

## PART 2

# Report on Performance

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# THE TREASURY



## THE CHALLENGE OF CHANGE

Every five years, the *Charter of Budget Honesty Act 1998* requires the Australian Government produce an intergenerational report – a 40-year outlook that assesses the demographic and economic trends shaping the nation.

The 2015 Intergenerational Report (IGR) was prepared by the Treasury and drew on the expertise of a range of external organisations – including government agencies, the Productivity Commission, the Business Council of Australia, the Age Discrimination Commissioner and the Grattan Institute.

The 145-page report projects the size of the population, life expectancy and public spending. The purpose is to take the national debate beyond the short-term election cycle and examine the long-term sustainability of government policies with a growing and ageing population.

In response to a government decision, Treasury developed a staged community engagement campaign about the IGR. Treasury-commissioned market research revealed community attitudes about economic issues and how they are discussed. Participants from across Australia, consistently expressed the desire to be better informed and feel better equipped to join the debate.

The IGR was the obvious vehicle to take the discussion to Australians through a multi-media campaign. Dr Karl Kruszelnicki's broad appeal and trademark communication style helped explain the IGR's headline issues

in a straight-forward manner and in a way Australians could engage with.

The campaign was unlike traditional government education and information campaigns that advise changes to programs or policies. It was designed to stimulate conversation; it asked Australians to participate in a debate on economic issues. The campaign used simple language, supported by smart graphics, delivered by Dr Karl as a Ted-talk, via multiple channels.

An easy to navigate, mobile-responsive website [challengeofchange.gov.au](http://challengeofchange.gov.au) presented the report in comprehensible bites and video grabs, with a simple call-to-action to consider, supported by testimonials from well-known Australians.

The campaign included television, radio, print, digital, out-of-home and cinema advertising, plus in-language translations.

At 30 June, following two phases of the campaign, the 2015 IGR had been viewed over 140,000 times, with over 542,000 page views, and over 6,446,200 video views across the website, Facebook and YouTube.

A full evaluation will be undertaken at the conclusion of the campaign.

# THE TREASURY

## Introduction

The report on performance covers the Treasury's departmental and administered items for 2014-15.

Departmental items are the goods and services the department provides for, and on behalf of, the Government. This involves the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Program 1.1 relates mainly to departmental items.

Administered items are revenues, expenses, assets or liabilities managed by the Treasury on behalf of the Government and include subsidies, grants and benefits. Programs 1.2 to 1.9 relate to administered items.

The Treasury's 2014-15 performance is reported at the program level for its policy outcome:

- Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.

Performance outcomes for each program are reported against the objectives, deliverables and key performance indicators published in the *Treasury Portfolio Budget Statements 2014-15* and the *Treasury Portfolio Additional Estimates Statements 2014-15*.

The key strategies for 2014-15 were to provide advice on:

- macroeconomic policy, based on careful monitoring and analysis of economic conditions in Australia and overseas;
- fiscal strategy, budget priorities and measures, debt and balance sheet management, as well as a budget coordination role;
- Commonwealth-State financial policy, industry, environment, defence, and social and income support policy;
- policies that promote well regulated, competitive and efficient infrastructure;
- taxation and retirement income arrangements consistent with the Government's reform priorities;
- policies that promote competitive, efficient markets and that work to enhance consumer wellbeing, a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest;
- policy settings to support the efficient operation of the Australian small business sector;
- policies that help to improve Australia's productivity by reducing the regulatory burden imposed on businesses, individuals and the community;
- a range of international economic policy issues, including strengthening multilateral regimes underpinning open trade and capital flows, supporting developing countries' development aspirations, and shaping the evolution of the international and regional economic architecture; and
- administration of a range of payments to the states and territories under Programs 1.2 to 1.9.

An assessment of this advice is included under each program.

## **Program 1.1**

### **Department of the Treasury**

#### **Program objective**

Promote a sound macroeconomic environment by monitoring and assessing economic conditions and prospects both in Australia and overseas, and provide advice on macroeconomic policy including fiscal and monetary policy.

Promote effective government spending arrangements that contribute to overall fiscal outcomes, influence strong sustainable economic growth, and improve the wellbeing of Australians.

Develop effective taxation and retirement income arrangements consistent with the Government's reform priorities.

Ensure well-functioning markets by providing advice on policies to promote competitive, efficient markets that enhance consumer and investor wellbeing, a secure and competitive financial system and sound corporate practices, a reduced regulatory burden on businesses, individuals and the community, and foreign investment consistent with Australia's national interest and an efficient small business sector.

#### **Program key performance indicators**

Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is timely, of a high quality, and based on an objective and thorough understanding of issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through feedback mechanisms.

Budget, Mid-Year Economic and Fiscal Outlook (MYEFO) and Final Budget Outcome documents that are timely, high-quality, accurate and transparent and meet the expectations of the Government, the Parliament and the public. The budget preparation and coordination process is subject to an annual evaluation.

Published reports and other information that stimulate and inform government and public debate through robust analysis, modelling and research. Publications are timely, of high quality and widely available to the public.

Legislation progressed by the Treasury is in accordance with the principles of good law design and is delivered according to government priorities.

An assessment of the key performance indicators is included under the group responsible for the corresponding objective.

## Fiscal Group

### Overview

The Fiscal Group aims to ensure government spending arrangements are effective and that key social and economic reforms are supported. This is crucial to strong, sustainable economic growth and the wellbeing of Australians. The Treasury's advice to portfolio ministers helps to formulate, implement and explain government spending decisions.

The Fiscal Group provides advice on:

- the overall fiscal strategy and budget policies, and coordination of the budget and other reports required under the *Charter of Budget Honesty Act 1998* (the Charter);
- Commonwealth-state financial policy, and arrangements related to state and territory fiscal and tax issues, including through ongoing management of the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement);
- policy development in infrastructure, industry, regional, environment, communication, defence and national security policy; and
- policy development in social and income support policy, including health, the labour market, education, disability, family payments, Indigenous welfare and immigration.

Working with other departments and agencies, the Fiscal Group develops and provides advice to Treasury portfolio ministers and the Government on social policy and labour market issues of national significance, and policy issues that support Australia's productive capacity and sustainable economic growth. The Fiscal Group brings a broad perspective to issues, appropriately balancing fiscal and broader wellbeing dimensions and considering the fiscal impacts of decisions across all levels of government.

The Fiscal Group coordinates the Commonwealth Budget preparations and the documents required under the Charter, and administers National Specific Purpose Payments (National SPPs), National Health Reform payments, National Partnership payments, goods and services tax (GST) payments and other general revenue assistance to the states. Details of these payments can be found in Programs 1.4 to 1.9.

### Group deliverables

Advice on:

- fiscal strategy that aims to ensure fiscal sustainability;
- effective government spending arrangements which contribute to improving the wellbeing of Australians;
- strategies that address intergenerational challenges, including social, fiscal and environmental sustainability;
- a range of policy issues including welfare, education funding, health and hospitals, aged care, skills, employment, immigration, industry, regional, environment, communications, energy, infrastructure, and defence and national security; and
- Commonwealth-State financial relations.

## Group outcomes

- Advised on the fiscal outlook and assisted in the implementation of the Government's fiscal strategy.
- Reported progress against the Government's medium-term fiscal strategy and budget repair strategy, first published in the 2014-15 Budget (May 2014), as required by the Charter, and advised on budget priorities consistent with these strategies.
- Prepared, with the Department of Finance, the Final Budget Outcome 2013-14 (September 2014), the Mid-Year Economic and Fiscal Outlook (MYEFO) 2014-15 (December 2014), and the 2015-16 Budget (May 2015).
- Prepared the 2015 Intergenerational Report (March 2015).
- Advised, in consultation with the Australian Office of Financial Management (AOFM), on debt issuance and debt policy issues.
- Advised on issues related to the Parliamentary Budget Office (PBO).
- Advised on operational and policy issues related to the Future Fund, Medical Research Future Fund, and other Government investment funds.
- Advised on and implemented the Asset Recycling Initiative (including advising on the Asset Recycling Fund) and advised on establishing the Northern Australia Infrastructure Facility.
- Advised on industry and regional policy responses to continued structural change, environment and agricultural policy, communications, energy and resources policy and on defence and national security matters.
- Advised on the Clean Energy Finance Corporation.
- Provided secretariat support to the Joint Commonwealth and Tasmanian Economic Council.
- Developed and implemented the policy agenda and performed secretariat functions for the Council on Federal Financial Relations, the Australian Loan Council and Heads of Treasuries.
- Advised on the framework for federal financial relations, including the development of new National Partnerships and other agreements.
- Made payments to the states totalling more than \$103.4 billion including National Health Reform funding, National SPPs (in skills and workforce development, disability services and affordable housing), GST payments and other general revenue assistance, and National Partnership payments.
- Advised on developing and implementing the National Disability Insurance Scheme and the National Injury Insurance Scheme.
- Advised on key social and economic policies in education, employment, immigration, families, health, ageing, disability and Indigenous issues.
- Continued to participate in the Centre for Market Design in collaboration with the Victorian Department of Treasury and Finance and the University of Melbourne.

## Analysis of performance

The Treasury provided advice 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 fiscal outlook was updated in the 2014-15 MYEFO and the 2015-16 Budget.

As fiscal estimates are a joint responsibility, the Treasury worked extensively with the Department of Finance, the Australian Taxation Office (ATO) and other government departments and agencies. Assessments of the budget position incorporated changes to the economic outlook and fiscal and economic updates were based on the most reliable and up-to-date information available at the time.

The Treasurer and the Minister for Finance released the 2014-15 MYEFO in December 2014 which updated the fiscal estimates published in the 2014-15 Budget (May 2014).

The 2015-16 Budget, published in May 2015, projected a return to surplus in 2019-20. By the end of the medium term (2025-26), the underlying cash balance is projected to have remained in a modest surplus position for six consecutive years, taking into account future tax relief.

The Treasury helped the Government implement its medium-term fiscal and budget repair strategies by managing budget processes and advising on the overall budget strategy and priorities. In particular, the Treasury advised the Government on its fiscal strategy to return the budget to surplus over the medium term, while managing the effects of a rapid fall in the iron ore price and weaker than expected wage growth over the short term.

## Contribution to public debate and awareness

The Government's budget website at [www.budget.gov.au](http://www.budget.gov.au) received around 404,000 unique visitors and more than 2.1 million page views from 12 May to 30 June 2015.

The Treasury and the Department of Finance jointly prepared the Government's budget documentation, including accessible summaries of key budget decisions. In 2014-15 these included the Budget Overview and booklets on support for families, national security and defence, jobs and small business, and the tax and benefits systems.

