

02

Report on performance

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Introductory statement

I, as the Accountable Authority of the Department of the Treasury present the 2016-17 financial year annual performance statement as required under s39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act).

The annual performance statement details the work the Treasury delivered for the Australian Government and the Australian people over the last year, set out by purpose. In my opinion the annual performance statement accurately presents the Treasury's performance, is based on properly maintained records and complies with s39(2) of the PGPA Act.

A handwritten signature in black ink, reading "John A. Fraser". The signature is written in a cursive style with a long horizontal stroke at the end.

John A. Fraser
Secretary

Treasury's purposes

Treasury's purposes, as set out in the *Treasury Corporate Plan 2016-17* are detailed below.

Promoting fiscal sustainability

The Australian Government's fiscal strategy is designed to maintain the ongoing economic prosperity and welfare of the people of Australia as mandated by the *Charter of Budget Honesty Act 1998* (the Charter). The Treasury will assist the Australian Government's Treasury Ministers to discharge their responsibilities under the Charter.

Increasing productivity and workforce participation

Productivity and participation are important drivers of Australia's economic growth. The Treasury will advise on policies designed to improve productivity and workforce participation including in relation to: taxation; the economy; the financial system; foreign investment, competition and broader structural policy; social policy, small business; supporting innovation; and international economic policy. As always, policy reform will often have differential impacts on community and industry sectors.

Securing the benefits of global economic integration

The Treasury seeks to secure the benefits of global economic integration. The Treasury will continue to balance opportunities and risks in relation to trade and investment flows through our understanding of Australia's place in a complex global economic context.

The Treasury's ongoing program of international engagement is central in building capacity in Australia's region, assisting in monitoring international developments and promoting regional and global macroeconomic stability.

Performance results by purpose

Promoting fiscal sustainability

The Treasury assisted the Government in implementing its fiscal strategy by managing budget processes and advising on the overall budget strategy and priorities. Consistent with the fiscal strategy and supported by economic, tax and fiscal modelling, the budget continued to be projected to return to surplus in 2020-21 in all budget reports. Reports released in 2016-17 include the 2017-18 Budget, the 2016-17 Mid-Year Economic and Fiscal Outlook and the 2015-16 Final Budget Outcome, which the Treasury produced in accordance with the Treasurer's obligations under the Charter.

Fiscal sustainability is affected by pressures on the Government's revenue base. The Treasury provided advice to the Government on Australia's tax and superannuation systems, and delivered an extensive legislative program of changes in 2016-17, including the superannuation reform package announced in the 2016-17 Budget.

The Treasury advised the Government on economic and social policies in education, employment, immigration, families, health, ageing, disability, indigenous and justice issues, defence and national security, transport infrastructure, industry policy, environment, energy and resources, agriculture, communications and regional policy. This informed the Government's decisions on the economic and social policy reforms announced in the 2017-18 Budget.

The Government's economic and social reforms were facilitated by ongoing financial support payments to state and territory governments that the Treasury made in accordance with the Intergovernmental Agreement on Federal Financial Relations.

Promoting fiscal sustainability

Performance criteria

Corporate Plan 2016-17

The fiscal estimates contained in the Budget are based on economic forecasts and projections as well as estimates of the impact of Government spending and revenue measures. Changes to the economic forecasts and projections underlying the estimates — for example, inflation, profits, wages growth, population and unemployment — will affect forecasts for receipts and payments. Assessing whether fiscal policy was based on sound fiscal management will be subjective and dependent on the best information available at the time.

Performance target

Corporate Plan 2016-17

The performance of the Treasury in meeting the requirements of the Charter will be measured by the timely production of regular fiscal reports including the Budget, Mid-Year Economic and Fiscal Outlook and the Final Budget Outcome.

Results

All required reports were publicly released and tabled in Parliament in accordance with the Charter of Budget Honesty Act 1998.

The 2015-16 Final Budget Outcome was released on 30 September 2016; which outlined the final fiscal position of the Government in the 2015-16 financial year.

The 2016-17 Mid-Year Economic and Fiscal Outlook was released on 19 December 2016; the 2017-18 Budget was released on 9 May 2017. These documents provided updates on the fiscal outlook.

The Treasury worked with the Department of Finance and other government departments and agencies to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication.

The 2017-18 Pre-Budget Submissions consultation process allowed individuals, businesses and community groups to make submissions on their views regarding priorities for the 2017-18 Budget; 255 submissions were received.

Published material to inform policy debates included:

- Publication of a discussion paper on the development of a framework for Comprehensive Income Products for Retirement and accompanying factsheet and a range of factsheets that explained the 2016-17 Budget Superannuation Reform Package.
- Numerous opportunities for submissions and consultation from stakeholders and the community on a range of tax-related topics, such as Treasury Law Amendment (Enterprise Incentive) Bill 2016: improving employee share schemes; increasing tax administrative penalties for significant global entities; introducing a Diverted Profits Tax; Non-resident withholding taxes for Collective Investment Vehicles; Taxation of Stapled Structures; wine equalisation tax rebate; and GST on Low Value Imported Goods.

Promoting fiscal sustainability

Performance criteria

PBS Program 1.1

Coordinating the preparation of the Australian Government Budget and other documents

Corporate Plan 2016-17

The Treasury will ensure that financial assistance to state and territory governments is made in accordance with written agreements that clearly articulate measurable policy objectives.

PBS Program 1.1 to 1.9

Payments to the states and territories are made with regard to the arrangements specified in the Intergovernmental Agreement on Federal Financial Relations (IGAFFR) and the relevant agreements where applicable.

Performance target

PBS Program 1.1

Documents are produced in accordance with timeframes and other requirements of the Charter of Budget Honesty Act 1998

Corporate Plan 2016-17

The Treasury will ensure that payments of financial assistance to state and territory governments are, in all cases, timely and accurate having regard to the terms of relevant agreements.

