

Secretary's message

Purpose

Promoting fiscal sustainability

Increasing productivity and workforce participation

Securing the benefits of global economic integration

Operating environment

Performance

Capability

Risk oversight and management



Australian Government

The Treasury

Corporate Plan 2015-16

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Treasury's 2015-16 Corporate Plan sets out the Department's purpose, our priorities and the key directions we will take over the next four years.

To prosper in the fastest growing region in the world, Australia needs to focus on ensuring strong, sustainable economic growth. The 2015 Intergenerational Report highlighted the need to pursue policies that lift productivity and encourage workforce participation. Fiscal sustainability through spending restraint and securing the Australian Government's revenue base will also better position Australia to respond to global economic shocks.

To help the Australian Government manage emerging domestic and international pressures, the Treasury will play an important role as the pre-eminent economic adviser. We must serve the Australian people and support the delivery of sound

economic policy by being rigorous, well-rounded and informed. This applies across the waterfront of issues on which we work: from tax, the Budget and the economy; to financial, foreign investment, competition and broader structural policy; from small business to international policy.

The Treasury requires capable and professional leaders to drive our policy development and delivery capabilities. At all times, we must foster a high-performing workforce that engages well with stakeholders. The establishment of our Sydney and Melbourne offices in 2015 is helping us to form stronger relationships with the private sector and strengthen our organisational capability.

This is a critical economic period for Australia and I look forward to leading a highly driven, highly capable Treasury that builds on its proud tradition of making a strong positive contribution to raising the living standards of Australians.

I am pleased to present the Department of the Treasury's 2015-16 Corporate Plan, which covers the years 2015-16 to 2018-19, as required by paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

John A. Fraser

Secretary to the Treasury

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Purpose

The Department of the Treasury (the Treasury) serves the Australian people by assisting the Australian Government's Treasury Ministers (Ministers) to discharge their responsibilities.

The Treasury provides advice to Ministers, as well as to others in government. We do this both in response to requests from Ministers and proactively.

The Treasury administers a number of government programs that it is uniquely equipped to do. In addition, the Treasury performs a range of administrative and support tasks that arise as a result of Ministers discharging their responsibilities.

The Treasury seeks to perform its tasks to the best of its institutional ability, within the resources it has available. We do this by directly employing, or having timely access to, the best possible people to undertake its tasks.

We equip our people and collect and maintain critically-important and timely information, including through engagement with private sector, non-government organisations, academia and other policy-focussed institutions. We engage people with specialist skills and continually deploy our resources to the Treasury's highest priority tasks at any point in time.

The specific matters that the Treasury works on are ever-changing. They are informed by our current operating environment and by having an eye to the future. We must and will pay close attention to developments in the Australian and international economies over the period of the plan. As a high-level guide to those things the Treasury regards as its priority tasks in the foreseeable future, three current priorities have been identified:

1. Promoting fiscal sustainability
2. Increasing productivity and workforce participation
3. Securing the benefits of global economic integration

Delivering on these priorities will require a high-performing and flexible organisation.

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Promoting fiscal sustainability

We will assist the Australian Government to:

- Improve fiscal sustainability by identifying effective and efficient government spending arrangements and reducing pressure on the Government's revenue base by improving the structure and integrity of the tax system.

The challenges ahead include:

- Increased demand for government services – including for health and aged care – in part driven by demographic shifts identified in the 2015 Intergenerational Report.
- Lower terms of trade, moderate national income growth and global mobility of profits contributing to pressures on the revenue base.

Initiatives to address these challenges include:

- Providing rigorous and informed advice on the Government's fiscal strategy, tax and expenditure policies.
- Coordinating the preparation of the Commonwealth Government Budget and other documents required under the *Charter of Budget Honesty Act 1998*.
- Supporting the Commonwealth Government's financial relations with the State and Territory governments, including through our contribution to the Government's Federation White Paper.



Increasing productivity and workforce participation

We will assist the Australian Government to:

- Identify trends in the economy and policies to raise Australia's growth potential.
- Reform the tax system to make it more internationally competitive and boost productivity and workforce participation.
- Drive productivity through microeconomic reforms to encourage well-functioning, efficient, competitive, and technology-neutral market systems.

The challenges ahead include:

- Transition from economic growth led by resources investment to broader-based growth.
- The potential for slower national income growth over the medium term in the absence of an improvement in productivity and workforce participation.
- Income taxation remaining a drag on economic performance.
- Our regulatory regime needing to continually adjust to technology trends.
- Inefficient markets not maximising our productive potential.
- Attracting foreign investment within a framework that is in the public interest.

Initiatives to address these challenges include:

- Implementing the Small Business and Jobs Package.
- Implementing the Government's responses to the Financial System Inquiry and the Competition Policy Review.
- Supporting reform of the tax system through the Government's Tax White Paper process.
- Implementing the Government's deregulation agenda and supporting the reduction of red tape.
- Implementing improvements to the foreign investment framework.
- Implementing the Asset Recycling Initiative and the Northern Australia Infrastructure Facility to support increased investment in infrastructure across the economy.

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Securing the benefits of global economic integration

We will assist the Australian Government to:

- Rebuild fiscal buffers to reduce Australia's vulnerability to global shocks.
- Balance opportunities and risks in relation to trade and investment flows through our understanding of Australia's place in a complex global economic context.
- Support G20 initiatives to drive global growth and enhance regional engagement with key trading partners.
- Reform markets so they are more open, innovative and competitive.

