



Part 3: Performance

Purposes and outcomes

Priorities

Key activities and
achievements

Annual performance
statement

Financial
performance

Purposes and outcomes

Part 3 reports on results achieved in 2016–17 against the purposes and performance criteria published in the Department of Finance Corporate Plan 2016–17, the Department of Finance Portfolio Budget Statements 2016–17 and the Department of Finance Portfolio Additional Estimates Statements 2016–17. It also includes Finance's priorities and key activities and achievements during 2016–17.

Table 3 shows how Finance's outcome statements and programs link to its purposes.

Priorities

Our key priorities for 2016–17 were as follows:

- supporting the government in delivering its fiscal policy objectives through the Budget and financial advice, management and reporting purpose, as required by the *Charter of Budget Honesty Act 1998* and the *Public Governance, Performance and Accountability Act 2013*
- supporting public sector transformation through targeted investments in specific initiatives to assist the Australian Public Service become more collaborative, innovative and agile
- contributing to the smaller and more efficient government agenda, including by continuing to review and reform a number of government business enterprises and other similar Commonwealth activities
- supporting the government's agenda to modernise approaches for the efficient delivery and management of publicly funded services and assets, including continuing to rationalise the Commonwealth's non-Defence property holdings and improving the efficiency of Commonwealth property management
- ongoing internal transformation of our business model, tools and systems to maximise efficiency and ensure delivery of the government's policy agenda.
- completing the redevelopment of the new Central Budget Management System. Implementation of the new system commenced on 26 July 2017. The new system will be implemented over a six month period to accord with the Australian Government's financial reporting requirements and the 2017–18 budget cycle. The 2016–17 Final Budget Outcome was the first item produced using the new system.
- establishing sound governance arrangements for the Service Delivery Office and its 13 client entities to enable effective strategic planning, decision making, risk and control management, performance monitoring and reporting, and communication.

Table 3: Finance's purposes as linked to outcome statements, 30 June 2017

		Outcome statements		
		Outcome 1	Outcome 2	Outcome 3
		Support sustainable Australian Government finances through providing high-quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.	Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance including through systems, frameworks, policy, advice and service delivery.	Support for parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance.
Purpose statements	Purpose 1 Budget and financial advice, management and reporting	1.1 Budget and financial management		
	Purpose 2: Governance		2.1 Public sector governance 2.3 Property and construction 2.8 Australian Government investment funds	
	Purpose 3 Transformation		2.2 Transforming government 2.3 Property and construction	
	Purpose 4 Services		2.3 Property and construction 2.4 Insurance and risk management 2.5 Procurement services 2.6 Service Delivery Office 2.7 Public sector superannuation	3.1 Ministerial and parliamentary services

Finance's transformation agenda

Finance's transformation agenda supports the delivery of our key activities and achievements. As part of this, Finance has implemented a new Performance and Capability Framework that replaces a twice-per-year formal performance assessment with a system that is more focused on developing employee capabilities and having more regular quality conversations between staff and managers. This more modern approach to performance and capability has already led to some very positive feedback from staff in the most recent APS Staff Employee Census.

These results include staff reporting significant increases in the positive impact of meaningful formal and informal conversations with managers on helping them to improve their performance (15 per cent and 12 per cent improvements from the previous year, respectively). The census results also indicated an 8 per cent increase on staff feeling they are provided with clear and consistent performance expectations and on how these will be assessed and measured.

The new framework improves the whole-of-organisation understanding of our capabilities and development needs. This better understanding of Finance's workforce is already helping us to deliver improved workforce planning strategies that will help attract, build and retain an agile and high performing workforce.

Key activities and achievements

Delivering the Budget and Mid-Year Economic and Fiscal Outlook

During the development of the 2017–18 Budget, Finance:

- provided advice on spending and savings proposals and prepared over 140 briefs for the Expenditure Review Committee of Cabinet to assist its policy deliberations
- scrutinised cost estimates for spending and savings proposals. Finance considered approximately 900 policy costings across all Commonwealth portfolios for accuracy and overall alignment with the policy's intent and collaborated with portfolio agencies to validate 8,757 estimates adjustments entered in the Central Budget Management System
- coordinated key aspects of the budget process and administered the Budget Process Operational Rules
- prepared budget documentation, including:
 - Statement 6 of Budget Paper No. 1, which details how the government intends to allocate \$464.3 billion of expenditure across the various functions of government for the years 2017–18 to 2020–21
 - Statement 9 of Budget Paper No. 1 in relation to fiscal risks, assets and liabilities, contingent assets and liabilities, and government loans that may influence the actual budget outcome

- Statement 10 of Budget Paper No. 1, which provides the Australian Government financial statements
- 226 new expense, capital and non-tax revenue measures included in Budget Paper No. 2
- Budget Paper No. 4, which contains information on resourcing for government agencies in 2017–18.

For the 2016–17 Mid-Year Economic and Fiscal Outlook, Finance analysed and advised on 175 expense, capital and non-tax revenue measures and prepared a range of documentation, including information on the Australian Government financial statements and an update to fiscal risks and contingent liabilities and assets since the 2016–17 Budget.

Delivering the government's fiscal and budget strategies

Finance provides support to the government to enable it to achieve its fiscal and budget policy objectives.

