

TREASURY EXECUTIVE BOARD
ORGANISATIONAL STRATEGY PAPER

10 February 2011

2010-11 MID-YEAR REVIEW

Recommendation/s

The Board agree to:

- (i) revised 2010-11 internal budgets as shown at column E of Attachment A.

The Board note:

- (ii) the 2010-11 capital budget at Attachment B.
- (iii) an initial paper will be prepared on the 2011-12 internal budget for the April OSM.

KEY POINTS

- I have met with each Executive Director and the Group General Manager Corporate Services on priorities for the remainder of 2010-11. Although there are a number of priorities that are currently unfunded, it is considered that the Treasury's current underspend can accommodate these priorities for 2010-11.
- The 2011-12 picture is more uncertain given that funding from government is expected to be less than that provided in 2010-11. The Board considered at its September meeting that there would need to be staff and administrative reductions. An initial paper on the 2011-12 internal budget will be prepared for the April OSM.
- I am proposing a number of mid-year review adjustments to cover known priorities (refer column D of Attachment A). These adjustments are explained in more detail in the additional information. I am asking the Board to agree the proposed revised budget at column E of Attachment A, which still leaves a breakeven budget for 2010-11.
- As at the end of January, the Treasury has a operating surplus of \$6.5 million. If the known priorities eventuate as planned I would still expect that the Treasury will have a surplus for 2010-11.
- In relation to the capital budget, a summary of 2010-11 capital expenditure is provided at Attachment B.

Chief Financial Officer

Contact Officer:

Distribution: Executive Board and SES.

Financial implications: Nil.

Consultation: Meetings were held with Executive Directors, the Group General Manager Corporate Services and a number of General Managers.

Timing: Revised budgets to be incorporated into February financial reports.

Communication strategy: Executive Board minutes and through GEMs.

ADDITIONAL INFORMATION

SUMMARY OF PROPOSED MID-YEAR REVIEW ADJUSTMENTS

- As part of the 2010-11 Additional Estimates and Administrative Arrangements Orders, the Treasury has a net increase in funding of \$0.148 million for 2010-11. This is made up of:
 - an additional \$0.926 million for the tax forum;
 - an additional \$0.277 million for the banking reform education and awareness campaign;
 - a reduction of \$0.117 million for the termination of the Financial Reporting Panel; and
 - a reduction of \$0.938 million for the transfer of the sustainable population strategy function from the Treasury to the Department of Sustainability, Environment, Water, Population and Communities.

It is proposed that:

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: [This section has been removed under s47E(d)]

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- The main other proposed adjustments include:
 - funding to be provided to Corporate Services Group and the Executive (Organisational Strategy Unit) due to the abolition of the Policy Coordination and Governance Unit;
 - additional funding for Macroeconomic Group for pressures associated with Macroeconomic Modelling Division; and
 - additional funding for Fiscal Group for pressures associated with the Social Policy and Industry, Environment and Defence Divisions.
- The increases in funding can be offset from areas expecting to underspend. It should be noted that the majority of these adjustments are considered one-off and will not affect the Groups base funding when preparing the 2011-12 internal budget.
- Specific details of each adjustment is in the Mid-Year Review analysis that follows.

MID-YEAR REVIEW ANALYSIS

Macroeconomic Group (MEG)

As at end January 2011, MEG (excluding AusAID funded activities) had an underspend of \$0.782 million.

MEG are seeking additional funding of \$1.3 million for Macroeconomic Modelling Division associated with additional staff and consultancy costs for covering bottom-up modelling for the land-use, electricity and transport sectors. MEG should be able to offset \$0.25 million of this cost through expected underspends in other divisions.

Funding of \$0.15 million will be transferred from MEG to CSG for the transfer of the overseas deployment function. This is the part year effect with the full year effect to be included as part of the 2011-12 internal budget. This will be a permanent adjustment.

It is proposed that MEG be provided with the balance of \$0.9 million from expected underspends from overseas posts (\$0.6 million), Financial Reporting and Accounting Bodies (\$0.1 million), CSG (\$0.1 million) and Programs and Services (\$0.1 million). These are considered one-off adjustments.

Fiscal Group (FG)

As at end January 2011, FG had an overspend of \$0.117 million.

FG are seeking additional funding of \$1.5 million for Social Policy Division and Industry, Environment and Defence Division.

- Social Policy Division are seeking \$1.2 million for additional staff (\$0.5 million) and consultancies (\$0.7 million) associated with gambling and health reform.
- Industry, Environment and Defence Division are seeking \$0.3 million for six staff for the creation of a Regional Policy Unit.

As there are currently no savings available in FG, it is proposed that FG be provided with the full \$1.5 million to be funded from expected savings in Markets Group (\$1 million) and Revenue Group (\$0.5 million). These are considered one-off adjustments.

As a result of Administrative Arrangements Orders, the sustainable population strategy function transferred from the Treasury to the Department of Sustainability, Environment, Water, Population and Communities. This reduces FG's population budget by \$0.751 million.

