

Part 02

Report on performance

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Annual performance statements 2018-19

Statement of preparation

I, as the Accountable Authority of the Department of the Treasury, present the annual performance statements 2018-19 as required under s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

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



Dr Steven Kennedy PSM
Secretary to the Treasury
12 September 2019

Treasury's purpose

Treasury's purpose is to support and implement informed decisions on policies for the good of the Australian people, consistent with achieving strong, sustainable economic growth and fiscal settings, as set out in the Corporate Plan 2018-19.

Treasury's purpose statement in the Portfolio Budget Statements 2018-19 (PBS) was consistent with Treasury's outcome statement — Supporting and implementing informed decisions on policies for the good of the Australian people, including for achieving strong, sustainable economic growth, through the provision of advice to Treasury ministers and the efficient administration of Treasury's functions. The purpose statement was refined in the Corporate Plan 2018-19.

As set out in the Corporate Plan 2018-19, Treasury pursues its purpose through four broad objectives:

- Promoting fiscal sustainability
- Increasing productivity
- Securing the benefits of global economic integration
- Efficient administration of Treasury portfolio functions.

To enable a clear read between the PBS and the Corporate Plan, the annual performance statements include an analysis against each of the four objectives set out in the Corporate Plan 2018-19.

Analysis of performance and results against objectives

Analysis of performance against purpose under the objective of promoting fiscal sustainability

In 2018-19, Treasury assisted the Government in implementing its fiscal strategy by managing budget processes, advising on the overall budget strategy and priorities, and delivering tax and superannuation policy and legislative reform.

As well as preparing the 2019-20 Budget five weeks earlier than usual, we continued to release reports throughout the year on the economic and fiscal outlook, as required by the *Charter of Budget Honesty Act 1998* (the Charter), including the Pre-election Economic and Fiscal Outlook 2019.

We advised the Government on economic and social policies relating to education, employment, immigration, population, families, health, ageing, disability, Indigenous and justice issues, defence and national security, transport, infrastructure, industry, environment, energy and resources, agriculture, communications, competition and regional matters. This advice informed the Government's decisions on the economic and social policy reforms announced in the 2019-20 Budget.

We also provided advice and analysis on Australia's tax and superannuation systems, and delivered an extensive legislative program in 2018-19. Key changes over the year included measures to maintain and improve the integrity of the tax system, protect individuals' retirement savings, enhance the capabilities of the Australian Securities and Investments Commission (ASIC), and strengthen penalties for non-compliance by the financial and corporate sectors. More broadly, we prepared a total of 32 bills that were introduced into Parliament, containing 47 measures, despite shortened sitting periods in 2018-19 as a result of the May 2019 federal election.

Lastly, we also made financial support payments to the states and territories in accordance with the Intergovernmental Agreement on Federal Financial Relations. Our work in this area forms part of the coordinated action to address Australia's economic and social challenges.

Results against objective of promoting fiscal sustainability

Performance criteria Coordinate the preparation of the Australian Government Budget.
All Budget documentation required by the *Charter of Budget Honesty Act 1998* (the Charter) is delivered.

- Target**
- The Treasury complies with the requirements of the Charter.
 - Documents required under the Charter are delivered as they fall due.

Source PBS Program 1.1
Corporate Plan 2018-19

Results Criteria met.
In 2018-19, the following Australian Government budget documents were prepared and released in accordance with the Charter:

- 2017-18 Final Budget Outcome was released on 18 September 2018.
- 2018-19 Mid-Year Economic and Fiscal Outlook, including the Government's fiscal strategy statement, was released on 17 December 2018.
- 2019-20 Budget was released on 2 April 2019.
- 2019 Pre-election Economic and Fiscal Outlook was released on 17 April 2019.

All documents are available at www.budget.gov.au.

Performance criteria Payments to states and territories
Payments to state and territory governments are timely, and meet the requirements of the Intergovernmental Agreement on Federal Financial Relations (IGAFFR).

- Target**
- Payments made and reporting provided in accordance with the IGAFFR and other relevant agreements between the Commonwealth and the states and territories. Agreements can be viewed at www.federalfinancialrelations.gov.au.
 - 100 per cent of payments are made in accordance with the IGAFFR and its related schedules.
 - Relevant estimates are updated accurately and in a timely fashion.
 - Meetings of the Council on Federal Financial Relations are held at least biannually.

Source PBS Programs 1.4-1.9
Corporate Plan 2018-19

Results Criteria met.
All payments, as required, were made in accordance with the IGAFFR and other agreements between the Commonwealth and the states and territories. As required by the IGAFFR, Treasury provided advice to the states on the components of each payment before it was made. Current and past agreements are available on the Federal Financial Relations website.
Treasury updated state payment estimates for the 2018-19 Mid-Year Economic and Fiscal Outlook and the 2019-20 Budget.
In 2018-19, the Council on Federal Financial Relations met twice.

