

OUTCOME 2—IMPROVED AND MORE
EFFICIENT GOVERNMENT OPERATIONS

04



Finance's second outcome—improved and more efficient Government operations—looks at our ability to develop a businesslike approach to Government operations.

Highlights of 2000–01 include:

- the strategic property alliance;
- the delivery of high quality advice on key financial and governance policy and procedures for Commonwealth entities;
- Finance's nomination to Chair the APEC Government Procurement Experts Group;
- management of a project to define the limits of the extended continental shelf off the Australian Antarctic Territory.

OUTCOME 2—IMPROVED AND MORE EFFICIENT GOVERNMENT OPERATIONS

The second outcome Finance contributes to is improved and more efficient Government operations. Outcome 2 represents the widest ranging and most diverse group of activities undertaken by the Department. The following Business Groups manage outputs within Outcome 2: Business Services, e-Solutions, Financial Framework and Property. Their goal is to develop a more businesslike approach to Government operations, by delivering three key outputs:

- public sector financial management;
- property and contract management;
- Government information.

PERFORMANCE SNAPSHOT

Finance's contribution to this outcome is assessed against the indicators published in the Department's 2000–01 PBS.

This year, Finance's achievements against our performance indicators were very good, with the majority of targets met or exceeded. The Department was also able to meet an increase in demand across a number of the outputs in Outcome 2. In a few instances performance was lower than the target we had set. For instance, the net proceeds of property sales was lower due to delays in selling some properties. In other instances, we underestimated the complexity of issues and the time required to address them. Focusing on continual improvement, Finance has incorporated these lessons into its planning for the future.

More detailed performance information, including analysis and resources tables for Outcome 2, is at the end of this chapter.

PUBLIC SECTOR FINANCIAL MANAGEMENT

Review of the FMA and CAC Acts

Finance commenced a strategic examination of the robustness of the public sector governance framework, particularly in terms of its future direction, to ensure it meets the requirements of the Parliament.

The Department also reviewed the operational efficiency of the *Financial Management and Accountability Act 1997* (FMA Act) and the *Commonwealth Authorities and Companies Act 1997* (CAC Act) resulting in the following changes, and proposed changes, to these pieces of legislation:

- greater clarity and consistency in terminology across the accrual framework through proposed amendments to 80 pieces of legislation. These changes are set out in the Financial Management Legislation Amendment Bill 2001, due for introduction in the Spring 2001 Parliamentary sittings;
- as part of a Commonwealth-wide process, legislation administered by Finance was harmonised with the *Criminal Code Act 1995*;
- the removal of redundant references to statutory marketing authorities in Commonwealth Authorities and Companies Regulations 1997.

Agency Banking

Prior to 1 July 1999, transactional banking services were provided by the Reserve Bank of Australia. Since then FMA Act agencies' transactional banking services have been open to competition. Agencies have been able to choose the service provider that can best meet their business needs in terms of cost and quality of service. The agency banking framework

encourages improved cash management procedures and is consistent with the FMA Act devolved management framework. For further information on cash management in the Commonwealth refer to page 20. During 2000–01, the private sector banking industry continued to actively compete in tenders for agencies' transactional banking services.

During 2000–01, 52 agencies indicated to Finance that they either have completed, or intend to complete market testing for transactional banking services by November 2001. Finance assisted agencies in market testing these services by releasing a market testing toolkit, which included a model contract, and by releasing the results of a pre-qualification scheme for banks.

The Australian National Audit Office (ANAO) commenced concurrent performance audits and compliance audits in 2001 examining the banking arrangements of a number of agencies. As the agency with central responsibility for the banking framework, Finance has assisted the ANAO in this work. The audits are due to be finalised in the first half of 2001–02.

Procurement Policy

Finance is responsible for the development and maintenance of the Commonwealth's procurement and competitive tendering and contracting (CTC) policy framework. The Department continued to strengthen its focus on the provision of high quality policy advice and guidance material. This requires Finance to work with industry, Commonwealth departments and agencies and multi-jurisdictional councils. It reflects the environment of devolved responsibility, provided for under the FMA Act, in which Chief Executives are responsible for managing their procurement processes.

In 2000–01, Finance published and distributed Commonwealth procurement circulars and policy guidance on a range of issues, including *Best Practice Guidance for Establishment of Consultancy Panels* and *Standard Access Contract Clauses*. The Department also commenced several reviews of its major procurement and CTC policy documents, including the *Commonwealth Procurement Guidelines*, the *Performance*

Improvement Cycle—Guidance for Managers and *Competitive Tendering and Contracting—Guidance for Managers*. These reviews will update guidance to reflect developments in Government policy and are scheduled for completion in the first half of 2001–02.

Finance also provided a submission and appeared as a witness before the Senate References Committee inquiry 'Accountability to the Senate in Relation to Government Contracts' and provided input to the related ANAO inquiry.

This year, the Department continued to support the Government in achieving its objective of having Commonwealth departments and agencies source at least ten per cent of Government purchases from small and medium-sized enterprises (SMEs). A Finance survey monitoring the Government's achievement against its SME target for the period 1999–2000 indicated that in the order of 27.6 per cent of Government purchases were sourced from SMEs, significantly exceeding the Government's target.

As part of its continuous improvement strategy, Finance commenced a review of the Gazettal Publishing System (GaPS), which provides a public record of contracts entered into by Commonwealth departments and agencies. This review is aimed at ensuring GaPS continues to meet broader stakeholder needs and maintains relevance against emerging and changing demands. Finance expects to complete this in the second half of 2001.

At the international level, Finance has had significant success in a number of arenas. Finance assumed a lead role in the negotiation of a government procurement chapter of the Australia-Singapore free trade agreement. Significant progress has been made towards agreement on a mutually beneficial and liberalising government procurement chapter of this agreement. The Department participated in a capacity building exercise with the Royal Thai Government, providing expert advice in a review of its procurement framework and practices. Finance also contributed to the World Trade Organisation Working Group on Transparency in Government Procurement.