Revenue Group (RG)

As at end January 2011, RG had an underspend of \$1.076 million.

It is proposed that a portion of RG's projected underspend be used to partially offset additional funding for FG (\$0.5 million). This is considered a one-off adjustment.

Markets Group (MG)

As at end January 2011, MG had an underspend of \$2.476 million. It should be noted that Standard Business Reporting (SBR) has moved from non-core to core from January 2011 in accordance with the Board's decision of June 2010. SBR represents \$2.215 million of the underspend.

Whilst there are pressures associated with the Foreign Investment and Trade Policy Division for the Real Estate IT Program, funding for this can be offset from within the Group.

It is proposed that a portion of MG's projected underspend be used to partially offset additional funding for FG (\$1.0 million). This is considered a one-off adjustment.

Executive (including Organisational Strategy Unit)

As at end January 2011, the Executive had an overspend of \$0.171 million.

With the abolition of the Policy Coordination and Governance Unit, its functions have transferred to CSG and the Executive (Organisational Strategy Unit). The Executive portion of the transfer is \$0.380 million. The full year effect of the transfer will be reflected in the 2011-12 internal budget.

Additional funding of \$0.040 million is sought to fund an additional EL1 position. This can be offset from savings within overall projected underspends. This is considered a one-off adjustment.

Policy Coordination and Governance Unit

As at end January 2011, the Policy Coordination and Governance Unit had an overspend of \$0.033 million.

The Policy Coordination and Governance Unit functions have transferred to CSG and the Executive (Organisational Strategy Unit).

Of the transfer amount of \$0.673 million, \$0.380 million is for the Organisational Strategy Unit and \$0.293 million for CSG.

Corporate Services Group (CSG)

As at end January 2011, CSG had an underspend of \$0.890 million.

[This section has been removed under section 47E(d)]

With the abolition of the Policy Coordination and Governance Unit, its functions have transferred to CSG and the Executive (Organisational Strategy Unit). The CSG portion of the transfer is \$0.293 million. The full year effect of the transfer will be reflected in the 2011-12 internal budget.

Funding of \$0.15 million will be transferred to CSG from MEG for the transfer of the overseas deployment function. This is the part year effect with the full year effect to be included as part of the 2011-12 internal budget. This is a permanent adjustment.

It is proposed to transfer \$0.1 million from the Program and Services budget to CSG from expected savings from the Australian Government Security Vetting Agency (AGSVA). The expected cost to AGSVA in 2010-11 is now \$0.2 million, down from the original estimate of \$0.3 million. Given the continuing ongoing work from the security team as a result of the revised security arrangements, it is proposed that the difference of \$0.1 million be permanently transferred to CSG.

It is proposed that a portion of CSG's projected underspend be used to partially offset the additional funding outlined above (\$0.430 million). This is considered a one-off adjustment.

[This section has been removed under section 47E(d)]

Programs and Services

As at end January 2011, Programs and Services had an underspend of \$0.581 million.

It is proposed that a portion of the Programs and Services projected underspend be used to partially offset additional funding for MEG (\$0.1 million). This is considered a one-off adjustment.

It is also proposed to transfer \$0.1 million from the Program and Services budget to CSG from expected savings from AGSVA (see CSG comments). This is considered a permanent adjustment.

Overseas Posts

As at end January 2011, the overseas posts had an underspend of \$0.744 million. This is mainly due to delays with the India post as well as favourable exchange rates.

It is proposed that a portion of the projected underspend be used to offset additional funding for MEG (\$0.6 million). This is considered a one-off adjustment.

Non-core activities

As at end January 2011, non-core activities had an underspend of \$1.221 million.

The government agreed to wind up the operations of the Financial Reporting Panel. This reduces the Panel's budget by \$0.117 million in 2010-11, with no funding required beyond this.

It is proposed that a portion of the projected underspends from the Financial Accounting and Reporting Bodies be used to offset additional funding for MEG (\$0.1 million). This is considered a one-off adjustment.

CAPITAL BUDGET

The Treasury set a capital budget of \$12.8 million in 2010-11.

As at the end of January 2011, the Treasury's capital spending was \$4.3 million against a year-to-date budget of \$5.1 million.

It is expected that the replacement of the diesel generator will not incur in 2010-11 due to a protracted tender process. Expenditure will now be incurred in 2011-12.

Further details on capital is at Attachment B.