The challenges ahead include:

- Restoring fiscal sustainability to strengthen our resilience to global shocks.
- Shift in the economic powerbase towards our regional economic partners.
- Development path in China, its rising middle class, rising asset values, slower growth and closer integration across economic, cultural and political spheres.
- Potential for global financial market volatility and exposure of vulnerabilities as monetary policy stimulus undertaken by the major advanced economies is reduced.

Initiatives to address these challenges include:

- Continued involvement with the G20 Finance Ministers' and Central Bank Governors' meetings.
- Liaising closely in supporting the Global Infrastructure Hub.
- Supporting continuing reform of international financial institutions and close engagement with regional financial forums.
- Board membership of the newly created Asian Infrastructure Investment Bank.
- Establishment of the Treasury's Sydney and Melbourne offices.

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Australia has a proud history of leading the world in the design and implementation of policies that create the conditions for economic prosperity. Continued economic reform will be critical to our ability to prosper. The Treasury will need to pursue its purpose against an ever changing operating environment.

The Australian economy's transition from the resources boom to broader-based growth is continuing. This transition has been slower than hoped and economic activity has recorded below trend growth rates for a number of years, which has resulted in a gradual rise in the unemployment rate. If Australia is to sustain the rate of improvement in national living standards that we have experienced over the past two decades, key priorities must be to restore fiscal sustainability, boost workforce participation and raise productivity growth.

An efficient and effective tax system is important in supporting economic growth and generating necessary government revenue. Australia's tax system, including its heavy reliance on personal and corporate income taxes, imposes significant economic costs. The tax system also faces challenges from technological change and globalisation. The Tax White Paper, to be released before the next election, provides a key opportunity to improve the international competitiveness and sustainability of our tax system.

Effective competition in our economy is a key part of its strength and dynamism. Competitive markets benefit consumers by putting downward pressure on prices, driving innovation and investment in new technologies and the development of new products and quality services that meet the needs of consumers. The Harper Review made wide-ranging recommendations to overhaul competition laws, practices and institutions to foster greater competition and so enhance the productivity of the Australian economy.

A strong financial system is important for sustaining a resilient and growing economy. The opening of the financial system to international participants dramatically improved access to and competition in the provision of financial services. Sound regulatory frameworks helped Australia weather the global financial crisis better than our international peers. The Financial System Inquiry provides recommendations to improve the efficiency, resilience and fairness of Australia's financial system.

The Treasury will continue to advise the Government and support the implementation of policies in these and other areas to support Australia's long-term growth and prosperity.

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We will assess our success in achieving our purpose annually.

We will use the following qualitative performance information:

- Retaining workforce capability in a competitive labour market
- Building our capability through the effective operation of the Treasury's Sydney office and progress towards the establishment of a Treasury office in Melbourne in 2015.
- The extent to which we strengthen the Treasury's links with the private sector, non-government organisations, academia and other policy-focussed institutions over the period.
- High-quality, timely, accurate and evidence-based advice to the Government.
- Published reports and other information that stimulate and inform government and public debate through robust analysis, modelling and research.

The Treasury also administers a number of programs on behalf of the Government. Performance indicators can be found in the 2015-16 Treasury Portfolio Budget Statements.

Capability

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To help us deliver on our purpose, we will build and maintain organisational capability by:

- ensuring a deep understanding of the economic and policy environment;
- collaborating with stakeholders to develop and implement effective policy;
- pursuing best practice policy design and implementation;
- fostering a high-performing workforce; and
- managing costs, better allocating resources and driving efficiencies.

Initiatives to maintain our capability include

- Identifying key emerging issues and flexibly and promptly allocating resources to these issues.
- Engaging and collaborating with stakeholders across all industries and sectors.
- Ensuring that internal workforce supply – capacity and capability – is aligned to organisational demand.
- Enabling staff secondment opportunities across government and the private sector.
- Engaging external specialist expertise when required.
- Improving efficiency and quality of corporate services through shared and selective sourcing of services.
- Delivering a more flexible and innovative workplace.
- Delivering high-quality information management and technology solutions.
- Monitoring capability through a robust performance management system.

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Risk management in the Treasury is about identifying and analysing the uncertainty in achieving our purpose. We do this by looking to the future and gathering the best available information required for good decision making.

The outcome of good risk management is increased ability to develop innovative solutions, enhancing the Treasury's ability to provide the Australian Government with good policy and program options. Ultimately, effective risk management assists the Treasury to make a positive contribution to the economic sustainability of Australia.

The Treasury's risk management framework aims to:

- Establish robust, pragmatic risk management practices that support business needs and provide the methodology and tools to enable effective management of risk across the Treasury.
- Develop a consistent Treasury wide understanding of risk management.
- Foster an environment where all staff assume responsibility for managing risk, with managers formally considering risks as part of the decision-making process.
- Ensure that significant risks have been identified, understood, documented and actively managed.
- Assess risks in a balanced way, with upside risks (opportunities) considered alongside downside risks.
- Sustain the usefulness of risk registers and practical risk-analysis tools.

The Treasury will rely upon a range of committees and processes to assist with implementing effective risk management:

- The Executive Committee.
- The Risk and Performance Committee.
- The Audit Committee.
- The People Committee.
- The Resource Committee.
- In-flight reviews.