In collaboration with the Treasury, the Department of the Prime Minister and Cabinet and other agencies, Finance provided advice on proposals across a number of portfolios aimed at improving productivity in the economy and workforce participation.

Finance provided advice on major reforms, including the schools funding package, housing affordability measures, working-age payments reform, and investment in infrastructure, regional Australia and energy security.

We also supported the government in delivering on its budget repair strategy by advising on savings proposals and the progress of budget-related legislation through the parliament.

Investment in infrastructure and regional Australia

In collaboration with other central agencies and the Department of Infrastructure and Regional Development, Finance advised the government on the significant infrastructure investments announced in the 2017–18 Budget. These included an equity investment of up to \$5.3 billion in WSA Co Limited to build Western Sydney Airport, an additional equity investment of \$8.4 billion in the Australian Rail Track Corporation for the delivery of the Melbourne–Brisbane inland freight rail project, and funding of \$600 million over two years from 2019–20 as part of a \$10 billion National Rail Program.

We advised the government on a number of 2017–18 Budget measures that will help to support economic growth in regional Australia. These included funding of \$472.2 million over four years from 2017–18 to establish a Regional Growth Fund, with the aim of creating jobs, stimulating economic growth and building stronger regional communities.

We are also working with the Department of Infrastructure and Regional Development on prioritising the decentralisation of non-policy Commonwealth entities to further promote economic diversification and bring skills and job opportunities to regional areas.



CASE STUDY

Streamlining the 'Green Brief' process

A key role of Finance is the preparation of briefing on proposals with financial implications for consideration by the Expenditure Review Committee of Cabinet (ERC)—Green Briefs.

The Green Brief summarises key elements of a proposal, the associated financial implications and Finance and central agency views on the proposal. Green Briefs are highly regarded by the ERC for providing a succinct and accurate summary, and independent assessment of, proposals brought forward for their consideration.

Finance's new electronic work environment has streamlined the clearance process for Green Briefs including enabling senior executives to clear Green Briefs remotely—allowing them greater flexibility in meeting timeframes.

Secondary benefits include strengthening our positive working relationships with our central agency counterparts; making us more agile and able to produce high quality work within tight deadlines; and providing us with greater capacity to prepare and progress Green Briefs.

Inland rail market testing

Following the government's 3 May 2016 announcement of its intention to deliver an inland freight rail network through the Australian Rail Track Corporation, Finance engaged in a two-stage market testing process to examine opportunities for optimising private sector involvement in delivering and financing inland rail. Following successful completion of the market testing, as part of the 2017–18 Budget, the government announced a contribution of \$8.4 billion in new equity for ARTC to deliver inland rail and the intention to pursue a public–private partnership for the Gowrie to Kagaru (Queensland) section of the project.

Advice on Western Sydney Airport

Finance worked closely with the Department of Infrastructure and Regional Development to provide advice to the government on options for development and construction of the Western Sydney Airport. On 2 May 2017 the government announced it would establish WSA Co Limited as a Commonwealth company, prescribed as a government business enterprise, to build and develop the airport. Finance will continue to work with the Department of Infrastructure and Regional Development on the establishment of the company in early 2017–18 and will have an ongoing role supporting the Minister for Finance as a joint shareholder in WSA Co.

Online guidance for directors of government business enterprises

Finance prepared [online guidance material](#) to assist directors of government business enterprises—in particular, newly appointed directors.

The guide, which is available on our website, provides information about the central components of the GBE governance framework, including the *Public Governance Performance and Accountability Act 2013*, the PGPA Rules, and the *Resource Management Guide No. 126: Commonwealth GBE governance and oversight guidelines*. It also provides a 'shareholder perspective on the director's role'.

The guide takes account of existing policy, legislation and industry best practice and was developed in consultation with GBEs and shareholder departments to complement existing induction programs.

Sydney's new freight terminal at Moorebank

Moorebank Intermodal Company achieved financial close on 24 January 2017, a milestone that allowed the construction of Moorebank Logistics Park to begin. The park will improve national freight connectivity and help relieve urban congestion.

The initial phase of the import–export terminal is expected to be operational by January 2019, and the initial phase of the interstate terminal is expected to be operational by January 2021. Warehousing will be developed as demand dictates.

Funds allocated for modernising the public service

Finance worked with entities to identify and recommend to government transformation initiatives for investment through the \$500 million Public Service Modernisation Fund. These initiatives were announced in the 2017–18 Budget, with funding allocated over three years.

Finance led the development of a framework whereby proposals were assessed to ensure that the funding was invested in those initiatives that will enhance productivity and innovation in the Commonwealth public sector.

Whole-of-government digital records management

During 2016–17 Finance secured funding under the Public Service Modernisation Fund for the development of a whole-of-government Digital Records Platform to automate the common task of digital records management. We also completed the first draft of the Australian Government Records Interoperability Framework, which will enable the automation of records capture and management. A study titled the 'Future state of Australian government records management' was also completed. The study investigated the technologies and business issues that will affect records management in the coming five to 10 years.

