

# Part 1

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# Secretary's review

This is my second annual report as Secretary, and I am pleased to report on our achievements in what has been an extraordinary year. Our work during 2020–21 has been a vital part of the economic response to COVID-19. Our effectiveness was underpinned by the capability of our staff, our ability to quickly adjust and our preparedness to take on things we would not normally do. I would like to express my thanks and gratitude to Treasury's staff who delivered so well in an environment of major changes to how we work and how we live.

I would like to acknowledge our many partners and stakeholders across Commonwealth and State governments, the private sector, academia and international agencies who worked with us in delivering quality, timely and integrated advice to Government and assisted with the implementation of a very significant agenda.

## COVID response and recovery

Assessing and responding to the COVID-19 shock has been one of the most challenging tasks in Treasury's history. I noted in last year's Annual Report that considerable uncertainty about the progression of the virus and its impact on the economy remained. This was still the case as we entered 2021.

As the Government's leading economic advisor, Treasury provided more frequent economic analysis and forecasts than ever before. In doing so, we were able to draw on new sources of real-time data and past investments in our data analytics capability.

The size and speed of the economic shock necessitated a substantial response. Treasury led the design and implementation of major COVID-19 response measures including JobKeeper, the Cash Flow Boost, HomeBuilder, the Small to Medium Enterprise Guarantee and the Coronavirus Supplement.

Treasury also led the design and implementation of major initiatives to support the economic recovery, including temporary full expensing and loss carry back for businesses, personal income tax cuts and significant changes to Australia's insolvency system. Treasury developed a new fiscal strategy that ties the government's fiscal approach to economic recovery, which has attracted global interest.

Treasury's role in implementing a number of the response and recovery efforts required a focus on program delivery which was rapidly established. In doing this, Treasury collaborated across the public service, engaged with experts and worked closely with our state and territory counterparts.

This co-operative approach brought different perspectives and expertise which assisted in the implementation of these programs and ensuring that we had a focus on continuous improvement.

In rapidly changing conditions, Treasury delivered seven economic statements. There was the July Economic and Fiscal Update, an additional Debt Statement in line with the *Charter of Budget Honesty Act 1998*, followed by the 2020–21 Federal Budget in October. In December, the first Annual Population Statement was published, followed by the Mid-Year Economic and Fiscal Outlook. In May, we delivered the 2021–22 Federal Budget. To round out an extraordinary year, the 2021 Intergenerational Report was published in June.

These statements told the economic and fiscal story of the COVID-19 pandemic as it unfolded and revealed the resilience of the Australian economy in the face of such a significant shock. Following the first recession in almost 30 years, the economy recovered quickly in the second half of 2020, with economic activity and employment exceeding pre-pandemic levels by early 2021. However, recent outbreaks and associated restrictions will weigh on economic activity in the second half of 2021.

## Economic agenda

While COVID-19 was a major focus, Treasury continued to deliver on the Government's broader economic policy agenda. In all, we generated 26 bills before Parliament across a broad range of economic priorities.

We led the reinvigoration of the Council on Federal Financial Relations with its focus on both responding to COVID-19 and economic reform.

We continued strong international engagement through G20, the International Monetary Fund (IMF), the Pacific Forum Economic Ministers Meeting and the multilateral development banks. Treasury engaged in a series of bilateral meetings with counterparts in Singapore, Japan, Malaysia, Republic of Korea, Indonesia, India, the Philippines and Vietnam on a broad range of issues including the COVID-19 situation and response, as well as specific topics on aspects of economic management.

We progressed changes to the financial system, including the response to the Financial Services Royal Commission, the review of the regulatory architecture behind Australia's payments system and the design of the reinsurance pool for cyclone and related flood damage.

We led and supported important digital economy initiatives such as the rollout and future directions of the Consumer Data Right and the News Media and Digital Platforms Mandatory Bargaining Code, both world leading reforms.

We contributed to Australia's investment environment, leading on changes to Australia's insolvency regime. We helped strengthen the superannuation system, supporting the independent Retirement Income Review and leading on superannuation changes including the Your Future, Your Super amendments.

We developed and implemented the most significant reforms to the *Foreign Acquisitions and Takeovers Act* since 1975, including new national security powers and enhanced compliance powers, which took effect on 1 January 2021. This involved a significant transition effort and continued building of new regulatory capabilities in Treasury's foreign investment division focused on national security, compliance and governance.

We proactively engaged with other departments and provided assistance on significant issues such as the Government's response to the Aged Care Royal Commission.

And we led work to improve an understanding of Australia's population changes and economic and fiscal challenges, now and into the future, through the first Annual Population Statement and the 2021 Intergenerational Report.

