

Part 1: Introduction



Finance at a glance
2016–17

Secretary's review

Finance at a glance 2016–17

Purpose 1

Budget and financial advice, management and reporting—support the government to deliver its fiscal targets and policy objectives

Key achievements

Supported the delivery of the 2016–17 MYEFO and 2017–18 Budget, including by providing advice to the Expenditure Review Committee of Cabinet on spending and savings proposals.

Prepared budget documentation detailing how the government intends to allocate \$464.3 billion in 2017–18.

Provided advice on major reforms, including the schools funding package, housing affordability measures, working age payment reforms and investment in infrastructure, regional Australia and energy security.

Provided advice on significant infrastructure investments including \$5.3 billion to build Western Sydney Airport and \$8.4 billion to deliver the Melbourne to Brisbane inland rail project.

Provided advice on the establishment of a Regional Growth Fund, which will provide funding of \$472.2 million with the aim of creating jobs, driving economic growth and building stronger regional communities.

Key achievements

Led the allocation of the \$500 million Public Service Modernisation Fund to enhance productivity and innovation in the Commonwealth public sector.

Undertook a two-stage market testing process to optimise private sector involvement in delivering and financing the inland freight rail network.

Worked with the Department of Infrastructure and Regional Development to advise government on options for the construction of Western Sydney Airport.

Streamlined the administration of government grants including establishing two centres of excellence and GrantConnect—a website which provides a single point of discovery for all government grants.

Purpose 2

Governance—foster leading public sector practice

Purpose 3

Transformation—innovate and improve public sector operations and reform the management and operations of public assets

Key achievements

Realised \$5 billion savings through the 'Efficiency through Contestability Program' which aims to ensure government administration is as effective and efficient as possible.

Worked with the Department of Defence to establish Australian Naval Infrastructure—a Commonwealth-owned shipbuilding facility.

Managed the sale of 92 properties under the government's surplus property divestment program returning about \$36 million in gross proceeds to consolidated revenue.

Signed up 57 agencies to govCMS—Finance's content management and website hosting service which gives agencies the tools to build, migrate and manage websites. govCMS now has 155 live websites.

Key achievements

Supported the Department of Foreign Affairs and Trade in the negotiation of Australia's bid to join the World Trade Organisation Agreement on Government Procurement.

Provided support following the 2016 federal election including establishing offices and conducting briefings for 53 new senators and members.

Provided COMCAR services for 44 'guests of government' and other important visitors including the kings and queens of the Netherlands and the Hashemite Kingdom of Jordan, and the prime ministers of Singapore and Israel.

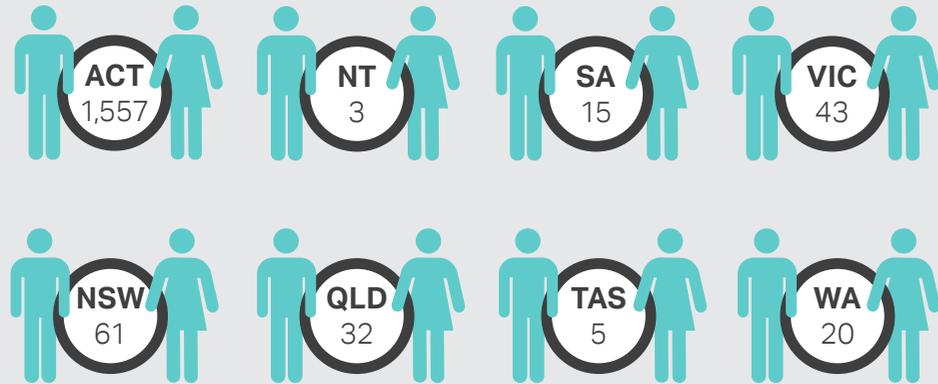
Delivered a risk management education program to 2,117 Commonwealth employees from more than 70 entities contributing to the development of a positive risk culture throughout the public sector.

