

PART 1

Overview

THE TREASURY

Secretary's review

I left Treasury in 1993 as Deputy Secretary (Economic) and subsequently spent 22 years in the private sector. In returning to Treasury, I am struck by how its responsibilities have expanded. Treasury covers the waterfront of economic policy: it provides advice to government on macroeconomic, foreign investment, competition, small business, financial, structural, social, fiscal, tax and international policy issues and manages relationships with 15 portfolio agencies as well as the Commonwealth's debt management.

During 2014-15, in addition to preparing the Budget and the Mid-Year Economic and Fiscal Outlook, Treasury provided more than 3,500 briefings to ministers, supported inquiries into competition policy and financial services, conducted more than 55 consultative processes, developed a tax discussion paper and published the fourth intergenerational report.



John Fraser
Secretary to the Treasury

The annual report details some of the significant deliverables for the year. These include: hosting the G20 Finance Ministers' meetings; supporting the first comprehensive review of Australia's competition laws and policy in more than 20 years; developing the Government's response to the Financial System Inquiry; reforming Australia's foreign investment framework; and enabling Australia to become a founding member of the Asian Infrastructure Investment Bank.

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I have been regularly asked about my priorities for Treasury since taking on this role just over six months ago. I want Treasury to be regarded as the nation’s leading economic institution with a reputation for excellence in policy, advice, analysis, forecasting and modelling.

I believe our people are fundamental to Treasury achieving this reputation for excellence. I want people to feel that they can come to Treasury for two or three years, longer if they wish. Working at Treasury should be keenly sought-after for the opportunity to help governments meet their policy priorities, to gain firsthand experience of the workings of government and practical understanding of the public policy process. Treasury’s offering is invaluable and a genuine enhancement to career prospects.

The quality and range of Treasury’s engagement is a fundamental element in building Treasury’s reputation for

excellence. Ongoing, productive engagement must be standard practice to ensure quality advice that is alive to risk and has considered a range of views. We are seeking to engage across the broadest spectrum of stakeholders, government, non-government, think tanks, academia, small, medium and large business, the social welfare sector, industry, the financial sector, peak organisations and the community. I want us to knock on doors when interstate, both formally and informally to consult on policy, to broaden our thinking and to become better attuned to business conditions, trends and attitudes.

To support this push for meaningful and continual engagement, we have established Treasury’s Sydney office which will encourage secondments from the private sector for the mutual benefit of secondees and Treasury. Treasury will also establish an office in Melbourne in late 2015.

International engagement remains important and Treasury is well represented in international fora at the G20, the International Monetary Fund, the World Bank, the Asian Development Bank, the Financial Stability Board and many other bilateral and multilateral organisations. In addition, as Secretary of Treasury I am chair to the newly established Global Infrastructure Hub,

a G20 initiative to lift quality public and private infrastructure investment. This array of activity demonstrates the reach that Treasury has in driving economic reform. As the 2015 Intergenerational Report makes clear, Australia's economic challenges demand well-designed, productivity-enhancing reform.

This being the 2014-15 year in review, I would like to acknowledge my predecessor Dr Martin Parkinson PSM and his considerable achievements over the past five years, not the least being the influential role he played during Australia's presidency of the G20 in 2014.

I am pleased to present this annual report for 2014-15 and I commend our staff for their ongoing commitment and important contribution to the Government's policy priorities.

John A. Fraser

“Working at Treasury should be keenly sought-after for the opportunity to help governments meet their policy priorities, to gain firsthand experience of the workings of government and practical understanding of the public policy process.”

THE TREASURY

Departmental overview

Purpose

The Treasury serves the Australian people by assisting the Australian Government's Treasury Ministers to carry out their responsibilities. The Treasury provides advice to its ministers, as well as to others in government proactively and responsively. The Treasury administers a number of government programs and performs a range of administrative and support tasks to assist our ministers in carrying out their responsibilities.

The specific matters that the Treasury works on are ever-changing. They are informed by the 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. As a high-level guide, the Treasury's three priorities are:

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

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

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. 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-focused institutions. We engage people with specialist skills and continually deploy our resources to the Treasury's highest priority tasks at any point in time.

