



Australian Government

The Treasury

TSY/AU

The Treasury Corporate Plan

2017-18

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Promoting fiscal sustainability

Increasing productivity

Securing the benefits of global economic integration

Organisational capability

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The Treasury Corporate Plan 2017-18, sets out our purpose, intended activities and outcomes for the next four years (2017-18 to 2020-21).

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

In staffing terms, we are one of the smallest central government agencies. Demands on the Treasury for policy advice and implementation continue to expand, reflecting the complexity of the domestic and global economic environment. Additional resourcing over the next two years will bolster the Treasury's capability across a range of areas including tax and economic modelling, foreign investment, support for our legislative program and structural policy analysis. The Treasury will also expand its role by providing high-quality corporate services to a range of APS entities.

The Treasury's staff are drawn from many professions representing diversity in experience and skills. We seek passionate staff who will work collaboratively to deliver the ideas and advice that will help Australia meet the challenges of the coming years. The Treasury seeks to foster high performance via open and robust policy discussions and an attitude of professional and critical enquiry — recognising that we operate in an increasingly contestable and resource constrained environment.

Our capability is enhanced by our focus on stakeholder engagement and recruitment across all sectors and regions including key global markets. Our national presence will expand again in 2017-18 with the establishment of the Treasury's Perth office, building on the success of our Sydney and Melbourne offices.

The Corporate Plan is prepared in accordance with paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013* and can be read in conjunction with the Treasury's Portfolio Budget Statements 2017-18.



John A. Fraser
Secretary to the Treasury



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

Australia has a relatively strong fiscal position by international standards. However, long-term fiscal challenges remain including those associated with an economy transitioning from a mining investment boom to broader-based drivers of growth. Commonwealth debt as a share of gross domestic product, both on a gross and net basis, are at peak levels last seen during the 1970s and 1990s respectively. While these debt levels are not of an immediate concern, given historically low interest rates and a growing economy, Australia will be more exposed than has previously been the case, should Australia experience a significant negative economic shock.

Fiscal reform to ensure a sustainable fiscal position is challenging. Many variables, including interest rates, commodity prices and global economic growth, are outside of the Government's direct control.

- Co-ordinate the preparation of the Commonwealth Government Budget and other documents required under the Charter including the Mid-Year Economic and Fiscal Outlook and the Final Budget Outcome.
- Provide advice on the Government's fiscal strategy and budget position over the forward estimates and the medium term.
- Provide advice to Government aimed at ensuring the Australian taxation system delivers a sustainable revenue base for the next generation.
- Make financial assistance payments to State and Territory Governments in accordance with the requirements of the Intergovernmental Agreement on Federal Financial Relations.
- Provide advice to Government on spending proposals related to energy, industry, innovation, regional, agriculture, infrastructure, environment and communications policies.
- Provide advice to Government on the retirement income system, drawing on fiscal, tax and market regulation considerations, and facilitate timely implementation of measures resulting from this advice.
- Provide advice to Treasury portfolio ministers on major social policy initiatives, with a focus on the efficiency and sustainability of key Government services.
- Coordinate the Government's legislative program for tax and superannuation, financial system, corporations, competition and consumer legislation in accordance with the Government's priorities.

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Requirements of the *Charter of Budget Honesty Act 1998* are met; with the timely production of regular fiscal reports (i.e. the Budget, Mid-Year Economic and Fiscal Outlook and the Final Budget Outcome).

Government measures to improve fiscal sustainability are legislated and implemented in a timely manner; measured by the regular assessment of progress and milestones.

Payments to State and Territory Governments are timely, accurate and made in accordance with the terms in the relevant agreement and the requirements of the Intergovernmental Agreement on Federal Financial Relations.

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

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

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Productivity is the single most important determinant of economic growth and living standards in the long-term. Higher productivity increases household incomes. It means our businesses are more efficient and competitive on a global stage. As productivity growth slows globally, the need for governments to make good policy choices is accentuated.

While our productivity performance in recent years is in line with historical average, there remains a longer-term need to boost productivity to support living standards given the lower terms of trade and the ageing population. There is also an ongoing need to ensure well-functioning markets to help support productive development and assist governments to address economic challenges.

The Treasury will work on initiatives which seek to enhance productivity and ensure well-functioning markets, including in the areas of innovation, infrastructure, competition, trade and investment, and financial services. This work will be informed by the first of the Productivity Commission's five yearly inquiries into Australia's productivity performance.

To aid this work, the Treasury created a new Structural Reform Group in early 2017 to lead work on supporting growth and improvements to living standards in Australia, with a focus on boosting productivity and improving outcomes for Australians through microeconomic and structural reform. The Treasury will also continue to support the work of the Takeovers Panel in ensuring an efficient, competitive and informed market for corporate control; and the Australian Small Business and Family Enterprise Ombudsman in providing assistance to and advocating for small business and family enterprise. This includes work on the treatment of small business loans, business payment times and practices, small business investment and government procurement.