Performance criteria	Coordination of the Treasury's legislative program. Management, development and delivery of the legislative program in accordance with the relevant legislative requirements and guidance, including timeframes.
Target	<ul style="list-style-type: none"> • All bills, regulations and supporting documents are produced in accordance with regulatory requirements. • The legislation program is delivered in accordance with government expectations, including timeframes. • Ensuring the legislative program is delivered within the required timeframes and the quality of legislation implemented meets a satisfactory standard, allowing for unforeseeable events.
Source	PBS Program 1.1 Corporate Plan 2018-19
Results	<p>Criteria met.</p> <p>In 2018-19, Treasury supported the Government in delivering its legislative program in accordance with the relevant requirements and guidance, including providing legislative and policy advice on bills already introduced into Parliament or yet to be introduced.</p> <p>This program included the introduction of 32 bills, containing 47 measures, and the progression of 16 parliamentary amendments for the 45th Parliament. Thirty six regulations containing 39 measures were made at Federal Executive Council meetings and an additional 32 non-tied instruments were made.</p> <p>The bills introduced into the Parliament included:</p> <ul style="list-style-type: none"> • <i>Treasury Laws Amendment (North Queensland Flood Recovery) Bill 2019</i> — tax exemptions for primary producers and grants relating to the 2019 floods in far north Queensland and special appropriation for the Commonwealth flood assistance loan scheme. • <i>Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019</i> — <i>Backing Small Business Investment</i> — further extending and increasing the instant asset write-off. • <i>Treasury Laws Amendment (Making Sure Foreign Investors Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018</i> — implements measures to protect Australian tax integrity by tightening the rules on stapled structures. • <i>Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill 2018</i> — reforms GST payments to the states and territories by providing a fairer and more sustainable way of distributing GST. • <i>Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Bill 2018</i> — strengthens enforcement and recovery options to deter behaviours that seek to prevent, avoid or significantly reduce the recovery of employment entitlements in insolvency. • <i>Treasury Laws Amendment (Australian Consumer Law Review) Bill 2018</i> — clarifies and strengthens consumer protections relating to consumer guarantees, unsolicited consumer agreements, product safety, false billing, unconscionable conduct, and pricing and unfair contract terms. • <i>Treasury Laws Amendment (Gift Cards) Bill 2018</i> — minimum expiry date for gift cards. <p>The timing of the 2019 federal election significantly shortened the 2019 autumn and winter sitting periods which limited the number of bills that were introduced, debated and passed.</p>

Case study

On 9 May 2018, the Government committed to implementing the Consumer Data Right in line with the recommendation of the Review into Open Banking in Australia. The Consumer Data Right gives Australians greater control over their data, empowering customers to choose to share their data with trusted recipients for the purposes that they have authorised. It is unique in that it will support an economy wide data transfer system — initially starting in the banking sector, but ultimately being rolled out economy wide on a sector by sector basis.

As well as leading the policy development and supporting work on data standards, Treasury's key role was supporting the Government to deliver the underpinning legislation.

Providing opportunities for meaningful consultation with Australian Government entities, stakeholders and the broader community was also important to deliver a quality and workable legislative product. As well as seeking written submissions, we held roundtable discussions in Sydney and Melbourne. Our consultation led us to tighten privacy safeguards in subsequent drafts of the legislation.

The introduction of legislation into Parliament, to implement the Consumer Data Right, demonstrates Treasury's ability to coordinate resources and engage productively with Australian Government entities and stakeholders to deliver quality legislation in line with ministers' expectations.

Performance criteria Ongoing development of Treasury's revenue modelling and forecasting capability, including revenue forecasting tools and methods.

Target • Revenue outcomes are consistent with forecasts, allowing for unforeseeable events.

Source Corporate Plan 2018-19

Results Criteria met.

Treasury undertakes an analysis of our revenue modelling and forecasting over previous years and publishes the outcomes of this comparison in the Budget for the following year.

As outlined in the 2019-20 Budget, total taxation receipts were expected to grow by 7.4 per cent in 2018-19, compared to estimated growth of 5.8 per cent in the 2018-19 Budget.

The largest contributors to the revision to our forecasts were total individual and other withholding taxes, which were higher than expected at the 2018-19 Budget, driven by stronger capital gains and other income; and company tax which was revised upward, primarily driven by higher than expected mining profitability related to high commodity prices.

We continue to invest in modelling capability and model development to ensure it is robust and fit-for-purpose. This includes refinement of medium term projections methodology as shown by our Budget comparisons.

We also made efforts in 2018-19 to continue to build our modelling capability, including specialist recruitment for in house development capability, as well as engagement with academics and experts.

