Annual performance statement 2017-18

Statement of preparation

I, as the Accountable Authority of the Department of the Treasury, present the 2017-18 financial year annual performance statement as required under s39(1)(a) of the Public Governance Performance and Accountability Act 2013 (PGPA Act).

In my opinion the annual performance statement is based on properly maintained records, accurately reflects the performance of the Treasury and complies with s39(2) of the PGPA Act.

Philip Gaetjens
Secretary to the Treasury
Treasury’s purpose

The Treasury aspires to be the pre-eminent economic adviser to the Government and, in essence, our purpose is to promote fiscal sustainability; increase productivity; and secure the benefits of global economic integration.
Results and analysis

Analysis of performance against 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 updates, with the 2018-19 Budget now forecasting a return to balance in 2019-20. Reports released in 2017-18 included the 2018-19 Budget, the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2016-17 Final Budget Outcome (FBO). These documents were produced in partnership with the Department of Finance and in accordance with the Treasurer’s obligations under the Charter of Budget Honesty Act 1998.

The Treasury continued to provide advice to the Government on Australia’s tax and superannuation systems, and delivered an extensive legislative program of changes in 2017-18, including the personal income tax reform package announced in the 2018-19 Budget.

The Treasury advised the Government on economic and social policies relating to education, employment, immigration, families, health, ageing, disability, Indigenous and justice issues, defence and national security, transport infrastructure, industry, environment, energy and resources, agriculture, communications and regional matters. This advice informed the Government’s decisions on the economic and social policy reforms announced in the 2018-19 Budget.

In addition, the Treasury made financial support payments to the states and territories (states) in accordance with the Intergovernmental Agreement on Federal Financial Relations (IGAFFR).
Results against purpose: promoting fiscal sustainability

Performance criterion
Coordinating the preparation of the Australian Government Budget and other documents. Requirements of the *Charter of Budget Honesty Act 1998* are met.

Target
Documents are produced in accordance with timeframes and other requirements of the *Charter of Budget Honesty Act 1998*. Timely production of regular fiscal reports (i.e. the Budget, MYEFO and FBO).

Source

In 2017-18 the following Australian Government budget documents were prepared and released in accordance with the Charter:

- 2016-17 FBO was released on 26 September 2017;
- 2017-18 MYEFO was released on 18 December 2017; and
- 2018-19 Budget was released on 8 May 2018.

Performance criterion
Government measures to improve fiscal sustainability are legislated and implemented in a timely manner.

Target
Measured by the regular assessment of progress and milestones.

Source
Corporate Plan 2017-18, page 3.

Government measures to improve fiscal sustainability were implemented and legislated across multiple portfolios in 2017-18. The Treasury continued to work closely with the Australian Taxation Office (ATO) and other stakeholders on minor implementation matters associated with the 2016-17 superannuation tax package, for example treatment of reversionary transition to retirement income streams. The major elements of the package were legislated prior to the reporting period and came into effect on 1 July 2017.
### Performance criterion
Payment to the States and Territories are made with regard to the arrangements specified in the IGAFFR and other relevant agreements. Payments to State and Territory Governments.

### Target
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 other relevant agreements. The Treasury will provide advice to States and Territories on the components of each payment before it is 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.

Payments are timely, accurate and made in accordance with the terms in the relevant agreement and the requirements of the IGAFFR.

### Source
Portfolio Budget Statements 2017-18, Program 1.4 to 1.9, page 41.
Corporate Plan 2017-18, page 3.

The Treasury made 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. As required by the IGAFFR, the Treasury provided advice to the states on the components of each payment before it was made.

Specific purpose payments amounted to $53.78 billion (including $19.49 billion relating to Quality Schools, which is administered by the Department of Education under the *Australian Education Act 2013*) and payments of general revenue assistance amounted to $64.49 billion.

Implementation of the National Partnership Agreement on Asset Recycling continues with states that agreed schedules with the Commonwealth Treasury, including New South Wales, Australian Capital Territory and the Northern Territory. In 2017-18, the Commonwealth provided payments totalling $847.8 million to the states under this national partnership. The agreement is on track and due to expire on 30 June 2019.

The Treasury also met its obligation to provide GST revenue data to the states on a monthly basis and maintained a schedule of estimates of annual net GST receipts.

### Performance criterion
Fit-for-purpose economic and tax modelling.

### Target
Outcomes are consistent with forecasts, allowing for unforeseeable events.

### Source
Portfolio Budget Statements 2017-18, Program 1.1, page 38.

The Treasury prepares forecasts of the economy and tax revenues, which are published in the Budget and MYEFO. Total taxation receipts grew by 10.2 per cent in 2017-18, compared to estimated growth of 7.2 per cent in the 2017-18 Budget. The largest contributor to the difference was company tax, primarily driven by higher than expected growth in corporate profits. Income tax withholding was also higher than expected, reflecting stronger employment growth.

Real GDP grew by 2.9 per cent in 2017-18, slightly stronger than the 2.75 per cent growth forecast in both the 2017-18 Budget and 2018-19 Budget.

Nominal GDP grew by 4.7 per cent in 2017-18, which was stronger than the 2017-18 Budget forecast of 4 per cent and the 2018-19 Budget forecast of 4.25 per cent. This was the result of the stronger than expected real GDP growth and higher than assumed prices for key commodities.
### Performance criterion

Ongoing development of the Treasury’s modelling and forecasting capability, including economic and revenue forecasting tools and methods; improving the understanding of developments in the economy.