Under the Portfolio Budget Statements 2014-15, the Treasury outcome is: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations. The Treasury has five groups which contribute to achieving its outcome:

Macroeconomic Group

Markets Group

Fiscal Group

Revenue Group

Chief Operating Officer Group*

* The Chief Operating Officer Group was established in 2015 and comprises Corporate Strategy and Services and Foreign Investment and Trade Policy Division. For this report, the activities for the Chief Operating Officer Group are reported under Corporate Strategy and Services and under Markets Group for Foreign Investment and Trade Policy Division.

Financial performance

The Treasury received an unqualified audit report on the 2014-15 financial statements from the Australian National Audit Office. These statements can be found in Part 4 on pages 95-196.

Departmental

The Treasury ended 2014-15 with an attributable surplus of \$4.6 million, compared to a surplus of \$0.3 million in 2013-14. Employee expenses were \$10.2 million lower compared to 2013-14, primarily reflecting lower staffing levels. Supplier expenses increased by \$12.1 million, mainly as a result of an increase in the number of secondees from a range of government agencies (\$2.0 million of which was received free of charge) and an increase in contractors for various information communication technology projects. The Treasury's net asset position increased by \$1.3 million in 2014-15, partially as a result of the reduction in payables.

The Treasury has sufficient cash reserves to fund its debts as and when they fall due.

Administered

The Treasury incurred \$83.8 billion in administered expenses in 2014-15 compared to \$93.8 billion in 2013-14. The difference reflects the one-off grant of \$8.8 billion in 2013-14 to the Reserve Bank of Australia (RBA) to strengthen its financial position to the level considered appropriate by the RBA board.

The Treasury's administered net assets increased by \$7.6 billion in 2014-15, driven by an increase in the value of the Treasury's investments in Australian Government Entities.

Figure 1: Treasury senior management structure (as at 30 June 2015)



Figure 2: Treasury outcome and program structure (as at 30 June 2015)

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

Program 1.1: Department of the Treasury	
Macroeconomic Group	Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division International Policy and Engagement Division G20 Policy Division G20 Operations and Logistics Division Overseas Deployments Overseas Posts
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Industries and Infrastructure Division Social Policy Division
Revenue Group	Board of Taxation Secretariat Tax Analysis Division Small Business Tax Division Corporate and International Tax Division Law Design Practice Personal and Retirement Income Division Tax White Paper Task Force
Markets Group	Australian Government Actuary Deregulation Division Small Business, Competition and Consumer Policy Division Financial System and Services Division Takeovers Panel Competition Policy Review Secretariat Financial System Inquiry
Chief Operating Officer Group	Financial and Parliamentary Division Business Services Division Organisational Strategy - People and Communications Division Foreign Investment and Trade Policy Division* *The Foreign Investment and Trade Policy Division's deliverables are reported within Markets Group consistent with the Portfolio Budget Statements.

Program 1.2: Payments to International Financial Institutions

Macroeconomic Group: International Policy and Engagement Division

Program 1.3: Support for markets and business

Markets Group: Financial System and Services Division

Program 1.4: General revenue assistance

Fiscal Group: Commonwealth-State Relations Division

Program 1.5: Assistance to the states for healthcare services

Fiscal Group: Commonwealth-State Relations Division

Program 1.6: Assistance to the states for skills and workforce development

Fiscal Group: Commonwealth-State Relations Division

Program 1.7: Assistance to the states for disability services

Fiscal Group: Commonwealth-State Relations Division

Program 1.8: Assistance to the states for affordable housing

Fiscal Group: Commonwealth-State Relations Division

Program 1.9: National partnership payments to the states

Fiscal Group: Commonwealth-State Relations Division

The Treasury's program structure differs from the PBS 2014-15 because from January 2014 the National Schools Specific Purpose Payment was replaced by Students First funding which is provided for under the *Australia Education Act 2013* and reported in the Education portfolio.