2010-11 Mid-Year Review Summary

	(A)	(B)	(C)	(D)	(E)
	2010-11 Budget		Underspend/ (Overspend) at end January	Proposed MYR adjustments	Proposed Revised 2010-11 Budget
	ASL	\$'000	\$'000	\$'000	\$'000
Revenue					
Appropriation from Government		159,046	0	148	159,194
AusAID Overseas Operations		4,980	(648)		4,980
Australian Government Actuary		1,723	(216)		1,723
Ministerial Council on Consumer Affairs		1,292	(400)		1,292
Service Level Agreement		930	257		930
Other		2,935	(690)		2,935
CUMA revenue		750	0		750
Total Revenue		171,656	(1,697)	148	171,804
Expenses					
Core					
Macroeconomic Group	148.3	20,464	782	900	21,364
- AusAID Overseas Operations	17.0	4,980	736		4,980
Total Macroeconomic Group	165.3	25,444	1,518	900	26,344
Fiscal Group	132.3	16,169	(30)	1,500	17,669
- Population Taskforce	1.3	1,000	(87)	(751)	249
Total Fiscal Group	133.6	17,169	(117)	749	17,918
Revenue Group	241.1	31,330	1,076	(500)	30,830
Markets Group	160.0	21,179	101		21,179
- Standard Business Reporting	26.7	9,836	2,215	(1,000)	8,836
- CFSD - Grants	0.0	1,340	0		1,340
- Australian Financial Centre Forum	0.0	500	75		500
- Financial Services Working Group	0.0	250	85		250
Total Markets Group	186.7	33,105	2,476	(1,000)	32,105
Other Departmental Activities					
- Executive (incl Organisational Strategy Unit)	4.0	1,124	(171)	420	1,544
- Policy Coordination and Governance	13.0	1,771	(33)	(673)	1,098
- Corporate Services Group	215.1	22,462	890	1,269	23,731
- Programs and Services	25.0	23,545	581	(200)	23,345
- Ministerial Offices	0.0	550	(20)		550
- Overseas Posts	7.3	6,675	744	(600)	6,075
Total Other Departmental Activities	264.3	56,127	1,991	216	56,343
Sub-total Core	991.0	163,175	6,944	365	163,540
Non-core					
Board of Taxation	4.1	1,800	453		1,800
Financial Reporting Panel	0.5	350	(7)	(117)	233
Financial Accounting and Reporting Bodies	0.0	1,366	179	(100)	1,266
Takeovers Panel	5.0	1,950	74		1,950
Australian Government Actuary	8.8	1,723	122		1,723
Ministerial Council on Consumer Affairs	1.8	1,292	400		1,292
Sub-total Non-Core	20.2	8,481	1,221	(217)	8,264
Total Expenses	1,011.2	171,656	8,165	148	171,804
Net Result		0	6,468	0	0

2010-11 CAPITAL BUDGET SUMMARY

	Jan YTD	Jan YTD	Jan YTD	Year	Note	Whole of project		
	Budget	Actual	Variance	Budget		Budget	Actual	Variance
	\$ '000	\$ '000	\$ '000	\$ '000		\$ '000	\$ '000	\$ '000
Capital approved in 2010-11								
Facilities and Security Projects								
Child care centre - construction and fitout	1,000	902	98	1,200	1			
Essential services upgrade including a new diesel generator	-	-	-	500	2			
Other	230	130	100	970				
Total Facilities and Securities Projects	1,230	1,032	198	2,670				
IT Projects								
PABX / VoIP replacement	-	40	(40)	1,500	3			
Other	295	162	133	1,225				
Total IT Projects	295	202	93	2,725				
IKM Projects								
Collaboration and Knowledge Sharing	150	46	104	920				
Federal Payments Management System	443	138	305	760	4			
Foreign Investment Real Estate Application Management	175	194	(19)	300	5			
Total IKM Projects	768	378	390	1,980				
Other Projects								
CFO Capital budget reserve	-	-	-	500				
Standard Business Reporting (SBR)	196	126	70	1,395				
Total Other Projects	196	126	70	1,895				
Total capital approved in 2010-11	2,489	1,738	751	9,270				
Capital approved in previous years								
Desktop Refresh and SOE Upgrade	2,242	1,825	417	2,242	6	3,463	3,046	417
Domestic Economy Database - Odysseus	288	611	(323)	1,150	7	2,200	1,031	1,169
Service Management Improvement Project	91	61	30	91		130	100	30
Satin communication equipment	35	41	(6)	35				
Total capital approved in previous years	2,656	2,538	118	3,518		5,793	4,177	1,616
TOTAL CAPITAL BUDGET FOR 2010-11	5,145	4,276	869	12,788				

N/A

Note

- 1 Construction works for the child care centre has been completed. The total cost of the project is expected to be \$1.2m.
- 2 The diesel generator upgrade has been delayed due to a protracted tender process. It is expected that capital expenditure will now be incurred in 2011-12.
- 3 The PABX project is expected to be completed in 2010-11.
- 4 The first stage is completed and is being tested which will allow CSRD to create and view new agreements. The estimated project cost has been revised to \$0.3m as this is being developed in-house rather than being purchased.
- 5 The first stage has been completed and will allow clients to enter information on-line. The project is currently on budget.
- 6 Deployment has occurred, with laptops and high performance desktops for TAD modellers to follow.
The total project cost is expected to be around \$3.5m.
- 7 The project is currently in the build phase and is expected to be delivered on time and within budget.