### Target

Performance will be measured by achievement of agreed project milestones and outcomes, in particular for the economy-wide macroeconomic project and redevelopment of the retirement income and asset model project.

### Source

Corporate Plan 2017-18, page 3.

The Treasury increased investment in tax modelling capability and the capability of staff to undertake economic forecasting, analysis and advice. Specifically:

- Development of a macroeconometric model of the Australian economy is underway. Engagement with academics, internal and external stakeholders has been continuous throughout the model development, including using an expert panel and consultants from a range of universities;
- The retirement income and asset dynamic model (MARIA) has met project milestones (including external peer review completion). We continue to refine and enhance this model to enable long-term forecasting of retirement incomes and assets;
- Development of a working version of the Over-Lapping Generations model for Australia (OLGA) that is fit for indicative fiscal policy analysis is undergoing peer review. We are continuing to add detail to OLGA to enable it to provide quantitative analysis;
- Use of a Dynamic Stochastic General Equilibrium (DSGE) model to investigate fiscal sustainability issues;
- Development of a working version of a multi-sector macroeconomic model for industry policy analysis that is at the peer review stage;
- Ongoing work with an academic consultant on modelling to support global energy analysis; and
- Refinement of medium term projections methodology for input into the published budget outlooks.
Performance criterion

Coordinating the Government’s legislative program for tax and superannuation, financial system, corporations, competition and consumer policy in accordance with the Government’s priorities.

Target

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

Source

Portfolio Budget Statements 2017–18, Program 1.1, page 38.

Results

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

This included the introduction of 113 Bills containing 160 measures into the 45th Parliament, as well as 66 regulations containing 81 measures made at Federal Executive Council meetings.

Key measures in 2017–18 included those aimed at reducing pressure on housing affordability, legislation for the National Housing Finance and Investment Corporation (NHFIC) and a wide range of measures on maintaining and improving the integrity of the tax system.

The Government also enacted enhancements through the following legislation to better protect consumers, encourage investment in innovation across the economy and improve financial system regulator capability.

- Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Bill 2017 — a new regime for crowd sourced funding for proprietary companies;
- Treasury Laws Amendment (2018 Measures No. 2) Bill 2018 — includes the FinTech regulatory sandbox measure;
- Treasury Laws Amendment (Australian Consumer Law Review) Bill 2018 — clarifies and strengthens consumer protections relating to consumer guarantees, unsolicited consumer agreements, product safety, false billing, unconscionable conduct, pricing and unfair contract terms; and
- Corporations Amendment (Asia Region Funds Passport) Bill 2018 — provides a multilateral framework that allows eligible funds to be marketed across economies participating in the Asia Region Funds Passport with limited additional regulatory requirements.
Analysis of performance against purpose: increasing productivity

Productivity growth remains critical to improving economic growth and living standards in Australia. Higher productivity increases national income.

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

Financial system

The Treasury continues to lead the 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 and 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 productivity in the rest of the economy, facilitating investment, saving, consumption and risk mitigation choices, and providing a payments system infrastructure.

Several key areas of the financial sector reform priorities have either been consulted on or have passed Parliament, including the Corporate Collective Investment Vehicle Bill, the Open Banking Review, the Banking Executive Accountability Regime and the Comprehensive Credit Reporting reforms. These reforms support financial markets and systems to become more productive, efficient and consumer-focused.

The Treasury also assisted in the establishment of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission), and has provided a number of background papers on specific matters and submissions to the Royal Commission.

Corporations policy

The Treasury continues to work to maintain and improve general business frameworks to create stronger corporations and greater trust and confidence in the corporate sector. This supports the productivity of Australian enterprise and directly impacts everyone from investors and creditors to business operators and company directors. This work has included reforms to combat illegal phoenixing activity, increasing transparency of share ownership (beneficial ownership), providing additional protections for whistleblowers and structural changes to the fees set by the Australian Securities and Investment Commission (ASIC).

In the 2018-19 Budget, the Government announced that it will modernise the Australian Business Register and ASIC business registers. Throughout 2017-18, the Treasury has been working with ASIC, the ATO and the Department of Industry, Innovation and Science to develop a detailed business case for government consideration. The Treasury led public consultation on how modernising business registry services could improve the way business interacts with government.

Further to assisting in the establishment of the Royal Commission, major work for the Treasury includes considering the implications of any recommendations of the Royal Commission for corporate governance in Australia and the role and effectiveness of ASIC.
Small business

Policy responsibility for small business moved to the Department of Jobs and Small Business as a result of the Machinery of Government changes announced by the Prime Minister in December 2017. The Treasury worked to increase productivity and workforce participation by supporting small business.

The Commonwealth is providing the states up to $300 million if they implement sufficiently ambitious regulatory reforms that assist small business. The Treasury assisted the Treasurer to finalise the Small Business Regulatory Reform Agenda (SBRRA) project agreement with all jurisdictions except Queensland, as well as the first SBRRRA bilateral schedules with New South Wales and Victoria. The Treasury will assist the Treasurer to finalise bilateral agreements with other jurisdictions in 2018-19.

Work in 2017-18 also included supporting the Australian Small Business Advisory Services (ASBAS) program to enhance small business effectiveness.

Consumer protection

Consumer protections are a key element of efficient markets by reducing information asymmetries, sending signals to suppliers and driving competition between firms. The Treasury has conducted formal public consultation on a number of matters including Consumer Guarantees, Fees for Paper Bills, Ticket Onselling, Gift Cards, Design and Distribution Obligations, Product Intervention Power, Small Amount Credit Contracts and the Fair Entitlements Guarantee.