In recognition of this contribution, and of the role Australia can play in providing leadership in information sharing and capacity building, Finance has been nominated to Chair the APEC Government Procurement Experts Group.

GST and Notional Taxes

Having overseen the successful implementation of The New Tax System by Commonwealth agencies, Finance's GST Implementation Unit was decommissioned in October 2000 and replaced with a Notional Taxes team. This team communicates important whole-of-government taxation information to Commonwealth agencies, thereby helping to reduce duplication of effort. In 2000–01 the Notional Taxes team distributed this information through a series of *News Sheets* to agencies. Finance also administered Agency Pricing Guidelines for changes in the prices of goods and services under The New Tax System, and provided the Australian Tax Office with proof of identity of Commonwealth agencies for their ABN and GST registration.

Finance implemented a new reporting framework that enhances transparency of the Competitive Neutrality (CN) payments system in the Commonwealth Budget, and conducted the first annual survey of Commonwealth agencies' implementation of, and compliance with, CN policy principles. Commonwealth agencies

undertaking significant business activities are required to comply with CN policy. The enhancements to the framework during the year ensure that this continues to be done in a transparent manner.

Management of Discretionary Payments

Finance assisted the Parliamentary Secretary to the Minister of Finance and Administration with special discretionary responsibilities under the FMA Act for the provision of Commonwealth Act of Grace payments and waivers of debts owed to the Commonwealth. In 2000–01, 116 Act of Grace payments valued at \$17.4 million and 197 debt waiver cases valued at \$55.7 million were reviewed.

The Department also advised the Minister on Natural Disaster Relief Arrangements. Over the last five years, the Commonwealth has provided \$384 million in natural disaster relief to the States and Territories. In 2000–01, \$117 million was provided for relief directed to natural disasters such as the extensive flooding in central and western Queensland, the central Northern Territory and northern Western Australia.

The Minister issued a new Determination under the *Appropriation Act (No.2) 2000–2001*, drafted by Finance, giving effect to the Natural Disaster Relief Arrangements. This Determination came into force

NOTIONAL TAXES AND COMPETITIVE NEUTRALITY

Under the Australian Constitution, liability for the GST cannot extend to the Commonwealth or a Commonwealth Government entity.

To ensure a level playing field between the public and private sectors in respect to the GST, a special administrative framework was developed to make Commonwealth agencies subject to the GST on a notional basis. Division 177 of *A New Tax System*

(*Goods and Services Tax*) Act 1999 established the notional GST regime. Similar regimes exist in respect of the Commonwealth's liability to pay the Luxury Car Tax and Wine Equalisation Tax (see Division 21 of *A New Tax System (Luxury Car Tax) Act 1999* and Division 27 of *A New Tax System (Wine Equalisation Tax) Act 1999*).

CN policy requires that Government businesses operating

in a market in which there are actual or potential competitors should not enjoy any net competitive advantages simply as a consequence of their public ownership. Government agencies that undertake significant business activities are required to make notional or equivalent payments in respect of any net advantage deriving from their public ownership.

on 1 July 2001. It was drafted following extensive consultation with the States and Territories, and creates a more streamlined administration of the Natural Disaster Relief Arrangements.

Working with the Department of Prime Minister and Cabinet, the Department of Agriculture, Fisheries and Forestry Australia and the Department of Transport and Regional Services, Finance successfully negotiated relief packages for sugar cane growers and flood-affected NSW farmers during 2000–01. The income support programme under the Sugar Industry Assistance Package totalled \$22.5 million, and was paid to 4,057 individual recipients during the year ending 30 June 2001. Centrelink delivered this programme.

Finance also manages the Commonwealth's Natural Disaster Risk Management Studies Programme, which, through the issue of capital grants, encourages local governments to undertake natural disaster risk assessment and damage minimisation studies.

In 2000–01 the Minister approved the funding of 72 risk management studies, totalling \$2.1 million. In the programme's first two years of operation, the Commonwealth contributed \$4.2 million to 144 projects. A total of \$13.1 million has been committed to such studies nationally, with contributions from all levels of government.

Finance is responsible for funding disaster memorials as approved by the Commonwealth. A total of \$50,000 was paid to the Childers Memorial Fund for a memorial commemorating the lives lost in the backpacker hostel fire in Childers, Queensland in June 2000. A further \$50,000 was paid into a trust fund established to build a memorial to the young Australians who lost their lives in a canyoning accident in Interlaken, Switzerland in July 1999.

Public Works Committee

The Department assisted the Parliamentary Secretary with the formal Parliamentary processes involved in referring several public works projects to the Joint Parliamentary Committee on Public Works, as required by the *Public Works Committee Act 1969*. This involved

coordinating input from nine Commonwealth agencies, in particular working closely with Defence. In its general report in March 2001 the Committee expressed its appreciation for Finance's assistance in facilitating references and expediency motions.

In February 2001, a Finance project referred to the Public Works Committee for consideration was the construction of a new law courts complex in Adelaide, at a total cost of \$76.6 million, with a planned completion date of December 2003. In June 2001 the Committee's recommendation that the project proceed was tabled in Parliament.

Property Statutory Responsibilities

Finance advised the Minister regarding his statutory responsibilities under the *Lands Acquisition Act 1989* for the acquisition, management and disposal of property. Specific issues in 2000–01 related to property proposals involving native title, applications for minerals exploration in environmentally sensitive areas of Commonwealth land, some acquisitions in parks involving State interests, and compensation for compulsory acquisitions undertaken in the past.

PROPERTY AND CONTRACT MANAGEMENT

Finance manages the Commonwealth's non-Defence global property portfolio, comprising approximately 330 properties in 50 countries valued at \$2.5 billion. The portfolio includes Australian embassies and residences overseas, commercial office buildings, law courts and laboratories within Australia.