The Central Advertising System

Finance administers the Central Advertising System, which consolidates the government's buying power to support the proper use of public resources. A total of \$148.4 million was spent on media through the system in 2016–17:

- Total campaign advertising media expenditure was \$133.4 million, comprising \$100.1 million by non-corporate Commonwealth entities and \$33.3 million by corporate Commonwealth entities, Commonwealth companies and other bodies.
- Total non-campaign advertising media expenditure was \$15 million, comprising \$12.1 million by non-corporate Commonwealth entities and \$2.9 million by corporate Commonwealth entities, Commonwealth companies and other bodies.

Drawdowns from the Future Fund

During the reporting year and in the lead-up to the 2016–17 Budget, Finance and Treasury provided advice to government on options for commencing drawdowns from the Future Fund to meet unfunded superannuation liabilities. During the same period, the two departments also provided advice to government about the ongoing relevance of the Future Fund Investment Mandate. During the budget process, the government announced that drawdowns from the Future Fund will not begin in 2020–21 and the investment mandate will be reduced by 0.5 per cent to a target return of at least the consumer price index plus 4 to 5 per cent over the long term.



CASE STUDY

Modernising the public service

Transforming and modernising the public service is a key priority of the government, which has allocated \$500 million from the Efficiency Dividend to establish the Public Service Modernisation Fund.

Finance worked with Commonwealth entities to identify and recommend to the government transformative initiatives for investment through the fund with funding allocations finalised in the 2017–18 Budget. These initiatives will deliver quality government services more efficiently and use leading technology and collaborative approaches to address complex problems facing society.

Finance led a collaborative process involving the Department of the Prime Minister and Cabinet, the Digital Transformation Agency and other entities to refine assess and recommend proposals that would enhance productivity and innovation in the Commonwealth public sector.

A committee of secretaries, chaired by the Secretary of the Department of the Prime Minister and Cabinet, endorsed a strong package of initiatives that were agreed by the government as part of the 2017–18 Budget process.

Establishing Australian Naval Infrastructure

Following a government announcement in October 2016, Finance worked with the Department of Defence and ASC Pty Ltd to establish Australian Naval Infrastructure Pty Ltd and transfer critical naval shipbuilding infrastructure from ASC into ANI. Establishment of ANI will facilitate the development and construction of infrastructure at the Osborne shipbuilding facility in South Australia to support the government's continuous shipbuilding program.

The Efficiency through Contestability Program

Under the Efficiency through Contestability Program Finance has systematically reviewed Commonwealth public sector activities and assessed whether these functions align with key policies and priorities. The aim is to ensure that government administration is as efficient, effective and responsive as possible. In 2016–17 we supported the delivery of a further eight reviews to government. Through streamlining programs, terminating legacy programs and improving spans of control, systems and compliance processes, reviews under the program have resulted in savings of about \$5 billion from 2014–15 to 2020–21, with about a further \$14 billion estimated for 2021–22 to 2026–27.

Streamlining government grants

Each year the Australian Government awards \$25 billion in grants to achieve government policy outcomes that support the nation's jobs, growth and innovation. As part of leading the government's Australian Public Service transformation agenda, Finance is working to improve the Commonwealth grants framework by streamlining grant policy and processes.

This is assisting Commonwealth entities to administer grants through simpler, consistent, more efficient processes. The work involves creation of a single source of government grant opportunities, [GrantConnect](#), and the establishment of two grants administration hubs (Community and Business Grants) as centres of excellence. These changes are delivering consistent processes and approaches across common IT platforms.

The Community and Business Grants hubs officially began operations on 1 July 2016. The hubs improve usability and accessibility through online grant processes for grant applicants and reduce red tape for grantees.

In February 2017 the government launched GrantConnect as the new single point of discovery for information about all government grants. Individuals and organisations are able to register to receive notifications on grant opportunities relevant to them. Information about grant opportunities is presented in a standard and consistent format.

In consultation with government and non-government stakeholders, we have also developed standardised grant agreement and guidelines templates. It is planned that these will be rolled out for use throughout government in 2017–18. The reforms standardise the way government presents grant information to potential applicants and reduce costs for grantees.

Maintaining average staffing levels

During 2016–17 Finance supported the government in meeting its commitment to maintain the average staffing levels (ASLs) of the general government sector (excluding military and reserves) at about or below 2006–07 levels (167,596 ASL). This work is contributing to broader efforts in line with the government's agenda to create and support a smaller, smarter, and more productive and sustainable government sector.

Shared Services Program

The Shared Services Program is a whole-of-government initiative focused on improving the efficiency and sustainability of corporate services throughout the Australian Public Service. In time, through the scale and standardisation of business systems and processes, the program aims to free up agency resources to focus on core government priorities. Significant progress was made in 2016–17, including:

- starting work on standardising business systems and processes in the Australian Public Service by consolidating corporate service provision from 85 internal service providers (including agencies that provide services to themselves) into six hubs
- 14 agencies (including those housing six hubs) representing approximately 61,000 ASL transitioning to a shared services hub. An additional 60 agencies are due to transition to a hub during the coming four years
- 70 agencies participating in the annual benchmarking exercise, equating to 86 per cent of Australian Public Service in-scope ASL (excluding the Department of Defence and the Australian Security Intelligence Organisation).

A new directory website

Release of a new Directory website on 30 June 2017 consolidated three databases managed by Finance (the Australian Government Organisations Register, AusGovBoards and Directory.gov), completing implementation of a recommendation from the Independent Review of Whole-of-Government Internal Regulation (the Belcher red tape review).

