



Australian Government
The Treasury



Treasury Corporate Plan 2016-17

Secretary's message

Promoting fiscal sustainability

Increasing productivity and workforce participation

Securing the benefits of global economic integration

Organisational capability

Risk oversight and management



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Treasury's 2016-17 Corporate Plan sets out the Department's purposes, priorities and the key directions we will take over the next four years.

As Australia's pre-eminent economic adviser, the Treasury serves the Australian people by assisting the Government to manage emerging domestic and international opportunities and pressures. Treasury provides advice across a range of issues: including tax, the Budget, the economy, financial sector, foreign investment, structural policy, small business and international economic policy. The Treasury also works with State and Territory governments on key policy areas as well as managing federal financial relations.

The Treasury needs high-performing staff to generate ideas that will drive policy development and the implementation of Government policy. We must also continue to engage well with stakeholders, ensuring we have a strong understanding of the business environment, the domestic economy and the global context. The Treasury's Sydney and Melbourne offices have and will continue to help form stronger relationships with the private sector and strengthen our organisational capability.

I am pleased to present the Department of the Treasury's 2016-17 Corporate Plan, which covers the years 2016-17 to 2019-20, in accordance with paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

John A. Fraser

Secretary to the Treasury

Promoting fiscal sustainability

Purpose

The Australian Government's fiscal strategy is designed to maintain the on-going 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.

Environment

Australia has a relatively strong fiscal position by international standards. However, there are a number of very significant long-term fiscal challenges facing the Commonwealth that threaten the sustainability of its fiscal position, including an ageing population and the risks associated with an economy transitioning from a mining investment boom to broader-based drivers of growth. The global economy also continues to provide downside risks for domestic growth.

Commonwealth debt, both on a net and gross basis, is at peak levels last seen during the 1970s and 1990s. These debt levels are not of an immediate concern, given historically low interest rates and a growing economy. But, Australia will be more exposed than has previously been the case should Australia experience a significant negative economic shock.

Fiscal reform to ensure a sustainable fiscal position is challenging. Many variables that have a material impact on fiscal outcomes are outside the Government's direct control such as interest rates, commodity prices or global economic growth.

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The Treasury will seek to ensure that the Treasurer's obligations under the Charter are discharged by coordinating the preparation of the Commonwealth Government Budget and other documents required under the Charter. Fiscal sustainability will be achieved by identifying effective and efficient government spending arrangements and reducing pressure on the Government's revenue base by improving the structure and integrity of the tax system.

The Treasury will provide informed advice on the Government's fiscal strategy, tax and expenditure policies, with this advice supported by economic, tax and fiscal modelling. Advice will be provided to the Treasurer and other portfolio ministers on the Australian Government's budget position over the forward estimates and the medium term, to inform overall policy settings and to provide context for the Government's decision-making.

The Treasury has responsibility for the Australian taxation and superannuation systems and is charged with providing advice to Government to support a robust, efficient and sustainable tax system. The challenge is to ensure that the revenue base avoids impeding economic growth while remaining adaptive to future challenges and business practices. We focus on the efficiency of the system today and ensuring that the system will continue to deliver a sustainable revenue base for the next generation.

Economic and social reforms will be facilitated by on-going financial support payments to State and Territory governments. The Treasury will make payments to the States and Territories with regard to the arrangements specified in the *Intergovernmental Agreement on Federal Financial Relations*. Information on the Government's financial relations with State and Territory governments is detailed in the 2016-17 Budget, Budget Paper No. 3, *Federal Financial Relations*.

The Treasury will work with the Australian Taxation Office to implement the changes to superannuation and retirement income products announced in the 2016-17 Budget. The Treasury will monitor the adequacy and sustainability of Government support for retirement incomes and advise the Government on ways in which this support can be made more effective.

Performance

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.

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

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.

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. 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.

The Treasury's role in the broader tax system includes 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.

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

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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.

Environment

Productivity has always been an important driver of Australia's economic growth and standards of living. Australia's average labour productivity growth over recent years has continued broadly in line with its long run average, but, notwithstanding this, since the peak in the terms of trade in 2011 living standards in Australia have been falling as the rest of the world is paying us less for what we produce.

Beyond the income shock from the fall in the terms of trade, demographic factors are becoming less favourable and are likely to be an increasing drag on growth over the medium to long term. Australians are expected to live longer and do so in better health; however, the proportion of the population participating in the workforce is expected to decline as a result of population ageing. A lower proportion of Australians working will mean lower economic growth in future years.

The adoption of policies that facilitate productivity growth - including policies to increase competition and encourage investment, innovation and the adoption of new technologies and management practices - will be critical for sustained economic growth and growth in living standards. Policies to achieve greater participation in the workforce, in particular for older Australians, will also be important.

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The Treasury is well-placed to lead the implementation of the Government's response to the Financial System Inquiry and other reforms to improve the resilience of the financial system and the efficiency of the superannuation system, whilst stimulating innovation and supporting the fair treatment of consumers.