Purpose 4

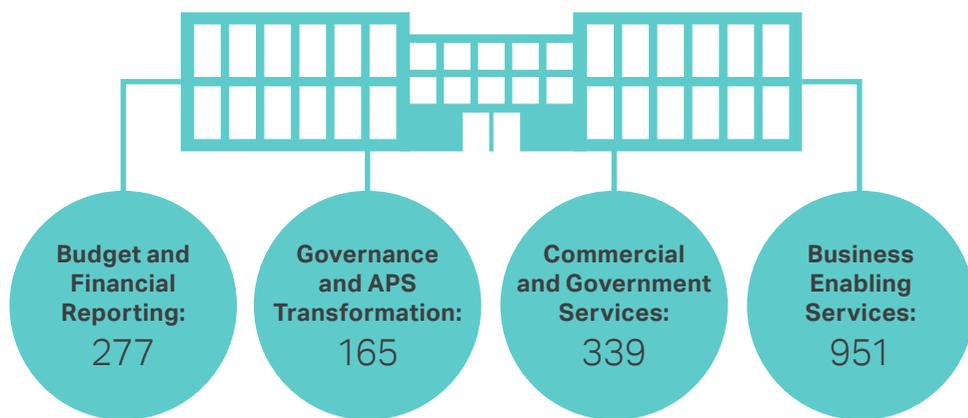
Services—manage efficient, cost-effective services to, and for, the government

Finance at a glance 2016–17

Our locations



Our business areas

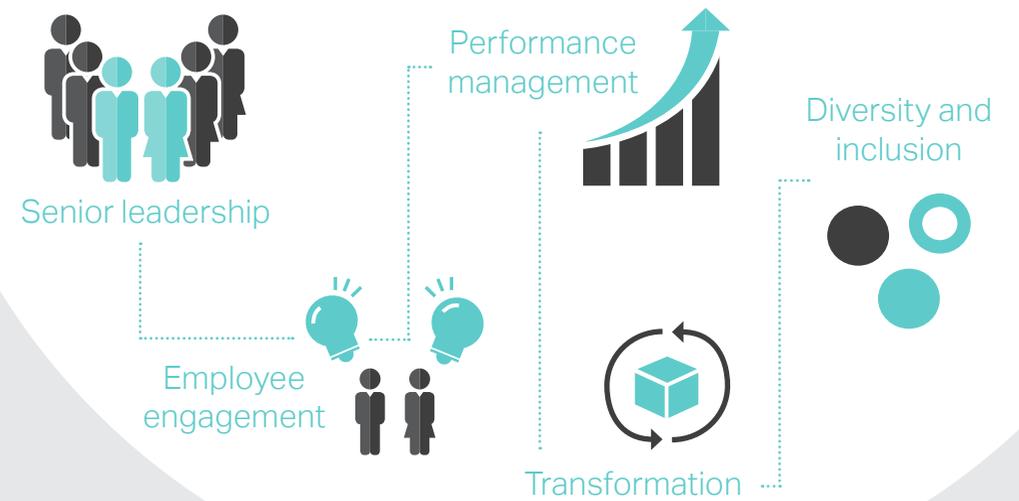


Finance has a 'surge' model where up to 40 specially trained staff can be temporarily deployed to business areas experiencing peak demand.