Analysis of performance against purpose under the objective of increasing productivity

In 2018-19, Treasury continued work on a range of initiatives to analyse and enhance productivity and ensure well functioning markets, including providing advice to the Government on available fiscal and regulatory instruments, including foreign investment, as well as analysing the economic outlook and undertaking macroeconomic modelling.

Productivity growth remains critical to improving economic growth and living standards in Australia, with higher productivity increasing national income.

In 2018-19, we continued to provide economic forecasts and projections following the release of the National Accounts, as well as updates on economic conditions, as data became available. We strengthened our modelling capability in the development of two key models, supporting continuous improvements in our forecasting and well informed economic policy and decision making by the Government and key stakeholders.

A key enabler of productivity can be foreign investment, which increases the supply of capital, development of domestic assets and the expansion of Australian businesses into overseas markets.

During this period, we continued to support the activities of the Foreign Investment Review Board in its advisory role to the Treasurer and the Government on foreign investment matters, and in examining the national interest implications of proposed foreign investment in Australia. We provided advice on more than 900 foreign investment applications, in conjunction with other Australian Government entities.

We also continued our work on enhancing foreign investment compliance arrangements to support confidence in the framework while minimising the burden on investors who are doing the right thing.

Results against objective of increasing productivity

Performance criteria Delivery of sound assessments of economic conditions and delivery of forecasts and projections of the economic outlook.

- Target**
- Prepare economic forecasts and projections following the release of the National Accounts in March, September and December each year.
 - Prepare updates of economic conditions as key information and data become available.
 - Prepare information notes on key aspects of international and domestic economies.
 - Evaluate forecasting performance.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury continued to deliver sound economic assessments of economic conditions and delivery of forecasts and projections of the economic outlook, including:

- preparing updates of economic forecasts and projections following the quarterly release of the National Accounts
- preparing economic notes and emails following key macroeconomic data releases
- sending ministerial submissions to the Treasurer on a range of topics relating to the domestic economy, including: household consumption, housing market, public investment, the labour market, wages, financial market conditions, household debt and crypto assets
- preparing ministerial submissions on a number of critical issues related to the global economy, including: the international economic outlook, global financial conditions and developments in major emerging market economies, and developments in international trade.

Our economic update process allows us to regularly reflect on, and review the performance of, our forecasts and models regularly. This work is carried out as part of our core duties.

Performance criteria • Delivery of macroeconomic models of Australia and articulation of their capabilities within Treasury and to other relevant stakeholders.

- Target**
- Develop and maintain a peer reviewed operational Overlapping Generations Model of Australia (OLGA).
 - Develop and maintain a peer reviewed operational macroeconometric model of Australia.
 - Develop and implement an engagement plan for the OLGA, including academic, internal and external stakeholders.
 - Develop and implement an engagement plan for the macroeconometric model of Australia, including academic, internal and external stakeholders.
 - Sustain macroeconomic modelling capability within Macroeconomic Group.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury developed two macroeconomic models for counterfactual policy analysis, the OLGA and the Treasury Industry Model (TIM):

- OLGA provides insights into the aggregate, distributional and intergenerational effect of fiscal policy change
- TIM incorporates rich industry detail useful for analysing industry-specific policy change, and meets the need for an economy-wide view on the effects of productivity enhancing reforms.

In developing the models, we workshopped problem and solution design through presentations and discussions internally, at conferences (for example, at the Australian Conference of Economists 2018) and at closed presentations (for example, meeting with our expert panel of academics in August 2018 and February 2019). Both models have been peer reviewed by external experts.

In addition to the development of models, we also made efforts in 2018-19 to continue to build our modelling capability, including specialist recruitment for in house development capability, investment in new starter capability and training, as well as engagement with academics, macroeconomic modelling experts and co-sponsorship of a conference with the Centre for Applied Macroeconomic Analysis at the Australian National University (ANU).

Performance criteria Foreign Investment Review Board (FIRB) support will be measured by the Regulator Performance Framework (RPF) key performance indicators.

- Target**
- Regulators do not unnecessarily impede the efficient operation of regulated entities.
 - Communication with regulated entities is clear, targeted and effective.
 - Actions undertaken by regulators are proportionate to the regulatory risk being managed.
 - Compliance and monitoring approaches are streamlined and coordinated.
 - Regulators are open and transparent in their dealings with regulated entities.
 - Regulators actively contribute to the continuous improvement of regulatory frameworks.

Source Corporate Plan 2018-19

Results Criteria met.

The Foreign Investment Review Board (FIRB) is supported in its responsibilities by Treasury and the Australian Taxation Office (ATO). Treasury is primarily responsible for foreign investment policy advice and the related day-to-day administration of the foreign investment legislative framework in relation to business, agricultural land and sensitive or complex commercial real estate investments. We also support the ATO in its activities.