The new website combined the core information from the separate databases to establish a single source of information about government entities and appointments. This information is held in the Organisations and Appointments Register hosted on an off-the-shelf product. It is presented on the directory website. Among the benefits of the website are a reduction in duplication; information that is more transparent, accurate and timely; portfolios being able to consolidate and streamline their operational areas; and easier reporting being available to stakeholders.

The core information has the potential to be used by other government and non-government users who currently maintain separate lists of government organisations.

Property divestment

Ninety-two property sales were completed under the government's surplus property divestment program up until 2016–17. The sales returned approximately \$36 million in gross proceeds to consolidated revenue and achieved savings in property management costs. Most of the sales involved properties previously held by the former Albury–Wodonga Development Corporation and rural blocks located along the NSW–ACT border.

More government entities signing up to govCMS

Finance's whole-of-government content management system and website hosting service, [govCMS](#), has now exceeded projected uptake targets: 57 agencies have signed up and there are 155 live websites. The project has been successful because of its community-led governance model. In addition to infrastructure and hosting, govCMS provides a fully managed platform that allows entities to procure complete packages of services for maintaining, building, supporting and protecting their websites.

Comcover Risk Management Education Program

A key function of Comcover is to provide risk management and education services to Commonwealth entities to support best-practice risk management across the government. One activity contributing to the achievement of this function is the development and delivery of effective risk management training. Comcover provides a comprehensive risk management education program which adopts a blended learning approach that targets four levels of risk management capability: foundation, generalist, specialist and executive.

The foundation, generalist and executive pathways are well established and evaluation of the programs indicates they are improving participants' risk management capability in a practical way, contributing to the development of a positive risk culture throughout the general government sector.

Programs were delivered in 2016–17, with 2,117 participants from more than 70 entities participating in one or more of the programs. The specialist pathway will focus on those officials who are responsible for implementing and embedding an entity's risk framework and building their entity's capability to effectively manage risk. This pathway will be launched in the first quarter of 2018.

Campaign advertising policy framework

During 2016–17 Finance provided over 100 briefs to the Special Minister of State in connection with his government advertising policy responsibilities. Briefings related to advertising policy issues, media sector developments, and a range of advertising campaigns developed by non-corporate Commonwealth entities.

Whole-of-government property services

During 2016–17 Finance progressed the establishment of whole-of-government coordinated procurement arrangements in relation to property services. Under these arrangements Deloitte Touche Tohmatsu was appointed as the initial strategic property adviser on 10 February 2017. By 30 June 2017 the tender process for appointing property service providers for leasing and facilities management services was well advanced.

Whole-of-government travel, stationery and office supplies

Finance approached the market in December 2016 for replacement arrangements for whole-of-government travel accommodation services and for stationery and office supplies.

Both processes are now complete: the new arrangement for accommodation came into effect on 1 October 2017; the new stationery and office supplies panel commenced on 7 September 2017. Both arrangements will continue to deliver savings and efficiencies for Australian Government entities.

Free trade negotiations

Finance supported the Department of Foreign Affairs and Trade in negotiating Australia's ongoing bid to join the 'World Trade Organization Agreement on Government Procurement' and in the 'Review of the Singapore Australia Free Trade Agreement'.

Superannuation reforms

During the reporting year Finance engaged in administrative work to implement the government's superannuation reforms applying from 1 July 2017 in connection with the pension schemes for certain former parliamentarians, judges and governors-general. As part of this, we provided information and advice to members of these schemes.

2016 election support

The federal election on 2 July 2016 generated an increased workload for Finance. After the election, 53 new senators and members were given work expenses induction briefings and advice, as well as support in establishing offices and employing staff. Assistance was also provided to all other parliamentarians, including those departing through resignation or loss of office.

COMCAR services and the 2016–17 VIP Visits Program

COMCAR's involvement in the government's VIP Visits Program increased considerably during 2016–17. Forty-four visiting guests of government and other official visitors were provided services by COMCAR during the year (up from 27 in 2015–16). This figure included six heads of government and six heads of state travelling as part of Australia's official visits program. Among official visitors were the Prime Minister of Singapore, the King and Queen of the Netherlands, the King and Queen of the Hashemite Kingdom of Jordan, the Prime Minister of Israel, the President of the Islamic Republic of Afghanistan and the Premier of the People's Republic of China.

In such a busy period COMCAR delivered seamless transportation services to all visitors, while maintaining its high-quality service nationally for other clients.

Preparing for the Parliamentary Entitlements Legislation Amendment Act

On 22 February 2017 the *Parliamentary Entitlements Legislation Amendment Act 2017* commenced. The Act brought to an end Life Gold Pass travel for all Life Gold Pass holders other than retired former prime ministers and their spouses or de facto partners. It reduced the Gold Pass travel provided to retired former prime ministers and their spouses or de facto partners to 30 and 20 domestic return trips per year respectively and introduced a requirement that all parliamentary retirement travel be for the public benefit. Additionally, the Act reduced the age of a 'dependent child' under the *Parliamentary Entitlements Act 1990* to less than 18 years, imposed a 25 per cent penalty loading on prescribed travel claims that require subsequent adjustment, and established a statutory basis for recovering overpayments of parliamentary work expenses.