Generally, the Treasury is responsible for preparing budget documentation on:

- the principal budget aggregates and the Government's fiscal strategy and objectives;
- medium-term projections (the 10 years following the budget year) of the Government's budget position;
- economic assumptions underpinning the budget estimates;
- the level of current and projected debt on issue;
- tax revenue estimates;
- tax expenditure estimates; and
- Commonwealth-State financial relations.

Reporting requirements are set out in the Charter and are consistent with leading international practice. To help achieve better fiscal outcomes, the Charter promotes:

- disciplined budget management, with fiscal policy based on principles of sound fiscal management;
- transparency, with regular reports stating fiscal objectives and expected outcomes;
- accountability, with information allowing an informed assessment of fiscal policy; and
- reporting against external accounting standards.

Under the Charter, budget reporting follows an annual cycle comprising the budget in May, a mid-year update before 31 January and a final budget outcome the following September.

The Final Budget Outcome 2013-14 was published in September 2014. In 2013-14, the Australian Government general government sector recorded an underlying cash deficit of \$48.5 billion (3.1 per cent of gross domestic product (GDP)). The fiscal balance was in deficit by \$43.7 billion (2.8 per cent of GDP).

In cash terms, the Final Budget Outcome for 2013-14 was a \$1.4 billion improvement compared with the underlying cash deficit estimated at the time of the 2014-15 Budget. Total receipts were \$3.2 billion lower than expected, more than offset by total payments which were \$4.2 billion lower than expected. Net Future Fund earnings were \$341 million lower than estimated at the time of the 2014-15 Budget.

Information on the Government's financial relations with state and local governments is detailed in the 2014-15 Budget, Budget Paper No. 3, Federal Financial Relations. This paper, produced by the Treasury, is the main public source of information on Australian Government payments to the states and informs the states of their expected payments in the upcoming financial year. In addition, Budget Paper No. 3 includes information on fiscal developments in the states, and advice on policies relating to Commonwealth-State financial relations.

Relevant information is also included in MYEFO and the Final Budget Outcome documents.

Information on the federal financial framework is available on the Council on Federal Financial Relations website at [www.federalfinancialrelations.gov.au](http://www.federalfinancialrelations.gov.au).

## 2015 Intergenerational Report (IGR)

The Charter requires the Treasurer to release an intergenerational report every five years. This report assesses the long-term sustainability of current Government policies over the 40 years following their release, taking into account the financial implications of demographic change. The report raises public awareness of the long-term fiscal, economic and demographic challenges that Australia could face, in particular those arising from an ageing population, and encourages public debate of these issues.

Intergenerational reports are prepared with input across Treasury. The 2015 Intergenerational Report, Australia in 2055, was released by the Treasurer on 5 March. Previous reports were released in 2002, 2007 and 2010. The 2015 Intergenerational Report is at [www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report](http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report).

## Debt management policy

In consultation with the AOFM, Treasury provided advice on debt issuance and debt policy issues. This included advice on issues affecting the Government's debt management operations such as the performance, governance and functioning of the Commonwealth debt market. Specific details of the Government's debt issuance program are at [www.aofm.gov.au](http://www.aofm.gov.au).

## Future Fund

Treasury provided policy advice to portfolio ministers on operational issues relating to the Future Fund, including the new Investment Mandate. Further information regarding the performance of the Future Fund is at [www.futurefund.gov.au](http://www.futurefund.gov.au).

## Australia's Federal Financial Relations

### *GST and other general revenue assistance*

Under the Intergovernmental Agreement, the Commonwealth makes payments to the states and territories equivalent to the revenue received from the GST. GST revenue is paid on a monthly basis and distributed in accordance with relativities determined by the Treasurer. This follows recommendations by the Commonwealth Grants Commission and discussion at the Council on Federal Financial Relations meetings.

The ATO and the Department of Immigration and Border Protection (formerly the Australian Customs and Border Protection Service) collect GST revenue on behalf of the states, and the states compensate them for the costs incurred in administering and collecting GST revenue. The Treasury manages the payments made to the states and territories and ensures they are administered accurately.

General revenue assistance, including GST payments, is provided to the states and territories without conditions, to spend according to their own budget priorities.

Details on general revenue assistance are provided under Program 1.4.

### *Payments for specific purposes (National SPPs, National Health Reform and National Partnerships)*

The Commonwealth supports the states and territories in key service delivery sectors through the three National SPPs. These provide funding which the states and territories are required to spend in the relevant sectors — skills and workforce development, disability services and affordable housing.

The Commonwealth also provides National Health Reform funding to support the states and territories to deliver healthcare services. This funding is linked to the level of services delivered by public hospitals.

In addition, National Partnerships support the delivery of specific projects, facilitate reforms and/or reward those jurisdictions that deliver nationally significant reforms.

Details on National SPPs, National Health Reform, and National Partnerships are provided under Programs 1.5 to 1.9.

## *Council on Federal Financial Relations*

The Council on Federal Financial Relations, comprising the Commonwealth Treasurer and the treasurer of each state and territory, is a Council of Australian Governments (COAG) body. The Council oversees the Intergovernmental Agreement on Federal Financial Relations (which includes oversight of the operation of the GST), monitors economic conditions and progresses economic reform. The Treasury advised the Treasurer on these matters and provided secretariat support to the Council.

The Council held two meetings during 2014-15. Treasurers focused on monitoring the national and state and territory economies, overseeing the operation of the GST (including consideration of the Commonwealth Grants Commission's Report on GST Revenue Sharing Relativities 2015 Review), discussing infrastructure investment and establishing a national register on foreign ownership. Treasurers progressed the National Injury Insurance Scheme, and commenced discussions on housing supply in Australia and potential taxation and federation reforms in the context of the Commonwealth's White Paper processes.

The Council is supported by Heads of Treasuries. This forum comprises the Secretary to the Treasury and state and territory counterparts from each jurisdiction. Heads of Treasuries met four times to discuss the general operation of the federal financial relations framework, current economic conditions and the fiscal outlook, tax and financial issues, and other matters referred to it by the Council or COAG.

## *Australian Loan Council*

The Australian Loan Council is a Commonwealth-State ministerial council that meets annually to consider jurisdictions' nominated borrowings for the forthcoming year with regard to each jurisdiction's fiscal position and the macroeconomic implications of the aggregate figure.

## *GST Administration Subcommittee*

The Treasury chairs the GST Administration Subcommittee which comprises officials from the Treasury, the ATO and state treasuries. The subcommittee provides advice to the Council on GST policy and administrative issues. The subcommittee met once.

## **Infrastructure, industry, agriculture and environment, communications, energy and resources, defence and national security**

### *Infrastructure*

The Treasury provided advice on a broad range of transport infrastructure policy issues, including in the areas of road and rail, aviation and maritime, and on the funding and financing of projects. The Treasury provided advice on implementing the Government's Infrastructure Growth Package announced in the 2014-15 Budget.

The Asset Recycling Initiative, administered by the Treasury, provides financial incentives to the states and territories to sell assets and reinvest the proceeds into additional productive economic infrastructure. The Treasury worked with states and territories through their development of Asset Recycling Initiative proposals and provided advice on agreements with the Australian Capital Territory and New South Wales to access the Asset Recycling Initiative.

The Treasury advised on establishing the Northern Australia Infrastructure Facility. Treasury was represented on the Infrastructure Australia Council and on the Infrastructure Working Group under the Standing Council on Transport and Infrastructure.

### ***Agriculture and environment***

The Treasury provided advice on environment policy, including establishing the Emissions Reduction Fund and the repeal of the carbon tax, and participated in the taskforce responsible for advising the Government on post-2020 emissions reduction.

The Treasury provided advice on agriculture policy, and helped develop certain aspects of the Agricultural Competitiveness White Paper.

### ***Communications policy***

The Treasury provided advice on communications policy issues including the National Broadband Network, postal services reform, funding for public broadcasters and the efficient use of radiofrequency spectrum.

### ***Energy and resources policy***

The Treasury provided advice on energy markets and resources policy. This included advice on energy market reform policies that promote competition, and advice on the Government's Energy White Paper.

### ***Industry and regional policy***

The Treasury provided advice on industry policy, innovation, and regional development issues. This included advice on the manufacturing industry, structural and regional adjustment, and tourism.

The Treasury provided advice on developing a stronger, more competitive Tasmanian economy following the establishment of the Joint Commonwealth and Tasmanian Economic Council in April 2014. The Council met three times in 2014-15.

The Treasury provided advice on developing Northern Australia through the Northern Australia White Paper.

### ***Defence and national security policy***

The Treasury advised on a range of defence and national security issues, including the 2015 Defence White Paper and Defence Capability Plan projects. The Treasury continued to participate in the Secretaries' Committee on National Security which examines and advises on proposals considered by the National Security Committee of Cabinet.

Treasury participated in interdepartmental processes concerning counter-terrorism, telecommunications security reform, border protection policy and various aspects of domestic security arrangements.

## **Social, disability, education, Indigenous, labour markets, immigration and health policy**

### ***Disability policy***

The Treasury worked with the Department of Social Services and other agencies to implement the National Disability Insurance Scheme and the Disability Care Australia Fund.

The Treasury worked with the states and territories to progress the National Injury Insurance Scheme (NIIS). A consultation Regulation Impact Statement (RIS) for the NIIS for workplace accidents was published on the Treasury website and a Decision RIS is being drafted following consideration of submissions from stakeholders. Commonwealth, state and territory treasury officials have also considered the issues around the medical treatment injury and general accidents streams of the NIIS.

### ***Education policy***

The Treasury provided advice on education and skills policy, working with other agencies on higher education reforms, extending the Higher Education Loan Program (HELP) repayment framework to debtors living overseas, reforms to the VET FEE-HELP scheme to ensure the integrity of the training system, and a range of other education and training-related budget initiatives.

### ***Indigenous policy***

The Treasury provided advice on closing the gap in Indigenous disadvantage and engaged with the Department of the Prime Minister and Cabinet on reforms to progress the Government's Indigenous affairs priorities to get adults into jobs, children into school and make communities safer.

### ***Labour market programs, participation and workplace relations***

The Treasury provided advice on a range of employment and participation issues, including developing the Growing Jobs and Small Business Package announced in the 2015-16 Budget. Treasury worked closely with the Department of Employment to develop a new Employment Services System, a whole-of-government approach and government submissions to the 2015 Annual Wage Review, and to establish the Productivity Commission Inquiry into the Workplace Relations Framework.

### ***Immigration***

The Treasury provided advice that linked Australia's immigration policy to labour market needs and prevailing market conditions.

### ***Health and aged care policy***

The Treasury provided advice on a range of health and aged care policy issues, with a particular focus on the sustainability of the growth in health expenditure. The Treasury worked closely with the Department of Health and other agencies on the Pharmaceutical Benefits Scheme Access and Sustainability Package, and implementation of the Medical Research Future Fund.