The Treasury will also assist the Government to implement its response to the Competition Policy Review, by providing advice regarding market efficiency and competitiveness. The Treasury will assist the Government in engaging with the States and Territories to advance the reform agenda. This package of reforms at State, Territory and Commonwealth levels will strengthen Australia's long-term economic performance by promoting more dynamic, competitive and well-functioning markets for the benefit of all Australians.

The Treasury will work with the Government and the Foreign Investment Review Board to maintain the right balance between protecting Australia's national interests, ensuring that Australia continues to attract foreign capital and implementing improvements to the foreign investment framework.

The Treasury will continue to implement the Government's regulatory reform agenda and support the reduction of red tape.

The Treasury is leading a Commonwealth, State and Territory review of the Australian Consumer Law that will report to consumer affairs ministers by March 2017.

The Treasury will support the recently established Australian Small Business and Family Enterprise Ombudsman in performing its advocacy and assistance functions for small business.

The Treasury will also provide grants under the Australian Small Business Advisory Services program. The grants will be provided to not-for-profit small business advisory service providers, to improve their capacity to deliver low cost small business advisory, information and referral services.



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The Treasury will assess its performance using both qualitative and quantitative indicators, depending on the nature of its roles and functions.

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

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 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.

Foreign investment

- The Treasury will aim to facilitate foreign investment to support economic growth, while ensuring that national interest concerns are appropriately addressed.
- Performance will be assessed using the key performance indicators that have been developed under the *Regulator Performance Framework* for the Foreign Investment Review Board.

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.

- 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.

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.
- 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.

Small Business

- The Treasury will provide advice on policy settings to support a competitive and efficient small business sector.
- Performance will be assessed based on the delivery of timely and well-informed advice and broad consultation with stakeholders.

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.
- 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.



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Purpose

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.

Environment

Risks to the global outlook have broadened, with concerns about slowing activity in emerging market economies as well as lower potential growth in advanced economies. Of particular significance for Australia are the implications of the transition of the Chinese economy towards a more balanced, consumer-driven growth model, which provides both challenges and opportunities.

A number of major economies continue to face financial challenges, particularly the euro area, Japan and a range of emerging market economies. Concerns about continued low inflation globally are also growing, which partly reflects the impact of low energy costs.

Overall, Australia's major trading partners are expected to grow faster than the global economy overall. Emerging Asia remains the region showing the strongest growth and Australia remains well-placed to expand exports and investment into the region.

A strong financial system is important for sustaining a resilient and growing economy. The opening of the financial system to international participants dramatically improved access to and competition in the provision of financial services. Sound regulatory frameworks helped Australia weather the global financial crisis better than our international peers.

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The Treasury monitors the global economic environment closely. It works closely with other countries bilaterally, in international fora and through international institutions 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 changing 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, we work to promote our domestic reforms in the international arena, with the aim of contributing to improving the international economic outlook.

Capability

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, and its relationships with the international financial institutions. The Treasury has officers deployed into key markets who provide reporting that is an essential input into our advice to the Government.

The Treasury assists the Government to advance Australia's economic interests in the G20. Given the continued uncertain global environment, Australia's engagement with other G20 economies and support for the G20's reform agenda over the next four years will be targeted toward boosting global growth and enhancing financial stability.

Over the coming years, Australia's agenda includes supporting the ambition to lift collective G20 GDP, actively engaging with the Global Infrastructure Hub (the Hub) on increasing global infrastructure investment, encouraging widespread implementation of tax reforms to address base erosion and profit shifting, and strengthening the international financial architecture. We have a similar agenda in APEC, where we work with other economies on areas of mutual interest, particularly infrastructure and international taxation.



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The Treasury engages closely with the international financial institutions (IFIs) as key elements of the international financial architecture to ensure they are effective in supporting growth, stability and economic development. Through engagement, the Treasury influences the activities of IFIs in the region, and encourages responsiveness to the overarching global economic agenda. We also have officers directly involved in decision-making at these institutions by virtue of our Board positions.

Over the next few years, the Treasury will also encourage the Multilateral Development Banks (MDBs) to support economic reform and prioritise increased and better targeted investment in infrastructure, including through catalysing additional private sector investment, and by optimising their use of capital.

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The Australian Government's engagement with the IMF, World Bank and Asian Development Bank is underpinned by domestic legislation.

Through Australia's foundation membership of the Asian Infrastructure Investment Bank (AIIB), the Treasury will continue to help strengthen China's commitment to effective multilateralism aimed at increasing infrastructure investment in the region.

Increasing productivity and workforce participation

Over the coming four years, the Treasury will continue to advocate for reform to IMF quotas and governance to ensure the IMF remains credible and effective. It will also work to ensure the effective operation of the global financial safety net, including by encouraging closer cooperation between the IMF and regional financing arrangements, and the continued evolution of the IMF's lending toolkit. The Treasury will also support constructive engagement between the IFIs, the G20 and the Hub.