PBS Program 1.1 to 1.9

The Treasury will make timely and accurate payments to the states and territories that reflect the requirements, the amounts and timeframes set out in the IGAFFR and the relevant agreements where applicable. The Commonwealth Treasury will provide advice to states and territories on the components of each payment prior to each payment being made.

The Treasury will provide GST revenue data to the states and territories on a monthly, quarterly and annual basis, and will maintain a schedule of estimates of annual net GST receipts, in accordance with the requirements of the IGAFFR.

Results

- Several research papers including:
 - A review of economic modelling at the Treasury
 - Forecasting household consumption
 - Modelling exports
 - A labour market conditions index.
 - Foreign Investment and Residential Price Growth
 - Modelling Australia's Exports of Non-commodity Goods and Services
 - Uncertainty and Macroeconomic Policy (published in the Australian Economic Review, Volume 50, issue 1, March 2017).

Treasury staff members published papers through the Treasury Research Institute on the Tax Expenditures Statement and the development of a long-term dynamic microsimulation model of Australia's retirement income system.

The Treasury made regular payments to the states on the 7th and 21st of each month (or the next business day), as well as an extraordinary payment on 29 June, in accordance with the IGAFFR and other agreements between the Commonwealth and the states. The payments covered by Programs 1.4 to 1.9 are: payments of General Revenue Assistance; National Health Reform Payments; Skills and Workforce Development National Specific Purpose Payments; Disability Services National Specific Purpose Payments; Affordable Housing National Specific Purpose Payments; and National Partnership Payments.

With one exception, payments were made in accordance with the terms and conditions of the relevant Commonwealth-State agreements. In 2016-17, the Treasury made a payment for which the Agreement had not been signed by the relevant Minister. The issue was an isolated, non-systemic occurrence and was rectified.

As required by the IGAFFR, the Treasury provided advice to the states on the components of each payment before it was made. Treasury also met its obligation to provide GST revenue data to the states on a monthly basis and maintains a schedule of estimates of annual net GST receipts

Promoting fiscal sustainability

Performance criteria

PBS Program 1.1

Coordinating the government's legislative program for tax and superannuation, financial system, corporations, competition and consumer legislation in accordance with the Government's priorities

Corporate Plan 2016-17

Provision of advice to Government on tax and superannuation policies as well as the delivery of an extensive legislative program consistent with the Government's policy objectives.

Performance target

PBS Program 1.1

All bills, regulations and supporting documents are produced in accordance with the relevant legislative requirements and guidance, including timeframes.

Corporate Plan 2016-17

Our delivery of the Government's legislative program will be measured against relevant legislative requirements and guidance, including timeframes.

Results

The Treasury supported the Government to deliver its extensive legislative program in accordance with the relevant requirements and guidance, including timeframes.

This included introduction of 52 bills containing 69 measures into the 45th Parliament; and 22 regulations containing 33 measures have been made at Federal Executive Council meetings. Key measures include reducing the tax rate for companies with a turnover less than \$50 million and enacting a Diverted Profits Tax.

Superannuation reform was a key Government priority and in that respect the Treasury oversaw a number of bills and regulations in 2016-17 to give effect to the Government's superannuation reform package.

In the Spring 2016 Parliamentary sittings, Treasury managed the Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 which contained measures relating to the transfer balance cap, concessional and non-concessional contributions, the low income tax offset, innovative income streams and other matters. Associated regulations were also finalised.

In the Autumn 2017 Parliamentary sittings, Treasury managed the Treasury Laws Amendment (2017 Measures No 2) Bill 2017 containing further measures relating to the superannuation reform package. The Treasury Laws Amendment (2017 Measures No. 1) Regulations 2017, providing standards for innovative income stream products and amendments to capped defined benefit schemes were also finalised.

Promoting fiscal sustainability

Performance criteria

PBS Program 1.1

Fit-for-purpose economic and tax modelling

Performance target

PBS Program 1.1

Outcomes are consistent with forecasts, allowing for unforeseeable events

Results

As published in the 2017-18 Budget, total taxation receipts were expected to grow by 4.2 per cent in 2016-17, compared to estimated growth of 5.0 per cent in the 2016-17 Budget. The difference in revenue estimates largely reflects compositional changes in nominal non-farm GDP growth between 2015-16 and 2016-17 and the impact of these changes on different heads of revenue. The error is also affected by the timing of tax receipts.

The Treasury continued to invest in modelling capability and model development to ensure it is fit for purpose. This included development of an overlapping generations (OLG) model; a dynamic stochastic general equilibrium (DSGE) model; and a microsimulation model for retirement incomes and refresh its participation and indirect tax modelling capability.

The Treasury also liaised with both academics and private sector modellers to peer review modelling capabilities.

PBS Program 1.3

Payments of claims arising from the Housing Loans Insurance Company Limited old book and assistance under the HIH Claims Support Scheme are made according to agreed schedules

PBS Program 1.3

Payments of claims arising from the Housing Loans Insurance Company Limited old book and assistance under the HIH Claims Support Scheme are accurately determined and are made according to agreed schedules

There were no payments made in 2016-17. The Treasury continued to provide administration of debt recovery activities.

Corporate Plan 2016-17

Advice provided by the Treasury will be based on an objective and thorough understanding of the issue(s) and from a whole-of-government perspective.

Corporate Plan 2016-17

The degree of Ministerial satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms. The degree of Ministerial satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback.

Treasury provides a range of timely briefing materials, costings and analysis to Ministers and the Government. Advice was prepared in consultation with relevant departments to inform a whole-of-government perspective. The Treasury received regular, positive, formal and informal feedback from ministerial offices regarding the quality of advice and briefs to the government. Senior Treasury officials met regularly with Ministers to seek feedback about overall performance and embed continuous improvement.