### *Early childhood*

The Treasury provided advice on paid parental leave, child care and early childhood issues, including input on the Government's families package, announced in response to the Productivity Commission Inquiry into Childcare and Early Childhood Learning.

### *Welfare reform*

The Treasury provided advice in relation to the Age Pension, working age payments and family payments, to inform measures announced in the 2015-16 Budget. The Treasury also provided advice on information technology and integrity measures, including the Welfare Payment Infrastructure Transformation program. This involved working closely with the Department of Human Services, the Department of Finance, the Department of Social Services and the Department of Employment.

### *Natural disasters policy*

The Treasury provided advice on natural disaster recovery policy including the Commonwealth's response to natural disasters and the Productivity Commission Report on Natural Disaster Funding Arrangements. This involved working closely with the Attorney-General's Department, the Department of Finance and the Department of the Prime Minister and Cabinet to progress reforms to natural disaster funding arrangements.

## **Centre for Market Design**

The Centre for Market Design (the Centre) is a collaborative venture between the Commonwealth Treasury, Victorian Department of Treasury and Finance and the University of Melbourne. Involvement in the Centre is an opportunity to work with academics to build capacity and capability in the areas of market design and experimental economics and to apply economic design techniques to public policy, procurement and resource allocation problems.

Further information on the Centre, including the Centre's annual report, is available at [www.cmd.org.au](http://www.cmd.org.au).

## Macroeconomic Group

### Overview

The Macroeconomic Group provided the Government with advice on macroeconomic policy, economic conditions and prospects in Australia and overseas, including assessments of key risks to the outlook as discussed in detail in Budget Paper No.1, Budget Strategy and Outlook 2015-16. The Macroeconomic Group continued to strengthen Australia's global and regional economic engagement, including bilateral and multilateral cooperation with key Asia-Pacific and strategic partners. It also continued to deepen its analysis and advice on developments in regional economies, particularly China. The Group worked extensively on hosting meetings of the G20 Finance Ministers and Central Bank Governors and delivering the G20's ambitious policy agenda during Australia's 2014 G20 Presidency.

### Group deliverables

Advice on:

- domestic and international developments affecting the Australian economy and Australian and international economic forecasts;
- medium term drivers of Australia's economic prosperity and policy options to support productivity and workforce participation;
- the setting of macroeconomic policies and modelling of the economic impact of changes to government policy;
- international policy issues, risks and challenges; and
- deepening Australia's bilateral engagement with strategically important partner countries and with global and regional institutions.

### Group outcomes

- Advised on macroeconomic policy, domestic and international forecasts.
- Advised on drivers of Australia's prosperity over the medium term and policies to support productivity and workforce participation.
- Delivered economy-wide modelling analysis for the Tax Discussion Paper.
- Provided economic modelling assistance to other areas in the Treasury and other departments and agencies.
- Produced presentations and publications, including economic forecasts and analysis in budget papers and the Treasury's Economic Roundup and Working Paper series to increase public awareness of economic issues.
- Advised on and began processes for Australia's membership of the Asian Infrastructure Investment Bank (AIIB).
- Contributed to a successful Australian G20 Presidency.

- Contributed to broader and deeper engagement with key Asian and Pacific economies through bilateral and regional forums, including the Asia-Pacific Economic Cooperation (APEC) Finance Ministers' Meeting.
- Improved policy outcomes through policy dialogue, cooperation, research and capacity building.

## Analysis of performance

The Macroeconomic Group advised Treasury ministers, other members of the Government and relevant stakeholders on a range of macroeconomic issues.

- Economic outlook. Analysed the Australian and international economic outlook, and prepared macroeconomic forecasts.
- Monetary and fiscal policy. Monitored domestic and international economic, financial and policy developments to assess their implications for Australia's macroeconomic policy settings.
- Economic growth, living standards and wellbeing. Analysed drivers of the Australian economy and factors likely to influence medium-term economic performance, particularly productivity.
- International economic developments. Analysed international economic developments and their implications for Australia and key regional partners.

## Economic modelling

The Macroeconomic Group's economic modelling contributed to evidence-based policy analysis. The Group provided modelling advice and support on issues including a broad array of government policy matters, economy-wide analysis of major taxes for the Tax White Paper, long-run economic structural change, participation, productivity and macroeconomic analysis and forecasting.

## Economic forecasting

The Macroeconomic Group provided advice on domestic and international economic developments and associated risks. Economic forecasts informed policy and underpinned expenditure and revenue budget estimates.

The Group met and consulted with numerous parties to formulate its advice on the domestic and international economy. Domestic and international forecasters were consulted and government agencies were brought together as part of the Joint Economic Forecasting Group (JEFG) Committee. The JEFG Committee consists of personnel from the Treasury, the Reserve Bank of Australia, the Department of the Prime Minister and Cabinet, the Department of Finance and the Australian Bureau of Statistics.

In preparing the economic forecasts, the Group also consulted business and industry experts through Treasury's Business Liaison Program. The Treasury Business Liaison program was extended in 2014-15 to include more extensive consultations with small businesses and start-up firms, in line with the Government's policy priorities in these areas.

Analysis of the economic outlook contributed to both the Mid-Year Economic and Fiscal Outlook and the 2015-16 Budget.

Consistent with Recommendation 5 of the *2012 Review of Treasury's Forecasting Methodology and Performance*, the Macroeconomic Group put in place changes to improve the accuracy of economic forecasts. As part of this, Statement 7 of Budget Paper No.1 in the 2015-16 Budget included an overview of economic forecasting performance. The statement also included scenario and sensitivity analysis to illustrate the sensitivity of budget aggregates to changes in parameters.

## **Budget papers, economic publications and speeches**

The Macroeconomic Group contributed to public awareness and debate on economic policy issues through its economic analysis which underpinned the 2014-15 Mid-Year Economic and Fiscal Outlook, the 2015 Intergenerational Report and the 2015-16 Budget papers.

The Group produced a number of publications and contributed to speeches for the Treasurer, Secretary and other Treasury officials. The group published two articles in the Treasury Economic Roundup and contributed to the Treasury's Working Papers series, including a paper examining the economy-wide efficiency and incidence of major Australian taxes and another modelling Australia's imports of goods and services. A previous contribution to the Treasury's Working Paper series 'Uncovering the sources of sectoral employment fluctuations' was accepted for publication in the Economic Society of Australia's flagship journal, the Economic Record.

## **International policy advice**

The Macroeconomic Group provided economic analysis and advice on the implications of international developments and associated risks for the Australian economy. The Group also worked towards enhancing international economic cooperation by supporting Australia's participation in global and regional forums, supporting Treasury ministers at international meetings, and helping strengthen bilateral relations with key economic and strategic partners.

Treasury officials posted in Washington DC, London, Beijing, New Delhi, Jakarta, Tokyo and the Organisation for Economic Cooperation and Development (OECD) monitored and reported on key developments and represented Australia in international forums and high level meetings.

Treasury maintained close contact with its constituency offices in the International Monetary Fund (IMF), World Bank Group, Asian Development Bank and the European Bank for Reconstruction and Development and drew on these resources to gain insights into key policy developments.

Treasury provided support to the Department of Foreign Affairs and Trade (DFAT) on the economic aspects of the UN post-2015 development agenda, including the Sustainable Development Goals and Financing for Development conference.

## G20

The Macroeconomic Group helped shape the global economic policy agenda through Australia's 2014 G20 Presidency which ran until 30 November 2014. Australia drove an ambitious agenda that focused on achieving practical outcomes including:

- the Brisbane Action Plan which contains comprehensive growth strategies for member countries which, once implemented, are estimated to boost the collective GDP of G20 members by 2.1 per cent by 2018;
- the Global Infrastructure Initiative which will help increase quality infrastructure investment. The Sydney-based Global Infrastructure Hub will be instrumental in driving key components of this work;
- actions to address base erosion profit shifting and cross border tax avoidance to help close loopholes that have emerged due to increasing globalisation and new technologies; and
- financial regulatory reform that will help shore up the resilience of the global financial system.

In 2014, the Macroeconomic Group organised meetings of Finance Ministers and Central Bank Governors, as well as Deputy Finance Ministers and Governors. The Group worked with the G20 Taskforce at the Department of the Prime Minister and Cabinet to support the November Leaders' Summit. The Group boosted bilateral engagement and multilateral outreach, working with stakeholders and engagement groups to inform the Government's G20 agenda.

Following the G20 Leaders' Summit, the Macroeconomic Group established the Global Infrastructure Hub to improve the investment environment of countries by reducing barriers to investment, growing project pipelines, and helping to match projects with investors. This included providing support for the appointment of the Hub Chief Executive Officer and Board of Directors.

During 2015, the Macroeconomic Group has been an active participant in the G20 troika (past, present and future presidencies) and has had a key focus on continued implementation of Australia's 2014 outcomes.

### *International financial institutions*

Through 2014-15, the Macroeconomic Group supported the Government's consideration of Australia's membership of the AIIB. The Treasury represented the Government at an AIIB Workshop on Safeguards in March 2015 and at the Chief Negotiators' Meetings in April and May 2015. The Treasurer signed the AIIB Articles of Agreement in Beijing, China on 29 June 2015.

- The Macroeconomic Group supported the work of the IMF and the World Bank Group — see Part 5 Appendices, Australia and the International Financial Institutions for further information. The Macroeconomic Group also contributed to the work of the European Bank for Reconstruction and Development.

The Macroeconomic Group supported reforms of International Financial Institutions (IFIs), particularly the IMF and the World Bank Group, to ensure that IFIs continued to remain legitimate, credible and effective. The Group also advised the Government on its decision:

- to allocate \$25 million to the World Bank Group's Global Infrastructure Facility which facilitates complex infrastructure public-private partnerships in emerging markets and developing economies; and
- to allocate \$15 million to the establishment of the ADB's Pacific Project Preparation Facility Partnership which will encourage private sector participation in regional infrastructure.

## *Official development assistance*

The Macroeconomic Group provided advice on general development and aid issues, including Australia's multilateral and bilateral aid programs, and the framework for Australia's aid budget.

