

# Secretary's Review



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The 2008-09 year was a challenging one for the Department of Finance and Deregulation (Finance). During the early part of the year, Australia experienced a dramatic deterioration in economic conditions and the department played a key role in assisting the Australian Government to respond. At the same time, the government pursued its policy agenda and Finance played an important supporting role by identifying substantial savings to the budget, developing new measures to improve the transparency of government operations and implementing a range of other policy initiatives. Finance's people met these challenges with skill, enthusiasm and hard work, allowing the department to have a substantial impact on government policy and program delivery during this difficult time.

## Highlights of 2008-09

### *Budget Advice and Preparation*

The government's response to the financial crisis formed a significant part of Finance's workload in 2008-09. Finance worked in collaboration with other government agencies to examine the causes of the crisis, its implications for the economy and government finances, and options to address the negative impacts for Australia. Finance played a key role in policy development and costings for the three economic stimulus packages announced by the government to respond to the crisis – the \$10.4 billion Economic Security Strategy, the \$4.7 billion Nation Building Package and the \$42 billion Nation Building and Jobs Plan<sup>1</sup>.

As a consequence of the financial crisis, the government developed the 2009-10 Budget in an environment of considerable economic uncertainty. In the lead up to the 2009-10 Budget, Finance analysed new expenditure proposals, assessed and validated expenditure costings, and assisted with the development of major savings proposals. Finance worked on 601 expense and capital measures for the 2009-10 Budget, comprising \$26.9 billion of expenditure over five years. Finance also worked on measures for the 2008-09 Mid-Year Economic and Fiscal Outlook and for the Updated Economic and Fiscal Outlook released on 3 February 2009. In total, the department contributed to 788 measures in 2008-09 compared to 709 measures in 2007-08, continuing the upward trend of the last five years.

The work of the Expenditure Review Taskforce continued from 2007-08, examining government programs to identify savings and opportunities to improve the overall quality of government program delivery. The expenditure review process contributed to savings announced in the 2009-10 Budget totalling \$3.2 billion over the forward estimates.

Finance worked collaboratively with government agencies during the year to provide policy advice and costings related to a wide variety of other packages and measures. Chief amongst these were measures introduced to respond to the disruption of the childcare market caused by the collapse of ABC Learning centres, and work on costing the \$15.2 billion Council of Australian Governments' (COAG) Funding Package, announced on 29 November 2009, to support reforms to service delivery by the Commonwealth and state governments.

### *The National Broadband Network*

During the 2008-09 year, Finance developed policy advice and costings related to the government's \$4.7 billion package to establish a National Broadband Network, expected to cost up to \$43 billion (including private financing). After the government announced the package on 7 April 2009, Finance worked with the Department of Broadband, Communications and the Digital Economy (DBCDE) to establish a new wholly government-owned company to build and operate the network.

<sup>1</sup> The Economic Security Strategy was announced on 14 October 2008, the Nation Building Package was announced on 12 December 2008 and the Nation Building and Jobs Plan was announced on 3 February 2009.

## ***Nation-building Funds***

As part of the 2008-09 Budget, the government announced that it would establish the Building Australia Fund, the Education Investment Fund and the Health and Hospitals Fund. These funds provide financing sources to meet the government's commitment to invest in critical areas of infrastructure such as transport, communications, energy, water, education, research and health. During 2008-09, Finance played a key role in implementing the government's decision to establish these funds and credit \$22.4 billion to them. As part of its Nation Building Package and the 2009-10 Budget, the government committed to provide \$18 billion from these funds to support specified infrastructure projects.

## ***Transparency***

The government has a strong commitment to improve the transparency and accountability of government operations and Finance plays a central role in implementing initiatives to support this aim.

On 2 July 2008, as part of this commitment to transparency, the government released *Guidelines on Campaign Advertising by Australian Government Departments and Agencies*. The guidelines support a new campaign advertising framework, developed and managed by the department. The framework provides assurance that government information and advertising campaigns are objective, factual, explanatory and free of political messages. In March 2009, with Finance's assistance, the government also published the first biannual *Campaign Advertising by Australian Government Departments and Agencies Half Year Report 1 July to 31 December 2008*.