Strategic Alliance

After a CTC process, a contract for the ongoing management of the Commonwealth's non-Defence global property portfolio was signed with PricewaterhouseCoopers Process Solutions Pty Ltd (PwCPS) on 3 August 2000. This property management and maintenance contract is one of the most extensive of its type in the world, and is an example of Finance's commitment to innovation and excellence in its business. The strategic alliance is based on the sharing of risk and reward between Finance and PwCPS.

Once the contract was signed, a six-month transition period enabled a smooth hand-over to PwCPS. From 1 March 2001, PwCPS assumed responsibility for the full delivery of services under the contract. Finance remains responsible for the overall performance of the property portfolio, and has retained a small management team to provide policy advice and alliance management, in a manner similar to a commercial property trust.

An integral part of the corporate governance structure of the strategic alliance project is a Joint Alliance Board with representatives from both Finance and PwCPS. The Board follows a commercial joint venture model. Its functions include setting strategies, goals and objectives for the strategic alliance. The Board reviews the provision of services, compliance with the service level agreement, the annual budget and strategic plan for the property portfolio.

Property Portfolio Performance

During 2000–01, Finance finalised the application of commercial leasing arrangements across the Commonwealth's non-Defence property portfolio, ensuring that the full cost of managing the Government's property assets is transparent.

Commensurate with its role as a manager of commercial property, Property Group now measures its performance on the basis of the industry wide accepted measure of return on investment (ROI). This year the property portfolio achieved a ROI of 11.2 per cent, which compares very favourably with similarly diverse and geographically spread commercial property portfolios.

The property portfolio returned budgeted dividends of \$117.3 million, and paid a special dividend of \$24.7 million for a total of \$142 million. In addition, Property Group paid out a number of instalment purchase arrangements, entered into a number of years ago, to reduce its interest liability and enhance the portfolio's future performance.

Property Sales

In line with Government policy, Finance continued to divest under-performing properties where no public interest reasons justified their retention. Finance anticipated returning sales of

\$257 million for 2000–01, including some \$63 million from sales that took place in late 1999–2000. However, due to delays in selling a few properties, total sales revenue of \$198 million was returned to Government. Since 1997–98, the divestment programme has returned equity of approximately \$1.5 billion to the Government.

This year, Finance, on behalf of Defence, also divested the two Defence Plaza office properties in Melbourne and Sydney, achieving total proceeds of \$113.8 million. The sale of Defence's Russell Office Complex has been deferred by the Government to 2001–02, so that complex leasing issues can be fully addressed before the property is put to the market.

Property and Construction Refurbishment

Finance undertook a number of major construction projects, both in Australia and overseas, during 2000–01.

Appropriately, in the year Australia celebrated its Centenary of Federation, a highlight was the refurbishment of the heritage property at 4 Treasury Place, Melbourne, at a total cost of \$19.4 million, including \$9 million from the Federation Fund. The balance was funded internally by Departmental resources. It was built in 1912–13 and was the first building constructed for the Commonwealth. It is therefore closely associated with the early history of Federation and is on the register of the National Estate.

In 2000–01 the construction of a Chancery, Head of Mission residence and recreational facility in Brasilia, Brazil was also completed, at a cost of \$5.8 million.

The Treasury Building in Canberra is currently being refurbished. Completion is expected in late 2001, at a cost of \$43.1 million.

Refurbishment of an historic building in Berlin for use as a Chancery continues, with a planned completion date in late 2002, at a cost of \$37.3 million. The Berlin project is challenging because of a requirement to maintain the building's heritage features, while creating a workable modern office development.

All are subject to commercial leases with Federal agencies.

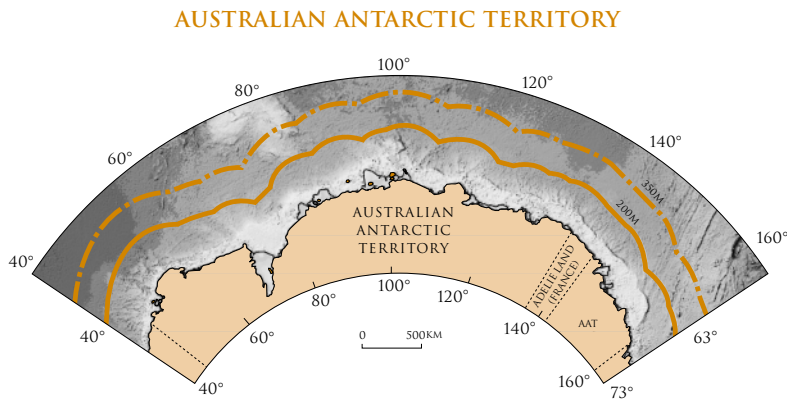
Antarctic Profiling

Since May 2000, Finance has been responsible for the management of a project to define the limits of the extended continental shelf off the Australian Antarctic Territory (AAT) and beyond Australia's 200 nautical mile Exclusive Economic Zone (EEZ). This Australian Antarctic Southern Ocean Profiling Project (AASOPP) will help Australia preserve its rights under the United Nations Convention on the Law of the Sea

(UNCLOS). This work has challenged and developed our people's capabilities.

Fixed price contracts were finalised with industry for the project surveys and support, as were service level agreements with other Government agencies. The key agencies involved in AASOPP are the Australian Geological Survey Organisation, the Australian Survey and Land Information Group, Australian Antarctic Division of the Department of Environment and Heritage, the Department of Foreign Affairs and Trade (DFAT) and the Attorney-General's Department.

This unique project gives Finance the opportunity to develop project management expertise across a



Map of the AAT and adjacent ocean basins showing the 2000–01 AASOPP survey lines. The solid orange line indicates the limit of the potential EEZ at 200 nautical miles from the coastal base line. The dashed line represents the maximum possible limit to any possible Extended Continental Shelf at 350 nautical miles from the coastal base line.

AUSTRALIAN ANTARCTIC SOUTHERN OCEAN PROFILING PROJECT

On 2 December 1999, the Minister for the Environment and Heritage and the Minister for Foreign Affairs announced that the Government had decided to take action to define the limits of the continental shelf off the AAT. The Government provided funding for survey work which will establish the territorial sea baselines, determine the foot of the continental slope and

sediment thickness, and delineate the outer limit of the extended continental shelf.