- Encourage innovative thinking on opportunities arising from structural change and digital disruption.
- Lead the implementation of the Government's financial sector reform agenda and advise the Government on the financial system.
- Facilitate foreign investment to support economic growth, while ensuring that national interest concerns are appropriately addressed.
- Provide advice and policy support to enhance the efficiency and competitive operation of markets to work in the long-term interests of consumers, including through access and use of data.
- Support the implementation of policies designed to raise productivity, in particular reducing the tax burden on corporate and small businesses, and improving the overall efficiency of the tax system.
- Provide advice on policies to improve industry and regional productivity.
- Provide advice on policies to promote the fair and efficient operation of the labour market.
- Provide advice on efficient regulation, where it is required.
- Assist the Government to engage with the States and Territories to advance economic and productivity enhancing reforms particularly as they relate to small business.
- Support the Government in its consideration of proposals from the Australian Consumer Law Review.
- Work with the Government to consider small business issues and assist to enhance the capability of small business advisory service providers through the Australian Small Business Advisory Services program.
- Provide actuarial and related policy advice primarily to Australian Government departments and agencies to assist them to quantify risks and make informed decisions.
- Establish a National Housing Finance and Investment Corporation and negotiate a new National Housing and Homelessness Agreement with the State and Territory Governments by 1 July 2018.

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Key milestones and compliance requirements met for the implementation of the Government's financial sector reform agenda.

Economic and productivity enhancing reforms are developed and progressed.
Performance will be measured by long term productivity trends.

Progress of the Government's regulatory reform agenda. Performance will be measured by compliance with the regulatory impact analysis requirements; reduction of portfolio red tape on a net basis; and portfolio regulators' compliance with their Regulator Performance Framework requirements.

Advice to facilitate foreign investment to support economic growth will be high quality and address national interest concerns. Performance will be measured by the Regulator Performance Framework key performance indicators.

Tax and foreign investment measures are implemented in accordance with the Government's plan to reduce pressure on housing affordability promptly; measured by the achievement of agreed progress milestones.

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The Treasury will continue to balance opportunities and risks in relation to trade and investment flows through our understanding of Australia's place in an increasingly complex global economic context. The global rise of protectionist sentiment highlights the fragility of the global consensus on the importance of economic openness and the need for continuing advocacy for the free flow of trade and movement of goods, exchange of services and investment flows.

The Treasury's program of international engagement is central in building capacity in Australia's region, assisting in monitoring international developments and promoting regional and global macroeconomic stability. Treasury staff are posted globally in key economic regions to inform our work and engage with stakeholders including the Organisation for Economic Co-operation and Development (OECD) and the Asia-Pacific Economic Cooperation (APEC).

The Treasury provides forecasts and advice on global economic and trade conditions, with a focus on Australia's major trading partners and issues of direct relevance for the Australian economy — such as commodity prices, inflation, monetary and fiscal policy trends, financial market developments and demographic changes.

The Treasury also closely monitors the external environment for potential opportunities — this is especially significant as Australia's major trading partners are forecast to grow faster than the wider global economy. Equally important is being alive to the risks and changes in the global outlook and how these may affect the domestic outlook. Of particular significance for Australia are the implications of potential risks to China's economy including high levels of debt, potential financial imbalances and overcapacity in some sectors.

- Give effect to Australia's commitment to effective multilateralism, including through the International Monetary Fund (IMF), Multilateral-Development Banks (MDBs) and multilateral fora.
- Support the effective operation of the global financial safety net, including by advocating for: closer cooperation between the IMF and regional financing arrangements; the continued evolution of the IMF's lending toolkit; and reform to IMF quotas and governance to ensure the IMF remains credible and effective.
- Encourage MDBs to make the most effective use of their resource base, acting as a catalyst for additional private sector investment and optimising their use of capital.
- Support the efforts of the Asian Infrastructure Investment Bank to sharpen its strategic focus and build its capacity in areas of desired comparative advantage.
- Engage in effective advocacy at meetings of the Group of Twenty, APEC, and other multilateral fora to ensure they support growth, macroeconomic and financial stability and economic development.
- Deepen bilateral engagement with key strategic partners in the Asia-Pacific region to support increased regional growth and stability; including greater focus on our analysis of emerging economies.
- Advocate the importance of Australia and the region's openness to international trade.
- Promoting the efficiency of Australian markets to support our industries to be competitive overseas.

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Meeting objectives through Australia's membership of the international financial institutions. Measured by Australia meeting its financial and other obligations to these organisations; and through the Treasury's ability to influence policy and our reputation for integrity.

Deepening relationships with key strategic partners in the Asia-Pacific region. Measured by enhanced mutual understanding between Australia and its regional partners, including strengthening shared influence on collective agendas, during the direct engagements and dialogues we undertake.