To support increased regional growth and stability, the Treasury will deepen its bilateral engagement with key strategic partners in the Asia-Pacific-Indian Ocean region, including by placing a greater focus on our analysis of emerging economies. This will build on our existing strong relationships with advanced economies. In providing advice to the Government on expenditure in the defence and security portfolios, we also contribute to ensuring that Australia is appropriately resourced to tackle issues such as counter-terrorism, transnational crime and border security.

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Performance

In assessing its influence in shaping the international economic agenda, the Treasury will measure performance through a broad qualitative indicator of policy activities and assess its influence

through annual stakeholder surveys. Consistent with the need to manage money appropriately, the Treasury will aim for 100 per cent accuracy in payments to international financial institutions.

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Measure	Assessment	Period
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.	Stakeholder surveys, including of other Government departments, other countries, IFIs, MDBs	Annual surveys of different stakeholders.
Payments to international financial institutions are made accurately and in good time with due regard to minimising cost and risk for Australia.	The target is 100 per cent of transactions are timely and accurate.	Assessment will be annual.

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Workforce strategy

The Treasury Workforce Plan 2016-20 sets out our approach to workforce planning across four themes:

- talent sourcing – refresh and renew the workforce for key skills needs, innovation and diversity including greater recruitment from outside the public service;
- development – increase staff capability through career development, talent identification and leadership;
- mobility – promote opportunities for internal and external staff movement to ensure an adaptive, responsive and flexible workforce; and
- inclusivity – build a more inclusive workplace and leadership behaviours consistent with the Integrated Leadership System.

Information and communications technology capability

The efficient acquisition, processing, analysis and publication of information is essential to allow the Treasury to provide sound and timely analysis and advice and to fulfil its statutory responsibilities in relation to program administration. Achieving the desired level of performance and responsiveness would not be possible without reliable access to advanced capabilities in information and communications technology.

A key task for ICT within the Treasury is to identify and evaluate new technologies in order to improve Treasury's business capabilities and responsiveness as well as to reduce operational cost and risk.

The Treasury seeks to ensure that it meets its performance and accountability obligations in relation to ICT by maintaining effective controls over the management of ICT strategy, planning, project delivery, operations and ongoing ICT performance and risk management.

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Engagement

The Treasury has a responsibility to engage with the community about its work as the leading economic advisor to the Government. While the role of the Treasury is understood by those who have direct contact with the department, an opportunity exists to build the agency's reputation more broadly both in Australia and internationally.

The Treasury has established in-house communication capability to support engagement with the community. This group will focus on delivering communication strategies for the Department's priority work arising from each of the Treasury's purposes, optimising the use of digital channels. This approach will seek to increase engagement in policy discussion and raise awareness of the context around the policy decisions of the Government.

Shared services

The Treasury has been endorsed by the Secretaries' Board as a shared services provider to small and medium agencies since November 2014 as part of the whole of government Shared and Common Services Program. The Program, being led by the Department of Finance, is first seeking to consolidate common core services such as payroll and finance transactional services with value-added transactional services and strategic services to be addressed later in the program.

The Treasury has provided corporate functions to portfolio agencies for over a decade, including the Inspector-General of Taxation, the Australian Reinsurance Pool Corporation, the Takeovers Panel and the Australian Office of Financial Management. Expanding on this experience, the Treasury is delivering these corporate functions to a wider audience through Treasury Shared Services (TSS).

Our aim is to deliver efficient and reliable corporate services to enable agencies to focus on their core business. To achieve both high-quality and cost-efficiency we:

- deliver services in partnership with the private sector; for example, TechnologyOne and Aurion manage our finance and human resource systems and support agency on-boarding;
- offer standardised systems and processes for each of our services, with participating agencies using the same business processes where possible; and
- focus on providing services to "like" agencies for mutual benefit. Like agencies are typically small to medium agencies, who undertake similar business activities and have similar corporate systems and processes.

Corporate Group will be seeking to deliver even stronger client service, strengthen our governance arrangements and make improvements to the way we work by enhancing our systems and processes.



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Risk management in the Treasury is about identifying and analysing the uncertainties and opportunities associated with our operating environment. We do this by looking to the future and gathering the best available information required for good decision making.

The Treasury's risk management framework aims to:

- establish robust, pragmatic risk management practices that support business needs and provide the methodology and tools to enable effective management of risk across the Treasury;
- develop a consistent Treasury wide understanding of risk management;
- foster an environment where all staff assume responsibility for managing risk, with managers formally considering risks as part of the decision-making process;
- ensure that significant risks have been identified, understood, documented and actively managed;
- assess risks in a balanced way, with upside risks (opportunities) considered alongside downside risks; and
- sustain the usefulness of risk registers and practical risk-analysis tools.