Foreign investment

Foreign investment underpins increased productivity in the economy through, among other things, increasing the supply of capital. The Treasury has worked closely with the Attorney-General’s Department and the Department of Home Affairs’ Critical Infrastructure Centre to develop coordinated, whole-of-government national security risk assessments to support decision-making on foreign investment review proposals. The Treasury also worked closely with stakeholders in the development of a new online system for foreign investment that will deliver a number of improvements to facilitate easier lodgement of foreign investment applications, improving efficiencies for businesses engaging with the foreign investment framework.

Competition policy

The Treasury led the implementation of 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. Legislation implementing these initiatives commenced on 6 November 2017.

The Treasury is working with the Australian Competition and Consumer Commission and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to implement the Government’s commitment to a Consumer Data Right, prioritising its roll out in the banking (Open Banking), energy and telecommunications sectors.

Regulatory reform

The Treasury portfolio reduced annual regulatory compliance costs by $772.9 million. The Treasury also contributed significantly to the Government’s regulatory reform agenda. Through
the Regulatory System Renewal program, the Treasury has progressed regulatory reform related to Open Banking and technological innovation, worked to improve service delivery for businesses through the modernisation of business registers and continues to investigate measures to simplify various areas of the tax system.

Other work

The Treasury worked with the Government to task the Productivity Commission with an inquiry into Australia’s productivity performance, which reported in October 2017. The intent is to undertake a similar inquiry every five years to ensure an ongoing focus on productivity.

Energy issues remained prominent in 2017-18 and the Treasury provided advice to the Government on energy reliability, affordability and sustainability throughout the year. The Treasury led the cross-government team that worked on the negotiation to purchase 100 per cent of Snowy Hydro Limited from the New South Wales and Victorian Governments. The transaction will support productivity enhancing investment in a fiscally sustainable manner.

In 2017-18, an independent review was conducted of the Australian National Contact Point for the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. The report was published in December 2017. The Treasury is considering the report’s findings in consultation with other agencies.

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.
Results against purpose: increasing productivity

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<tbody>
<tr>
<td>Target</td>
<td>Key milestones and compliance requirements met.</td>
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<tr>
<td>Source</td>
<td>Corporate Plan 2017-18, page 5.</td>
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</tbody>
</table>

In its response to the Financial System Inquiry, the Government outlined a program to position the financial system to respond to the challenges and opportunities of the future. That agenda has also been expanded, including a banking competition and accountability package, which was announced in the 2017-18 Budget.

The Government’s financial system program is being implemented in stages, and most priority measures have been either fully implemented or are in an advanced stage of development. Fourteen of the 48 Financial System Inquiry measures have already been completed, with a further nine recommendations substantially progressed, and legislation before the Parliament on five measures.

The Treasury conducted several consultations on measures relating to the financial system reform agenda and other initiatives. This included roundtables on the proposed Asia Region Funds Passport, the Open Banking Review, the Corporate Collective Investment Vehicle Bill, the transition to the new Australian Financial Complaints Authority, and the Comprehensive Credit Reporting reforms.

Thirteen Bills relating to the financial system and two Bills relating to corporations received Royal Assent.

<table>
<thead>
<tr>
<th>Performance criterion</th>
<th>Advice to facilitate foreign investment to support economic growth will be high quality and address national interest concerns.</th>
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<tbody>
<tr>
<td>Target</td>
<td>Performance will be measured by the Regulator Performance Framework key performance indicators.</td>
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<tr>
<td>Source</td>
<td>Corporate Plan 2017-18, page 5.</td>
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</table>

The Treasury provided regular briefings to the Government on foreign investment policy. Preliminary stakeholder feedback from the 2017-18 Regulator Performance Framework (RPF) stakeholder survey has been positive and indicates that stakeholders are satisfied with the quality of advice they receive. The RPF for 2017-18 is scheduled to be published by December 2018.

The Treasury conducts a comprehensive assessment of foreign investment proposals to help facilitate foreign investment while ensuring national interest concerns are managed. When assessing foreign investment proposals of national significance, the Treasury consults with federal, state and territory government departments and security agencies. In addition, the Treasury works closely with the Critical Infrastructure Centre to manage risks to critical infrastructure assets.