The Treasury's advocacy and liaison on Australia's economic and trade interests contributes positively to bilateral, regional and multilateral outcomes that help ensure the prosperity of Australia.

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Policy capability

Consistent with the Treasury Portfolio Budget Statements 2017-18, the Treasury strives to provide high-quality, timely, accurate and evidence-based advice and briefs to the Government. Treasury's policy capability will be measured by the ability to meet the Government's needs in administering its responsibilities and making and implementing decisions; its objective understanding of the issues and with a whole-of-government perspective; and the degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.

People capability and culture

We will continue to source a pipeline of qualified talent with a real passion for economics and economic policy development, including through an enhanced graduate program. Our talent sourcing approaches aim to be competitive and contemporary, for example lateral recruitment from the private sector, short-term engagement of external expertise, and special measures in the diversity context.

The Sydney, Melbourne and Perth offices seek to attract high calibre localised talent and remove Canberra relocation barriers. Our secondment program and international postings continue to grow our links with all sectors both domestically and globally, including academia and policy focused institutions.

Priorities for 2017-18 include the implementation of a new performance development system, the development of organisational effectiveness and talent strategies and the design of a capability framework to inform those strategies. The ongoing measure of success will be fit for purpose and active capability strategies and initiatives; evaluated by relevant governance committees and trend analysis following the annual APS employee census.

Stakeholder engagement

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

In leveraging our presence in Sydney, Melbourne and the newly established Perth office, we will work to strengthen the Treasury's links with the business community, non-government organisations, academia and other policy-focussed institutions and consumers. Engagement at regional and local levels including with Indigenous communities will continue, enabling us to see firsthand the economic potential of regional Australia. Providing greater opportunities for stakeholders to contribute directly to policy development will also improve our policy development advice and outcomes.

The Treasury will continue to deliver significant government communication to the Australian public on major policies and initiatives and Budget information. A best practice approach will guide this work and formal evaluation and reviews will inform the ongoing effectiveness of our communication.

The priority activity for 2017-18 will be the implementation of a comprehensive stakeholder engagement strategy to embed engagement within the culture and functions of the Treasury. We will measure our success through an ongoing cycle of review and feedback with our key stakeholders.

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Information and communications technology capability

The efficient acquisition, processing, analysis and publication of information are essential to the Treasury providing quality and timely policy advice. Achieving the desired level of organisational performance and responsiveness requires reliable access to advanced capabilities in information and communications technology (ICT).

Increasing our efforts to deliver high-quality ICT services will advance the Treasury's business capabilities while minimising operational resources and risks. The Treasury will ensure that it meets its performance and accountability obligations in relation to ICT by maintaining effective controls over the management of ICT strategy, planning and operations.

Shared services

The Treasury delivers a select number of corporate functions to portfolio agencies and a wider audience through Treasury Shared Services (TSS). The Treasury has been funded to further develop its capability and capacity to deliver shared corporate services from 2017-18 to 2019-20, through the Public Service Modernisation Fund. This work forms part of the Shared and Common Services Program led by the Department of Finance.

TSS aims to deliver efficient and reliable corporate services, enabling agencies to focus on their core business. To achieve both quality service and cost-efficiency, services are delivered in partnership with the private sector; standardised systems and processes are offered for each service; and services are provided to similar agencies (typically small-to-medium agencies who undertake 'like' business activities to the Treasury and have similar existing corporate systems and processes).

In 2017-18 TSS will seek to deliver ongoing improvements to client service, strengthen our governance arrangements and improve the way we work through enhancements to systems and processes.

Managing risk

The Treasury aspires to a risk culture which is opportunity-driven and where undesirable risk is well managed. Positive risk behaviours are promoted and supported through the processes set out in the Risk Management Policy and Framework.

We do not seek to eliminate all risk; risk management informs what we do and how we do it. Staff are encouraged to use risk management to inform day-to-day planning and decision-making. Risk discussions are live and ongoing, recognising the changing environment in which we operate.

- The Executive Committee maintains oversight of the Risk Management Policy and Framework and provides direction on the Treasury's strategic risk environment and risk appetite.
- The Audit Committee provides independent assurance and advice to the Executive Committee on the Treasury's governance, risk and compliance framework.
- The Chief Risk Officer leads continuous improvement of the risk culture, and delivers risk reports to both the Audit and Executive Committees.
- A Risk Working Group champions a positive risk culture and facilitates regular conversations about operational risks and opportunities.

Priority activities for 2017-18 include implementation of a revised Risk Management Policy and Framework; a Fraud Risk Assessment and a review of the Fraud Control Plan; and implementation of fit-for-purpose risk tools, guidance and training across the Treasury. Ongoing success will be measured through the results of the annual Comcover Risk Management Benchmarking Survey and internal and external audits relating to risk management.