Establishing the Independent Parliamentary Expenses Authority

Following the government's announcement in January 2017 that an independent authority was to be set up to administer and oversee the work expenses of parliamentarians, a taskforce was created within Finance.

The role of the taskforce was to establish the Independent Parliamentary Expenses Authority, first as an Executive Agency under the *Public Service Act 1999* on 3 April 2017 and then as a statutory authority under the *Independent Parliamentary Expenses Authority Act 2017*, from 1 July 2017.

The taskforce—in collaboration with other areas in Finance—successfully delivered this complex project within an ambitious six-month timeframe. Legislation was drafted and passed by the parliament within one month of the government's announcement and two machinery-of-government changes were implemented within six months.

Operation Tetris

During 2016–17 all substantive vacant Commonwealth leased space in Canberra was filled under the government's Operation Tetris program. Operation Tetris is on track to realise savings of \$300 million over 10 years nationally. In future, Tetris opportunities will be identified well in advance by the whole-of-government leasing strategy which Finance's strategic property adviser is developing.



CASE STUDY

Transforming property data collection across the Commonwealth

Finance provides policy advice, guidance and support on managing Commonwealth property and land across government. It also manages whole-of-government purchasing arrangements for property services, the national property divestment program and the government's non-Defence property portfolio within Australia.

To assist with this work, Finance has designed, built and implemented a new information management system that has transformed the way the Commonwealth collects, manages and analyses property data information.

The innovative system provides a single, integrated, flexible and dynamic collection and reporting tool that will play a key role in supporting property management across the Australian Public Service. Entities will retain control of their data within the system, to ensure its reliability and accuracy.

Annual performance statements

Introductory statement

I, as the accountable authority of the Department of Finance, present the 2016–17 annual performance statements of the Department of Finance, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the department, and comply with section 39(2) of the PGPA Act.



Rosemary Huxtable
Secretary

30 September 2017

Purpose

1

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

Outcome 1

Criterion Analysis, policy advice and costing information provided to the Finance Minister and the Expenditure Review Committee of Cabinet as part of the budget and financial reporting processes meet the expectations of government and relevant stakeholders and support informed decision-making.

Source Corporate Plan 2016–17, page 9
Portfolio Budget Statements 2016–17, Program 1.1, page 26

Result Achieved

Finance provided advice to the Finance Minister and Expenditure Review Committee of Cabinet that was relevant to government considerations, accurate, evidence-based, delivered within agreed timeframes and consistent with government-agreed processes. Finance’s analysis, advice and costing information was included in the 149 briefs prepared in 2016–17 to support the deliberations of the Expenditure Review Committee.

Further, during the development of the 2017–18 Budget, Finance verified approximately 900 policy costings for accuracy and overall alignment with the policy’s intent and validated over 8,700 estimates adjustments.

Provision of analysis, policy advice and costing information is an essential role performed by Finance to ensure that government is provided with critical information to support informed decision-making in the development of the Budget. Finance undertakes this role in accordance with the expectations of the government and the requirements of key policies such as the Cabinet Handbook and Budget Process Operational Rules. Finance monitors its performance in relation to the delivery of budget analysis, policy advice and costing information through internal departmental records and stakeholder engagement including interactions with ministers' offices.

Criterion	The budget-related updates and the government's financial statements are accurate (taking into account, to the fullest extent possible, all government decisions and other circumstances that may have a material effect), delivered within required timeframes, and meet the government's legislative obligations.
Source	Corporate Plan 2016–17, page 9 Portfolio Budget Statements 2016–17, Program 1.1, page 26
Result	<p>Substantially achieved</p> <p>Finance delivered all of the economic and fiscal updates and the government's financial statements within legislated timeframes:</p> <ul style="list-style-type: none"> • The 2017–18 Budget was delivered on 9 May 2017. • The 2016–17 Mid-Year Economic and Fiscal Outlook (MYEFO) was released on 19 December 2016. • The 2015–16 Final Budget Outcome (FBO) was published on 30 September 2016 with audit-cleared financial statements for all material entities. The results were consistent with the subsequent audited Consolidated Financial Statements. • The Consolidated Financial Statements were provided to the Auditor-General on 27 November 2016, and received an unqualified opinion from the Auditor-General. • The monthly financial statements were delivered to the Finance minister within the required timeframe after the end of each month. <p>In relation to the accuracy of budget estimates, Finance reports the following results:</p> <ul style="list-style-type: none"> • The difference between first forward year estimated expenses and the FBO was 0.7 per cent on an accrual basis and 1.2 per cent on a cash payments basis. • The difference between budget estimated expenses and FBO was 0.5 per cent on an accrual basis and 1.2 per cent on a cash payments basis. • The difference between revised estimated expenses at MYEFO and FBO was 0.6 per cent on an accrual basis and 0.7 per cent on a cash payments basis. • The difference between revised estimated expenses at budget and FBO was 0.7 per cent on an accrual basis and 0.3 per cent on a cash payments basis. <p>Three elements of this criterion were fully achieved and one element was partially achieved. Variations between the estimates and final outcome reflect program-specific parameters. Program estimates are regularly reviewed and updated to take account of the best available information to maximise their reliability and accuracy.</p>

Another vitally important Finance contribution to the budget and financial advice, management and reporting purpose is ensuring budget estimates, processes and documentation are prepared and delivered in an accurate and timely manner. In 2016–17 this involved:

- coordinating, preparing, and advising on the delivery of the budget and related updates, including budget papers, appropriations legislation and the government’s financial statements
- developing and maintaining sound legal, financial and policy settings, and implementing processes that improve fiscal accountability and the quality of information provided to the parliament and the public.

