup>1</sup> <http://govbanking.govnet.qld.gov.au>



## 7.0 Contacts

### 7.1 Treasury

Fiscal Management Division

Director, Fiscal Management, Tel: 3035 6814

[fiscal.coordination@treasury.qld.gov.au](mailto:fiscal.coordination@treasury.qld.gov.au)

Government Banking Unit, Tel: 3035 3309

[govbank@treasury.qld.gov.au](mailto:govbank@treasury.qld.gov.au)

### 7.2 Queensland Treasury Corporation

For cash flow forecasting inquiries (including queries on penalty arrangements for inaccurate forecasting):

Cash Management Officer Back Office Services

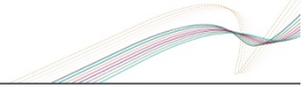
(QTC Cash Management Team), Tel: 3842 4649

[wgcf@qtc.com.au](mailto:wgcf@qtc.com.au)

For other inquiries:

Manager, Back Office Services, Tel: 3842 4644

[cst@qtc.com.au](mailto:cst@qtc.com.au)



## 8.0 Intra-GLF Agencies for Cash Flow Forecasting

(as at September 2018)

Government entities not listed here should be considered to be external.

### Departments

Aboriginal and Torres Strait Island Partnerships  
 Agriculture and Fisheries  
 Child Safety, Youth and Women  
 Communities, Disability Services and Seniors
 

- Communities
- Disability Services Queensland

### Education

- Parent Entity
- Office of Industrial Relations

Electoral Commission of Queensland

### Environment and Science

- Parent Entity
- Office of the Queensland Chief Scientist
- Arts Queensland
- Corporate Administration Agency

### Housing and Public Works

- Public Works
- Housing

Innovation, Tourism Industry Development and the Commonwealth Games

Justice and Attorney-General

Legislative Assembly

Local Government, Racing and Multicultural Affairs

Natural Resources, Mines and Energy

Office of the Governor

Office of the Inspector-General Emergency Management

Office of the Ombudsman

Premier and Cabinet

- Ministerial Services Branch
- Queensland Government Chief Information Office

Public Safety Business Agency

Public Service Commission

Queensland Audit Office

Queensland Fire and Emergency Services

Queensland Health

Queensland Police Service

Queensland Treasury

- Parent Entity
- Office of State Revenue

Sports and Recreation

State Development, Manufacturing, Infrastructure and Planning

Transport and Main Roads

### Commercialised Business Units

Building and Asset Services

CITEC

Economic Development Queensland

QFleet

RoadTek

### Shared Service Providers

Corporate Administration Agency

Queensland Shared Services

**Statutory Bodies**

Queensland Reconstruction Authority  
Hospital and Health Services  
Anti-Discrimination Commission  
Board of the Queensland Museum  
Crime and Corruption Commission  
Cross River Rail Delivery Authority  
Gold Coast Waterways Authority  
Legal Aid Queensland  
Library Board of Queensland  
Motor Accident Insurance Commission  
Nominal Defendant  
Office of the Information Commissioner  
Office of the Health Ombudsman  
Prostitution Licensing Authority  
Queensland Agricultural Training Colleges  
Queensland Art Galley Board of Trustees  
Queensland Building and Construction Commission  
Queensland Curriculum and Assessment Authority  
Queensland Family and Child Commission  
Queensland Mental Health Commission  
Queensland Performing Arts Trust  
Queensland Racing Integrity Commission  
Queensland Reconstruction Authority  
Queensland Rural and Industry Development Authority  
Residential Tenancies Authority  
South Bank Corporation  
TAFE Queensland  
The Council of the Queensland Institute of Medical Research  
Tourism and Events Queensland  
Trade and Investment Queensland

**Other**

QSuper - Employer's Contribution Account