On 9 December 2008, the government released the *Review of Operation Sunlight: Overhauling Budget Transparency* conducted by former Senator Andrew Murray. In response to the review, the government updated its Operation Sunlight policy and Finance made further improvements to the readability and usefulness of the 2009-10 Budget Papers and Portfolio Budget Statements. The government also introduced a new policy framework for the administration of grants, which includes a requirement that agencies publish the details of individual grants on their websites. Finance issued the *Commonwealth Grant Guidelines* on 25 June 2009 to support the new framework.

Issues related to the employment of the staff of Members of Parliament are of considerable public interest. On 23 December 2008, the government improved the transparency of information related to their employment by tabling in the Parliament the first *Members of Parliament (Staff) Act 1984 Annual Report 2007-08*, prepared by Finance. On 25 June 2009, the government further improved transparency by publishing on Finance's website information tabled in the Parliament outlining travel details, allowances and expenses for Parliamentarians and former Parliamentarians. The government intends to release this information every six months.

## ***Superannuation Reforms***

During 2008-09, Finance worked on a package of reforms to improve and consolidate the governance and administration of Australian Government superannuation schemes. The department has overall responsibility for developing the primary legislation to implement the new arrangements and leads a liaison working group discussing issues related to the reform package.

## ***Implementing the Government's Better Regulation Agenda***

Finance provides advice on ways to reduce the costs of regulation, provides secretariat and policy support to the COAG Business Regulation and Competition Working Group, and assists government agencies and departments to comply with the government's Regulatory Impact Analysis requirements. On 1 September 2008, Finance established a new business group in the department to strengthen its focus on the government's better regulation agenda.

During 2008-09, Finance provided support for twelve meetings of the working group and worked closely with Commonwealth and state and territory agencies to draft the *National Partnership Agreement to Deliver a Seamless Economy*. The department also worked to review the stock of regulation during the year, resulting in the *Statute Stocktake (Regulation and Other Laws) Bill 2009*, which was introduced into the Parliament on 24 June 2009. The Bill proposes the amendment or repeal of almost 30 Acts where the provisions no longer have any function or purpose.

## *Government Business Advice*

Finance provides shareholder oversight and advice to the government in relation to Government Business Enterprises and during 2008-09 the department provided advice on a variety of matters. On 12 December 2008, the government announced that it would provide the Australian Rail Track Corporation with up to \$1.2 billion of equity injections, and Finance worked with the Department of Infrastructure, Transport, Regional Development and Local Government to advise the government on this process. On 3 February 2009, the government announced that it would provide Defence Housing Australia (DHA) with \$252 million to build 802 dwellings in metropolitan and regional centres to accommodate serving Defence force members and their families, and Finance worked with DHA to develop and implement the package. As part of the 2009-10 Budget, the department provided advice on the conversion of Medibank Private Limited to a for-profit entity<sup>2</sup>.

## *Commonwealth Property Management Framework*

On 10 November 2008, Finance established the Commonwealth Property Review Branch to work with agencies to develop a whole-of-government framework and governance arrangements for property management. The framework will outline measures to improve the efficiency and effectiveness of property management across FMA Act agencies, including an occupational density target for office accommodation and associated cost savings.

## *National Portrait Gallery*

The National Portrait Gallery was opened to the public on 3 December 2008. The gallery is situated in the heart of Canberra on the shores of Lake Burley Griffin, next to the High Court of Australia and the National Gallery of Australia. Finance commenced the project to build the gallery in 2004 and completed it on time and within budget. The gallery has been honoured with seven major awards from Master Builders Australia and the Australian Institute of Architects.

## *Telepresence*

On 27 February 2009, the Minister for Finance and Deregulation announced that the government would establish a national inter-governmental telepresence system. The system will provide high quality, secure video conferencing facilities connecting federal, state and territory governments, and will be used in inter-jurisdictional meetings, including Council of Australian Governments and Ministerial Council meetings. This initiative is expected to reduce travel costs and associated carbon emissions, and improve productivity. In May 2009, Finance successfully tested a pilot system of four telepresence facilities, including systems located in Parliament House in Canberra, the Commonwealth Parliament Offices in Melbourne and the department's network monitoring centre in Hume.

## *Coordinated Procurement Contracting*

During 2008-09, Finance continued to progress arrangements to deliver efficiencies and savings from a more coordinated approach to procurement. The department has undertaken scoping studies in relation to the procurement of travel services, Microsoft products, telecommunications, major office machines, desktop computers and accounting services. On 9 February 2009, the Minister for Finance and Deregulation announced an agreement with Microsoft that provides favourable pricing and licensing conditions for the supply of Microsoft products to Australian Government agencies. On 11 March 2009, the Minister announced that the government would be proceeding with coordinated contracting arrangements for travel services.