Increasing productivity and workforce participation

Productivity growth remains critical to improving economic growth and living standards in Australia.

Australia's productivity performance in recent years is in line with our longer-term averages. In the five years to 2016-17, labour productivity in the whole economy has grown at an average annual rate of 1.5 per cent. This compares to an average annual rate of 1.2 per cent over the past 15 years and 1.6 per cent over the past 30 years. With the mining investment boom now in the output phase, productivity growth is expected to continue to be relatively strong in the short to medium term, particularly as excess labour leaves the sector. However, there remains a longer-term need to boost productivity to support living standards given the lower terms of trade and the ageing of the Australian population.

The labour force participation rate has improved compared to 12 months ago. After declining over much of 2016, the labour force participation rate increased to 65.0 per cent in June 2017. The increase in labour force participation in 2017 has occurred alongside improving labour market conditions and reasonably strong employment growth. Improving labour market conditions may have encouraged some people to return to the labour force.

During 2016-17, the Treasury continued work on a range of initiatives to enhance productivity and workforce participation and ensure well-functioning markets, including in relation to the financial system, small business, foreign investment, competition, broader structural reform policy, and supporting innovation.

In early 2017, Treasury created a Structural Reform Group to lead our policy advice on policies to support growth and improvements to Australian living standards, with a focus on boosting productivity through microeconomic and structural reform. The creation of the Group allows Treasury to approach structural reform issues from an integrated, holistic perspective.

Financial System

The Treasury led implementation of key responses to the Financial System Inquiry and other financial sector reforms. This reform agenda has required significant legislative and regulatory change with a view to improving the overall productivity, stability, accountability of the financial sector, as well as directly addressing areas of concern in relation to consumer outcomes and lack of competition. A well-functioning financial system that is resilient and provides services of value to households and the real economy is an important contributor towards economic productivity, facilitating investment, saving, consumption and risk mitigation choices and providing a payments system infrastructure.

Notably, as part of the 2017-18 Budget the Government announced a comprehensive package of reforms to improve accountability and competition in the banking sector to ensure it delivers the outcomes expected by the community. One element of this package was the major bank levy which has now passed Parliament. The Treasury also made significant progress implementing other financial sector reform priorities including the Government's response to the Financial System Inquiry. In addition, Treasury made progress on the Government's FinTech agenda to help stimulate technological innovation so that financial markets and systems can become more productive, efficient and consumer-focussed.

Small business and consumers

The Treasury also worked to increase productivity and workforce participation by supporting small business and consumers. Small businesses play an important role in the Australian economy, making up 99 per cent of all businesses and accounting for around half of all employment. In addition, consumer protections are a key element of efficient markets by reducing information asymmetries, sending signals to suppliers and driving competition between firms. Activities in 2016-17 included reviews of the Australian Small Business and Family Enterprise Ombudsman, Australian Consumer Law and the Australian Small Business Advisory Services Program to enhance their effectiveness. The Treasury also advised on a range of cross-government initiatives which affect small business such as the proposed privatisation of the Australian Securities and Investments Commission (ASIC) registry and measures to improve the interactions between government and firms. The Australian Small Business and Family Enterprise Ombudsman also highlighted a number of issues of national importance to small business, conducting inquiries into small business banking and loans, payment times and practices and the former Road Safety Remuneration Tribunal's Payment Order. These activities were focused on creating an environment which supports small business boosting productivity across the economy and facilitating workforce participation.

Foreign Investment

Foreign investment underpins increased productivity in the economy through, amongst other things, increasing the supply of capital. In 2015-16, the Government responded to heightened community sensitivity over certain types of foreign investment by introducing reforms to strengthen the integrity of the foreign investment framework. While the reforms provided stronger enforcement of the rules, a better resourced system and clearer rules for foreign investors, there was some increase in the regulatory burden. To respond to this and further bed down the new system, the Government decided (in the context of the 2017-18 Budget) to introduce some streamlining measures, amending the commercial fee framework to improve transparency and consistency and improving the treatment of low risk commercial transactions to enable the system to operate more efficiently. The Government also reintroduced limits on the sale of new developments to foreign investors and introduced an annual residential vacancy charge as part of its plan to reduce pressure on housing affordability.

Competition policy and regulatory reform

Competition policy reform is important to achieving the productivity improvements necessary for higher incomes and jobs growth. Making markets more competitive maximises Australia's capacity to adjust rapidly to changing circumstances, arising from both global and domestic sources. Strong competition encourages innovation, growth in productivity and average income levels, and ultimately the number and quality of Australian jobs. In 2016-17 the Treasury developed legislation to implement significant parts of the Government's response to the Competition Policy Review, including misuse of market power, cartel conduct, merger authorisations and access to significant infrastructure.

Treasury also contributed significantly to the Government's regulatory reform agenda. Reducing regulatory burdens in the economy can reduce costs for business and free up resources for investment in more productive activities. In the first year of a three-year Regulatory System Renewal program, Treasury progressed a number of regulatory reform measures identified through mechanisms such as the Competition Policy Review and the Financial System Inquiry. In 2016-17, the Treasury portfolio reduced annual regulatory compliance costs by \$197.6 million.