The Treasury has an ongoing program of stakeholder engagement and outreach activities with potential investors and sectors.
<table>
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<tr>
<th><strong>Performance criterion</strong></th>
<th>Assessing foreign investment proposals.</th>
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<tr>
<td><strong>Target</strong></td>
<td>Number of proposals assessed.</td>
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<td>Number of significant (complex) cases and the degree of the Government’s satisfaction with our performance in managing the cases.</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Portfolio Budget Statements 2017-18, Program 1.1, page 38.</td>
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<td>Approximately 800 foreign investment proposals were assessed by the Treasury. Of these, 182 proposals decided were considered to be significant with approximately 24 of those valued at or over a billion dollars. The majority of non-complex cases were processed within the 30 day statutory period. Further information will be available in the 2017-18 Foreign Investment Review Board Annual Report.</td>
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<tr>
<td><strong>Results</strong></td>
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<thead>
<tr>
<th><strong>Performance criterion</strong></th>
<th>Progress of the Government’s regulatory reform agenda.</th>
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<td></td>
<td>Progressing the implementation of the Government’s deregulation agenda, particularly by reducing red tape.</td>
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<tr>
<td><strong>Target</strong></td>
<td>Performance will be measured by compliance with the regulatory impact analysis requirements; reduction of portfolio red tape on a net basis; and portfolio regulators’ compliance with their Regulator Performance Framework requirements. Reductions in red tape are consistent with the Government’s target.</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Corporate Plan 2017-18, page 5.</td>
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<td></td>
<td>Portfolio Budget Statements 2017-18, Program 1.1, page 38.</td>
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<td></td>
<td>The Treasury continues to progress productivity-enhancing regulatory reforms through its implementation of the Government’s regulatory reform agenda. All 12 published Treasury Regulation Impact Statements were rated as compliant. The Treasury portfolio contributed a net reduction of $772.9 million towards the Government’s $1 billion annual red tape reduction target.</td>
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<td>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.</td>
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<tr>
<td><strong>Results</strong></td>
<td>Nine Treasury agencies and functions are subject to the RPF. Agencies were required to self-assess their performance against the RPF metrics, validate their views with stakeholders and report to ministers. All nine Treasury bodies fulfilled the requirements of the RPF and reported to ministers for the 2016-17 financial year by the December 2017 deadline. All nine RPF reports have now been made public.</td>
</tr>
</tbody>
</table>
### Performance criterion
Economic and productivity enhancing reforms are developed and progressed.

### Target
Performance will be measured by long-term productivity trends.

### Source
Corporate Plan 2017-18, page 5.

The Treasury continued work on a range of economic and productivity enhancing reforms. Parliament passed a number of amendments including the:

- *Competition and Consumer Amendment (Misuse of Market Power) Act 2017*, which strengthens the misuse of market power provision (section 46);
- *Competition and Consumer Amendment (Competition Policy Review) Act 2017*, which contains further competition law amendments, including a prohibition on anti-competitive concerted practices and reforms to merger approval processes; and
- *The Treasury Laws Amendment Bill*, which establishes the position of a Commissioner to oversee the work of the Productivity Commission in relation to the evaluation of policies and programs that impact Indigenous Australians.

In addition, Productivity Commission Regulations 2018 were signed by the Governor-General on 10 May 2018. The regulations remake the Productivity Commission Regulations 1998 and ensure their effect continues. The 2018 regulations set the open tender threshold for engaging consultants or independent advisers at $80,000, consistent with the Commonwealth Procurement Guidelines.

The Treasury also assisted the Treasurer to finalise the SBRRA project agreement with all jurisdictions except Queensland, as well as the first SBRRA bilateral schedules with New South Wales and Victoria.

### Performance criterion
Appropriate assistance provided to enterprising people through the ASBAS program.

### Target
25,000 additional services provided to enterprising people through the ASBAS program.

### Source
Portfolio Budget Statements 2017-18, Program 1.1, page 40.

The ASBAS program was on track to meet its targets as at 31 December 2017, with 15,804 services delivered during the period from 1 July 2017 to 31 December 2017.

### Results
Policy responsibility for the ASBAS program moved to the Department of Jobs and Small Business as a result of the Machinery of Government changes announced by the Prime Minister in December 2017.
Performance criterion  Tax and foreign investment measures are implemented in accordance with the Government’s plan to reduce pressure on housing affordability promptly.

Target  Measured by the achievement of agreed progress milestones.

Source  Corporate Plan 2017-18, page 5.

The following measures from the Government’s plan to reduce pressure on housing affordability were implemented:

- The First Home Super Saver Scheme (FHSSS) and the Downsizer measures passed through Parliament in December 2017, with contributions to the FHSSS being able to be made in the 2017-18 financial year;
- The new National Housing and Homelessness Agreement commenced on 1 July 2018. By 1 July 2018, bilateral agreements had been signed with five jurisdictions (Queensland, South Australia, Tasmania, Northern Territory and Australian Capital Territory);
- NHFIC commenced operations on 30 June 2018; and
- The foreign investment-related measures from the 2017-18 Budget housing affordability package were both legislated.
Analysis of performance against purpose: 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, consistent with the Government’s Foreign Policy White Paper, released in 2017. 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 for the benefit of Australians. 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 with other countries bilaterally, in international forums, and through international financial 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 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. The Treasury continues to advise on the trade policy announcements of major economies and the potential impacts on the global trading environment and the Australian economy. The Treasury is working with other government agencies to promote the importance of economic openness domestically and in international forums, as well as identify economic benefits from further trade liberalisation. 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 Asia-Pacific Economic Cooperation (APEC) forum, its relationships with the international financial institutions, strong links with the academic and think tank community and international staff postings in key economies providing reporting that is an essential input into our advice to the Government.

Through the 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 in the global economy. The Treasury (together with the Reserve Bank of Australia) represents Australia on the G20 Framework Working Group which focuses on ways to deliver strong, sustainable, balanced and inclusive global growth. The Treasury also contributed to the improvement of the global infrastructure investment climate through its co-chairing of the G20 Infrastructure Working Group and support for the Global Infrastructure Hub.