The results of the first season's surveys are currently being finalised, with 30 per cent more seismic data collected than anticipated, placing the project in a strong position for the next survey season. The result of this work—which includes

bathymetric, seismic, magnetic and gravity surveys—will represent the most comprehensive study of the Antarctic seabed ever undertaken. It will enhance international scientific understanding of Antarctica and its role in the global climate system, and provide insight into future management of the environment.

diverse range of activities, and has given our people the opportunity to develop new skills while working with other agencies.

BUSINESS SERVICES

Superannuation

Finance assisted the Minister in preparing legislation that was introduced into the Parliament during the year to give effect to a number of superannuation policies. The reform of Parliamentary superannuation arrangements to bring them more into line with community standards by deferring the payment of pensions to Members of Parliament elected at or after the next general election until age 55, or on invalidity or death was one example of Finance's work. The Department also worked on the replacement of the annual superannuation pension indexation, for members of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme, with twice-yearly indexation, implementing the Government's announcement in the 2001–02 Budget. Further changes were made to provide members of the Public Sector Superannuation Scheme, the Commonwealth Superannuation Scheme and the Parliamentary Contributory Superannuation Scheme with a pension commutation option to pay any superannuation surcharge assessments issued after their retirement.

Finance also made a submission and gave evidence to the Senate Select Committee on Superannuation and Financial Services inquiry into the benefit design of the Commonwealth's unfunded superannuation schemes.

Finance undertook a whole-of-government review of the framework for accounting for unfunded superannuation liabilities of Commonwealth employees. The results are due to be finalised in 2001–02. As well, the Department completed a tendering process to establish a new actuarial services contract and reviewed the actuarial framework for assessing agencies' employer superannuation costs. The review recommended the adoption of a simplified assessment framework that focuses on agencies' key employment decisions and their effect on agencies' superannuation contribution rates,

and ties in more effectively with agency budgeting processes. Assessments under the new framework will be undertaken during 2001–02, applying rates as at 1 July 2002.

Comcover

Comcover announced that the average premium rate charged for FMA Act agencies in 2001–02 would be ten per cent less than the rate charged in 2000–01. Agencies operating under the CAC Act will have an increase of five per cent. By way of contrast, the premium rates for all major commercial insurance classes have increased by 15 to 20 per cent per annum over the last two years.

To further support the development of a risk management culture across the Commonwealth, Comcover introduced a number of initiatives. These included the launch of a national Risk Management Benchmarking Programme, which will enable participating agencies to compare their risk management performance with other Commonwealth and State and Territory public and private sector organisations.

Comcover continued to assist members in preparing their first risk management plans. At the end of the year, over 85 per cent of member agencies either had a risk management plan in place or were in the process of developing a plan.

Extending this service, Comcover commenced a series of quarterly risk management seminars for public and private sector risk management practitioners in the Australian Capital Territory and surrounding regions. Over 160 participants attended the first seminar. It gave participants an opportunity to network and be updated on current approaches to risk management and the treatment of new and emerging risks.

Remuneration Tribunal Secretariat

In line with the requirements of the *Remuneration Tribunal Act 1973*, the Tribunal completed annual reviews during 2000–01 of full-time offices, part-time offices, judicial and related offices, Principal Executive Offices (PEO), and Parliamentary Offices. It also reported on the additional salary payable to Ministers and commenced a review of overseas

travel for Parliamentarians. To give effect to its decisions, the Remuneration Tribunal issued 25 determinations, all of which were tabled in Parliament and are available at the Tribunal's website at www.remtribunal.gov.au.

The PEO structure is the largest reform that the Remuneration Tribunal has undertaken for full-time public office holders, who are mainly Chief Executive Officers and Managing Directors of Commonwealth entities. The PEO structure improves consistency between the Government's overall workplace reform programme and the accountability provisions of the FMA Act, the CAC Act and the *Public Service Act 1999*.

The PEO structure applies public and private sector best practice principles to remuneration arrangements. It allows for an employing body to negotiate without reference to the Tribunal's productivity and work value increases in remuneration. It also puts in place a performance pay system and total remuneration environment with flexible packages. The PEO structure's ultimate aim is to develop a high performing public sector. The Department assisted the Minister to take forward amendments to the *Remuneration Tribunal Act 1973* to assist with the implementation of the PEO structure, and to strengthen the Tribunal's role in ensuring appropriate accountability measures are established. During the year, 30 senior public offices were placed into the PEO structure.

On an international level, and taking the opportunity to increase their expertise, Remuneration Tribunal Secretariat staff undertook work with the Royal Thai Government in support of remuneration and redundancy reform.

Secretariat staff also developed major reforms in the area of travel entitlements for all public office holders. The Remuneration Tribunal produces its own annual report in accordance with section 12AA(2) of the *Remuneration Tribunal Act 1973*.

Service Charters

Introduced in 1997 as part of the Government's reform agenda, *More Time for Business*, Service Charters support a more client-focused, open and publicly accountable culture within the Commonwealth public sector.

The Special Minister of State presented the second whole-of-government report, *Service Charters in the Commonwealth Government*, to Parliament in November 2000. The report shows that Service Charters are now embedded in agency culture with 152 charters having been established since 1997, an increase of 21 per cent over the previous year. Highlights from the report show that 84 per cent of charters have influenced corporate planning, while 99 per cent of charters specify service standards. Agencies also reported strong performance against the *Client Service Charter Principles* with compliance rates in the range of 92–100 per cent against most *Principles*.

Given the high take-up rate by agencies, the Service Charter report of 1999–2000 will be the last detailed whole-of-government report on the initiative. Agencies will report their service delivery achievements through their annual reports, while whole-of-government reporting will be included in the *State of the Service* report published by the Public Service and Merit Protection Commission (PSMPC).