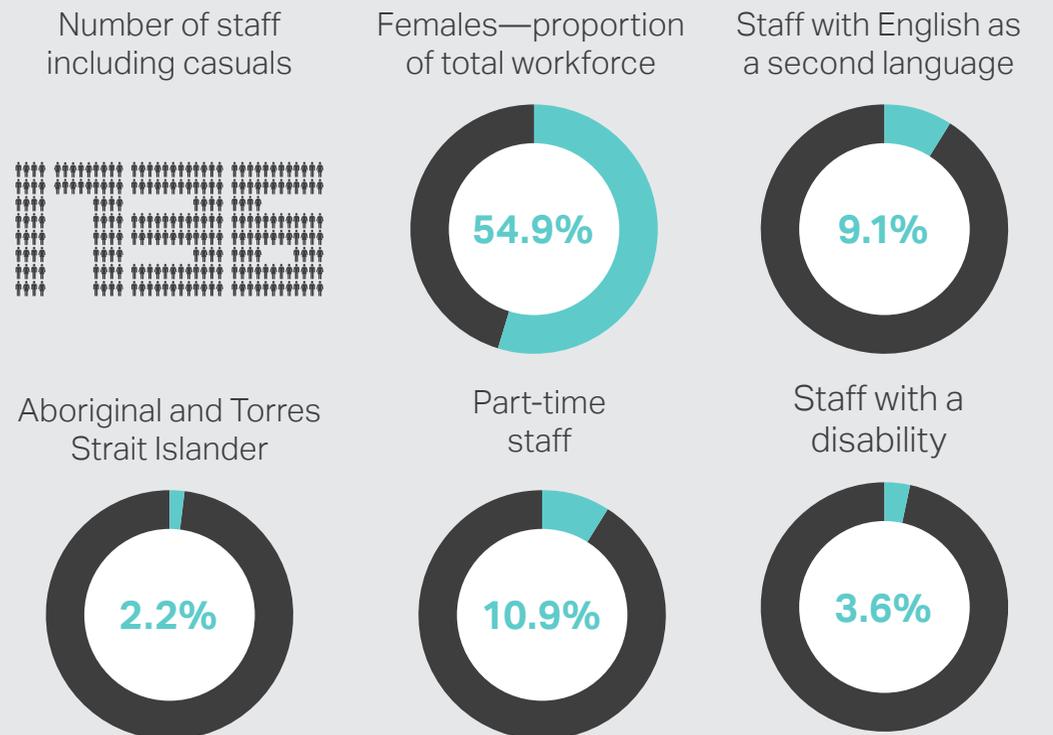
Business Enabling Services includes 220 staff in the Project Deployment Team who are mobilised to departmental priorities as required.

Things we did well in 2016–17

Source: APS Census 2017



Our workforce



Percentages refer to ongoing staff

Secretary's review

Rosemary Huxtable PSM



I am pleased to present the Department of Finance Annual Report 2016–17—my first as Secretary of Finance. I am proud to lead this department, guiding our important contribution to the work of government, firstly in an acting capacity from October 2016, followed by my permanent appointment in February 2017.

2016–17 has been a busy period for Finance. This has included managing several machinery-of-government changes affecting the department and—in an election year—providing support to all outgoing and incoming senators and members and their staff during the transition.

As detailed in our Corporate Plan for 2016–17, Finance had a number of priorities to deliver during the year that have all been achieved or substantially achieved.

Through our role in the successful delivery of the 2016–17 Mid-Year Economic and Fiscal Outlook and the 2017–18 Budget, we supported the government to deliver its fiscal policy objectives by providing advice on spending and savings proposals to the Expenditure Review Committee of Cabinet. This included advice on major policy reforms as well as investment in infrastructure, regional Australia and energy security.

In the 2017–18 Budget, the government announced that it would delay drawdowns from the Future Fund, which will allow financial assets to continue to build in the fund. Finance worked closely with our Treasury colleagues to provide advice on the drawdown options and on a revised investment mandate for the Future Fund.

We supported public sector transformation to assist the Australian Public Service to become more collaborative, innovative and agile. Key contributions and achievements have included developing whole-of-government solutions for digital records management, corporate services delivery, stationery and office supplies, and coordinated procurement for property services and travel accommodation services.

Further public sector transformation was achieved as part of the Efficiency through Contestability Program, which is reviewing Commonwealth public sector activities to assess whether they align with key policies and priorities. During the year, Finance supported the delivery of eight reviews of Commonwealth entities, bringing the total to 21 reviews. Reviews under the program are expected to achieve savings of around \$5 billion over the period 2014–15 to 2020–21, with around a further \$14 billion over the period 2021–22 to 2026–27.

Finance also led the allocation of the \$500 million Public Service Modernisation Fund by working with Commonwealth entities to identify and recommend initiatives for investment through the fund.

During the year, we contributed to the smaller government agenda, advising government on delivering savings and reforms to ensure services are as efficient and well targeted as possible. This included advice on government business enterprises and other Commonwealth entities.

Following the 2016 federal election, Finance played an important role in implementing machinery-of-government changes across government. This included working collaboratively with the Digital Transformation Agency (DTA) to transfer responsibility for ICT policy and ICT procurement to the DTA. This was consistent with the government's agenda to centralise digital service delivery and all ICT functions in one agency.