Other work

The Treasury also worked with the Government to commission the Productivity Commission to conduct an inquiry into Australia's productivity performance, which is expected to report by September 2017. The intent is to undertake a similar inquiry every five years to ensure an ongoing focus on productivity. Energy issues were prominent in 2016-17 and the Treasury provided advice to Government on energy reliability, affordability and sustainability. Treasury officials collaborated with Canadian government officials to jointly develop the paper *Pathways to Growth – fostering the conditions for a competitive economy*. The paper is a discussion starter, does not reflect the views of the Government, and is publicly available from the Treasury Research Institute website. Treasury has also developed a paper examining Australian and international experiences of structural change, highlighting factors that influence the ability of regions, firms and individuals to adjust effectively and take advantage of new opportunities. The paper *Experiences of Structural Change* is available from the Treasury Research Institute website.

The Treasury continued to support the work of the Takeovers Panel in ensuring efficient, competitive and informed markets for corporate control. The Australian Government Actuary also provided actuarial and related policy advice primarily to Australian Government departments and agencies, to assist them to quantify risks and make informed decisions.

Increasing productivity and workforce participation

Performance criteria

Corporate Plan 2016-17

Financial System Inquiry

The Treasury will provide advice and policy support aimed at promoting a resilient, efficient and innovative financial system that meets the needs of consumers.

Corporate Plan 2016-17

Competition Policy Review

The Treasury will provide advice and policy support aimed at promoting competitive and efficient markets that work in the long-term interests of consumers.

Performance target

Corporate Plan 2016-17

Performance will be assessed based on the delivery of timely and well-informed advice and on progress in implementing the Government's policy priorities.

Corporate Plan 2016-17

Performance will be assessed based on the delivery of timely and well-informed advice regarding the implementation of the Competition Policy Review and the Government's policy priorities.

Results

In its response to the recommendations of the Financial System Inquiry, the Government announced 48 measures of which 18 are completed or part thereof. The Treasury has commenced work on all but three measures.

In 2016-17, legislation was passed on a number of measures including crowd-sourced equity funding for public companies, addressing the remuneration practices of the life insurance advice sector and raising the competency of financial advisers by establishing the Financial Adviser Standards and Ethics Authority (FASEA) and legislation was introduced to improve corporate insolvency law.

The Treasury also supported the Australian Prudential Regulation Authority in its work to ensure that bank capital levels are unquestionably strong.

The Treasury supported the Government to reconstitute the Financial Sector Advisory Council with refreshed terms of reference that includes providing advice on the performance of the financial regulators and it met for the first time in 2016-17. The Government also tasked the Productivity Commission to review competition in the financial system.

The Treasury facilitated the introduction of the Competition and Consumer Amendment (Misuse of Market Power) Bill 2016 into the Parliament on 1 December 2016, and the Competition and Consumer Amendment (Competition Policy Review) Bill 2017 to Parliament on 20 March 2017. Both bills await further debate.

Treasury continued to provide timely advice to support the passage of the bills through parliament, consistent with the Government's required timeframes.

In December 2016, the Treasury assisted the Government to develop and sign an Intergovernmental Agreement on Competition and Productivity-enhancing Reforms with five states and territories.

Treasury established a Competitive Neutrality Review Secretariat to review the Commonwealth's Competitive Neutrality Policy. The Competitive Neutrality Review released a discussion paper and undertook public consultation over March and April 2017.

Increasing productivity and workforce participation

Performance criteria

Corporate Plan 2016-17

Foreign investment

The Treasury will aim to facilitate foreign investment to support economic growth, while ensuring that national interest concerns are appropriately addressed.

PBS Program 1.1

Assessing foreign investment proposals

Performance target

Corporate Plan 2016-17

Performance will be assessed using the key performance indicators that have been developed under the Regulator Performance Framework for the Foreign Investment Review Board.

PBS Program 1.1

Number of proposals assessed

Results

The Regulator Performance Framework stakeholder survey and regular stakeholder feedback is used to assess performance under the key performance indicators.

Formal survey results will be published on the Foreign Investment Review Board website by the end of 2017. Informal stakeholder feedback was positive. In 2016-17 the Treasury held more than 260 stakeholder information sessions and engagements with key industry representatives, domestic and international government bodies.

Preliminary 2016-17 figures indicate the Treasury considered more than 1,300 applications for foreign investment. Approximately 30 of these had a proposed investment value of \$1 billion or more. Final figures will be reported in the 2016-17 Foreign Investment Review Board Annual Report. The majority of non-complex cases are processed within the 30 day statutory period.

Increasing productivity and workforce participation

Performance criteria

Corporate Plan 2016-17

Regulatory Reform

The Treasury will aim to ensure that decisions are made on the basis of a considered assessment of their regulatory impact, that the regulatory burden in the portfolio is reduced and that portfolio regulators administer regulation in a proportionate way.

PBS Program 1.1

Progressing the implementation of the Government's deregulation agenda, particularly by reducing red tape

Performance target

Corporate Plan 2016-17

Performance will be assessed by:

- the level of compliance with regulation impact analysis requirements for measures announced during each reporting period;
- the portfolio's contributions to the Government's red tape reduction target and agenda for productivity-enhancing regulatory reforms; and
- portfolio regulators' compliance with their annual Regulator Performance Framework obligations.

PBS Program 1.1

Reductions in red tape are consistent with the Government's target

Results

In 2016-17, all nine Treasury regulation impact statements (RISs) were rated as 'compliant'. In addition, the Prime Minister granted an exemption from RIS requirements for the creation of a sugar industry code, on the grounds of urgency. Treasury is required to complete a post-implementation review of the framework within two years of its implementation.

In September 2013, the Government set a target of reducing ongoing red tape costs by \$1 billion every year. In 2016-17, the Treasury portfolio contributed a net reduction of \$197.6 million towards this target.

The Treasury continues to progress productivity enhancing regulatory reforms through its implementation of the Government's regulatory reform agenda.

In the 2016-17 Budget, the Treasury received \$5.6 million over three years for a Regulatory System Renewal program — a coordinated approach to regulatory reform delivered through a rolling series of reviews of regulatory frameworks.