Finance considers that by managing the budget process and rules, costing and advising on new policy proposals and maintaining the government’s financial reporting framework it is helping the government develop and meet its fiscal targets, policy objectives and legislative obligations.

As noted, Finance’s performance in fulfilling this function is demonstrated by compliance with legislated deadlines for budget documentation and the accuracy of budget estimates.

Criterion	The government’s cash requirements are met on a daily basis, ensuring the ongoing operations of government.
Source	Corporate Plan 2016–17, page 9 Portfolio Budget Statements 2016–17, Program 1.1, page 26
Result	Achieved Finance managed the Central Budget Management System to ensure that the government’s daily cash requirements were met on each day of the reporting period.

Finance’s robust financial systems and frameworks supported the processing of a daily disbursement of cash through the Central Budget Management System, enabling the government to meet the daily cash requirements of Commonwealth entities. This is crucial: meeting the funding requirements of entities enables them to continue to deliver on the government’s policy objectives including provision of services to the community. In order to ensure that no entity is prevented from delivering its services due to a lack of cash, and to ensure the ongoing operations of government, Finance has a target of meeting all entities’ cash requirements on each day of the financial year. This target was met in 2016–17.

Performance analysis: Budget and financial advice, management and reporting purpose

In the development of the 2016–17 Corporate Plan, Finance determined that its key contributions to the budget and financial advice, management and reporting purpose were as follows:

- the provision of analysis, policy advice and costing information
- ensuring that budget-related updates and the government’s financial statements were accurate
- making sure Commonwealth entities had adequate funding to deliver the government’s policy objectives.

Finance regarded the successful completion of these activities as core departmental business. The results demonstrate that in 2016–17 Finance, as a central agency, effectively supported the government in articulating and achieving its fiscal targets and policy objectives, with only one Budget Estimates target not being met due to program-specific parameters.

Purpose

2

Governance—foster leading public sector practice

Outcome 2

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| Criterion | Delivery of significant government initiatives improves, with: <ul style="list-style-type: none">• 90 per cent of senior responsible officials indicating that assurance reviews contributed constructively to their project• 90 per cent of assurance review report recommendations are actioned or being actioned by entities. |
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Source	Corporate Plan 2016–17, page 11
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| Result | Achieved <ul style="list-style-type: none">• 100 per cent of senior responsible officials indicated that assurance reviews contributed constructively to their project/program in 2016–17.• 97 per cent of assurance review report recommendations have been or are being actioned by entities. |
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| Criterion | The Australian Government Office Occupancy Report demonstrates that Commonwealth entities are actively targeting and delivering lower lease vacancy rates, and working towards achieving the occupational density target that sets a benchmark on the amount of office space needed per employee. |
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Source	Corporate Plan 2016–17, page 11 Portfolio Budget Statements 2016–17, Program 2.3, page 46
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| Result | Achieved <p>The <i>2015–16 Australian Government Office Occupancy Report</i> was published on 3 April 2017. This report identified:</p> <ul style="list-style-type: none">• a greater proportion of tenancies meeting the occupational density targets, 22.1 per cent in 2016 up from 13.0 per cent in 2015• the overall median occupational density for the Commonwealth reduced by 2.7m² per workpoint from 2015 to 2016• the workpoint vacancy rate decreased by 7.1 percentage points since September 2015 (20.9 per cent to 13.8 per cent), while the total number of workpoints continues to reduce. |
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| Result
<i>continued</i> | <ul style="list-style-type: none"> • a reduction in the net lettable area from greater than 3.1 million square metres to less than 2.8 million square metres • the decrease in vacancy rate is as a result of continued successful efforts by entities to consolidate office accommodation and backfill surplus space, supported by Operation Tetris. |
|----------------------------|---|

The Australian Government Occupancy Report used data as at 30 June 2016 provided by 78 entities. This report covered office accommodation with 500 square metres or more which is owned or leased by the Commonwealth. The government property information in this report is collected through the annual Australian Government Property Data Collection, which non-corporate Commonwealth entities update each year. This report presents data that assists entities to identify and progressively move to better property management practices, while also informing whole-of-government policy.

The occupancy report sets out the occupational density for entities against the current target of 14 square metres of office space per occupied work-point. The collection of the information contained in the report promoted transparency of data across entities and supported government decisions. This is contributing to continued rationalisation of the Commonwealth property portfolio aligned to contemporary requirements of entities, and resulting in efficiencies through coordinated procurement of property services and savings delivered to the Budget following property divestments.