We also continued to work closely with other agencies on further reducing red tape across government and driving the Shared Services agenda. This included the establishment of the Service Delivery Office within Finance. As part of this, Finance worked to develop robust governance arrangements and a best-practice assurance framework to ensure quality services to clients.

The rationalisation and management of Commonwealth property was also a priority in 2016–17. The sale of 92 properties returned approximately \$36 million to consolidated revenue and achieved savings in property management costs. Savings were also achieved through the Australian Government Office Occupancy Report that actively targets and delivers lower lease vacancy rates, and works toward achieving the government's occupational density target. Future whole-of-government property services will be further enhanced by the appointment during the year of a strategic property adviser.

Another significant activity for Finance in 2016–17 was establishing the Independent Parliamentary Expenses Authority. This included drafting new legislation and managing two machinery-of-government changes.

This work—and indeed all our work—can only be successfully achieved by working with our colleagues across the central agencies, other Commonwealth entities and key external stakeholders. Particular examples during 2016–17 included working with the Treasury and the Department of the Prime Minister and Cabinet on the Budget and delivery of the government's fiscal strategy, the Department of Defence on naval shipbuilding and Defence investment, and the Department of Infrastructure and Regional Development on major infrastructure projects. Senior officials play an important role in these collaborative processes.

Financial performance

The department remains in a sound financial position, operating within its appropriation. For 2016–17, the department recorded an overall operating surplus of \$55.4 million. This result is predominantly due to favourable external factors affecting property valuations in the Commonwealth's domestic property portfolio. More information about the department's financial performance can be found on pages 59 to 62 in Part 3 of this report.

Our people

Internally, we continued to establish ourselves as a transformative public sector entity. Our aim is to be agile and able to respond quickly to changing priorities. We are always willing to reach out and influence but also to listen and learn from others and have the tools and processes in place to engage with risk wisely. We also have a strong focus on creating a culture where innovation is encouraged, and where leaders are committed to supporting and enabling their staff to achieve their best for themselves and the organisation as a whole.

Indicators of our success in this regard are the positive results we achieved in the Australian Public Service Commission Staff Census 2017. The census showed a strong commitment by our staff to strive to achieve the department's objectives, to be involved in suggesting ideas and to go the extra mile if required. The results reflected a workforce that is highly committed, capable and engaged.

Aside from being a highly professional, hard-working and collaborative group, our staff are also generous. Last year we raised more than \$6,500 for our friends at Communities@Work who provide services to the most vulnerable and disadvantaged members in the Canberra community.

Outlook

A key focus over the next 12 months is to assist the government to create a smaller, smarter, more productive and sustainable government sector, better positioned to respond to the challenges of a rapidly changing environment. We aim to lead by example as we continue our internal transformation, which has a focus on staff mobility, capability development and efficient work practices.

We will continue our focus on building relationships of trust and collaboration within Finance, across government and with external stakeholders. This underpins our capacity to advise on efficient and effective spending and enables us to generate a strong evidence base and respond to emerging challenges in the environment.

Priorities for the department will include delivery of the 2017–18 Mid-Year Economic and Fiscal Outlook, the 2018–19 Budget and the government's financial statements. We will also support an independent review of the *Public Governance, Performance and Accountability Act 2013*, which governs how the Commonwealth public sector uses and manages public resources. Remaining a high priority is the continued rationalisation of the Commonwealth property portfolio and work on the shared services agenda, which will see back office functions consolidated into six shared service hubs by 2021.

Our responsibility for the Public Service Modernisation Fund will be also be high on our list of priorities. This important project will see the delivery of quality government services at lower cost, using improved data systems and workflows.

In terms of major projects, we will provide innovative financing and project management approaches to partner agencies and government business enterprises on key projects such as the National Broadband Network, the Moorebank Intermodal Terminal Project, naval shipbuilding infrastructure, inland rail and Western Sydney Airport.

Acknowledgements

My thanks to the Minister for Finance, Senator the Hon Mathias Cormann, and the Special Minister of State, Senator the Hon Scott Ryan, and their offices for their ongoing support of the department. I would also like to take the opportunity to acknowledge the work and support of my predecessor Jane Halton.

Finally, a big thank you to all staff of the department whose outstanding commitment and professional approach enabled us to deliver the priorities and achievements detailed in this report.

Rosemary Huxtable
Secretary