Nine Treasury agencies and functions are subject to the Regulator Performance Framework (RPF). Agencies were required to self-assess their performance against the RPF metrics, validate their views with stakeholders and report to Ministers by 31 December 2016.

All nine Treasury bodies fulfilled the requirements of the RPF and reported to Ministers on schedule. All nine RPF reports have now been made public.

Corporate Plan 2016-17

Australian Consumer Law Review

The Treasury will lead the conduct of the Review and the development of a report to Commonwealth, State and Territory consumer affairs ministers by March 2017.

Corporate Plan 2016-17

Performance will be assessed on the timely delivery of a report that makes findings and identifies options to improve the efficiency and effectiveness of the Australian Consumer Law.

Treasury provided Commonwealth, State and Territory Consumer Affairs Ministers with the final report on the Review of the Australian Consumer Law on 31 March 2017. The report contained 32 proposals to improve the effectiveness of the Australian Consumer Law.

Commonwealth and State Consumer Ministers considered the ACL Review Report on 31 August 2017. The Minister's response can be found at https://cdn.tspace.gov.au/uploads/sites/86/2017/08/CAF_Communique_August_2017.pdf

Increasing productivity and workforce participation

Performance criteria

Corporate Plan 2016-17

Small Business

The Treasury will provide advice on policy settings to support a competitive and efficient small business sector.

Performance target

Corporate Plan 2016-17

Performance will be assessed based on the delivery of timely and well-informed advice and broad consultation with stakeholders.

Results

The Treasury developed a comprehensive stakeholder engagement strategy in 2016-17, in relation to small business and consumer stakeholders.

This strategy enhanced the quality of advice on policy processes designed to support a competitive and efficient small business sector. For example, consultation occurred with small businesses in various states, peak bodies and other APS agencies to identify issues relevant to small business. It also conducted international engagement on small business issues through the Organisation for Economic Co-operation and Development (OECD) and the Asia-Pacific Economic Cooperation (APEC).

The Treasury received verbal feedback from Ministers, including on the reviews of the Australian Small Business Advisory Services Program; the Australian Small Business and Family Enterprise Ombudsman; the Australian Securities and Investments Commission's registry and initiatives to simplify business interaction with Government.

Corporate Plan 2016-17

Australian Small Business Advisory Services (ASBAS)

The Treasury will aim to ensure that not-for-profit small business service providers deliver high-quality, affordable services to small businesses.

Corporate Plan 2016-17

Performance will be assessed by the level of appropriate assistance provided to enterprising people through the ASBAS program. For 2016-17, there is a target of providing 25,000 additional services to enterprising people through the ASBAS program.

In 2016-17 the ASBAS program delivered 25,851 additional services to enterprising people.

1877 clients accessed the Australian Small Business and Family Enterprise Ombudsman's Information Line in 2016-17.

The Small Business Support Line terminated on 30 June 2016.

PBS Program 1.3

Appropriate assistance provided to enterprising people through the ASBAS program

Number of clients accessing Australian Small Business Advisory Services and the Australian Small Business and Family Enterprise Ombudsman's Information Line

PBS Program 1.3

25,000 additional services provided to enterprising people through the ASBAS program (2015-16 and 2016-17). 20,000 additional services provided to enterprising people through the ASBAS program (2017-18)

26,700 clients accessing the Small Business Support Line. This program terminated on 30 June 2016.

Securing the benefits of global economic integration

The Treasury has supported and strengthened economic policy relationships across a broad range of multilateral organisations and countries in order to secure the benefits of global economic integration for Australians. The relationships built and information gathered are used to balance opportunities and risks in relation to trade and investment flows, and to maintain our position of influence. The Treasury's program of international engagement has contributed to capacity in Australia's region, the depth and breadth of information available to Government and policy makers, and regional and global macroeconomic stability.

The Treasury monitors the global economic environment closely. It works closely with other countries bilaterally, in international forums and through international financial institutions (IFIs) such as the International Monetary Fund (IMF) and World Bank to monitor economic trends and manage risks as they emerge. It advises the Government on conditions such as commodity prices, inflation, monetary and fiscal policy trends, the global financial safety net, financial market resilience, economic transitions and demographic challenges, and assesses how changes may affect the domestic economy. In progressing Australia's economic interests in the international arena, we seek solutions that make sense for Australia and for the broader global economy.

The Treasury manages Australia's bilateral and multilateral economic relationships through its relationships with other countries, connections in multilateral forums such as the G20 and APEC, its relationships with the international financial institutions, strong links with the academic and think tank community and international staff postings in key markets providing reporting that is an essential input into our advice to the Government.

Through Treasury's efforts, the Government has been well positioned to advance Australia's economic interests in the G20. With Australia's support, the G20 has prioritised boosting global growth, ensuring a safe and efficient global financial system, and supporting the integrity of the international tax system. Australia holds a position of influence in all of these streams of work, and they all carry benefits for Australia domestically as well as the global economy. Treasury contributed to the improvement of the global infrastructure investment climate through its support for the Global Infrastructure Hub (the Hub) the 2016-17 outputs of which included an online interactive risk allocation tool, and a key report on how Multilateral Development Banks (MDBs) can better attract private sector funding.

Treasury has actively engaged in the region, working to bring alignment between the G20 and APEC agendas, providing support to Papua New Guinea (PNG) in hosting APEC in 2018, actively engaging in the Pacific Finance and Economics Ministers' Meeting in Fiji, and supporting an exchange of Treasury officers with PNG and Indonesia. We participated in policy dialogues with the European Commission, Korea, India, Indonesia, and PNG.