Preliminary 2018-19 figures indicate Treasury considered more than 900 foreign investment applications. Over 40 of these had a proposed investment value of \$1 billion or more. Final figures will be reported in the 2018-19 FIRB Annual Report.

Stakeholder feedback has been positive with regular stakeholder feedback used to assess the administration of Australia's foreign investment framework against key performance indicators. The 2018-19 report for the RPF stakeholder survey on performance measured by these KPIs will be finalised and published on the FIRB website by the end of 2019.

We have undertaken a number of activities in 2018-19 in support of our RPF objectives, including:

- engaging with foreign investors and their advisers, including the Foreign Investment Committee of the Law Council of Australia
 - working with other Australian Government entities (consultation partners) to enhance their understanding of the foreign investment legislative framework, including by making a new seminar program available to them
 - enhancing compliance capability and activities particularly for business investment, including by:
 - working with other entities towards streamlining working relationships and arrangements
 - developing public guidance that will support business investors on compliance matters.
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Case study

In 2018-19, Treasury enhanced our modelling capability through building a dynamic macroeconomic model to analyse the effects of fiscal and industry specific policy change.

Our models now include two peer reviewed dynamic general equilibrium models suitable for counterfactual policy analysis, the Overlapping Generations Model of Australia and the Treasury Industry Model.

This work enhanced our in house modelling capability by allowing for modelling of dynamic economic effects, including the transition path of the economy in response to changes to the tax system. Having a coherent general equilibrium framework to model the aggregate, distributional and intergenerational effects of a policy change, allows for greater understanding of the long term impact of policy changes and provision of robust policy advice to Government.

Our development program has shifted us from consultant dependent outsourced models to in house capability, supporting efficiency and ongoing improvements. Aligning our modelling with mainstream theory and empirical methods, and drawing on expertise from academics and other practitioners, has also ensured our work and advice to the Government is consistent with best practice and current approaches to macroeconomics.

Analysis of performance against purpose under the objective of securing the benefits of global economic integration

In 2018-19, Treasury continued to support Australia's bilateral and multilateral economic relationships through engagement with multilateral forums and attendance at meetings, such as the G20 and Asia-Pacific Economic Cooperation (APEC) forum. We maintained our relationship with international financial institutions. We also have officials posted in strategic economies, providing real-time reporting that adds value to our advice to the Government.

Through Treasury's efforts, the Government was well positioned to advance Australia's economic interests, including G20 Finance Ministers meetings, throughout the year. With Australia's support, the G20 has prioritised boosting global growth, ensuring a safe and efficient global financial system, and supporting the integrity of the international tax system. Australia holds a position of influence in all of these streams of work and they carry benefits for Australia domestically as well as in the global economy.

Treasury, together with the Reserve Bank of Australia (RBA), represents Australia on the G20 Framework Working Group which focuses on ways to deliver strong, sustainable, balanced and inclusive global growth. Treasury, with the RBA, also represents Australia on the G20 International Financial Architecture Working Group which has focused on issues such as capital flow stability, debt transparency for both lenders and debtors, progressing the International Monetary Fund (IMF) 15th General Review of Quotas, and progressing reforms on global financial resilience through the G20 Eminent Persons Group.

Treasury also contributed to the improvement of the global infrastructure investment climate through co-chairing of the G20 Infrastructure Working Group meetings in 2018-19, and supporting the Global Infrastructure Hub and the IMF.

Treasury has actively engaged in the Asia-Pacific region, working to bring alignment between the G20 and APEC agendas through a number of meetings throughout the year. We have been engaged in the development of a number of Pacific step-up initiatives including the Australian Infrastructure Financing Facility for the Pacific (AIFFP), which will invest in high-priority infrastructure across the Pacific.

In 2018-19, we continued to strengthen Australia's important international economic relationships by participating in policy dialogues with counterparts from the European Commission, India, Indonesia, Japan and South Korea. We have also supported our Executive and Alternate Executive Directors in their roles across international financial institutions enabling them to influence key policy issues within the institutions, and we have had an important role in shaping the policies of the Asian Infrastructure Investment Bank (AIIB).

In doing our work, we engage with a diverse range of stakeholders to understand a broad range of perspectives on international policy and developments in the global economy. In 2018-19, this included attendance at forums held by universities and research institutes, participating in a panel discussion for the ANU's China-US Trade War and Economic Conflict Conference in May 2019, and co-hosting the Organisation for Economic Cooperation and Development (OECD) Global Forum on Productivity. These meetings facilitate discussion with academics and private sector experts and also provide an opportunity to engage with officials from other countries.

Results against objective of securing the benefits of global economic integration

Performance criteria Payment to international financial institutions.
Advance Australia's interests through effective support of international ministerial and senior official travel (including their attendance at the G20 and other international forums and bilateral economic dialogues).