In December 2001, the Special Minister of State presented seven *Service Charter—Awards for Excellence* to five different agencies. The Health Insurance Commission won Platinum—the highest award—for demonstrating consistently high levels of service delivery in all categories of the award. Other winners included Centrelink, the Australian Federal Police, Aboriginal Hostels Limited and Austrade. To maintain the service-wide momentum on the initiative, the *Service Charter—Awards for Excellence* will continue on an annual basis. These Awards have become highly valued and provide tangible recognition of best practice in service delivery.

Closure of the Commonwealth Motor Vehicle Registry and the Staff Redeployment Unit

The Commonwealth Motor Vehicle Registry (CMVR), which provided registrations for red 'Z' Commonwealth-plated vehicles, was closed to new and renewing registrations on 1 December 2000. The last registrations on the CMVR will expire on 30 November 2001. At this time the CMVR will be effectively closed.

The closure has been managed successfully. As a result of negotiation with all States and Territories, all Commonwealth agencies that wish to have red 'Z' number plates can now obtain these from their local State or Territory registry. The CMVR and the State and Territory registries have reported a virtually trouble-free transfer of existing and new registrations to the new arrangements.

The finalisation of the closure of the CMVR requires amendments to the *Commonwealth Vehicles (Registration and Exemption from Taxation) Act 1997*. These amendments will repeal all parts of this Act dealing with vehicle registration.

The Staffing Redeployment Unit (SRU) was closed in December 2000, following the successful completion of its programme. The SRU managed the redeployment or redundancy process for non-SES staff resulting from the sale of the former Department of Administrative Services (DAS) businesses and some other DAS-related redundancies.

New Commonwealth Fleet Leasing Arrangements

The agreement for the provision of motor vehicle fleet leasing services to the Commonwealth was novated from Macquarie Fleet Leasing Pty Ltd (MFL) to Lease Plan Australia Limited (LeasePlan), effective from 5 July 2001. LeasePlan, which had previously provided fleet management services as sub-contractor to MFL, became the sole provider of fleet leasing services from that date.

Upon novation, the contractual arrangements governing the provision of motor vehicle fleet leasing services were amended to provide financial and operational benefits to the Commonwealth at both whole-of-government and agency levels. Key financial benefits of the new agreement with LeasePlan are:

- decreased monthly management fees;
- the elimination of residual risk fees on new leases entered into from 5 July 2001;
- a profit-sharing facility at agency level if the annual net proceeds from vehicles sold at lease end exceed nominated vehicle residual values.

In addition to the novation, all outstanding issues were resolved in relation to ongoing negotiations with MFL regarding the operation of the

agreement governing the provision of motor vehicle fleet leasing services.

Residual Business Issues

Finance continued to assist under contract to Employment National with the rationalisation of their property sites during 2000–01. This process commenced in early 2000. Lease surrender negotiations of the three remaining properties yet to be released are well advanced. A settlement for an early end to the Lucent Technologies Australia Pty Ltd contract for the provision of telephony services to Employment National was also negotiated.

Information Technology Outsourcing Advice Unit

In response to the Humphry Review, Finance formed an IT Outsourcing Advice Unit to assist agencies in managing their transition of IT functions to the private sector. The unit stands ready to provide specialised assistance to agencies, at their request, on a commercial fee-for-service basis. The IT Outsourcing Advice Unit is part of the Government's response to recommendations arising from the Humphry Review into IT outsourcing in the Commonwealth. The Humphry Review was supported by a Secretariat consisting of Finance staff and reported to Government in December 2000.

ACCESS TO GOVERNMENT INFORMATION

Finance provides access to Government information by developing policy frameworks and managing whole-of-government information programmes and products.

In 2000–01, Finance contributed to an overall increase in access to Government information. The principal area of growth was access to online information, with an estimated overall increase of 18 per cent in visitor numbers to our key online information products:

- www.gov.au—access to Australian Federal, State and Territory governments entry points;
- www.fed.gov.au—access to Australian Commonwealth Government information;
- www.fedinfo.gov.au—access to information for Commonwealth public servants;

- <http://law.agps.gov.au>—Scaleplus: legal information retrieval system;
- www.lawsearch.gov.au—Lawsearch Online.

New Products

The website www.gov.au was launched during 2000–01. It provides access to government entry points for Commonwealth and State and Territory jurisdictions. Visitor numbers to the site have grown rapidly, from 9,700 a month after the initial implementation in November 2000 to 45,800 in June 2001. Since its implementation, www.gov.au has proven to be a valuable referral site and resource for users seeking an easy way to obtain detailed Government information.

In 2000–01, Finance capitalised on emerging technologies to re-engineer the Endorsed Supplier Arrangement, an online pre-qualification scheme for suppliers to Government in the IT, major office machine, commercial office furniture and auctioneering industries. Use of an endorsed supplier helps to minimise risk for agencies in the procurement process as comprehensive financial checks are made on each supplier before endorsement is granted, and the financial viability of each supplier is continually monitored.

Suppliers are able to complete and lodge their application for endorsement online in a secure environment, while Government buyers can search the database of more than 900 suppliers and 5,000 dealer outlets to source their

requirements. The site had just over 600,000 hits during 2000–01.

Improved Products

Responding to user feedback, Finance updated the design of www.fed.gov.au, the Commonwealth Government entry point website. This included new navigation and discovery features. As a result, visitor numbers to the site grew from 99,000 per month to 146,000 per month by June 2001. This site offers search capabilities and access to 560 Commonwealth websites. It has also attracted a strong and growing international visitor flow, in many cases referring users to Commonwealth sites featuring tourist or immigration information.

The Government bookshop went online at www.bookshop.gov.au in June 2001, complementing existing ways of accessing Government information.

AusInfo Service Charter

The objective of the AusInfo Service Charter is to ensure Australians have access to Commonwealth Government information. The service is delivered through physical bookshop outlets and a teleinfo and mail sales service. Under the Charter, publications must be dispatched within four days of receipt of the order. All publications available at the time of order were dispatched within 24 hours. Monthly reports are used to monitor customer feedback and complaints. All complaints were resolved satisfactorily within seven days.