Criterion	Delivery of risk management and education programs to support entities in improving their risk management capability, which is measured annually through benchmarking.
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Source	Corporate Plan 2016–17, page 11 Portfolio Budget Statements 2016–17, Program 2.4, page 47
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Result	<p>Achieved</p> <p>Comcover’s education program for 2016–17 included:</p> <ul style="list-style-type: none"> • completion of e-learning modules: <ul style="list-style-type: none"> o Foundation—'Introduction to Risk in the Commonwealth'—completed by 1,808 officials from 76 entities o Generalist—'Practical Risk Management'—completed by 241 officials from 40 entities. (Note this program was launched in February 2017.) • attendance at workshops: <ul style="list-style-type: none"> o Generalist—'Practical Risk Management'—an additional 60 officials from 29 entities. (Note this program was launched in February 2017.) o SES—68 SES officers from 33 entities. <p>The Department of Defence delivers the program in-house with 95 SES officials (or equivalent) completing the program in 2016–17.</p>
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Result <i>continued</i>	Results from Comcover’s 2017 benchmarking program showed that Element 5—‘Developing a positive risk culture’—recorded the largest increase in average maturity in 2017. The 2017 benchmarking program results recorded 105 entities are at ‘integrated’ and ‘advanced’ maturity states in comparison with 99 entities in 2016. This shows that entities are continuing to mature in relation to building risk management capability.
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One valuable method Finance uses to foster leading public sector practice in risk management is providing relevant education for public sector entities. The intention of this training is to foster improved public service practice by increasing and strengthening the capacity of entities to establish and maintain appropriate systems and internal controls for the oversight and management of risk balanced against an appropriate approach to red tape and innovation.

Comcover provides a comprehensive risk management education program that includes face-to-face training courses and flexible online learning. Comcover targets four levels of desired capability for APS officials:

- Foundation level: All Commonwealth officials, regardless of level or role, are required to understand basic risk management concepts and how risk is managed in the Commonwealth.
- Generalist level: Commonwealth officials, regardless of level, whose role requires them to engage with and apply their entity’s risk management framework to successfully deliver outcomes. Generalists engage with risk at the activity level and have attained foundation level capability.
- Specialist level: Job role specialists who are required to design, implement and embed an entity’s risk management framework. Specialists facilitate generalists and executives to fulfil their risk management responsibilities. Specialists have attained generalist level capability.
- SES Professional Development Program: Senior Executive Service officials whose role requires them to identify and determine the acceptable levels of risk that are appropriate to their entity’s profile, allocate resources, and lead the adoption of risk management policies, strategies and best practices.

Criterion	Advice, analysis and support that meets government’s needs is provided to the government on public sector superannuation policy, investment fund policy and governance matters.
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Source	Corporate Plan 2016–17, page 11 Portfolio Budget Statements 2016–17, Program 2.6, page 49 Portfolio Budget Statements 2016–17, Program 2.7, page 50
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<p>Result</p>	<p>Achieved</p> <p>Finance has supported the government with advice on public sector superannuation policy, investment fund policy and governance matters, in particular, during 2016–17 Finance:</p> <ul style="list-style-type: none"> • provided advice to government on the Superannuation Amendment (PSSaP Membership) Bill 2016, which implements a 2016-17 Budget measure • assisted the government with the six appointments made to the Commonwealth Superannuation Corporation Board • with the Department of the Treasury, provided advice on options for drawdowns from the Future Fund and a revised investment mandate for the Future Fund • with the Department of the Environment and Energy, provided advice to government regarding a revised investment mandate for the Clean Energy Finance Corporation. <p>Finance also paid fortnightly and monthly scheme payments within prescribed timeframes with the exception of one member’s payment, which was paid one day late. The Member Contribution Statement reporting to the Australian Taxation Office was completed by 31 October 2016 in accordance with the prescribed timeframe. Annual statements were provided to parliamentary scheme members by 31 December 2016 in accordance with the prescribed timeframe.</p>
<p>Criterion</p>	<p>Advice on strategy, governance, operations, financial forecasts and performance of Commonwealth companies and other commercial entities is provided to government.</p>
<p>Source</p>	<p>Corporate Plan 2016–17, page 11 Portfolio Budget Statements 2016–17, Program 2.1, page 41</p>
<p>Result</p>	<p>Achieved</p> <p>Finance provided advice to the government on Commonwealth Government Business Enterprises (GBEs) and other entities, including in relation to corporate planning, financial and operational performance and other significant programs of work. Finance ensures that the GBE governance framework is fit for purpose and will support delivery of the government’s key priorities. Our advice and monitoring of GBE performance supports the ongoing efficiency and financial sustainability of GBEs. The governance framework is reviewed regularly to ensure it remains current and appropriate.</p>

Criterion	<p>Commonwealth entities supported through the provision of guidance and information to assist them in the delivery of the enhanced Commonwealth performance framework as demonstrated by:</p> <ul style="list-style-type: none"> • 100 per cent of all Commonwealth entities publishing annual performance statements in their 2015–16 annual reports • 95 per cent of all Commonwealth entities complying with performance reporting requirements.
Source	<p>Corporate Plan 2016–17, page 11 Portfolio Budget Statements 2016–17, Program 2.1, page 41</p>
Result	<p>Substantially achieved</p> <p>One hundred per cent of Commonwealth entities that are required to publish annual performance statements, published such statements in their 2015–16 annual reports.</p> <p>Eighty-two per cent of published 2015–16 annual performance statements were fully compliant with the requirements of the <i>Public Governance, Performance and Accountability Act 2013</i> and related Rule.</p>

The main reason for non-compliance with the requirements of the PGPA Rule was incorrect presentation of the accountable authority’s introductory statement to their 2015–16 annual performance statement. Non-compliant entities have been followed up in one-on-one discussions and general discussions have occurred in various forums, including community of practice sessions. *Resource Management Guide No. 134—Annual performance statements for Commonwealth entities* has been revised to provide greater clarity on the requirements of the PGPA Rule.