- Target**
- IMF payments are made in accordance with the *International Monetary Agreements Act 1947*.
 - Focus the preparation of international meetings on advancing Australia's interests — open trade, resilient international financial system (including an adequate global financial safety net) and the stability of the Pacific region, including:
 - clear articulation of Australia's interests in context setting
 - focus meeting briefs and interventions on advancing Australia's interests
 - provide efficient and effective logistical support
 - Make payments to international financial institutions on behalf of the Government to promote Australia's interests.

Source PBS Program 1.2
Corporate Plan 2018-19

Results Criteria met.

In 2018-19, payments were made in accordance with the *International Monetary Agreements Act 1947*, including a \$407 million maintenance of value payment. \$226 million in payments were made by Treasury to international financial institutions on behalf of the Government to promote Australia's interests.

Key achievements in 2018-19, illustrating our preparation for international meetings and our effectiveness in shaping international relationships, included:

- supporting Australia's engagement with the IMF through:
 - facilitating the yearly Article IV consultation with the IMF and the completion of the IMF's 2018 Financial Sector Assessment Program
 - facilitating the Australian extension of our Bilateral Borrowing Arrangement and ensuring Australia's financial commitments to the Global Financial Safety Net are ongoing
 - completing the 2019 IMF Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) Survey
 - providing ongoing advocacy for the proper resourcing of the IMF through international forums
- successfully supporting the Treasurer, or his representative, to advance Australia's economic interests through:
 - engagement with the G20, through Finance Ministers and Central Bank Governors meetings
 - visits to Europe and the United States of America to meet counterparts and explore productivity-enhancing policies
 - engagement with the IMF and World Bank Spring and Annual meetings
 - engagement with AIIB meetings, the Asian Development Bank (ADB) Annual Meeting, the European Bank for Reconstruction and Development (EBRD) Annual Meeting, and the Pacific Forum Economic Ministers' Meeting (FEMM)

- Results (continued)**
- supporting and furthering engagement with our regional counterparts through:
 - seconding and deploying Treasury officials to Papua New Guinea Treasury to assist with its hosting of APEC in 2018
 - concluding a Memorandum of Understanding with the Papua New Guinea Treasury
 - participating in a reciprocal secondment with the New Zealand Treasury
 - participating in formal dialogues and discussion with strategic countries and institutions such as Papua New Guinea, New Zealand, South Korea, and the European Commission
 - supporting the Secretary to the Treasury for visits to the United Kingdom, New Zealand, Argentina and Japan, and supporting his engagement at the Five Treasuries and Canada Australia Public Policy Initiative (CAPPI) events
 - participating in working groups in the G20 and co-chairing (alongside Brazil) the G20 Infrastructure Working Group, leading development of Quality Infrastructure Investment Principles.
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Performance criteria Payments to the Global Infrastructure Hub.

- Target**
- Payments to the Hub are made in accordance with the *Commonwealth Grant Agreement between the Commonwealth represented by The Department of the Treasury (the Treasury) and Global Infrastructure Hub Ltd.*

Source PBS Program 1.3

Results Criteria met.
The payment of \$2.5 million was made on 28 June 2019 in accordance with the *Commonwealth Grant Agreement*.

Analysis of performance against purpose under the objective of the efficient administration of Treasury portfolio functions

In 2018-19, Treasury continued to support the efficient administration of our portfolio bodies, through our work facilitating appointments processes and administrative functions, including the tabling of portfolio body reports and contributions to their activities. We also effectively administered programs with the states and territories, assessing milestones, supporting the finalisation of agreements, and making payments.

Over the period, we finalised bilateral schedules for the Small Business Regulatory Reform Agenda and administered the National Partnership on Asset Recycling. Our work plays an important role in assisting portfolio ministers with their responsibilities in relation to a broad range of portfolio regulators and other bodies across the financial system.

Major work during 2018-19 included addressing the implications of recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, supporting the progression of terms of reference for Productivity Commission reviews, and the role, resourcing and effectiveness of ASIC, as well as the tabling of reports in Parliament on behalf of our portfolio bodies.

We also supported the Government through the administration of a large number of appointments to our portfolio bodies in accordance with applicable legislative requirements and guidelines. In 2018-19, Treasury facilitated 99 appointments to 22 bodies.

Results against objective of the efficient administration of Treasury portfolio functions

Performance criteria Effective administration of programs such as the National Partnership on Asset Recycling (NPA), the Small Business Regulatory Reform Agenda (SBRRRA) bilateral schedules with state and territory counterparts.

- Target**
- NPA: Statements of Assurance for milestone one and two payments are expected to be received by NSW, the ACT and the NT.
 - SBRRRA: Support finalisation of a bilateral schedule with each state and territory.
 - SBRRRA: Assess state and territory delivery of any milestones scheduled for 2018-19 and arrange for relevant payment as appropriate.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury supported the successful administration of the NPA and the SBRRRA.