## *Asia-Pacific*

The Macroeconomic Group shaped policy agendas and priorities at regional forums and strengthened the Government's understanding of regional economic developments by engaging with Australia's key regional partners in the Asia-Pacific and relevant multilateral organisations. The Group:

- supported the Treasurer at bilateral and multilateral meetings, including the APEC Finance Ministers' meeting;
- supported China as 2014 APEC host and worked closely with the 2015 APEC host, the Philippines, to build support for the Asia Region Funds Passport and raise awareness of the Global Infrastructure Hub;
- supported and deepened Treasury's engagement with China's Ministry of Finance and National Development and Reform Commission including by signing and renewing Memoranda of Understanding to enhance cooperation and engagement;
- hosted, in conjunction with China's Ministry of Finance, a workshop with G20 representatives from Beijing-based missions to generate ideas for China's G20 Presidency in 2016;
- supported the Assistant Treasurer's participation at the Asian Financial Forum held in Hong Kong;
- hosted and supported the Third Australia-Hong Kong Renminbi Trade and Investment Dialogue in Sydney;
- strengthened economic and financial stability in the region and engagement with Indonesia by supporting the extension of a \$1 billion contingent loan facility with the Indonesian Government;
- strengthened engagement with Asia-Pacific partners by attending bilateral dialogues with counterparts from China, India, Korea, Indonesia and Japan;
- helped build capacity by deploying Treasury officials to ministries of finance in the Solomon Islands, Papua New Guinea and Indonesia; and
- undertook further capacity building by part funding and sponsoring an IMF high-level dialogue workshop in Fiji.

## Markets Group

### Overview

The Markets Group provides informed and considered advice on policies that promote competitive and efficient markets that work to enhance consumer wellbeing; a resilient financial system with sound corporate practices; and foreign investment consistent with Australia's interest.

In support of this work, the Group progressed a key commitment by the Government to the first comprehensive review of Australia's financial system in more than 15 years. It provided best practice advice on the prudential framework applying to financial markets (including the banking sector, insurers, superannuation funds and capital markets) by monitoring trends both domestically and internationally.

The Group provided advice on a range of foreign investment and trade policy issues, including developing a major reform package to strengthen the foreign investment framework and assisting in the conclusion of the China-Australia Free Trade Agreement. It continued its active role in the Asia Region Funds Passport initiative. In addition, the Group was involved in a range of international forums where it was part of considered and informed debate to enhance the regional and global financial system.

Continuing its lead role advising the Government on whole-of-government policy settings, the Group supported the efficient operation of the Australian small business sector through its work on legislation for a Small Business and Family Enterprise Ombudsman and its support to the Australian Small Business Commissioner.

The wellbeing of the Australian consumer and small business were the focus of a body of nationally coordinated work on competition policy and legislation. This included progressing the Government's key election commitment to conduct the first comprehensive review of Australia's competition framework in more than 20 years.

The Treasury continued its commitment to a deregulation agenda, and focused on eliminating regulation that imposed unwarranted burdens on business, individuals and the community. The Treasury drove deregulation activity and managed the Treasury portfolio's contribution to red tape reduction.

### Group deliverables

Advice on:

- policies to support an efficient and resilient financial system including the banking, financial markets, insurance, superannuation and financial services sectors, consistent with financial stability, public confidence and the fair treatment of users;
- policies, coordination and capacity building to support the implementation of the Government's deregulation agenda;
- policy initiatives that support and contribute to a sustainable small business sector, incorporating a whole-of-government approach to small business issues;

- competition and consumer policy issues, including in Part II and Part IV of the *Competition and Consumer Act 2010*;
- foreign investment issues, including whether individual proposals are contrary to Australia's national interest, and advice on policies to support the foreign investment framework and representing Australia's interests on investment, competition and financial service issues in free trade agreements and other international forums; and
- actuarial matters through the Australian Government Actuary which provides actuarial services to the Government, the Treasury and other agencies.

## Group outcomes

- Coordinated the Government's consultation on the recommendations of the Financial System Inquiry.
- Developed a package of reforms to strengthen the foreign investment framework.
- Provided advice on several large foreign investment proposals.
- Provided advice to Government on competition policy and in response to the Competition Policy Review.
- Developed and introduced the new Franchising Code of Conduct and the Food and Grocery Code of Conduct.
- Progressed implementation of the Government's deregulation agenda, particularly by reducing red tape and implementing the Regulator Performance Framework.
- Progressed the Government's small business sector election commitments including establishing the Australian Small Business and Family Enterprise Ombudsman, extending the consumer unfair contract term protections to small businesses, and implementing the Government's deregulation and competition reform agendas.
- Continued to maintain and enhance a national consumer law by engaging with the ACCC and states and territories, and progressed the first review of the Australian Consumer Law.
- Maintained successful operations of the Australian Government Actuary.
- Delivered the Government's commitments to: improve unclaimed banking moneys arrangements; establish an enhanced public register of financial advisers; improve the regulation of financial advice; improve professional standards in the financial advice industry; deepen the corporate bond market; expand crowd-source equity funding; and streamline the prudential regulation of private health insurance.

## Analysis of performance

### Developing and managing legislation

The Treasury managed and coordinated the Government's legislative program for its financial system and services, corporations, competition and consumer, and deregulatory measures, ensuring that legislation was drafted in accordance with the Government's priorities.

The Markets Group, in collaboration with the Office of Parliamentary Counsel, developed nine measures that were introduced into Parliament in 14 Bills. Three of these nine measures implemented the Government's election commitments.

The Group also developed 21 measures that were implemented by way of 19 regulations.

## Financial system and services

### *Financial System Inquiry*

The Treasury coordinated the Government's consultation on the recommendations of the Financial System Inquiry (the Inquiry) following the release of the final report in December 2014. The consultation included wide-ranging bilateral meetings and industry roundtables, and consideration of more than 180 submissions received in response to the release of the Inquiry's recommendations. The Treasury provided ongoing advice to the Government as it considered its response to the Inquiry's recommendations.

### *Unclaimed moneys*

In the 2015-16 Budget, the Government announced a number of changes to the unclaimed moneys provisions. These included: extending the required period of inactivity before funds can be declared to be unclaimed to seven years; exempting children's accounts and foreign currency accounts from the provisions; and tightening privacy protections for account holders. These changes reflected the proposals outlined in, and the submissions received on, the discussion paper on the unclaimed moneys provisions released by the Treasury in May 2014.

Following the 2015-16 Budget, the Treasury assisted the Government to finalise legislative amendments to the unclaimed moneys provisions in the *Banking Act 1959* and the *Life Insurance Act 1995*. In May 2015 the Treasury consulted publicly on these draft amendments.

### *Public register of financial advisers*

In July 2014 the Government announced that it would work with all relevant stakeholders to establish an enhanced public register of financial advisers to provide consumers with access to information about each adviser's credentials and status in the industry. The Treasury provided advice on establishing the register, informed by recommendations from an expert industry working group convened by the Government.

The Corporations Amendment (Register of Relevant Providers) Regulation 2014, which commenced on 17 February 2015, established the register which was launched on 31 March 2015. The register is maintained by ASIC and is available to search on ASIC's *MoneySmart* website.

The register enables investors, employers and ASIC to verify the credentials of financial advisers and to be confident that they are appropriately qualified and experienced. By improving transparency, the register forms an important part of broader reforms aimed at improving professionalism in the financial advice industry.

## ***Improve the operation of financial advice regulation***

The Treasury adjusted the Future of Financial Advice laws to give effect to the Government's election commitments. While Parliament disallowed the implementing Regulation on 19 November 2014, the Treasury prepared revised Regulations to introduce a range of measures which had parliamentary support.

## ***Increased professionalism of the financial advice industry***

The Treasury provided advice on lifting professional standards in the financial advice industry and coordinated the Government's consultation. This included support to an expert industry working group that informed the Government on policy options. A Government consultation paper was released in March 2015 to seek comments on aspects of the model recommended by the Parliamentary Joint Committee on Corporations and Financial Services to increase the professional, ethical and education standards of financial advisers.

The Treasury will continue to provide advice to Government during 2015-16 on ways to implement measures that lift professional standards in the financial advice industry.

## ***Retail corporate bonds***

The Treasury continued to deliver the Government's commitment to deepen the corporate bond market by streamlining disclosure requirements on issuers of simple corporate bonds into the retail market. The *Corporations Amendment (Simple Corporate Bonds and Other Measures) Act 2014* was passed by the Parliament and the *Corporations Amendment (Simple Corporate Bonds and Other Measures) Regulation 2014* was made into law. The Treasury progressed legislative reform to enable retail customers to access simple corporate bonds issued in the wholesale market.

## ***Crowd-sourced equity funding***

The Government has committed to introduce a regulatory framework to facilitate crowd-sourced equity funding (CSEF) in Australia. The Treasury provided advice and coordinated the Government's consultation, with a formal consultation paper released in December 2014. The consultation process included two industry roundtables, bilateral meetings and 41 written submissions. The Treasury, working closely with ASIC, is developing legislation to implement the Government's CSEF framework for public companies.

The Treasury provided advice to support the Government's consideration of whether to extend the CSEF framework to proprietary companies. In 2015-16, the Treasury will support a government consultation process, including the release of a consultation paper examining the regulatory framework for proprietary companies.

## ***Private Health Insurance Administration Council***

As part of the Smaller Government initiative announced in the 2014-15 Budget, the Private Health Insurance Administration Council (PHIAC) ceased as a separate body on 1 July 2015 and its prudential supervisory functions were transferred to the Australian Prudential Regulation Authority (APRA). The Treasury led the development, consultation and implementation of the legislation which gave effect to this change, working closely with APRA, the Department of Health, the Department of Finance and PHIAC. The five Acts that gave effect to the transfer received Royal Assent on 26 June 2015.

### ***Review of the Terrorism Insurance Act 2003 and the Australian Reinsurance Pool Corporation***

The *Terrorism Insurance Act 2003* requires that, at least once every three years, the Minister review the need for the Act to continue in operation. The Treasury engaged advisory firm Pottinger to provide advice on the operation of the Act and the Australian Reinsurance Pool Corporation, the statutory corporation established by the Act. The Treasury engaged Finity Consulting to provide actuarial analysis on aspects of the scope of the terrorism insurance scheme. The Treasury used both pieces of analysis to help the Minister prepare the 2015 Review of the Act. Industry was consulted on the draft report of the Review and their feedback is being taken into account in preparing the final report.

### ***Northern Australia insurance affordability***

In October 2014, the Government announced its intention to address insurance affordability in North Queensland. The Treasury worked with ASIC to develop an insurance website to help North Queensland residents compare home insurance policies and indicative premiums. The site was launched in March 2015. The Treasury is working with the Queensland Government to develop an engineering assessment program for strata properties in North Queensland to improve the information available on a building's susceptibility to weather damage and ways to make properties more resilient.

The Treasury advised and assisted the Government to establish a Northern Australia Insurance Premiums Taskforce. The Taskforce, announced in March 2015, is exploring the feasibility of options that use the Commonwealth's balance sheet to reduce home, contents and strata insurance premiums in those regions of Northern Australia affected by insurance affordability due to cyclone risk.

The Taskforce will provide an interim report with policy options for consultation ahead of a final report to the Government by November 2015.