The Treasury has actively engaged in the Asia-Pacific region, working to bring alignment between the G20 and APEC agendas, providing policy support to Indonesia and support to Papua New Guinea (PNG) in hosting APEC in 2018, actively engaging in the Pacific Forum Economic Ministers’ Meeting in Palau, and supporting an exchange of Treasury officers with PNG. The Treasury participated in policy dialogues with the European Commission, India, Indonesia and Japan.
The Treasury engages closely with the international financial institutions to ensure they are effective in supporting growth, stability and economic development as key elements of the international financial architecture. The Treasury (together with the Reserve Bank of Australia) represents Australia on the G20 International Financial Architecture Working Group which has focused on constructive engagement with the international financial institutions in areas relating to: capital flow stability; debt transparency for both lenders and debtors; progressing the IMF 15th General Review of Quotas, prospects for governance reform (through the G20 Eminent Persons Group); and greater cooperation between regional financial architecture arrangements and the international financial institutions. The Treasury has supported Australia’s full engagement at the Spring and Annual meetings, and supported our Executive Directors and Alternate Executive Directors, enabling them to influence key policy issues within the institutions. The Treasury successfully pressed the importance of better use of capital with the Multilateral Development Banks, and supported the G20 in prioritising these actions. The Treasury has had a major role in shaping the policies of the Asian Infrastructure Investment Bank (AIIB). Through Australia’s engagement with the AIIB, the Treasury has worked to strengthen China’s growing engagement with multilateralism.
Results against purpose: securing the benefits of global economic integration

Performance criterion
Payment to international financial institutions are made with due regard to minimising cost and risk for Australia.
Meeting objectives through Australia’s membership of the international financial institutions.

Target
Financial transactions are timely and accurate.
Measured by Australia meeting its financial and other obligations to these organisations; and through the Treasury’s ability to influence policy and our reputation for integrity.

Source

Results
All payment obligations were met.
The Treasury followed established procedures, including in close consultation with the Reserve Bank of Australia, to ensure that costs and risks to Australia were minimised.
Key achievements illustrating the Treasury’s effectiveness in shaping international relationships included:
- Supporting Australia’s 2018 Financial Sector Assessment Program assessment by the IMF including arranging over 100 meetings for its June Mission;
- Actively participating in Financial Stability Board steering groups to promote the implementation of international financial sector standards;
- Facilitating the yearly Article IV consultation with the IMF;
- Completing the legislative process for renewal of the New Arrangements to Borrow, ensuring Australia’s financial commitments to the Global Financial Safety Net and the IMF’s resources are ongoing;
- Supporting negotiations towards a capital increase for the World Bank and garnering in-principle support from other countries;
- Within the Asian Development Bank (ADB), representing Australia’s interests in negotiations towards Strategy 2030, the ADB’s high-level strategy for the coming decade;
- Undertaking a significant role in shaping the AIIB’s strategies on non regional financing and mobilising private capital, as well as its new accountability framework;
- Through Australia’s co-chairing of the G20 Infrastructure Working Group, influencing the agenda to encourage increased private sector infrastructure investment and enhanced Multilateral Development Banks collaboration; and
- Successfully supporting engagement of the Treasurer and the Minister for Finance (attending on behalf of the Treasurer) at the IMF/World Bank Spring and Annual meetings.
<table>
<thead>
<tr>
<th>Performance criterion</th>
<th>Supporting G20 initiatives to drive global growth and enhance regional engagement with key trading partners.</th>
</tr>
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<tbody>
<tr>
<td><strong>Target</strong></td>
<td>Involvement with the G20 Finance Ministers’ and Central Bank Governors’ meetings and supporting G20 working group meetings.</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Portfolio Budget Statements 2017-18, Program 1.1, page 38.</td>
</tr>
</tbody>
</table>
| **Results**           | The Treasury maintained active engagement in the G20. Specifically:  
  • Supporting the Treasurer and the Minister for Finance (attending on behalf of the Treasurer) in advancing Australia’s economic interests at the four Finance Ministers’ and Central Bank Governors’ meetings;  
  • Active participation by Treasury officials in a further 12 working group meetings;  
  • Assisting Germany and Argentina with their G20 Presidencies through staff secondments; and  
  • Co-chairing (alongside Brazil) the G20 Infrastructure Working Group to advance work to make infrastructure more readily investible for the private sector. A Treasury official also chairs the related G20/OECD Task Force on Long-term Investment. |

<table>
<thead>
<tr>
<th>Performance criterion</th>
<th>Deepening relationships with key strategic partners in the Asia-Pacific region.</th>
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<tbody>
<tr>
<td><strong>Target</strong></td>
<td>Measured by enhanced mutual understanding between Australia and its regional partners, including strengthening shared influence on collective agendas, during the direct engagements and dialogues we undertake.</td>
</tr>
<tr>
<td><strong>Source</strong></td>
<td>Corporate Plan 2017-18, page 7.</td>
</tr>
</tbody>
</table>
| **Results**           | The Treasury maintained and strengthened bilateral and multilateral relationships, specifically:  
  • Concluding a Memorandum of Understanding with Vietnam’s Ministry of Finance;  
  • Strengthening bilateral relations with neighbouring countries through increased engagement, including two ongoing placements in Indonesia’s Ministry of Finance;  
  • Seconding and deploying Treasury officials to PNG Treasury to assist with APEC, and supporting five PNG Treasury officials to participate in the Treasury’s Policy Advising Development Program;  
  • Participating in formal dialogues with key countries and institutions including the European Commission, Japan, India, Indonesia, as well as supporting the Treasurer during his visit to China for the Strategic Economic Dialogue;  
  • Participating in a reciprocal secondment with India’s Ministry of Finance and the New Zealand Treasury;  
  • Supporting the Secretary’s visits to China, India, Japan, New Zealand and Singapore and meetings with senior officials; and  
  • Continuing to advocate the benefits of trade for the global economy and the importance of collaboratively resolving trade tensions at the G20, APEC and other multilateral forums. |
### Performance criterion

The Treasury’s advocacy and liaison on Australia’s economic and trade interests.