We assessed Statements of Assurance from the ACT, NSW and the NT to confirm delivery of milestones agreed under the NPA. The Treasurer approved final milestone payments for the ACT, NSW and the NT before the expiry of the NPA on 30 June 2019. Treasury arranged for these payments to be made on 28 June 2019.

A review of the NPA published in January 2019 concluded the initiative succeeded in bringing forward assets for divestment and bringing forward new infrastructure investment in participating jurisdictions.

We also helped the Treasurer finalise SBRRRA bilateral schedules with NSW (finalised in June 2018), Victoria (finalised in June 2018), Queensland, WA, SA, Tasmania and the NT during this time period, including assessment of state and territory completion of milestones and advice to the Treasurer. Following the agreement of the Treasurer, we subsequently facilitated payments.

Performance criteria Effective administration of portfolio bodies.

- Target**
- Appointment processes are efficiently administered, including against Australian Public Service Commission guidelines (where applicable).
 - Administrative functions such as tabling reports, including annual reports, in Parliament are completed on time.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury administered appointment processes in line with relevant guidelines.

During the year, we supported 99 appointments across 22 bodies, including the National Housing Finance and Investment Corporation, the Australian Reinsurance Pool Corporation, Takeovers Panel, ASIC and the Australian Accounting Standards Board.

Treasury fulfilled its role in providing administrative functions for its portfolio bodies, including coordinating the tabling of annual reports for 17 bodies, including the RBA, Takeovers Panel, Australian Bureau of Statistics, ACCC and Australian Prudential Regulation Authority (APRA).

We also made contributions to portfolio body activities, including the coordination of the RBA dividend, assisting the Financial Reporting Council in the preparation of its review of Auditor Disciplinary Processes, and through the development of the Productivity Commission work plan. During this period, the Treasurer approved five terms of reference for Productivity Commission reviews.

Overall analysis of performance against purpose

Analysis

Treasury provides advice, analysis and legislation to the Government to support the effective management of the Australian economy. Our work assists the Government to implement its economic policy agenda.

We provide advice on expenditure and revenue decisions that support a well-functioning economy. We also provide policy advice on all aspects of the financial system to support well-functioning financial markets, and monitor and provide advice on developments in the financial sector, including the efficiency of the financial system in supporting the real economy. We work to maintain and improve regulatory and general business frameworks to create stronger corporations and greater trust and confidence in the corporate sector.

Our work presents a whole of government approach, and is underpinned by forecasting, modelling, and our engagement and collaboration with other entities, international bodies, academia and industry.

In 2018-19, we provided advice on and progressed a number of significant economic reforms. This includes reforms working to improve confidence in the financial sector, consumer law, and the digital economy. In the tax area, the Personal Income Tax Plan represented a significant reform. We also provided support to major reviews, including the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and the Government response, as well as the capability review of APRA.

Our work supports the Treasurer and Treasury portfolio ministers, and makes a positive contribution to public policy.

Results against overall analysis

Performance criteria Provide policy advice to the Government.
Feedback from Treasury portfolio ministers and assistant ministers shows satisfaction with the overall quality of advice received.

- Target**
- Advice is provided on a broad range of economic, fiscal, structural reform, financial systems and foreign investment, revenue and tax issues.
 - Advice is influential and positively contributes to the achievement of the Government's economic agenda.
 - Advice has a whole of government perspective and demonstrates understanding of stakeholder issues.
 - Advice is underpinned by accurate and risk aware economic modelling and forecasts.
 - Majority of feedback received indicates satisfaction with the quality of advice received.
 - Strive for stakeholders' agreement that Treasury makes a positive contribution to public policy.

Source PBS Program 1.1
Corporate Plan 2018-19

Results Criteria met.

Responsive to the Government's economic agenda, in 2018-19 Treasury continued to provide timely briefing on a broad range of areas to the Treasurer and other Treasury ministers on the domestic economy and economic policy.

Treasury regularly receives positive feedback from Treasury portfolio ministers and their offices, on the high quality of advice, briefing and support. Our advice consistently reflects a whole of government perspective, demonstrating how we contribute positively to public policy.

Other key initiatives we have provided advice on in 2018-19 include:

- a range of financial system policy issues, including development of the First Home Loan Deposit Scheme and Comprehensive Credit Reporting, and advice on topical issues such as credit conditions and access to finance
- e-Invoicing, as well as administering the Government's appointments to the newly established Australia and New Zealand Electronic Invoicing Board
- consumer law, contributing to a meeting of Australian Government, state, territory and New Zealand consumer affairs ministers on 26 October 2018, which resulted in agreement on a number of improvements to the Australian Consumer Law
- the establishment of the Modernising Business Registers Program and the introduction of supporting legislation in February 2019
- the tax challenges from the digitalised economy
- the Personal Income Tax Plan
- revenue issues, including the black economy.