13 MILLION WEBSITE HITS

Among the 13 million website hits we have had on the www.fed.gov.au site in the last financial year, some interesting questions covering a vast range of topics have been received. One came from an 8th grade student in Japan asking which way the water rotates in the

Southern Hemisphere. Another came from a UK company requesting information on Australian population demographics. In fact, over 25 per cent of traffic to the site originates overseas. Searches from countries as diverse as Singapore, Luxembourg and

Lithuania have accessed the site seeking information. However, challenging questions also came from Australian users asking about topics as broad as information for school assignments, to public holiday dates and how to find unclaimed monies.

PERFORMANCE INFORMATION FOR OUTCOME 2

Effectiveness—Overall Achievement of the Outcome

Target

The key objectives underpinning the outcome are efficiency, effectiveness, accessibility, transparency, acceptability, contestability, and flexibility. Indicators and targets consistent with these objectives are:

Best practice governance frameworks are developed and implemented:

- Changes to the frameworks improve transparency and flexibility of Government operations and enhance access to Government information.

Commonwealth operations are more efficient and are exposed to contestability:

- The value of Commonwealth activity contracted out or subject to market testing will increase.

Customers rate briefings and policy advice as excellent or above average.

High level recognition by stakeholders of the governance frameworks and their objectives.

Rate of return on assets.

Result

Achieved—The governance framework is subject to continual review, adaptation and improvement.

Not applicable—Responsibility for market testing was transferred to OASITO.

Achieved—Apart from one instance the target set for this was achieved.

Achieved—Feedback from users of the governance framework was favourable.

Surpassed—The rate of return on net assets for the non-Defence property was 6.57 per cent, better than the target of 6 per cent.

Output 2.1.1—Financial Legislation and Regulation

QUALITY

Target

90 per cent of Ministerial letters with a turnaround within seven days.

80 per cent satisfaction with the services from customers/stakeholders.

Legislative instruments meet the objectives of increased accountability and improved governance as measured by the Minister and stakeholders.

Result

Not met—30 per cent of Ministerial letters were turned around within seven days. The subject matter of letters dealt with is highly complex and often requires extensive research and consultation. Sixty per cent of Ministerial letters were turned around within 21 days.

Achieved—This is based on the rating for Ministerial briefs/advice.

Achieved—This is based on the rating for Ministerial briefs/advice. Improved governance, including increased accountability, is achieved through continual review, adaptation and improvement of legislative instruments.

Output 2.1.1—Financial Legislation and Regulation (continued)

QUALITY

Target

Finance Minister's Orders provide relevant and reliable information for user decision-making and discharge of accountability as measured by stakeholders.

Result

Revised Finance Minister's Orders were executed by the Minister on 24 May 2001. Continuing review of Finance Minister's Orders, together with other forms of delegated legislation and the FMA Act itself, and maintenance of informative internet sites, ensures information is relevant and reliable.

QUANTITY

Target

Execution of revised Finance Minister's Orders for the reporting requirements of Commonwealth Agencies and Authorities.

Result

Revised Finance Minister's Orders were executed by the Minister on 24 May 2001. The revised Finance Minister's Orders were agreed with the ANAO and reflect the latest developments in financial reporting.

Regular written advice to agencies and to Ministers on agency progress in implementing GST on at least a monthly basis.

Over the financial year 21 *News Sheets* were issued relating to whole-of-government New Tax System matters and a questionnaire of GST implementation compliance was conducted. Feedback advice was subsequently provided to agency Chief Executive Officers and the Minister. The post-GST Implementation questionnaire, conducted in January 2001, was the final in a series of six questionnaires. Finance issued a *Best Practice to New Tax System Risk Management* guide to agency CEOs in March 2001, and a Ministerial brief was subsequently prepared.

Full attendance at forums organised by the GST Unit to discuss issues related to implementing the New Tax System.

Not applicable—The final forum in the series of forums organised by Finance, the ATO and Deloitte was conducted in June 2000.

Outcome 2.1.2—Public Sector Superannuation Advice

QUALITY

Target

Difference between estimated employer contributions and benefit payments and final outcome is within Budget management requirements (see Output 1.1.5).

Result

Not met—Difference of -8.69 per cent against a target of +/-0.5 per cent. This indicator reflects all Outcome 2 benefit payments (net of amounts received from the fund) less employer contributions. Variance is largely due to less than expected benefit payments.

Outcome 2.1.2—Public Sector Superannuation Advice (continued)

QUALITY

Target

Superannuation arrangements that are simple, flexible, contestable and support accountability and transparency as assessed by feedback from customers/stakeholders:

- 90 per cent of Ministerial briefs/advice rated better than average or excellent in quality or timeliness.
- 90 per cent of Ministerial letters with a turnaround within seven days.
- Survey of stakeholders.
- Quarterly reconciliation of agency employer superannuation contribution payments completed within one month of end of relevant quarter.

Result

Surpassed—98 per cent of Ministerial briefs/advice were rated better than average or excellent.

Not met—82 per cent of Ministerial letters were turned around within seven days. Turnaround delays were due to the complex nature of and the number of Ministerials.

Achieved—Feedback from stakeholders has been obtained on an ongoing basis.

Not met—First and Third quarters on target. Second quarter completed but outside target. Second quarter target unable to be met as a result of all necessary data not being available on time.

QUANTITY

Target

Unfunded superannuation liabilities updated and reported annually.

Agency employer superannuation contribution rates fully reviewed within a three-year cycle commencing 1 July 1998.

The numbers of the following are variable and demand driven, and will be reported on an annual basis:

- Bills drafted and legislative instruments promulgated Ministerials and briefs advice and seminars provided to agencies.

Result

Achieved—Unfunded liabilities are reported in the Budget, the Department's Financial Statements and the Final Budget Outcome Report. Updated liabilities were reported in the September Final Budget Outcome, the May Budget and reported in the 30 June 2001 Financial Statements.

Achieved—Fully reviewed by 30 June 2001, and agency assessments complete.