### Target

Interests contribute positively to bilateral, regional and multilateral outcomes that help ensure the prosperity of Australia.

### Source


Key achievements illustrating the Treasury’s effectiveness in influencing international outcomes included:

- Timely and effective advice to Treasury ministers on the economic implications of global trade announcements and developments in the United States, China, Europe (including Brexit) and PNG;
- Leading work across government to understand the economic risks associated with developments in trade policy;
- Continuing to promote Australia’s economic and strategic interests through G20 and APEC meetings;
- Supporting Mr Peter Varghese AO’s preparation of the report on the India Economic Strategy; and
- Ensuring Australia’s economic and strategic interests are promoted in multilateral forums such as the IMF/World Bank Spring and Annual meetings.

### Performance criterion

Payments to the Global Infrastructure Hub (the Hub) are made in accordance with the grant agreement.

### Target

Payments to the Hub are made according to the grant agreement.

### Source

Portfolio Budget Statements 2017-18, Program 1.3, page 40.

### Results

Payments to the Hub were made in a timely manner consistent with the grant agreement.
Results against all areas of the purpose and organisational capability

The following performance results related to all three areas of the Treasury’s purpose and organisational-wide capability.

<table>
<thead>
<tr>
<th>Performance criterion</th>
<th>Target</th>
<th>Source</th>
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| Providing high quality, timely and accurate advice to the Government. | Advice meets the Government’s needs in administering its responsibilities and making and implementing decisions. Advice is based on an objective understanding of the issues and with 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. | Portfolio Budget Statements 2017-18, Program 1.1, page 37. 
The Treasury provided a range of advice and briefing materials to ministers and the Government including ministerial submissions, meeting briefs, Question Time briefings and briefings for Cabinet and Cabinet committees. This advice was prepared in consultation with relevant departments, including the ATO and Department of Finance, to inform a whole-of-government perspective. Advice was provided in areas such as: housing; tax; business investment; labour force participation rate; interest rates; the global productivity slowdown; global tariff announcements and potential economic impacts on Australia; macroprudential regulation and the financial system; and the full range of macroeconomic indicators, the economic outlook, risks to the outlook and other key policy issues. The Treasury has also provided advice on a range of other issues including: crypto-assets; the effect of payroll tax on firm behaviour; the economics of education; developments in Australian inflation expectations; credit misallocation and forbearance in China; global monetary policy normalisation; and risks to Australia of a Chinese financial crisis. The Treasury provided a range of costings and analysis to ministers. Tax Analysis Division completed 437 costings. Senior Treasury officials met regularly with ministers to seek feedback about overall performance. Positive feedback was received from portfolio ministers on the quality and timeliness of advice and analysis. There have also been public comments by stakeholders about the quality of work delivered by the Treasury, specifically in reference to implementing financial sector reforms. The Treasury met very high standards in ensuring the briefing needs of ministers participating in international events were met. |
Performance criterion
Strengthening the Treasury’s links with the private sector, non-government organisations, academia and other policy focused institutions over the period.

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-focused institutions, including through formal policy consultations.

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.

Source
Portfolio Budget Statements 2017-18, Program 1.1, page 37.

Engagement with stakeholders
The Treasury engaged with a range of external stakeholders through the development of policy and legislation, attendance at conferences, international engagement such as OECD working group meetings, ATO forums and other events, including taking a more proactive approach to briefing stakeholders about the Budget. Following the release of the 2018-19 Budget, the Treasury ran 15 briefing events for over 280 stakeholders across Sydney, Melbourne, Bendigo and Perth. Representatives met with market economists, state governments, the Reserve Bank of Australia, banks, academia and industry representatives, among other stakeholder groups.

During the year, Foreign Investment Division held more than 400 stakeholder meetings, which included engagements with key industry representatives, non-government organisations, academia, domestic and international government bodies. The Treasury and KPMG collaborated to conduct a study on International Trends in Company Tax and Collective Investment Vehicles, which was published in October 2017.

The Treasury continued its strong focus on conducting formal consultation processes and engaging in working groups and consultation forums, including engagement with manufacturing businesses, academia and think tanks on trade opportunities. Consultation also occurred with the international financial institutions, including visits by IMF staff and multiple visits from the World Bank and ASB. Senior Treasury staff participated in visits arranged through the Treasury’s overseas posts to meet with foreign governments, 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 government bodies to discuss developments in the economy, markets, the outlook and particular macroeconomic issues including financial market dynamics. Continued engagement with academia was undertaken to improve our forecasting, modelling and analysis capabilities, including using an expert panel and consultants from a range of universities and organising a joint conference with the Australian National University (ANU). The Treasury also hosted a fiscal policy modelling workshop with the University of New South Wales’ Centre for Excellence in Population Ageing Research (CEPAR). Treasury staff have given presentations to external conferences on issues including model development, modelling workforce participation rates, and effect of payroll tax on firm behaviour.

The Treasury has offices in Canberra, Sydney, Melbourne and Perth, which strengthens its ability to build links with the private sector, non-government organisations, academia, and other sectors.
Secondments
Our secondment program builds organisational capability and positive cultural change by connecting staff and exposing them to new ideas, alternative leadership styles, diverse approaches to policy-making and the challenges and practicalities of implementing policy decisions.