### ***Superannuation election commitments***

The Treasury consulted with a range of stakeholders to better understand the compliance concerns of superannuation funds. This helped develop reform options for the Government's consideration to improve competition, governance and transparency in the superannuation system.

In June 2015, the Government commenced public consultations on an exposure draft Bill to improve superannuation governance. The Bill proposes that all APRA-regulated superannuation funds have a minimum of one third independent directors on their trustee board and an independent chair. This change would not apply to self-managed superannuation funds. In addition, and consistent with the rules that apply to ASX listed companies, trustees of APRA-regulated superannuation funds would be required to report on whether they have a majority of independent directors on an 'if not, why not' basis in their annual report.

### ***Over-the-counter derivatives***

Significant progress has been made implementing reforms to over-the-counter (OTC) derivatives markets. Following the release in February and July 2014 of two proposal papers, the Government in December 2014 announced an in-principle decision to proceed with mandating central clearing of interest rate derivatives denominated in Australian dollars and

four global currencies. Draft regulations implementing this decision were released for final consultation in May 2015. The Government's objective is to support Australian banks and businesses active in overseas markets by helping them secure relief from foreign regulations that impose duplication and unnecessary burdens.

The Government is also consulting on draft regulations providing single-sided reporting relief to smaller entities with low volumes of OTC derivatives transactions, subject to the required information being reported by the counterparty to the transaction.

### ***Opening up access to the credit card regime***

In October 2014, the Government announced that the credit card regimes (i.e. MasterCard and Visa) would be opened up to entities that were not authorised deposit-taking institutions (ADIs). Previously, only ADIs were able to become a credit card issuer or acquirer.

This reform began on 1 January 2015 through the Banking Amendment (Credit Card) Regulation 2014 which introduced changes to the credit card system access regimes by the RBA, and the Bulk Electronic Clearing System regulations by the Australian Payments Clearing Association (APCA). The Treasury, RBA and APCA consulted on these changes with interested stakeholders.

Further to these credit card reforms, the Treasury continued to work with the Payment System Board on broader payment system policy issues. On 4 March 2015, the Payment System Board released the Issues Paper for its Review of Card Payments Regulation and invited submissions to be made by 24 April 2015. The Issues Paper addressed, among other things, the recommendations of the Financial System Inquiry concerning interchange fees and customer surcharging in the card payment system.

### ***Competition in clearing of Australian cash equities***

During 2014-15 the Council of Financial Regulators (CFR) with the assistance of the ACCC conducted the *Review of Competition in Clearing Australian Cash Equities*. This followed a review conducted in 2012 that led to the Government deferring consideration of competition for two years and the ASX implementing a Code of Practice to address stakeholder concerns.

In February 2015, the Government announced the commencement of the latest review and the CFR released its consultation paper which canvassed a range of policy approaches from competition to monopoly. The CFR invited stakeholders to meet with representatives of the CFR and to make a submission.

### ***Financial sector crisis management***

The Treasury worked with Australia's financial regulators to ensure the adequacy of arrangements for crisis management and resolution across prudentially-regulated entities and the financial market infrastructure. This included assessing the consistency of domestic regulatory arrangements with new and emerging international standards. The Treasury continued to work with the Council of Financial Regulators and liaised with other government agencies to monitor developments in the global and domestic financial markets, and provided policy advice. As part of this work, Australian authorities engaged with their New Zealand counterparts under the framework of the Trans-Tasman Council on Banking Supervision.

### ***Securitisation market***

In May 2015, the Treasurer issued the Australian Office of Financial Management (AOFM) with a direction to divest the Government's portfolio of residential mortgage-backed securities through a regular competitive process. The Treasury, working closely with the AOFM, advised the Government on the timing and method of divestment, and on prevailing conditions in the securitisation market.

### ***Emission Reduction Fund***

In January and February 2015, the Treasury consulted on amendments to the Corporations Regulations 2001 to ensure the regulatory burden on participants in the Emissions Reduction Fund remained appropriate.

In March 2015, the Government made the Corporations Amendment (Emissions Reduction Fund Participants) Regulation 2015. The regulation exempted contracts that participants entered into with the Clean Energy Regulator for delivering carbon credits from the financial services laws, because an alternative integrity framework already applied. The Government is monitoring participation in the Fund's auctions as it continues to consider further reforms.

### ***Insurance disclosure***

In April 2015, amendments were made to the Insurance Contracts Regulations 1985 to prescribe new notices in relation to the duty of disclosure requirements. These new notices will reduce compliance costs for industry and help consumers understand their obligations in relation to disclosing information to their insurer, or when renewing their policies. These notices will provide a timely opportunity for consumers to evaluate their insurance and its level of coverage.

### ***Financial Sector (Shareholdings) Act 1998***

The Treasury provided advice and support to the Government in its role in considering the national interest when a person seeks to hold a shareholding stake of 15 per cent or more in a financial sector company. The Treasury liaised closely with APRA when forming its advice.

Amendments were made to the Act as part of the Government's deregulation reforms to reduce the compliance burden when applicants apply for a change in shareholding.

### **Corporations regulations reforms**

The *Corporations Legislation Amendment (Deregulatory and Other Measures) Act 2015* was passed by Parliament and took effect in March 2015. This legislation reduces compliance costs for business under the *Corporations Act 2001* by removing the obligation on companies to hold a general meeting when requested by a group of 100 shareholders (the '100 member rule') and improving the disclosure of executive remuneration. The legislation also amends the *Australian Securities and Investments Commission Act 2001* to enhance the efficient operation of certain government bodies.

The Treasury implemented the Government's 2014-15 Budget announcement regarding the future of the Corporations and Markets Advisory Committee (CAMAC). In December 2014, the Australian Securities and Investments Commission Amendment (Corporations and Markets Advisory Committee Abolition) Bill 2014 was introduced into Parliament. The Bill repeals Part 9 of the *Australian Securities and Investments Commission Act 2001* which provides for the establishment, functions and operation of CAMAC.

The Treasury supported the Government's scoping study into future ownership options for the registry function of ASIC.

The Treasury provided advice and support to the Government in releasing the Insolvency Law Reform Bill for exposure draft consultation, and continues to advise the Government on the operation of the legal frameworks applying to corporate insolvency, the obligation of directors and the preparation and content of financial reporting obligations.

## Deregulation

### *Red tape reduction*

The Treasury is continuing to make strong progress to reduce the red tape imposed on businesses, community organisations and individuals. Since the 2013 election, the Treasury portfolio has contributed to more than \$570 million in red tape savings (at 31 December 2014). These savings are helping the Government deliver its commitment to reduce red tape by \$1 billion each year.

A stocktake of existing red tape was completed in late 2014, revealing a total compliance burden in the Treasury portfolio of \$47 billion, with ATO regulations alone responsible for \$40 billion. This represents the majority of the \$65 billion in compliance costs identified across the Commonwealth. The stocktake will help prioritise future areas of reform.

### *Regulator Performance Framework*

The Treasury guided the implementation of the Regulator Performance Framework by nine portfolio regulators. Regulators developed performance metrics in consultation with key stakeholders ahead of the commencement of the Framework on 1 July 2015. The Framework applies to regulators across the Commonwealth and will minimise the burden created in administering regulation. Regulators will self-assess their performance against the metrics in each year from 2015-16 onwards and the Treasury will continue to engage with regulators and stakeholders throughout this process.

## International liaison

### *Financial Stability Board*

The Treasury participates in the plenary meetings of the Financial Stability Board (FSB), is a temporary member of the FSB Steering Committee (as a member of the G20 troika) and contributes to the work of various FSB Standing Committees. The Treasury advised the Government on the issues considered by the FSB and was involved in the FSB Regional Consultative Group for Asia, using it to advance G20 outreach and broaden engagement in the region.

### *Asia Region Funds Passport*

Development of the Asia Region Funds Passport is being led by the Treasury and progressed under the auspices of Asia–Pacific Economic Cooperation (APEC). Proposed passport rules and operational arrangements were developed and discussed at international policy and technical workshops held in Seoul in August 2014 and in Manila in November 2014. The proposed rules and arrangements were released publicly for comment with feedback discussed at a workshop held in Singapore in May 2015. All three workshops were attended by officials from 12 APEC economies, ensuring broad input to the process.

In leading development of the passport, the Treasury managed the provision of targeted capacity building to financial regulators in Indonesia, Philippines, Thailand and Vietnam. This focused on enhancing regulators' capacity to regulate and supervise the cross-border trade in collective investment schemes. Additionally, targeted technical assistance was provided to help develop Indonesia's policy and position on joining the passport in the future.

Finance ministers of economies willing and able to participate in the passport are expected to issue a statement of understanding at the 2015 APEC Finance Ministers' Meeting, with the passport expected to commence in 2016.

### *Trans-Tasman coordination to develop a Single Economic Market*

In August 2009, the Australian and New Zealand Prime Ministers agreed to principles and a range of shared short and medium-term practical outcomes in business law for developing the Single Economic Market. A Trans-Tasman Outcomes Implementation Group, comprising senior officials from the Australian and New Zealand governments, was tasked with overseeing and, wherever possible, accelerating the progress of the reform agenda. The Treasury and the New Zealand Ministry of Economic Development co-chair the group.

The majority of the reforms, including those relating to financial services, consumer credit and intellectual property, were completed in 2014, with the remainder due to be completed by the end of 2015.

### *Trans-Tasman Council on Banking Supervision*

The Trans-Tasman Council on Banking Supervision reports to the Treasurer and the New Zealand Minister of Finance on promoting a joint approach that delivers a seamless regulatory environment for banking services, and considers broader financial sector and stability issues. The secretaries to the treasuries of Australia and New Zealand jointly chair the Council, and its membership includes senior officials from the financial system regulators. The Treasury has pursued the Council's work program, focusing on improved cooperation and crisis management.

### **Small business**

The Treasury provided advice and input to the Government's small business agenda with a focus on policy and regulatory issues including deregulation, small business productivity and innovation. General small business policy advice was provided on a range of existing or emerging issues including competition, access to finance, taxation and industry development policy.

The Treasury provided policy advice on the implementation of the Government's broad small business policy agenda, using a whole-of-government perspective to achieve the Government's key initiatives aimed at supporting small business and their role within the Australian economy. The Treasury conducted extensive and ongoing stakeholder engagement, research and analysis to support policy advice and assistance to small business on new and emerging issues.

## ***Australian Small Business and Family Enterprise Ombudsman***

The Treasury provided advice and progressed key legislation to implement the Government's election commitment to establish an Australian Small Business and Family Enterprise Ombudsman to advocate for and provide assistance to small businesses. The legislation establishing the Ombudsman was introduced to Parliament on 3 June 2015. In developing the draft legislation, consultations were undertaken with the Australian Government, state governments, industry associations, private sector service providers, small businesses and other interested parties.