Figure 3: Treasury portfolio outcome and program structure (as at 30 June 2015)

<p>Portfolio Minister — Treasurer The Hon Joe Hockey MP</p> <p>Minister for Small Business The Hon Bruce Billson MP</p> <p>Assistant Treasurer The Hon Josh Frydenberg MP</p> <p>Parliamentary Secretary to the Treasurer The Hon Kelly O'Dwyer MP</p>
<p>Department of the Treasury Secretary: Mr John Fraser</p> <p>Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations</p> <p>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</p>
<p>Australian Bureau of Statistics Statistician: Mr David W. Kalisch</p> <p>Outcome 1: Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high-quality, objective and relevant statistical information</p> <p>Program 1.1: Australian Bureau of Statistics</p>
<p>Australian Competition and Consumer Commission Chairman: Mr Rod Sims</p> <p>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</p> <p>Program 1.1: Australian Competition and Consumer Commission Program 1.2: Australian Energy Regulator</p>
<p>Australian Office of Financial Management Chief Executive Officer: Mr Robert Nicholl</p> <p>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</p> <p>Program 1.1: Australian Office of Financial Management</p>
<p>Australian Prudential Regulation Authority Chairman: Mr Wayne Byres</p> <p>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</p> <p>Program 1.1: Australian Prudential Regulation Authority</p>

Australian Securities and Investments Commission

Chairman: Mr Greg Medcraft

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: Banking Act 1959, Life Insurance Act 1995, unclaimed monies and special accounts

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 Valuation Office

Program 1.5: Australian Charities and Not-for-profit Commission

Program 1.6: Australian Screen Production Incentive

Program 1.7: Cleaner Fuels Grant Scheme

Program 1.8: Conservation Tillage Refundable Tax Offset

Program 1.9: Exploration Development Incentive

Program 1.10: Fuel Tax Credits Scheme

Program 1.11: National Rental Affordability Scheme

Program 1.12: Product Stewardship for Oil Program

Program 1.13: Research and Development Tax Incentive

Program 1.14: Seafarer Tax Offset

Program 1.15: Baby Bonus

Program 1.16: Education Tax Refund

Program 1.17: First Home Saver Accounts

Program 1.18: Low Income Superannuation Contribution

Program 1.19: Private Health Insurance Rebate

Program 1.20: Superannuation Co-contribution Scheme

Program 1.21: Superannuation Guarantee Scheme

Program 1.22: Targeted assistance through the taxation system

Program 1.23: Interest on Overpayments and Early Payments of Tax

Program 1.24: Bad and Doubtful Debts and Remissions

Clean Energy Finance Corporation

Chair: Ms Jillian Broadbent AO

Outcome 1: Facilitate increased flows of finance into Australia's clean energy sector applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders

Program 1.1: Clean Energy Finance Corporation

Commonwealth Grants Commission

Secretary: Mr John Spasojevic

Outcome 1: Informed government decisions on fiscal equalisation between the states and territories through advice and recommendations on the distribution of GST revenue and health care grants

Program 1.1: Commonwealth Grants Commission

Corporations and Markets Advisory Committee

Convenor: Ms Joanne Rees

Outcome 1: Informed decisions by Government on issues relating to corporations regulation and financial products, services and markets through independent and expert advice

Program 1.1: Corporations and Markets Advisory Committee

<p style="text-align: center;">Inspector-General of Taxation Inspector-General: Mr Ali Noroozi</p> <p style="text-align: center;">Outcome 1: Improved tax administration through community consultation, review and independent advice to government Program 1.1: Inspector-General of Taxation</p>
<p style="text-align: center;">National Competition Council President: Mr David Crawford</p> <p style="text-align: center;">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</p>
<p style="text-align: center;">Office of the Auditing and Assurance Standards Board Chairman: Ms Merran Kelsall</p> <p style="text-align: center;">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</p>
<p style="text-align: center;">Office of the Australian Accounting Standards Board Chairman: Kris Peach</p> <p style="text-align: center;">Outcome 1: The formulation and making of accounting 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</p>
<p style="text-align: center;">Productivity Commission Chairman: Mr Peter Harris</p> <p style="text-align: center;">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</p>
<p style="text-align: center;">Royal Australian Mint Chief Executive Officer: Mr Ross MacDiarmid</p> <p style="text-align: center;">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 products Program 1.1: Royal Australian Mint</p>