As at 30 June 2018, there were 42 secondments into the Treasury; 31 government and 11 non-government. Twenty-eight employees of the Treasury were seconded out; 22 government, one non-government and five international organisations. These secondments strengthened the Treasury’s links with various organisations while providing meaningful and high quality development opportunities for staff.
Examples of secondments undertaken in 2017-18 include a Treasury staff member seconded to the Grattan Institute to share insights into policy areas and bring back different techniques and perspectives to communicate with the public. We also undertook a two-way secondment with Rice-Warner to support our understanding of the superannuation industry. The Treasury also has secondees at the Business Council of Australia, Argentina’s Ministry of Treasury, New Zealand Treasury, the Reserve Bank of Australia, BHP Singapore and the Royal Commission.
Performance criterion: Publishing reports and other information that stimulate and inform Government and public debate through robust analysis, modelling and research.

Target: Number of publications and extent of online readership.

Source: Portfolio Budget Statements 2017-18, Program 1.1, page 38.

The Treasury published 31 publications on the Treasury website, and a further five papers on the Treasury Research Institute website. A total of 105 consultations were published to the Treasury website for public response during this same period. Analytics showed 570,408 visitors to the Treasury website and 8,509 visitors to the Treasury Research Institute website.

The Treasury published the 2016-17 FBO, the 2017-18 MYEFO and the 2018-19 Budget. The Budget website included four budget papers, four budget overview publications and 11 factsheets on key budget measures. Analytics showed 602,270 visitors to the Budget website during 2017-18.

The Treasury contributed background papers and submissions to the Royal Commission.

The Treasury provided numerous opportunities for submissions and consultation from stakeholders and the community on a range of topics including the 2018-19 Pre-Budget Submissions, and published papers and reports as part of consultation processes. The Treasury also released regulatory impact statements and explanatory material associated with changes to the retirement income framework, early release of superannuation and the Protecting Your Super package.

Treasury staff published papers on the Treasury Research Institute website on the Tax Expenditures Statement, United States Corporate Tax Reform: Implications for the rest of the world, and the development of a long-term dynamic microsimulation model of Australia’s retirement income system. The Treasury also made its microsimulation model of personal tax and transfers publicly available and released a Treasury Research Institute paper on the model.

Other research papers published by the Treasury include:
- analysis of wage growth;
- does payroll tax affect firm behaviour;
- home ownership, mortgage structure and systemic risk; and
- Australian productivity trends and the effect of structural change.

Performance criterion: Maintaining and building our organisational capability.

Target: Evaluating Treasury’s Workforce Plan annually.

Source: Portfolio Budget Statements 2017-18, Program 1.1, page 38.

Workforce Plan
The Treasury’s workforce planning focused on four key areas: talent sourcing, development, mobility and inclusion. A review of the performance management system was finalised and a new performance management system was implemented (refer below). The Treasury also developed a draft Innovate Reconciliation Action Plan and endorsed an Indigenous Employment Strategy, consistent with its commitment to increasing the representation of Aboriginal and Torres Strait Islander peoples in the APS. The Treasury continues to formally endorse an annual calendar of events to promote diversity and foster a culture of inclusion across the department. A new learning and development strategy was developed, supported by a three year investment plan, to grow organisational capability for our employees at all levels.
Employee census results indicate the Treasury continues to maintain high employee engagement, consistent with previous years, and higher when compared with policy agencies and the APS as a whole. Based on the Say, Stay, Strive model, the Treasury achieved a 76 per cent engagement score, six percentage points higher than the APS average.

Refer also Part 3 Management of human resources.

Corporate Services

In 2017-18, a number of significant achievements and improvements were made. These are noted below, together with an analysis of the impact these have had in maintaining and building our organisational capability.

• The Treasury’s Performance Development System (PDS) was implemented following consultation with our staff. The PDS is a modern, streamlined approach to performance management, focusing on the development needs of the employee, underpinned by a culture of regular feedback. Post-implementation reviews have demonstrated that our enhancement goals were met, largely due to the high level of staff engagement throughout the process and the integration of their feedback into the system.

• To inform its new Enterprise Agreement (EA), the Treasury made a significant investment in pre-bargaining sounding to capture staff views on the current agreement, as well as ideas to improve the Treasury’s operations and business processes to improve productivity to fund salary increases. The three-month sounding process commenced in early 2018, ensuring Treasury management was well-appraised of staff views prior to the commencement of bargaining. The Treasury was able to secure a streamlined, fit-for-purpose EA in August 2018, with 93 per cent of staff voting to approve it.

• The Treasury reviewed its learning and development strategy in 2017-18. Formal engagement mechanisms were introduced during 2018 to capture feedback on learning and development offerings including an annual all-staff survey, reference groups and evaluation of face-to-face programs through pre-program surveys, post-program surveys and longitudinal evaluation to develop an evaluation summary report at the conclusion of each program.

• The Treasury continued to build organisational capability through the transition to digitally-based workflow processes in support of our ministers and the Cabinet. In particular, with the transition to the CabNet+Viewer and continued use of the Parliamentary Document Management System (PDMS), the Treasury gathered feedback from training sessions and direct user feedback to inform the internal processes within the Treasury as well as shape future iterations of both systems at the whole-of-government level. When particular improvements were sought for upgrades to PDMS, the Treasury conducted an all-staff survey to gather feedback to inform the service provider of how users understand and wish to use the system in the future.