## The way we work

We did many things differently this year, and the result is a more capable department.

Treasury staff worked differently this year – almost all our staff found themselves in lockdown and working from home at some point during the year. An important factor in our ability to deliver while working differently can be attributed to investments we had made in our underlying ICT systems.

We drew on recent investments in our data analytical capability and novel data sources to improve our economic advice. We used more real time data than ever before, including linked administrative data held across different parts of government and data from the private sector including from the banks and beyond.

Treasury continued to advance Australia's interests through our overseas network in China, OECD France, Japan, India, Indonesia, United Kingdom and the United States. In 2021, Treasury deepened our engagement in the immediate region, through posting a Treasury officer to Papua New Guinea.

We adapted to different ways to engage internationally. Virtual meetings across time zones meant many late-night meetings with international bodies and financial institutions. Yet we still made progress discussing prominent issues including the global economic recovery as well as taxation challenges arising from the digitalisation of the economy.

We engaged closely with stakeholders inside and outside Government especially on the design and delivery of major economic policies. Our dedicated business liaison unit continued to drive our engagement with external stakeholders and involved them more in the policy making process. This enabled us to provide stronger and well-rounded advice on approaches to key economic policy issues.

We continued to celebrate the diversity of our workplace and community. Treasury continued to move forward on its reconciliation journey through the development of our second Reconciliation Action Plan, including extensive consultation within and outside of the department. We continued to support an active inclusion and diversity network, focussing on gender equality, pride, disability, Indigenous, culturally and linguistically diverse issues that are important across our workforce.

While we were highly effective, the intensity of work over the past year has taken a toll on many of our people. We had a strong focus on the wellbeing of our staff during the year and we will continue to support staff wellbeing over the coming year.

## **New functions**

Treasury took on several additional functions this year. Following a Machinery of Government change, we were delighted to welcome the Small and Family Business Division (SFBD), the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and the Infrastructure and Project Financing Agency (IPFA) to the Treasury portfolio.

We have also welcomed functions and staff from within the portfolio. In October we gained new responsibilities for financial capability policy and coordination, and in March new responsibilities for the Consumer Data Right and related data standards.

## **The year ahead**

As we move through 2021, the pandemic is far from over. We have witnessed the consequences and impacts of second and third waves around the world and within Australia. These, and other outbreaks, present significant health challenges domestically and globally and continue to disrupt economic recovery across most countries. The continued roll out of vaccination programs in Australia and overseas are expected to reduce both the risk of death and the speed of transmission of the virus. But uncertainties remain, including about how the nature of the virus could change over time, and so the risks to Australia and the global economy remain heightened.

In this context, we will continue advising the Government and implementing policies to respond to the COVID-19 pandemic and support the economic recovery. This remains a significant task along with continuing to implement the Government's economic priorities.

Treasury will continue to invest in the capability of our people and our organisation. We are focused on capitalising on the skills and talents of all members of the community through maintaining and building on the diversity of our workforce. Given COVID-19 has challenged traditional working practices we are updating our flexible working arrangements policy. This is to ensure our people are safe and productive and that our work practices are inclusive as we continue to manage hybrid working arrangements during the COVID-19 pandemic.

Treasury has shown remarkable flexibility in navigating a difficult year while continuing to deliver high-quality advice to the Government and implement a wide range of economic policies and programs.

I am pleased to report on our performance for the 2020–21 financial year.



**Dr Steven Kennedy PSM**

Secretary to the Treasury

# Departmental overview

## Treasury is the Government's lead economic adviser.

This is a significant responsibility which relies on our professionalism, judgement and expertise in providing advice to the Government in support of the effective management of the Australian economy.

The Treasury Portfolio Budget Statements 2020–21 outcome is:

**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.**

Our purpose under the *Treasury Corporate Plan 2020–21* 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.

COVID-19, a once-in-a-century pandemic, continues to deliver an enormous shock to our economy. During the first 12 months of the recovery Australia's economic performance has been stronger than anticipated, supported by the actions of households and businesses as well as fiscal and monetary policy. This resulted in a stronger bounce-back compared with other recent downturns. Further outbreaks and associated lockdowns during mid-2021 pose challenges to our recovery efforts. Our purpose remains at the forefront as we assist the Government's economic response to outbreaks and long-term recovery efforts.

Our work supporting the Government's economic response to the pandemic has been vital. We are focused on developing economic advice and analysis as well as designing and delivering programs to support the Government's economic recovery measures focused on employment and building confidence of individuals and businesses.

Figure 1 shows the department's organisational structure at 30 June 2021. The accountable authority of the department is Dr Steven Kennedy, PSM, Secretary, who has occupied the position from 1 July 2020 until 30 June 2021.