## ***Small business initiatives***

The Treasury contributed to the Growing Jobs and Small Business package. In particular, the Markets Group provided advice on the non-revenue measures supporting small businesses including changes to facilitate crowd-source equity funding, streamlining the business registration process, and developing a consultation paper on the regulatory burden placed on small proprietary companies (to be released in the second half of 2015).

The Treasury progressed the Government's procurement initiative supporting small business, delivering on the Government's election commitment requiring government agencies to report on small business procurement matters.

## ***International engagement***

The Treasury supported policy work in international bodies including by representing Australia at the OECD and APEC. As part of this work, the Treasury ensured Australia's participation to the OECD Scoreboard on Small and Medium Enterprises (SMEs) and Entrepreneurship Financing and set up a partnership with Standards Australia to deliver an APEC project on SME data flows and trade.

## **Competition policy**

The Treasury provides advice on competition policy issues, including on competition laws in Part IV of the *Competition and Consumer Act 2010 (CCA)*.

## ***Competition Policy Review***

Since the March 2015 release of the independent Competition Policy Review Final Report by Professor Ian Harper and an expert panel, the Treasury has assisted the Government's consideration of the recommendations to strengthen Australia's competition framework. This was the first comprehensive review of Australia's competition framework in more than 20 years and a key election commitment of the Government.

The Treasury facilitated the Government's eight week public consultation process on the Final Report's recommendations, which ended in late May 2015 and received around 140 submissions. During this time, the Treasury convened a series of roundtable meetings hosted by the Minister for Small Business to discuss competition themes related to small business, human services and broader business and economic settings. The Treasury and the Law Council of Australia organised a workshop in May 2015 to consider competition law issues raised by the Review.

Fostering Commonwealth, state and territory collaboration on competition policy has been another priority. The Treasury organised bilateral and multilateral meetings with other government agencies to build a shared understanding of the final report, particularly in relation to areas of state responsibility. The Treasury's work with other jurisdictions will help inform the Council of Australian Governments (COAG), which agreed in April 2015 to discuss the review at its next regular meeting in late 2015.

Overall, this body of work will help shape the Government's response to the final report, which is expected to be released in the second half of 2015.

### ***Codes of conduct***

The Treasury portfolio has overarching responsibility for industry codes of conduct that are prescribed under the CCA. As part of the Government's election commitment to reform the Franchising Code of Conduct, the Treasury developed legislative amendments to the CCA to allow for pecuniary penalties and infringement notices to be issued for serious breaches of the Franchising Code.

The *Competition and Consumer Amendment (Industry Code Penalties) Act 2014*, along with the Competition and Consumer (Industry Codes—Franchising) Regulation 2014, began on 1 January 2015 and put in place a new franchising code to regulate the conduct of franchising participants in an improved and modernised way. It received broad support from all segments of the franchising community and is expected to deliver red tape savings of an estimated \$8.6 million annually across the sector.

The Treasury also worked with the food and grocery sector to develop and introduce the Food and Grocery Code of Conduct. The Competition and Consumer (Industry Codes—Food and Grocery) Regulation 2015 commenced in March 2015 and introduced the first voluntary prescribed code under the CCA. It will improve commercial relationships between retailers, wholesalers and suppliers by promoting transparency and certainty in dealings and is enforceable by the ACCC. The Grocery Code was the culmination of extensive public consultation facilitated by the Treasury and involved negotiations with the major supermarket chains to establish stronger protections for suppliers. Aldi, Coles and Woolworths have since signed up to the Grocery Code and have agreed to be bound by its obligations.

### ***Productivity Commission***

The Treasury coordinated the Productivity Commission's work program and advised departments and the Government on preparing terms of reference for reviews. In 2014-15, the Productivity Commission commenced three public inquiries and three commissioned studies. In 2014-15, the Productivity Commission also completed three public inquiries and two commissioned research studies.

## Consumer policy

The Treasury provided advice to the Government on Australia's consumer policy framework, including ongoing work to support and maintain the Australian Consumer Law (ACL). The ACL includes provisions about unfair practices and fair trading, unfair contract terms, consumer guarantees and product safety.

The Treasury worked with both national and state and territory consumer agencies during 2014-15 to maintain the policy and enforcement framework for the ACL.

### *Australian Consumer Law*

In collaboration with the states and territories, the Treasury undertook preparations for the review of the ACL which is scheduled to commence in 2016. The terms of reference for the review were agreed by the Legislative and Governance Forum on Consumer Affairs at its meeting on 12 June 2015. The review will make findings and identify options to improve the efficiency and effectiveness of the ACL.

As part of the 2015 Autumn Repeal Day, the Government introduced the Competition and Consumer Amendment (Deregulatory and Other Measures) Bill 2015. The Bill proposes to streamline the administration of the ACL and would deliver a reduction in regulatory burdens on business of \$0.5 million per year.

### *Unfair contract terms*

The Government introduced the Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Bill 2015 on 24 June 2015. The Bill proposes to extend to small businesses protections against unfair terms in standard form contracts. Previously, only consumers were protected. The Treasury undertook stakeholder consultation and provided advice to assist the Government to develop the policy.

### *Egg labelling*

The Legislative and Governance Forum on Consumer Affairs agreed to prepare a draft national standard on egg labelling to enhance consumer confidence and certainty. Treasury is assisting the Government to develop the standard.

### *Customer Dispute Resolution*

The Government relaunched the *Benchmarks for Industry-based Customer Dispute Resolution* and released the complementary key practices document. The Benchmarks, which has been well received by stakeholders since it was established in 1997, encourages best practice in industry-based dispute resolution services by setting clear standards and providing practical ways of applying them in industry schemes.

## Secretariat services

The Treasury provided secretariat services to a number of the Legislative and Governance Forums including for Corporations (formerly constituted as the Ministerial Council for Corporations (MINCO) and Consumer Affairs). The Treasury assisted ministers to fulfil the Government's obligations under the Corporations Agreement 2002 and the Intergovernmental Agreement for Business Names Agreement.

The Markets Group established a secretariat unit in early 2015 to provide better support to a range of councils and forums administered by the Group. The unit encompasses two previous secretariat areas, the Legislative and Governance Forum on Consumer Affairs (CAF) Secretariat and the Financial Reporting Council (FRC) Secretariat. Along with these two major forums and their associated sub-committees, the unit provides secretariat support for the Small Business Ministerial Advisory Council and other committees, forums, roundtables, events and industry working bodies across the Markets Group.

### Financial Reporting Council

The Financial Reporting Council (FRC) has up to 19 members responsible for overseeing the effectiveness of the financial reporting framework in Australia. Its functions include overseeing the accounting and auditing standards, setting processes for the private and public sectors, providing strategic advice in relation to the quality of audits conducted by Australian auditors, and advising the minister on these and related matters to the extent that they affect the financial reporting framework.

The FRC has three committees — nominations, audit quality, and strategic planning. The FRC has a Financial Report Taskforce which produced a report in November 2014 examining how the financial reporting regimes for the various types of reporting entities in Australia can best be understood.

### Legislative and Governance Forum on Consumer Affairs

The Legislative and Governance Forum on Consumer Affairs (CAF) consists of all Commonwealth, state, territory and New Zealand ministers responsible for fair trading and consumer protection laws. It is responsible for functions under the Inter-Governmental Agreement for the Australian Consumer Law, the *Trans-Tasman Mutual Recognition Act 1997*, the *Mutual Recognition Act 1992*, and the Travel Agents Participation Agreement. CAF ministers also address matters of mutual interest concerning consumer policy, services and programs.

CAF is supported by a number of subcommittees including a senior officials committee comprising representatives from Commonwealth, state, territory and New Zealand fair trading regulators, and advisory committees on policy and research, education and information, and compliance and dispute resolution.

### Takeovers Panel

The Takeovers Panel contributed to well-functioning securities markets in Australia by dealing with disputes relating to takeovers made under the Takeovers Chapter of the *Corporations Act 2001* and other control transactions. The panel, a peer review body with regulatory functions, has 38 members who are specialists in mergers and acquisitions as investment bankers, lawyers, company directors or other professionals. In resolving disputes, the panel helps to ensure that acquiring control over voting shares in listed and widely-held companies occurs in an efficient, competitive and informed market, and security holders have a reasonable and equal opportunity to participate in any benefits of a proposal. The panel also publishes guidance notes to help foster market confidence and efficiency.

In 2014-15, the panel considered 20 applications, including matters relating to shareholder intention statements and rights issues.

## Currency

The Treasury provided advice to Treasury portfolio ministers on a range of currency-related matters including finalising the scoping study into future ownership options for the Royal Australian Mint (RAM). The Treasury chaired the RAM Advisory Board to assist RAM develop its policy and administer its strategic initiatives. The Treasury assisted the Perth Mint in relation to its currency determinations, which are tabled in Parliament before the release of numismatic (collector) coins.

## Foreign investment

Foreign investment proposals that fall within the scope of Australia's Foreign Investment Policy or the *Foreign Acquisitions and Takeovers Act 1975* are examined to determine whether they are contrary to Australia's national interest.

The Foreign Investment and Trade Policy Division provided advice on the Government's regulatory framework for inbound foreign investment and developed a reform package to strengthen the foreign investment framework. The reforms represent the most significant changes to the foreign investment framework in about 40 years and include the introduction of application fees, stronger penalties for non-compliance, increased scrutiny and transparency around foreign investment in agriculture and a comprehensive modernisation of the foreign investment legislation to reduce system complexity and compliance costs for investors. As part of the reforms, responsibility for screening and compliance of investment in residential real estate is progressively transferring from the Division to the ATO between May and December 2015.

The Foreign Investment and Trade Policy Division provided secretariat support to the Foreign Investment Review Board through the day-to-day administration of the foreign investment framework. It provided advice and recommendations on an increasing number of significant foreign investment cases to the Foreign Investment Review Board and Treasury ministers.

The Division led the Treasury's work on trade policy, including advice on the China-Australia free trade agreement which was signed on 17 June 2015. The Division contributed to the work of the OECD Investment Committee, and is the home of the Australian National Contact Point for the OECD Guidelines for Multinational Enterprises. Additional information on this role is at [www.ausncp.gov.au](http://www.ausncp.gov.au).

## Australian Government Actuary

Australian Government Actuary provides actuarial services to government, the Treasury and other agencies within a contestable and competitive market. Demand for services was again high during 2014-15. Income from services relative to total costs is a primary indicator of performance. Australian Government Actuary maintains a special account to ensure its financial operations are managed properly and transparently and, at 30 June 2015, the account was in a sound financial position.