• The Treasury continued to strengthen and improve the efficiency of its security arrangements. An external audit assessed the Treasury as the only one of three agencies to meet the mandatory cyber security compliance requirements, achieving a cyber resilient rating. The Treasury also attained 100 per cent compliance with the Protective Security Policy Framework. Efficiencies have been achieved through the conduct of a security clearance audit resulting in the removal of 1,600 unsupported clearances and the return of the associated budgetary savings, as well as the rationalisation of security equipment to match the need for access to these devices. Enhancements to the security intranet, supported through awareness training delivered to over 90 per cent of Treasury staff, has contributed to a 40 per cent reduction in security breaches through improved awareness and risk management.
• Information and communications technology (ICT) improvements were facilitated by formal and informal feedback and engagement, including formal engagement on the ICT strategies and investment. These contributed to a number of measurable improvements in ICT services including:
  – improved virtual desktop performance resulting in a reduction in IT service desk requests each month (approximately 125 less each month);
  – a pilot of an encrypted telephony system to support the need for Treasury officials to communicate securely via phone, mobile and video conference; and
  – increased video conferencing usage (by approximately 10 per cent) facilitated by improved network bandwidth and upgrades to video conferencing systems.

• The Treasury implemented improvements to its financial and property frameworks, systems and processes. Feedback from staff formed the basis of the improvements to streamline services and improve user experience. The improvements included the automation of procurement and compliance processes, streamlined financial processes and accounting records, improved transparency of internal budgets, structured property processes to support decision making, and improved quality of financial reporting. The improvements supported the needs of staff, generated positive feedback and fostered a culture of financial accountability across the Treasury.
**Combatting the Black Economy**

In December 2016, the Government established the Black Economy Taskforce (the Taskforce), chaired by Michael Andrew AO, to recommend a whole-of-government strategy to reduce the impact of the black economy on businesses, individuals and the economy. The black economy refers to people who operate entirely outside the tax and regulatory system or who are known to the authorities but do not correctly report their tax obligations.

The Treasury provided the secretariat for the Taskforce. There was an extensive consultation process involving public hearings, round-table discussions and 149 submissions. An interim report was released as part of the 2017-18 Budget, followed by a consultation paper in August 2017. The final report was provided to the Government in October 2017 and was released with the 2018-19 Budget.

The Taskforce’s work highlighted the complexity of the problem and showed that a concerted effort was needed to halt or reverse growth in the black economy. The final report found that the black economy is harming those less able to protect themselves and those doing the right thing, undermining trust and creating an uneven playing field. The Government announced its response to the Taskforce’s recommendations in May 2018 with a multi-pronged approach to target the black economy in its many forms.

The Treasury established a designated team to progress the Government’s response. The Treasury is working across portfolios to implement challenging reforms through a whole-of-government approach to directly combat the black economy. This ensures a whole-of-government coordinated response to the report.

This team will coordinate the response across government though:
- implementation of the policy recommendations, including consultation on recommendations such as the introduction of a $10,000 cash limit and changes to the Government’s procurement rules so that businesses with an unsatisfactory tax record are unable to tender for certain contracts;
- tracking implementation of cross portfolio projects;
- providing black economy perspectives into existing processes and reviews; and
- updating Treasury ministers on progress.

Implementing the Government’s response is an example of how the Treasury’s policy capabilities can be used in a challenging policy environment. We are analysing the drivers of, and trends in, black economy activity and targeting those recommendations, which will have an immediate positive effect on achieving the Government’s broader goal of changing community attitudes to participation in the black economy as it is now and in the future.
Purchasing Snowy Hydro Limited

The Treasury led the negotiations to purchase 100 per cent of the shares in Snowy Hydro Limited from the New South Wales and Victorian Governments. This required the Treasury to work closely with other Australian Government agencies in undertaking the due diligence and negotiations.

The Treasurer announced at the 2017-18 Budget that the Australian Government was open to purchasing 100 per cent of the shares of Snowy Hydro Limited.

Snowy Hydro Limited is a critical player within the National Electricity Market. The company owns and operates 5,500 megawatts of generation capacity including the Snowy Mountains Scheme.

Snowy Hydro has over 1,700 employees across three states. Snowy 2.0 is a proposed expansion of the Snowy Mountains Scheme which would provide an additional generation capacity of 2,000 megawatts — enough to power around 500,000 homes.

The Treasury Secretary led negotiations with the New South Wales and Victorian Governments. The transaction required a range of legal, financial and governance risks to be considered.

The Treasury worked with the Department of Finance, the Department of Environment and Energy, the Department of the Prime Minister and Cabinet and the Department of Agriculture and Water in a whole-of-government team to undertake due diligence, the negotiation and complete the transaction. The negotiation process and the work of the whole-of-government team ensured that risks were identified, appropriately allocated and managed.

By forming a ‘virtual team’ across the public service, the Treasury drew on the best expertise in the APS, which enabled advice to be provided quickly on a range of issues and strengthened existing relationships. This model of working across the public service and drawing on key skills is being increasingly adopted for projects undertaken by the Treasury.

The outcome saw the Australian Government successfully acquire 100 per cent of the shares at the end of the financial year. This transaction will enable productivity enhancing investments to be made, while supporting fiscal sustainability and help enable Snowy 2.0 to progress. The New South Wales and Victorian Governments have put the proceeds of the sale towards a range of productive infrastructure projects in their jurisdictions.