Figure 1: Treasury Group senior management as at 30 June 2021



**SECRETARY: DR STEVEN KENNEDY PSM**



**MACROECONOMIC GROUP**

**Deputy Secretary: Luke Yeaman**

**International Economics and Security Division** – First Assistant Secretary: Lisa Elliston

**Macroeconomic Analysis and Policy Division** – First Assistant Secretary: Mark Cully

**Macroeconomic Conditions Division** – First Assistant Secretary: Trevor Power

**Overseas operations**

**Washington:** Ian Beckett

**OECD Paris:** Brendan McKenna

**London:** Emily Martin

**Tokyo:** David Lowe (A/g)

**Beijing:** Rachel Thompson

**Jakarta:** Katherine Tuck

**India:** Percy Bell (A/g)

**Indonesia Ministry of Finance:** Kristy Baker



**FISCAL GROUP**

**Deputy Secretary: Jenny Wilkinson PSM**

**Budget Policy Division** – First Assistant Secretary: Brenton Goldsworthy

**Commonwealth-State Relations Division** – First Assistant Secretary: Damien White

**Environment, Industry and Infrastructure Division** – First Assistant Secretary: Matt Brine

**IGR and Population Division/Centre for Population** – First Assistant Secretary: Victoria Anderson

**Infrastructure and Project Financing Authority\*** – First Assistant Secretary: Catherine Black (A/g)

**Labour Market Policy Division** – First Assistant Secretary: Philippa Brown

**Social Policy Division** – First Assistant Secretary: Vicki Wilkinson

\*Infrastructure and Project Financing Authority MOG





## REVENUE GROUP

**Deputy Secretary: Maryanne Mrakovcic**

**Board of Taxation Secretariat** – Assistant Secretary: Kathryn Davy

**Corporate and International Tax Division** – First Assistant Secretary: Sam Reinhardt

**Individuals and Indirect Tax Division** – First Assistant Secretary: Paul McCullough

**Law Division** – First Assistant Secretary: Simon Writer

**Tax Analysis Division** – First Assistant Secretary: Katrina Di Marco



## MARKETS GROUP

**Deputy Secretary: Meghan Quinn PSM**

**Australian Government Actuary** – First Assistant Secretary: Guy Thorburn

**Australian Small Business and Family Enterprise Ombudsman\*\***: Bruce Billson

**Consumer Data Right Division** – First Assistant Secretary: Kate O'Rourke

**Data Standards Body\*\*\*** – Chair: Andrew Stevens

**Financial System Division** – First Assistant Secretary: James Kelly

**Market Conduct Division** – First Assistant Secretary: Robert Jeremenko

**Retirement Income Policy Division** – First Assistant Secretary: Lynn Kelly

**Small and Family Business Division\*\*\*\*** – First Assistant Secretary: Peter Cully

**Takeovers Panel** – Assistant Secretary: Allan Bulman



## CORPORATE AND FOREIGN INVESTMENT GROUP

**Deputy Secretary: Roxanne Kelley PSM**

**Business Liaison Unit** – First Assistant Secretary: Robert Raether

**Chief Operating Officer Division** – First Assistant Secretary: Elizabeth Williamson

**Foreign Investment Division** – First Assistant Secretary: Tom Hamilton

**Strategic Coordination and Communications Division** – First Assistant Secretary: Hamish McDonald

### State Offices

**Sydney Office Head:** Tim Baird

**Melbourne Office Head:** Damian Mullaly

**Perth Office Head:** Aidan Storer

\*\*Australian Small Business and Family Enterprise Ombudsman MOG

\*\*\*Data Standards Body MOG

\*\*\*\*Small and Family Business MOG

# Portfolio overview

Treasury is a central policy agency and is expected to anticipate and analyse policy issues with a whole-of-economy perspective, understand government and stakeholder circumstances and respond rapidly to changing events and directions.

The Treasury portfolio comprises the following entities:

- The Australian Bureau of Statistics
- Australian Competition and Consumer Commission
- Australian Office of Financial Management
- Australian Prudential Regulation Authority
- Australian Reinsurance Pool Corporation
- Australian Securities and Investments Commission
- The Australian Taxation Office
- Commonwealth Grants Commission
- Financial Adviser Standards and Ethics Authority Ltd
- Inspector-General of Taxation
- National Competition Council
- National Housing Finance and Investment Corporation
- Office of the Auditing and Assurance Standards Board
- Office of the Australian Accounting Standards Board
- Productivity Commission
- Reserve Bank of Australia
- Royal Australian Mint.

## **Figure 2: Treasury outcome and program structure**

**Outcome 1:** Supporting and implementing informed decisions on policies for the good of the Australian people and 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.