The Treasury engages closely with the IFIs as key elements of the international financial architecture to ensure they are effective in supporting growth, stability and economic development. This year, Australia has advocated for closer cooperation between the IMF and regional financing arrangements, reform to IMF quota and governance arrangements, the continued evolution of the IMF's lending toolkit, and constructive engagement between the IFIs, the G20 and the Hub. Treasury has supported Australia's full engagement at the Spring and Annual meetings of the IFIs, and supported our Executive Directors enabling them to influence key policy issues within the institutions. Through Treasury and Treasury Ministers, Australia strongly supported the renewal of two key components of the IMF's lending resources. This will both strengthen the IMF's financial base, and enhance Australia's influence at the IMF. We have been

progressing domestic approval processes to ensure we can meet our obligations under these lending agreements. Treasury successfully pressed the importance of better use of capital with the Multilateral Development Banks, and supported the G20 in prioritising these actions. Treasury has had a major role in shaping the policies of the new Asian Infrastructure Investment Bank (AIIB), most notably in relation to the Energy Sector Strategy, establishing a technology neutral approach to operational decisions. Through Australia’s engagement with the AIIB, Treasury has worked to strengthen China’s growing engagement with multilateralism.

Securing the benefits of global economic integration

Performance criteria

Corporate Plan 2016-17

Through bilateral relationships, involvement in multilateral fora and relationships with IFIs, including MDBs, the Treasury will contribute to shaping outcomes that further Australia’s economic and strategic interests.

Performance target

Corporate Plan 2016-17

Stakeholder surveys, including of other Government departments, other countries, IFIs, MDBs.

Results

Key achievements illustrating the Treasury’s effectiveness in shaping international relationships in 2016-17 included:

- Secondment of Treasury officials to Germany and Argentina to assist with their G20 Presidencies and Indonesian and PNG officials to Treasury.
- Timely and effective advice to Treasury Ministers on the economic implications of key events including Brexit, the US elections, and economic developments in China;
- Establishment of a dedicated Trade Policy Unit, providing strategic advice on the implications of global economic developments for trade and trade policy;
- Dialogues with key countries and institutions including the European Commission, Korea, India, Indonesia, and PNG strengthened and deepened Australia’s economic relationships.
- Providing a strong voice supporting free trade and rules based international order at the G20, and multilateral forums;
- Significant role in shaping AIIB’s Energy Sector Strategy, to encompass responsible use of fossil fuels;
- Treasury support for the IMF’s South Asia Training and Technical Assistance Centre (focussing on capacity and macroeconomic policy) saw the Centre open its doors in February 2017;

Securing the benefits of global economic integration

Performance criteria	Performance target	Results
		<ul style="list-style-type: none"> • Successful conclusion of the IMF Article IV consultation with Australia; • Through the G20 and direct relationships with the MDBs, helped to embed and extend expectations that the MDBs would use their funds more effectively. • Treasury provided support for visits to Australia of both AIIB Vice President Wuryanto, in February 2017, and President Jin in April 2017, facilitating high level engagement with the Treasurer, other Ministers and relevant stakeholders on the role of the AIIB. <p>A range of feedback mechanisms, including consultations with infrastructure stakeholders on the policy directions of the Asian Infrastructure Investment Bank, reviews of international engagements and direct feedback from Ministers' offices and IFI constituency offices indicate that Treasury is effective in meetings its international engagement goals.</p>
<p>Corporate Plan 2016-17 and PBS Program 1.2 Payments to international financial institutions are made accurately and in good time with due regard to minimising cost and risk for Australia.</p>	<p>Corporate Plan 2016-17 The target is 100 per cent of transactions are timely and accurate.</p> <p>PBS Program 1.2 Financial transactions are timely and accurate</p>	<p>All payments were on time and were accurate.</p>
<p>PBS Program 1.1 Supporting G20 initiatives to drive global growth and enhance regional engagement with key trading partners</p>	<p>PBS Program 1.1 Involvement with the G20 Finance Ministers' and Central Bank Governors' meetings</p>	<p>Treasury maintained active engagement in the G20 and with senior ministerial attendance at all G20 Finance Ministers and Central Bank Governors meetings during 2016-17. Over the course of 2016-17 Treasury officials attended 15 working group meetings to support the Chinese and German G20 Presidencies. The Treasury also assisted the Treasurer and the Minister for Finance (attending on behalf of the Treasurer) at five G20 ministerial meetings in advancing Australia's economic interests.</p>
<p>PBS Program 1.3 Payments to the Hub are made in accordance with the grant agreement</p>	<p>PBS Program 1.3 Payments to the Hub are made according to the grant agreement</p>	<p>Payments to the Hub were made in a timely manner consistent with the grant agreement.</p>

All purposes and Organisational Capability

The following performance results relate to all three of the Treasury’s purposes and organisational-wide capability.

All purposes and Organisational Capability

Performance criteria

PBS Program 1.1

Providing high-quality, timely, accurate and evidence-based advice and briefs to the Government

Performance target

Advice provided by the Treasury will be based on an objective and thorough understanding of the issue(s) and from a whole-of-government perspective. Advice meets the Government’s needs in administering its responsibilities and making and implementing decisions. Advice is based on objective and through understanding of the issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.

Results

The Treasury provided a range of high-quality and timely briefing materials to Ministers and the Government on a range issues; and worked to ensure that advice met the needs of the Government. 2880 formal ministerial submissions and briefings were provided over the course of 2016-17. Treasury’s capacity to provide robust and meaningful advice was strengthened by our ongoing focus on stakeholder engagement.

Treasury receives regular positive feedback from Ministers (formal and informal) on the quality and timeliness of its advice and analysis. Senior Treasury officials met regularly with Ministers to seek feedback about overall performance.