## Revenue Group

### Overview

Revenue Group provides policy advice and designs legislative proposals to implement Government decisions affecting the Australian tax and retirement income systems. Tax and retirement income policy advice is formulated through an integrated process that emphasises close and early consultation with business and other stakeholders, and close cooperation with the Australian Tax Office (ATO) and other relevant government departments.

Revenue Group comprises Corporate and International Tax Division, Law Design Practice, Personal and Retirement Income Division, Small Business Tax Division, Tax Analysis Division, and the Tax White Paper Taskforce.

Revenue Group also provides the secretariat to the Board of Taxation. The Board publishes its own annual report at [www.taxboard.gov.au](http://www.taxboard.gov.au).

### Group deliverables

- Assist the Government to develop its tax white paper.
- Develop the international tax framework as part of the G20 tax agenda.
- Represent Australia's interests at the OECD within the Base Erosion and Profit Shifting Action Plan process.
- Advise the Government on the implementation of its taxation and retirement income reform agenda including decisions in the Government's 2014-15 Budget.

Revenue Group also supports Treasury ministers by providing briefings for stakeholder meetings and public appearances, responding to requests for information, and drafting replies to ministerial correspondence.

### Group outcomes

- Provided quantitative work to support the 2014-15 Mid-Year Economic and Fiscal Outlook, the 2015-16 Budget and the 2015 Intergenerational Report.
- Assisted the Government in the process of developing a white paper on tax reform.
- Provided policy and quantitative analysis for the 2014-15 Budget and the tax white paper.

### Analysis of performance

#### Implementing election commitments

The Treasury, in collaboration with the ATO and other responsible Commonwealth agencies, developed 15 measures that were introduced into Parliament to implement election commitments related to tax and superannuation.

Revenue Group assisted in repealing the carbon tax legislation, another key election commitment. The final step of repealing the carbon tax came with the repeal of the 2015-16 tax cuts, passed by Parliament in June.

Revenue Group worked to support the delivery of the Government's white paper on tax reform, with the release for consultation of the tax discussion paper, Re:think.

## Developing and managing legislation

Revenue Group managed and coordinated the Government's legislative program for its tax and superannuation law measures, ensuring that the development of draft legislation was in accordance with government priorities.

Working in collaboration with the Office of Parliamentary Counsel and the ATO, Revenue Group developed 59 tax and superannuation measures that were introduced into Parliament in 40 bills.

Revenue Group developed a further 22 tax and superannuation measures that were implemented by way of 14 regulations.

## Improving the international tax framework — OECD and G20

Revenue Group was involved in improving the international tax framework as part of the G20 tax agenda. This work covered the OECD base erosion and profit shifting project, international standards for the exchange of tax information between countries, and tax and development. Revenue Group provided this support as part of Australia's G20 presidency, as well as participating in international forums, including the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes.

## International cooperation to catch tax evasion

Revenue Group contributed to Australia signing an international multilateral agreement to catch taxpayers with hidden offshore bank accounts. The OECD's Common Reporting Standard Multilateral Competent Authority Agreement will enable the ATO to automatically exchange information on investment income and balances of financial accounts held by Australians in other countries.

Revenue Group contributed to Australia signing an agreement with Switzerland to automatically exchange Common Reporting Standard information under the Multilateral Competent Authority Agreement.

## Secretariat support to the Board of Taxation

In addition to providing secretariat services to the Board of Taxation, Revenue Group assisted with the transition of an almost completely reconstituted Board during the year. Revenue Group supported an extensive consultation process, run by the Board, to obtain stakeholder feedback on tax reform options for the tax white paper process. Revenue Group continued to assist the Board's ongoing reviews including:

- review of debt and equity tax rules;
- post-implementation review into Division 7A of Part III of the *Income Tax Assessment Act 1936*;
- review of tax impediments facing small business; and
- review of the thin capitalisation arms' length debt test.

## Corporate Strategy and Services

### Overview

Corporate Strategy and Services (CSS) sets and delivers the Treasury's corporate strategic direction. It provides quality corporate advice and services for the Treasury and its people, its portfolio ministers, and a range of portfolio agencies.

### Key priorities

- Deliver high quality and valued corporate advice and services to the Treasury and ministers.
- Assist to set and deliver the corporate strategic direction.
- Support organisational change through the Australian Public Service Commission (APSC) Capability Review and the Treasury's Progressing Women initiative.
- Implement strategic and operational workforce planning, and evaluate and report on the Treasury workforce.
- Improve IT infrastructure and operational capabilities.
- Improve productivity through flexible work arrangements and better IT mobility.
- Implement business process improvement initiatives.
- Improve financial information to help decision-makers.
- Deliver production and logistics services for Budget 2014-15 and related processes.
- Ensure the Treasury's compliance with legal and government policy requirements, including Commonwealth financial framework requirements.
- Manage operational activities for the Treasury's corporate functions.
- Support productive working relationships with Treasury ministers' offices.
- Build on the current shared service arrangements with other agencies.

### Outcomes

- Established the Treasury's Sydney office to build capability, improve stakeholder engagement and enhance Treasury advice.
- Negotiated the Treasury Enterprise Agreement 2015-2018.
- Reviewed and streamlined business processes for working with and supporting portfolio ministers.

# THE TREASURY

- Continued to implement the Treasury's response to the APSC Capability Review — the Capability Action Plan and the Treasury's Progressing Women initiative.
- Conducted a cultural audit focusing on barriers to the retention and progression of women.
- Implemented a program of leadership seminars.
- Established the Business Services Division to progress the shared services model.
- Introduced the Integrated Leadership System (ILS) and conducted workshops to support staff transition to the new system.
- Reported quarterly on the Treasury's staffing profile to inform strategic and operational workforce planning.
- Supported voluntary and involuntary redundancy processes to ensure the Treasury operates within budget.
- Developed and delivered a community engagement campaign the Challenge of Change, to raise awareness of and explain the issues discussed in the 2015 Intergenerational Report.
- Supported the successful delivery of the 2014 MYEFO and 2015 Budget.
- Provided design, publishing and online services for the Treasury portfolio, including 2015 Budget material and a refreshed website [www.budget.gov.au](http://www.budget.gov.au).



## G20 GLOBAL GROWTH TARGET

The G20 nations are collectively responsible for 85 per cent of world GDP and are home to two-thirds of the world's people. The G20 has the combined political and economic clout to drive real reforms and restore growth.

The first Australian G20 event was a barbeque held on the lawns of Admiralty House overlooking Sydney Harbour. A neighbouring party, hosted by the Prime Minister, was an opportunity for international finance ministers to meet with Australian business leaders and share their perspectives on the issues besetting the global economy.

The event set the tone for the G20 year. It helped ministers engage on the policy decisions needed to tackle a stubbornly sluggish global economy. An ongoing dialogue between G20 members led to better understanding of one another's policy constraints and intentions.

From the outset of the Australian G20 presidency, members agreed to cooperate in unprecedented ways. Treasury tightly managed meeting formats, agendas and communiqués. The agenda was not derailed and achievements were plainly and succinctly explained.

Shortly after the barbeque by Sydney Harbour, finance ministers and central bank governors agreed the Sydney declaration — an unprecedented and ambitious target for global growth — to lift collective GDP by an additional two per cent above the implied trajectory by 2018.

They agreed to pursue a shift from government-led growth towards private sector-led growth, with particular focus on new private investment in infrastructure.

By the time of the Brisbane G20 Leaders' summit in November, members had painstakingly identified measures that would together achieve a two per cent additional growth that could deliver \$2 trillion to the world economy and millions of new jobs.

Demonstrating the importance of infrastructure to achieve global growth targets, the G20 agreed to establish the Global Infrastructure Initiative. The initiative will increase quality investment and drive global infrastructure investment.

The G20 worked on redesigning international tax rules so that they would keep up with advances in changing business models, particularly for multinationals.

Nations signed on to implement the Common Reporting Standard — the automatic exchange of information country-to-country — which will identify and catch tax cheats.

On the financial regulation agenda, the G20 confirmed the reforms needed to make the global financial system stable and make the economy more resilient to financial shocks.

From the outset, Australia was optimistic about what the G20 could achieve. Strengthened relationships helped nations commit to action. Leaders were held to account through relationships built at the highest level.

## **Program 1.2**

# **Payments to International Financial Institutions**

### **Program objective**

Payments are made to the International Monetary Fund (IMF), under the *International Monetary Agreements Act 1947*, to promote international monetary cooperation, exchange stability and orderly exchange arrangements, to foster economic growth and high levels of employment, and to provide temporary financial assistance to countries to help ease balance of payments adjustments.

Payments are made to other international financial institutions, as required, to help achieve government objectives in international forums, including strengthening the international financial system, supporting development objectives through the multilateral development banks, and multilateral debt relief.

See Part 5 Appendices — Australia and the International Financial Institutions for more information regarding the IMF and the World Bank Group.

### **Program deliverables**

Payments to international financial institutions, including the IMF, are made with due regard to minimising cost and risk for Australia.

### **Key performance indicators**

Financial transactions with the international financial institutions, including the IMF, are timely and accurate.

### **Analysis of performance**

Australia makes financial payments to international financial institutions to support their operations.

The Treasury manages most of Australia's financial relations with the IMF and capital contributions to the World Bank Group (the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency, the International Development Association, the International Finance Corporation and the International Centre for the Settlement of Investment Disputes), the Asian Development Bank and the European Bank for Reconstruction and Development.

In 2014-15, the Treasury conducted routine financial transactions to manage existing obligations. These were timely and efficient (see Table 1).

**Table 1:** Financial transactions with international financial institutions in 2014-15<sup>(a)</sup>

	Nature of transaction	Number of transactions	Total A\$'000
<b>Receipts</b>			
IMF net remuneration	Revenue	4	687
IMF new arrangements to borrow — interest	Revenue	4	575
IMF new arrangements to borrow — repayments	Financing transaction	12	360,317
<b>Payments</b>			
IMF special drawing rights allocation charges <sup>(b)</sup>	Expense	4	3,312
IMF new arrangements to borrow — loans	Financing transaction	3	40,786
IMF maintenance of value	Financing transaction	1	212,328
Asian Development Bank general capital increase	Investing transaction	1	16,978
International Bank for Reconstruction and Development general capital increase	Investing transaction	1	10,317

(a) Transactions are reported on a cash basis. There were no transactions relating to the European Bank for Reconstruction and Development, the International Finance Corporation or Multilateral Investment Guarantee Agency. Australia is a participant in the IMF's Financial Transactions Plan. More information on Australia's financial transactions with international financial institutions, including the IMF, is at Part 5 Appendices — Australia and the International Financial Institutions.

(b) This amount includes the annual assessment fee paid to the SDR Department.