Four Bills drafted against an estimate of two. 17 legislative instruments against an estimate of 22. 221 Ministerials provided against a target of 200. 76 briefs provided against a target of 60. 135 pieces of advice provided against a target of 90.

The number of agencies seeking advice exceeded expectations.

Seminars were not required as new superannuation arrangements were not put in place in 2000–01.

95 per cent of payments for actuarial services recovered from agencies by 30 June.

Surpassed—100 per cent received by 31 March 2001.

Outcome 2.1.3—Management of Discretionary Payments

QUALITY

Target

90 per cent of Ministerial briefs/advice rated better than average or excellent in quality and timeliness.

90 per cent of Act of Grace/waiver cases turnaround within 21 days.

90 per cent of Natural Disaster Relief Arrangements (NDRA) and Natural Disaster Risk Management Studies Programme payments processed within set deadlines.

Result

Surpassed—98 per cent of Ministerial briefs/advice rated better than average or excellent in quality and timeliness.

Not met—75 per cent of Act of Grace/waiver cases turnaround within 21 days. The result reflects a higher number of complex cases.

Surpassed—100 per cent processed within set deadlines.

QUANTITY

Target

On average, an estimated 140 Act of Grace/debt waiver claims at a value of approximately \$355 million per annum (three year average) will be processed by the Minister and his delegates.

Expenditure on Natural Disaster Relief (NDR) can vary widely from year to year. On a three-year average, \$47 million will be processed per annum.

Result

Surpassed—298 Act of Grace/debt waiver claims were processed in the financial year, with a total value of \$73.09 million. There has been an increase in the number of cases, amounts requested have been of lesser value.

Surpassed—Expenditure this financial year on NDR was \$117 million. More remedial work in Queensland and the impact of NSW floods has increased the level of payments for the financial year.

Outcome 2.1.4—Secretariat Support for Remuneration Tribunal

QUALITY

Target

90 per cent of Ministerial briefs/advice rated better than average or excellent in quality and timeliness.

90 per cent of Ministerial letters with turnaround within seven days.

80 per cent of cases referred to the Tribunal for decision turned around within 28 days.

90 per cent of Secretariat services are rated superior or above by Members of the Tribunal and its customers.

Result

Surpassed—98 per cent of Ministerial briefs/advice were rated better than average or excellent.

Not met—27 per cent of Ministerials were turned around within seven days.

Surpassed—98 per cent of cases were turned around within 28 days.

Surpassed—The Tribunal was fully satisfied by the performance of the Secretariat. Customer feedback has been generally favourable.

Outcome 2.1.4—Secretariat Support for Remuneration Tribunal (continued)

QUANTITY

Target

On average, the Tribunal issues an estimated 22 determinations and one report each year, dealing with over 3,000 public, judicial and related office-holders, and Federal Members of Parliament.

Result

Surpassed—25 determinations and two reports were issued during the year.

Outcome 2.1.5—Competitive Tendering and Contracting Advice

QUALITY

Target

An increased interest in, and use of, tools and advisory products provided on competitive tendering and contracting.

Result

There has been a 39 per cent decrease in page views of the CTC website, which contains our tools and advisory products. The decrease was due to the Endorsed Supplier Arrangement information moving to its own website in December 2000.

A significant increase in the number of agencies that identify and proceed with market testing of relevant activities

Not applicable—Responsibility for market testing was transferred to OASITO on 1 May 2000.

QUANTITY

Target

80 per cent satisfaction with services and products from customers and stakeholders.

Result

Surpassed—93.6 per cent of Ministerial briefs/advice rated better than average or excellent in quality and timeliness.

90 per cent of Ministerial Briefs/advice rated better than average or excellent in quality and timeliness.

Achieved—93.6 per cent of Ministerial briefs/advice rated better than average or excellent in quality and timeliness.

90 per cent of Ministerial letters with a turnaround within seven days.

Not met—30 per cent of Ministerial letters turned around within seven days. The subject matter of letters was often complex and required extensive research. One hundred per cent of Ministerial letters were turned around within 21 days.

Role of the DASFLEET monitoring body effectively performed

Achieved—Agreed new reporting arrangements with service provider. New arrangements will improve reporting to the monitoring body and agencies.

Output 2.1.6—Service Charters Advice

QUALITY

Target

80 per cent of Service Charters assessed by survey and case studies—having improved service delivery.

Result

Achieved—80 per cent of agencies reported that 90 per cent or more of their staff are aware of their Service Charter and its use as a tool to improve customer service.

QUANTITY

Target

20 applications for the Service Charter Awards for Excellence in 2000–01.

Result

Not met—14 applications received for the Service Charter Awards.

Output 2.2.1—Property Management

QUALITY

Target

Provide client agencies with high quality accommodation and asset management services in Australia and overseas as measured by industry benchmarking and tenant satisfaction levels:

- portfolio condition to be maintained to industry standards as determined by independent audit;
- development of properties to meet customer needs, including Australian representational requirements overseas, within specified time and budget;
- tenant satisfaction will be measured by tenant survey.

Result

Independent audit to be completed during 2001 calendar year. Results of this audit will be reported in the 2001–02 Annual Report.

Achieved—Two major projects, the refurbishment of 4 Treasury Place and the construction of a new Chancery in Brasilia, were completed during 2000–01. Other projects completed include the facade and roof rectification works at Beijing and Wellington. Refurbishment of the Berlin Chancery commenced and the Treasury Building refurbishment is continuing. The projects were completed in accordance with the approved budgets and timeframes. Post-occupancy tenant satisfaction surveys will be undertaken at the 4 Treasury Place and Brasilia facilities during 2001–02.

Achieved—A survey of tenants has found that improvements have been made in areas of responsiveness to tenant needs and complaint resolution. Day-to-day property management functions continue to be performed to a satisfactory level, but tenants have suggested there is a need for enhanced communication. Finance will address these findings.

Output 2.2.1—Property Management (continued)

QUANTITY

Target

Earn a Rate of Return on Net Assets (RONA) of 6 per cent.