In providing this advice, we have set, and met, high expectations in ensuring that advice is accurate and risk aware, drawing on economic analysis, modelling and forecasts, and presenting a whole of government view. This has included:

- completing 487 costings for inclusion in advice to ministers
- working with the Department of Finance and other Australian Government entities to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication
- collaborating with other departments and entities, as well as across Treasury to develop domestic and international policy advice
- engaging with external stakeholders to inform the development of policy advice, including formal consultation processes (available on our website), the Business Liaison Program, and informal embedded collaborative efforts.

Performance criteria Support and implementation of government reviews, initiatives, reforms and inquiries.

Target • Treasury is responsive and enables the Government to deliver on current priorities and the economic reform agenda.

Source PBS Program 1.1

Results Criteria met.

In 2018-19, Treasury was responsive and enabled the Government to deliver on current priorities and the economic reform agenda, including supporting implementation of initiatives and reforms.

A key reform initiative supported by Treasury was the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Intensive effort throughout the year included providing background papers and submissions to the Royal Commission and supporting the Government response to the final report within three days of tabling. Our focus then shifted to developing implementation plans.

In 2018-19, other key reforms we have provided advice on, and supported implementation of, included:

- providing the secretariat for an external review of APRA's capability to ensure it was fit-for-purpose for the future
- implementation of 14 proposals from the Review of the Australian Consumer Law, including stronger powers for the ACCC and increased penalties under the Australian Consumer Law
- the regulatory framework applying to authorised deposit-taking institutions, capital market operators, insurers and the payments system, supporting the efficient allocation of capital to households and businesses, including to enable investment for productive purposes
- implementation of legislation increasing penalties for corporate and financial sector misconduct, giving ASIC product intervention powers, and imposing design and distribution obligations on issuers to protect retail consumers and investors, providing additional protections for whistleblowers, and deterring sharp corporate practices aimed at avoiding employee entitlements in insolvency
- government digital projects to improve the quality of digital information on Australian businesses, improve business user-experience when interacting with government digitally, and assist with improving the productivity of the digital economy.

We also provided advice on a wide range of other issues throughout 2018-19, including vocational education and training, schools funding, population policy and consumer data rights, as well as assistance to the Financial Reporting Council in the preparation of its review of Auditor Disciplinary Processes.

Case study

In December 2017, the Government established a Royal Commission into allegations of misconduct in the banking, superannuation and financial services industry.

Treasury provided a number of background papers to the Royal Commission, and made five submissions on different policy issues, including a stand-alone submission to assist the Royal Commissioner in developing his findings and recommendations. Our work was referenced positively in the final report and influenced the direction of the findings and recommendations.

We also supported the Government in delivering its response to the Royal Commission's final report within three days of its receipt. The response saw the Government commit to take action on all the Royal Commission recommendations, and also announce a number of additional measures to enhance consumer protections, increase financial sector accountability, strengthen financial sector regulators, and improve consumer redress mechanisms.

We are now leading the implementation of the Government's response and working with other Australian Government entities as part of a newly established Financial Services Reform Implementation Steering Committee to coordinate activities and ensure reforms are implemented.

Treasury's Royal Commission work has demonstrated our ability to provide authoritative advice on complex areas of policy, cooperatively assist independent inquiries, coordinate and reallocate resources internally to address key priorities and to support government, and mobilise plans and efficiently implement large reform agendas.

Financial performance

Treasury has a sound financial position, meeting its debt obligations as and when they fall due. Excluding depreciation, amortisation and changes in asset revaluation reserves, Treasury reported an operating deficit of \$2.1 million in 2018-19, which was driven by the increase of staff leave provision costs (\$5.7 million) due to the decline in the 10-year government bond rate. The deficit was a result of an uncontrollable market factor, rather than a reflection on the state of Treasury’s finances or its functions, as this bond rate movement impacted the leave provision costs on all Commonwealth entities. Without the influence of this external factor, Treasury would have landed in a similar financial position as the previous financial year. In 2017-18, Treasury reported an operating surplus of \$3.1 million after adjusting for depreciation, amortisation and changes in asset revaluation reserves. Treasury’s administered expenses in 2018-19 were \$140.3 billion, compared with \$133.9 billion in 2017-18. The Medicare Guarantee Fund payment was processed in 2018-19 for the amount of \$36.2 billion.

Treasury received an unmodified audit report on its 2018-19 financial statements from the Australian National Audit Office. These statements are in *Part 04 Financial statements*.