In the fiscal sustainability context, advice was provided in areas such as housing; tax; business investment; labour force participation rate; interest rates; the global productivity slowdown; macroprudential regulation and the financial system; the full range of macroeconomic indicators, the economic outlook, risks to the outlook and other key policy issues. Fiscal reports including the Budget, Mid-Year Economic and Fiscal Outlook and the Final Budget Outcome were publicly released and tabled in Parliament in accordance with the *Charter of Budget Honesty Act 1998*; and 741 costings were completed and included in advice to Ministers. The Treasury worked with the Department of Finance and other government agencies to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication and costings were from a whole-of-government perspective.

Treasury provided advice on a wide range of issues related to improving productivity and participation. Underpinning the quality of this advice, Treasury adopted a more systematic approach to improve prioritisation and resource allocation across the policy and legislative agenda. This allowed Treasury to offer advice in a timely way at the relevant points in the policy cycle.

All purposes and Organisational Capability

Performance criteria	Performance target	Results
<p>PBS Program 1.1 and Corporate Plan Publishing reports and other information that stimulate and inform Government and public debate through robust analysis, modelling and research</p>	<p>Number of publications published on the website and extent of online readership.</p>	<p>In the securing the benefits of global economic integration context, Treasury met very high standards in ensuring the briefing needs of Ministers participating in international events were met. Feedback indicated that Ministers were impressed by the level, quality and timeliness of briefing provided.</p> <p>Treasury dedicates time and resources internally to robust policy discussions to continue to build our capability and provide fresh policy thinking and advice.</p> <hr/> <p>In the 2016-17 period, Treasury published 35 publications to the Treasury website, and a further 10 papers published on the Treasury Research Institute website. A total of 98 consultations were published to the website for public response during this same period.</p> <p>The Budget website included 11 publications as part of the Budget 2017-18 papers. These releases included a range of promotion through the Treasury website subscriber email and Treasury social media channels.</p>
<p>PBS Program 1.1 Strengthening the Treasury's links with the private sector, non-government organisations, academia and other policy focused institutions over the period</p>	<p>The number of secondments undertaken each year with the private sector, non-government organisations, academia and other policy focused institutions by the Canberra, Sydney and Melbourne offices of the Treasury.</p>	<p>Treasury strengthened its secondment programs with both the public and private sectors, including academic and other policy focused institutions.</p> <p>As at 30 June 2017, there were 39 secondments into the Treasury; 32 government and 7 non-government. Thirty one employees of the Treasury were seconded out to 20 government, four non-government and eight international organisations.</p> <p>These secondments strengthened the Treasury's links with various organisations while providing new development opportunities for staff. The Treasury currently has secondees at the Grattan Institute, Business Council of Australia, New Zealand Treasury, Reserve Bank of Australia, BHP Singapore and OECD in Paris.</p>

All purposes and Organisational Capability

Performance criteria

Performance target

The extent of contact established and maintained by the Canberra, Sydney and Melbourne offices of the Treasury with the private sector, non-government organisations, academia and other policy-focussed institutions, including through formal policy consultations.

Results

Treasury worked in various ways to broaden and strengthen relationships with the private sector, non-government organisations, consumer groups, academia and other policy focused institutions. The Sydney and Melbourne offices improved engagement with the business community and established meaningful networks; influencing policy formulation and consultation processes. Engagement was undertaken with regional and local communities, including Bendigo and Jabiru to see firsthand the economic potential of regional Australia. In 2017 a Perth office is being established to further strengthen our engagement.

Staff from across the Treasury undertook secondments and global postings in key economic regions to increase the quality of engagement with stakeholders, inform key policy issues and the development of legislation. In 2016-17 strategies were implemented to improve information flows between Australian-based staff and international posts, for example through joint post reports and regular email updates on current events.

Treasury continued its strong focus on conducting formal consultation processes and engaging in working groups and consultation forums. New platforms were trialled to improve the effectiveness of consultation, for example a crowdsourcing platform was used during consultation on the Australian Consumer Law Review and the Ramsay Review. Other examples of consultation included consultation on the superannuation reform package; the framework for Comprehensive Income Products for Retirement; affordable housing and social impact investing; impediments to non-mining business investment in Australia; reform of financial benchmarks; a review of the Australian National Contact Point for the OECD Guidelines for Multinational Enterprises; and the legislative framework for cost recovery of ASIC. Consultation also occurred with the IFIs, including three visits by the IMF and multiple visits from the World Bank and Asian Development Bank.

All purposes and Organisational Capability

Performance criteria

Performance target

The extent of contact established and maintained by the Canberra, Sydney and Melbourne offices of the Treasury with the private sector, non-government organisations, academia and other policy-focussed institutions, including through formal policy consultations.

Results

Treasury staff attended various whole-of-government forums; conferences, meetings and events to strengthen stakeholder engagement. For example, attendance at a business roundtable with former Speaker of the US House of Representatives; meetings with the American and UK chambers of commerce; and attendance at OECD working group meetings. Treasury hosted conferences and workshops on topics such as economic trends in the global economy; using macroeconomic models for forecasting; productivity insights and firm level analysis; fiscal policy; and macroeconomic uncertainty. Treasury co-hosted a conference with DFAT and the IMF on international investment, which included attendees from business, academia and government from across the Asian region. Senior Treasury staff participated in visits arranged through Treasury's overseas posts to meet with overseas government, central bank officials and private-sector economists to discuss the regional and world economies.

Regular stakeholder engagement continued, for example with business, financial market economists, commodity analysts and other state and commonwealth government bodies to discuss developments in the economy, markets, the outlook and particular macroeconomic issues including financial market dynamics. Engagement with academics was undertaken to improve our forecasting, modelling and analysis capabilities, including using an expert panel and consultants from a range of universities. Treasury staff also participated in industry-organised tours of advanced manufacturers to gather insights on structural change.