Pay dividends to Government of \$117 million.

Return equity of \$257 million from proceeds of divestment programme.

Invest \$88 million in capital expenditure.

Result

Surpassed—RONA of 6.57 per cent was achieved.

Surpassed—A total of \$142 million was paid as dividends.

Not met—Due to delays in selling a few properties equity of \$198 million was returned.

Not met—As at 30 June 2001 \$66.2 million has been spent on capital works in 2000-01 due to rescheduling of expenditure within the overall approved budgets and timeframes.

Output 2.2.2—Contract Management

QUALITY

Target

Comcover's contribution to improved risk management in Commonwealth agencies will be measured by comparing the results of risk analyses over time.

Comcover's performance will be benchmarked against general insurance industry performance, using a range of ratios e.g. gross and net claims ratios, reinsurance ratio, management fees ratios, underwriting ratios and administrative expense ratios

Result

Benchmarking exercise has commenced. First full risk management benchmarking exercise for Commonwealth agencies commenced in June. Results expected by September 2001.

Achieved—Comcover's performance was favourable compared to industry standards other than the reinsurance ratio and expense ratio. Both of these are affected by the decision to put in place reinsurance policies that effectively protect the Commonwealth Budget from the financial impact of large insurable risks.

QUANTITY

Target

Achieve rate of return on net assets of Comcover of 30 per cent and maintain premiums at 10-15 per cent less than market.

Finalise closure of the Commonwealth Motor Vehicle Registry.

Result

Surpassed—42 per cent rate of return. Achieved—premiums maintained at 10-15 per cent less than market.

Achieved—CMVR closed to new and renewing registrations from 1 December 2000.

Output 2.3.1—Access to Government Information

QUALITY

Target

90 per cent of Ministerial briefs/advice rated better than average or excellent in quality and timeliness.

90 per cent of Ministerial letters with a turnaround within seven days.

Qualitative evaluation of stakeholder awareness and usage of AusInfo access points assessed by surveys, feedback and trends.

Result

Not met—66 per cent of Ministerial briefs/advice were rated better than average or excellent in quality and timeliness. Results were derived from a small sample size.

Not met—75 per cent of Ministerial letters with a turnaround within seven days. Results were derived from a small sample size.

Achieved—Customer feedback for the year has been monitored through online services and contract management arrangements. Overall the majority of feedback has been supportive and favourable.

QUANTITY

Target

15 per cent increase in availability of Commonwealth Government information through AusInfo-maintained access points.

15 per cent increase in accessing Commonwealth Government information through AusInfo-maintained access points.

95 per cent agency take-up of principles and guidelines developed by AusInfo.

Result

Surpassed—The number of Commonwealth web pages accessed through www.fed.gov.au has increased from 450,000 to over 1.5 million, an increase of 233 per cent.

Surpassed—There has been an increase in access of 18 per cent for the whole-of-government web portal sites for 2000–01.

Achieved—The key online principles and guidelines have been incorporated into the Government Online Strategy. The Online Information Service Obligations are mandatory for all FMA agencies, and include the *Guidelines for Documents in Electronic Formats*.

RESOURCES FOR OUTCOME 2—IMPROVED AND MORE EFFICIENT GOVERNMENT OPERATIONS

	Budget 2000–01 \$'000	Actual 2000–01 \$'000	Budget 2001–02¹ \$'000
Administered Expenses			
(including third party outputs)	3,591,923	4,543,535	4,184,783
Total Administered Expenses	3,591,923	4,543,535	4,184,783
Price of Departmental Outputs			
Output Group 2.1—Public Sector			
Financial Management²			
Output 2.1.1			
Financial legislation and regulation	2,868	9,095	10,541
Output 2.1.2			
Public sector superannuation advice	3,576	4,378	4,216
Output 2.1.3			
Management of discretionary payments	1,356	349	613
Output 2.1.4			
Secretariat support for Remuneration Tribunal	1,257	1,699	2,200
Output 2.1.5			
Competitive Tendering and Contracting advice	10,730	3,889	3,315
Output 2.1.6			
Service Charters advice	402	483	502
Subtotal Output Group 2.1	20,189	19,892	21,386
Output Group 2.2—Property and			
Contract Management			
Output 2.2.1			
Property management	261,452	468,617	232,896
Output 2.2.2			
Contract management	80,311	99,659	79,785
Subtotal Output Group 2.2	341,763	568,277	312,680
Output Group 2.3—Government Information			
Output 2.3.1			
Access to Government information	20,007	21,864	24,189
Subtotal Output Group 2.3	20,007	21,864	24,189
Revenue from Government for			
Departmental Outputs³	69,763	97,771	45,329
Revenue from Other Sources⁴	312,195	512,262	312,927
Total Price of Outputs	381,958	610,033	358,256
Total for Outcome 2			
(Total Price of Outputs and			
Administered Expenses)	3,973,881	5,153,569	4,543,039
Average Staffing Level	293.1	257.0	282.0

¹ Due to the change to Finance's output structure in 2001–02 these figures have been recast in terms of the output structure for 2000–01.

² The reallocations between the components of Outcome 2 reflect a redistribution of resources which have been directed to those areas identified as priorities.

³ Revenue from Government—the increase in this item is attributable to additional appropriation revenue of \$10 million received at Additional Estimates to fund the sales program of Defence properties and \$2.4 million for the Sugar Industry Assistance Package. In addition a revision to the accounting treatments for Resources Received Free of Charge and Appropriations Received in Advance also contributes to the increase (\$15.5 million and \$10.5 million respectively). These increases have been offset by a reduction in appropriation at Additional Estimates of \$5.8 million for functions transferred to DFAT and OASITO as well as a revision to allocated overheads across outputs, with the main impact on Outcomes 1 and 3.

⁴ Revenue from Other Sources has increased as a result of the recognition of proceeds from asset disposals of \$140.7 million as well as reversal of a revaluation decrement of \$51.3 million.