<sup>2</sup> The conversion of Medibank Private Limited to a for-profit entity took place on 1 October 2009.

## ***ANAO Audit of Parliamentarians' Entitlements***

In May 2008, the Australian National Audit Office (ANAO) began a performance audit of the administration of parliamentary entitlements as part of its 2007-08 Planned Audit Program. On 8 September 2009, the ANAO tabled its report, *Administration of Parliamentarians' Entitlements by the Department of Finance and Deregulation*. In response, the government announced a range of reforms to improve the way entitlements are managed and reported, and also established a fundamental review of the parliamentary entitlements framework. During 2008-09, Finance provided extensive reporting, advice and support to both the ANAO and to the government in preparing the audit report and reforms.

### ***ICT Reform Program***

On 24 November 2008, the government announced its ICT Reform Program in response to the independent review by Sir Peter Gershon of the Australian Government's use of ICT. Finance supported Sir Peter's review and worked with agencies and industry to implement its recommendations. This included completing a first phase review of 'business-as-usual' ICT expenditure across 53 government agencies, which returned \$570 million of savings to the Budget over the forward years 2009-10 to 2012-13, without impairing service delivery to citizens or business.

## **Finance's People**

Finance's people are essential to the department delivering its outcomes for government. In order to attract, develop and retain the talented people the department needs, Finance has a comprehensive human resources framework that includes innovative recruitment and retention strategies, a comprehensive learning and development program, and an attractive remuneration package.

As part of its efforts to support staff, the department introduced a number of initiatives to respond to the *Finance Staff Attitude Survey 2008*. These included improving the efficiency of departmental processes and providing training and support to staff to help them manage various workplace situations. Finance also negotiated a new non-SES Collective Agreement that includes provisions to enhance working conditions and to improve the ability of staff to balance work and family life. A majority of eligible staff approved the Collective Agreement on 26 June 2009 and it commenced operation on 16 July 2009.

## **Departmental Financial Performance**

With the falling value of the Australian property market because of the global financial crisis, Finance recorded an operating deficit of \$49.3 million in 2008-09 compared to an operating surplus of \$129.7 million in 2007-08. The department has budgeted for an operating surplus of \$24.1 million in 2009-10, an increase of \$73.4 million from the 2008-09 actual deficit. This reflects that a further devaluation of the department's property portfolio is not anticipated in 2009-10. The ANAO audited the department's financial statements and issued an unqualified audit opinion for these statements on 17 August 2009.

## **Future Issues and Directions**

The coming year will bring many challenges as Finance works to support the government to address its policy agenda and changing economic conditions. The department will continue to advise the Cabinet and its committees on opportunities for future savings across government, and assist the government to make difficult decisions about spending priorities. Finance will review additional government programs to find further efficiencies and the department will conduct strategic reviews of key areas of government expenditure. The government's transparency agenda will continue to be an important focus. Finance will pursue the final Operation Sunlight reforms that formed a part of the government's election commitments in this area. The department will also implement improvements to the way parliamentary entitlements are managed, including measures that will improve transparency and accountability in the use of entitlements.

During 2009-10, Finance will progress a number of initiatives that commenced in 2008-09. The department will work with DBCDE on the National Broadband Network to undertake an implementation study to determine investment and operating arrangements and the detailed network design. Finance will implement reforms to the governance and administration of Australian Government superannuation schemes. The department will pursue more coordinated approaches to government procurement and property management in conjunction with other government agencies. It will also continue the ICT Reform Program including completing Phase 2 of the savings initiative and commissioning projects in agencies to improve their 'business-as-usual' ICT operations. Finance will continue its regulatory reform work with the states and territories, including collaborating with the Organisation for Economic Development and Cooperation as it completes its review of Australia's regulatory system.

Finally, I would like to thank my predecessor Dr Ian Watt for his strong leadership of Finance over the past seven and a half years. Under his leadership, Finance has developed a reputation for professionalism and quality that has made it a trusted advisor to the government of the day. The department has a challenging agenda over the next year, but we have talented people to support our Ministers and the government to progress this agenda.

**David Tune**  
**Secretary**