## **Program 1.3**

### **Support for markets and business**

#### **Program objective**

- Put Australia at the forefront of regional and global examination of financial sector developments and the design of regulatory responses with funding of \$12.1 million over four years for the Centre for International Finance and Regulation. The Centre comprises a consortium of Australian and international universities, research centres and financial organisations and is led by the University of New South Wales.
- Make payments in respect of insurance claims arising from the residual Housing Loans Insurance Company Limited portfolio. The Housing Loans Insurance Company Limited pre-transfer contract portfolio will be managed to ensure all liabilities arising from claims under this portfolio are met and any related debts are recovered.
- Make payments of assistance to eligible HIH insurance policy holders under the HIH Claims Support Scheme.

#### **Key performance indicators**

- Payments for the Centre for International Finance and Regulation will be made according to the agreed funding schedule.
- Payments of claims arising from the Housing Loans Insurance Company Limited residual and assistance under the HIH Claims Support Scheme are accurately determined and made according to agreed schedules.

#### **Analysis of performance**

- Payments to the University of New South Wales for the Centre for International Finance and Regulation were accurately determined and made within the agreed timeframe.
- Payments made from the Housing Loans Insurance Corporation Limited met the cost of administering and meeting the Commonwealth's obligations arising from ongoing management of the residual portfolio of lenders' mortgage insurance contracts.
- Payments made to the HIH Claims Support Scheme met the costs of operating the scheme and providing assistance to eligible policyholders. The Treasury continues to work closely with the HIH administrators, McGrathNicol, and the contracted claims manager, Gallagher Bassett Services Pty Ltd, to settle remaining claims.
- All payments were accurately determined, in accordance with industry best practice and government regulations, and made within agreed timeframes.

## Program 1.4

# General revenue assistance

### Program objective

The Government will make general revenue assistance payments to the states and territories.

General revenue assistance is a broad category of payments provided to the states and territories without conditions to spend according to their own budget priorities.

Under the Intergovernmental Agreement on Federal Financial Relations (Intergovernmental Agreement), the states and territories are entitled to receive payments from the Commonwealth equivalent to the revenue received from the GST.

In addition, the Government will make payments of other general revenue assistance to the states and territories consisting of:

- payments to the Australian Capital Territory to help meet the additional municipal costs which arise from Canberra's role as the national capital and to compensate for the additional costs resulting from the national capital planning influences for providing water and sewerage services;
- payments to Western Australia to compensate for the loss of royalty revenue resulting from removing the exemption of condensate from crude oil excise in the 2008-09 Budget;
- payments to Western Australia as a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* in respect of the North West Shelf oil and gas project off the coast of Western Australia;
- payments to the Northern Territory in lieu of royalties on uranium mining in the Ranger Project Area due to the Commonwealth's ownership of uranium in the Northern Territory; and
- payments to New South Wales and Victoria to compensate for Commonwealth taxes paid by Snowy Hydro Ltd in proportion to the states' shareholdings.

Elements of this program are linked to the Industry portfolio. Also refer to Budget Paper No. 3, Federal Financial Relations 2015-16.

### Program deliverables

- General revenue assistance payments to the states and territories made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

## Key performance indicators

The Treasury will make general revenue assistance payments to the states and territories that reflect the requirements, the amounts and timeframes specified in the Intergovernmental Agreement.

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 Intergovernmental Agreement.

## Analysis of performance

In accordance with the Intergovernmental Agreement, total general revenue assistance payments of \$55.4 billion were made to the states and territories in 2014-15. Payments included:

- GST entitlements to the states and territories totalling \$54.3 billion;
- payments to Western Australia of a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* totalling \$929 million; and
- other general revenue assistance payments totalling \$154 million.

The Treasury also recouped \$680 million in GST administration costs in 2014-15.

Monthly, quarterly and annual GST revenue data were provided to the states and territories each month in accordance with the requirements of the Intergovernmental Agreement.

All payments were accurately determined and made according to agreed timeframes.

## **Program 1.5**

# **Assistance to the states for healthcare services**

### **Program objective**

The Government provides financial support to the states and territories to be spent delivering health care services.

This program also has links to the Health portfolio.

In 2014-15, National Health Reform funding was linked to the level of services delivered by public hospitals as provided under the National Health Reform Agreement.

National Health Reform funding is paid into a National Health Funding Pool. The Administrator of the National Health Funding Pool, jointly established by the Commonwealth and the states and territories, is responsible for calculating the Commonwealth funding amount for public hospitals, advising the Treasurer of this amount, and making payments from the National Health Funding Pool.

### **Program deliverables**

Payments to the states and territories according to the payment arrangements specified in the Intergovernmental Agreement on Federal Financial Relations (Intergovernmental Agreement) and informed by the National Health Reform Agreement.

### **Key performance indicators**

The Treasury will transfer to the National Health Funding Pool the amount of Commonwealth funding to which each state and territory (including Local Hospital Networks in each jurisdiction) is entitled, and make the payments on the dates specified in the Intergovernmental Agreement.

The Commonwealth Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

The states and territories are required to spend National Health Reform funding in the health care sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how expenditure of National Health Reform funding within the sector is in accordance with the Intergovernmental Agreement and the National Health Reform Agreement.

## Analysis of performance

The Treasury facilitated the Government's 2014-15 financial support for the states and territories to deliver health care services.

- Total expenses for National Health Reform funding are estimated to be \$15.5 billion. The final expense for 2014-15 will be determined by the Treasurer in 2015-16, after a final reconciliation of hospital activity data has been completed by the Administrator.
- Payments were paid into the National Health Funding Pool informed by the Administrator's advice to the Treasurer for each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories before each payment was made.
- To demonstrate that the National Health Reform funding has been spent within the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

## **Program 1.6**

# **Assistance to the states for skills and workforce development**

### **Program objective**

The Government provides financial support for the states and territories to deliver skills and workforce development services.

This program also has links to the Education and Industry portfolios.

### **Program deliverables**

Payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

### **Key performance indicators**

The Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Skills and Workforce Development Specific Purpose Payment (SPP) and will make the payments on the dates specified in the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement).

The Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

The states and territories are required to spend the National Skills and Workforce Development SPP in the skills and workforce sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how expenditure of the National Skills and Workforce Development SPP was within the sector and in accordance with the Intergovernmental Agreement. The Treasury will review these reports provided by the states and territories.

## **Analysis of performance**

The Treasury facilitated the Government's 2014-15 financial support for the states and territories delivering skills and workforce development services.

- Total expenses under the National Skills and Workforce Development SPP were \$1.4 billion. Payments were made in accordance with each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories before each payment was made.

To demonstrate that the Skills and Workforce Development SPP has been spent in the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

## **Program 1.7**

# **Assistance to the states for disability services**

### **Program objective**

The Government provides financial support for the states and territories to deliver disability services.

This program also has links to the Social Services and Health portfolios.

From 2011-12, an adjustment may be made to the National Disability Specific Purpose Payment (SPP) to ensure that the changes to Commonwealth and state roles and responsibilities for aged care and disability services, as part of the National Health Reform arrangements, are budget neutral.

### **Program deliverables**

Payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

### **Key performance indicators**

The Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Disability Services SPP and will make the payments on the dates specified in the Intergovernmental Agreement.

The Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

The states and territories are required to spend the National Disability Services SPP in the disability services sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how their expenditure of the National Disability Services SPP within the sector is in accordance with the Intergovernmental Agreement. The Treasury will review these reports provided by the states and territories.

## Analysis of performance

The Treasury facilitated the Government's 2014-15 financial support for the states and territories delivering disability services.

- Total expenses under the National Disability SPP were \$1.4 billion. Payments were made in accordance with each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories before each payment was made.

To demonstrate that the National Disability SPP has been spent in the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

It should be noted that an adjustment may be made to the National Disability SPP to ensure that the changes to Commonwealth and state roles and responsibilities for aged care and disability services, as part of the National Health Reform arrangements, are budget neutral for participating jurisdictions.

## **Program 1.8**

# **Assistance to the states for affordable housing**

### **Program objective**

The Government provides financial support for the states and territories to be spent delivering affordable housing services.

This program also has links to the Social Services and Health portfolios.

### **Program deliverables**

Payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement).

### **Key performance indicators**

The Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Affordable Housing Specific Purpose Payment (SPP) and will make the payments on the dates specified in the Intergovernmental Agreement.

The Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

The states and territories are required to spend the National Affordable Housing SPP in the affordable housing sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how expenditure of the National Affordable Housing SPP within the sector was in accordance with the Intergovernmental Agreement. The Treasury will review these reports provided by the states and territories.

## **Analysis of performance**

The Treasury facilitated the Government's 2014-15 financial support for the states and territories delivering affordable housing services.

- Total expenses under the National Affordable Housing SPP were \$1.3 billion. Payments were made in accordance with each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories before each payment was made.

To demonstrate that the National Affordable Housing SPP has been spent within the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

## **Program 1.9**

# **National partnership payments to the states**

### **Program objective**

The Government provides financial support for the states and territories to be spent on improving outcomes in the areas specified in each of the National Partnership agreements. These payments support the delivery of specified outputs or projects, facilitate reforms or reward those jurisdictions that deliver on nationally significant reforms.

This program is linked to the following portfolios: Agriculture; Attorney-General's; Defence; Education; Environment; Finance; Foreign Affairs and Trade; Health; Industry and Regional Development; Prime Minister and Cabinet; and Social Services. Also refer to Budget Paper No. 3, *Federal Financial Relations 2015-16*.

### **Program deliverables**

Payments to the states and territories are made on the basis set out in each of the National Partnership agreements and any related agreements.

### **Key performance indicators**

The Treasury will make payments to the states and territories that reflect the requirements, the amounts and timeframes set out in each of the National Partnership agreements and any related agreements. These payments will only be made upon the Treasury's receipt of authorisations from the relevant agency in respect of performance benchmarks or payment schedules set out in each of the National Partnership agreements.

The Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

## Analysis of performance

The Treasury facilitated the Government's 2014-15 financial support for the states and territories in improving outcomes in areas specified in National Partnership agreements.

Total Commonwealth expenses for National Partnership payments for 2014-15 were \$13.7 billion (\$9.8 billion was recognised as an expense by the Treasury), comprising:

- payments to support state health services of \$1.3 billion;
- payments to support state education services of \$750 million;
- payments to support state skills and workforce development related services of \$395 million;
- payments to support state community services of \$902 million;
- payments to support affordable housing services of \$638 million;
- payments to support state infrastructure services of \$4.9 billion;
- payments to support state environmental services of \$531 million;
- payments to support other state services of \$3.7 billion; and
- contingent payments to the states of \$522 million.

Payments were made by the Treasury on advice from portfolio agencies, with amounts certified as being correct for payment by the agency's Chief Finance Officer or other authorised delegate.

Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement on Federal Financial Relations.

Advice was provided to the states and territories before each payment was made.