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2019

<p>Portfolio Minister — Treasurer The Hon Josh Frydenberg MP</p> <p>Minister for Population, Cities and Urban Infrastructure The Hon Alan Tudge MP</p> <p>Assistant Treasurer and Minister for Housing The Hon Michael Sukkar MP</p> <p>Assistant Minister for Superannuation, Financial Services and Financial Technology Senator the Hon Jane Hume</p> <p>Assistant Minister for Finance, Charities and Electoral Matters Senator the Hon Zed Seselja</p>	
<p>Department of the Treasury Secretary, Mr Philip Gaetjens</p>	
Outcome 1:	Supporting and implementing informed decisions on policies for the good of the Australian people, including for achieving strong, sustainable economic growth, through the provision of advice to Treasury Ministers and the efficient administration of Treasury’s functions.
Program 1.1:	Department of the Treasury
Program 1.2:	Payments to International Financial Institutions
Program 1.3:	Support for Markets and Business
Program 1.4:	General Revenue Assistance
Program 1.5:	Assistance to the States for Healthcare Services
Program 1.6:	Assistance to the States for Skills and Workforce Development
Program 1.7:	Assistance to the States for Disability Services
Program 1.8:	Assistance to the States for Affordable Housing
Program 1.9:	National Partnership Payments to the States

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2019 (continued)

Australian Bureau of Statistics	
Australian Statistician, Mr David Kalisch	
Outcome 1:	Decisions on important matters made by Governments, business and the broader community are informed by objective, relevant and trusted official statistics produced through the collection and integration of data, its analysis, and the provision of statistical information.
Program 1.1:	Australian Bureau of Statistics
Australian Competition and Consumer Commission	
Chair, Mr Rod Sims	
Outcome 1:	Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services.
Program 1.1:	Australian Competition and Consumer Commission
Program 1.2:	Australian Energy Regulator
Australian Office of Financial Management	
Chief Executive Officer, Mr Robert Nicholl	
Outcome 1:	The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government.
Program 1.1:	Australian Office of Financial Management
Australian Prudential Regulation Authority	
Chair, Mr Wayne Byres	
Outcome 1:	Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, promotes financial system stability in Australia.
Program 1.1:	Australian Prudential Regulation Authority
Australian Securities and Investments Commission	
Chair, Mr James Shipton	
Outcome 1:	Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.
Program 1.1:	Australian Securities and Investments Commission
Program 1.2:	<i>Banking Act 1959, Life Insurance Act 1995, unclaimed monies and special accounts</i>

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2019 (continued)

Australian Taxation Office	
Commissioner, Mr Chris Jordan AO	
Outcome 1:	Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.
Program 1.1:	Australian Taxation Office
Program 1.2:	Tax Practitioners Board
Program 1.3:	Australian Business Register
Program 1.4:	Australian Charities and Not-for-profits Commission
Program 1.5:	Australian Screen Production Incentive
Program 1.6:	Junior Minerals Exploration Incentive
Program 1.7:	Fuel Tax Credits Scheme
Program 1.8:	National Rental Affordability Scheme
Program 1.9:	Product Stewardship for Oil
Program 1.10:	Research and Development Tax Incentive
Program 1.11:	Low Income Superannuation Tax Offset
Program 1.12:	Private Health Insurance Rebate
Program 1.13:	Superannuation Co-contribution Scheme
Program 1.14:	Superannuation Guarantee Scheme
Program 1.15:	Targeted Assistance through the Taxation System
Program 1.16:	Interest on Overpayment and Early Payments of Tax
Program 1.17:	Bad and Doubtful Debts and Remissions
Program 1.18:	Other Administered
Commonwealth Grants Commission	
Secretary, Mr Michael Willcock	
Outcome 1:	Informed Government decisions on fiscal equalisation between the States and Territories through advice and recommendations on the distribution of GST revenue
Program 1.1:	Commonwealth Grants Commission
Inspector-General of Taxation	
Inspector-General, Ms Karen Payne	
Outcome 1:	Improved tax administration through investigation of complaints, conducting reviews, public reporting and independent advice to government and its relevant entities.
Program 1.1:	Inspector-General of Taxation
National Competition Council	
President, Ms Julie-Anne Schafer	
Outcome 1:	Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure.
Program 1.1:	National Competition Council

Office of the Auditing and Assurance Standards Board	
Chair, Dr Roger Simnett AO	
Outcome 1:	The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.
Program 1.1:	Auditing and Assurance Standards Board
Office of the Australian Accounting Standards Board	
Chair, Ms Kris Peach	
Outcome 1:	The formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions.
Program 1.1:	Australian Accounting Standards Board
Productivity Commission	
Chair, Mr Michael Brennan	
Outcome 1:	Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.
Program 1.1:	Productivity Commission
Royal Australian Mint	
Chief Executive Officer, Mr Ross MacDiarmid	
Outcome 1:	The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products.
Program 1.1:	Royal Australian Mint