In 2016-17 the Treasury recruited a communication specialist to develop and embed a whole-of-Treasury strategy for managing contacts and relationships with external stakeholders across all divisions and offices; and consider how we can better train and equip staff to engage with the broader community as part of our work. Various business areas developed formal stakeholder engagement strategies and online forums to identify and commit to opportunities to connect with new stakeholders and to improve the quality of our engagement.

All purposes and Organisational Capability

Performance criteria

PBS Program 1.1

Maintaining and building our organisational capability PBS

Performance target

Evaluating Treasury's Workforce Plan annually and effectively delivering in its four key focus areas: Talent Sourcing; Development; Mobility; and Inclusivity. Rigorous analysis of the annual employee census results including benchmarking of results against previous years and similar agencies with a particular focus on employee engagement

Results

Treasury's workforce planning focus in 2016-17 was on streamlining talent sourcing and mobility; and building capability based on organisational need. Secondment and expressions of interest processes were redesigned resulting in improved efficiency and outcomes, and appropriately managed risk.

A review into the performance management system commenced, with a focus on improving real-time feedback and future development needs. A diversity calendar of events was developed and diversity champions were appointed, demonstrating commitment to diversity and inclusiveness across the Department. The Progressing Women initiative continued with active working groups embedded across all Treasury business groups.

Employee census results indicated the Treasury continues to improve in job, team, supervisor and agency engagement from previous years and compared with policy agencies and the APS as a whole. Based on the Say, Stay, Strive model, Treasury achieved an 85 per cent engagement score, 11 percentage points higher than the APS average.

Refer also part 03 *Management of human resources*.

The case studies below demonstrate how Treasury responded to emerging government priorities in addition to the planned activities in the 2016-17 Portfolio Budget Statement and Corporate Plan 2016-17.

Implementing the Critical Infrastructure Centre

Following several high profile foreign investment cases in late 2015 and 2016, key government agencies including the Treasury recognised that existing processes for identifying and managing national security risks to critical infrastructure could be improved.

Changes in the threat environment and state privatisation of critical assets also triggered increased scrutiny of foreign investment in these assets.

The Treasury was a key driving force behind the establishment of a whole-of-government process in 2015-16, which included the establishment of the Foreign Involvement Taskforce (led by the Attorney-General's Department), to assess foreign involvement risks to critical infrastructure, including through foreign ownership and make recommendations to Government about whether current processes and frameworks were adequate to manage these risks.

A key recommendation to Government made in 2016-17 was to establish a Critical Infrastructure Centre (CIC) to facilitate more coordinated and strategic advice to Government on foreign involvement risks to critical infrastructure, including by delivering more joined-up and comprehensive advice on national security implications to support foreign investment decision making.

During the 2016-17 year, the CIC was established within the Attorney-General's Department, with representation from a number of Government Departments and Agencies. The Treasury continues to work closely with the Attorney-General's Department to ensure that the CIC proactively manages national security

risks as they arise. The Treasury provided an officer to work within the CIC and act as a link to the Foreign Investment Division.

The key function of the CIC is to identify proactively our highest risk assets and implement strategies to manage national security risks to critical infrastructure assets. Where an asset is subject to a foreign investment application advice from the CIC is provided to the Foreign Investment Division in the Treasury, including recommendations about conditions that may be imposed on prospective foreign owners of critical infrastructure assets. This information is then reflected by Treasury in its advice to the Treasurer on foreign investment proposals.

The development of the CIC demonstrates the Treasury's ability to coordinate resources to implement emerging Government priorities; and to work closely with APS agencies to implement collaborative and whole-of-government strategies and infrastructure.

Supporting the Government's housing affordability plan

In the 2017-18 Budget, released in May 2017, the Government announced a suite of tax, superannuation, foreign investment, housing and homelessness reforms as part of their comprehensive plan to help address housing affordability.

The key policy announcements included the First Home Super Saver Scheme, tax incentives to encourage investment in affordable housing, a new National Housing and Homelessness Agreement (NHHA) and the establishment of a National Housing Finance and Investment Corporation (NHFIC) that will operate an affordable housing bond aggregator and a \$1 billion National Housing Infrastructure Facility.

The Treasury responded to the Government by assisting in the development of the housing affordability plan, which contributes to the Treasury's overarching purpose of increasing productivity and workforce participation. Housing is a driver of social and economic participation and promotes and improves employment, education and health outcomes.

The Treasury increased the Department's resources dedicated to housing in order to advise on the development of the plan, as well as commence work to implement the individual measures, including:

- Contributing to analysis and whole-of-government advice to the Ministerial Committee on Housing, to develop several of the key policies included in the housing affordability plan.
- Co-ordinating efforts across Treasury, the Department of Finance, the Department of Defence and the Department of Prime

Minister and Cabinet to finalise advice, costings and budget documentation for the Government's Reducing Pressure on Housing Affordability Plan 2017-18 Budget announcement;

- Co-authoring two reports of the cross-jurisdictional Affordable Housing Working Group. The first report was released in November 2016 following receipt of over 70 public submissions, with further work undertaken on a second report to be released in late-2017; and
- Establishment of an Affordable Housing Implementation Taskforce, guided by an expert panel which included the Secretary to the Treasury. The Taskforce worked towards the finalisation of a blueprint for the affordable housing bond aggregator functions of the NHFIC to be provided to the Heads of Treasuries in late-2017 (the Treasury will be responsible for establishing the NHFIC by 1 July 2018).

The Treasury will continue to lead engagement with the states and territories, through the Council on Federal Financial Relations, to implement the housing policies announced in the Budget that require the involvement and support of all levels of government. Notably this includes the establishment of the NHHA and reforms to strengthen regulation of community housing providers.