Criterion	<p>Completion of a scoping study to review the management arrangements of the Commonwealth’s existing investment funds to determine if there are efficiencies to be gained from consolidating the investment management arrangements.</p>
Source	<p>Corporate Plan 2016–17, page 11</p>
Result	<p>Achieved</p> <p>The scoping study was completed and did not find sufficient economies or efficiencies resulting from consolidating cash holdings and cash investment management arrangements.</p>

Criterion	Timely and relevant advice on procurement policy matters is provided. <ul style="list-style-type: none">• 80 per cent of entity queries to the procurement advice inbox responded to within three days.• AusTender is available 99 per cent of the time during business hours (ACT local time).
Source	Portfolio Budget Statements 2016–17, Program 2.1, page 41
Result	Achieved <ul style="list-style-type: none">• 98 per cent of entity queries to the procurement advice inbox were responded to within three days in 2016–17.• AusTender was available for 100 per cent of the time during business hours in 2016–17.

A further activity Finance is pursuing in order to bring about the governance purpose concerns fostering improved public sector procurement practices. Procurement is strategically important to all government agencies because it supports delivery of government policies, programs and services. Poor procurement processes can lead to sub-optimal outcomes, such as delays or additional costs to redress problems. Through managing the procurement framework, Finance is seeking to reduce complexity and red tape and improve professionalism. The following are two notable elements of Finance's management of the procurement framework:

- Finance's operation of AusTender, the Australian Government's centralised procurement information and e-tendering system, allows entities to make tender documentation available from a central website. Suppliers can search or browse and download all the relevant information on the spot rather than having to request the information be sent to them. Suppliers can also ask to be automatically notified about tenders of interest to their business.
- Finance has provided advice about procurement policy and administration to government entities and the private sector. We operate a Procurement Agency Advice email address that seeks to provide prompt advice to stakeholders about Australian Government procurement policies and processes. We have also initiated forums and roundtables to provide opportunities for greater involvement and engagement with stakeholders.

Through Commonwealth entities and companies understanding their obligations, the government, parliament and the public can have confidence that public resources are used efficiently, effectively, economically and ethically.

Performance analysis: Governance purpose

In 2016–17 Finance fostered leading public sector practice through activities such as:

- assisting Commonwealth entities in the delivery of the enhanced Commonwealth performance framework
- providing procurement policy advice to entities
- delivering risk management programs to entities
- preparing the Australian Government Office Occupancy Report.

In the 2016–17 Corporate Plan we included performance criteria for measuring progress against these activities because we considered they would provide a substantive gauge of Finance’s contribution to the governance purpose.

The performance details provided illustrate Finance’s significant contributions to the governance purpose in 2016–17.

Finance did not meet the 95 per cent of all Commonwealth entities complying with performance reporting requirements, with only 82 per cent of published 2015–16 annual performance statements being fully compliant. Reasons for non-compliance were of a presentational nature, and Finance does not consider that content was compromised: entities’ performance information was still available and transparent in the new framework.

Purpose

3

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

Outcome 3

Criterion	Whole-of-Australian-Government ICT is improved through the provision of appropriate ICT services and programs to entities as demonstrated by 100 websites using the govCMS platform by 30 June 2017.
Source	Corporate Plan 2016–17, page 14 Portfolio Budget Statements 2016–17, Program 2.2, page 44
Result	Achieved At 30 June 2017 there were 132 websites using the govCMS platform.

Finance is contributing to the transformation purpose through the successful implementation of govCMS, an open source web content management and hosting service developed to help agencies create modern, affordable and responsive websites and to make it easier to collaborate and innovate.

The service helps reduce the technology and compliance burden on government agencies while providing a more cost-effective web content management and hosting option.

Key features of govCMS include the following:

- Open—it is built on open source software so any new functionality developed for one agency can be shared across all govCMS websites.
- Secure—it is proactively tested and maintained to meet government standards and fend off threats.
- Compliant—it provides agencies with a starting point and tools to create websites that comply with web content accessibility guidelines for people with disabilities.
- Adaptable—it is responsive and adaptable to mobile and new devices.
- Reliable—it is designed with load balances and disaster recovery capabilities.

The success of govCMS is demonstrated by the number of entities using the service exceeding:

- the current performance goal
- the number estimated, prior to the implementation of the service, to be using the service at 30 June 2017.

Criterion	Entities will have access to coordinated procurement arrangements for all leasing and facilities management services for office accommodation and shopfronts by 30 June 2017 under the National Property Efficiency Program.
Source	Corporate Plan 2016–17, page 14
Result	Substantially achieved A strategic property adviser was appointed in February 2017. Property service providers were appointed in September 2017.

The coordinated procurement for property-related services being implemented under the National Property Efficiency Program aims to capitalise on the Commonwealth’s position as a major purchaser of leases and facilities management services in the Australian property market, and to position the Commonwealth as an efficient property manager. The program is being delivered through two key components:

- a strategic approach to Commonwealth leasing, through better informed purchasing and consolidation of the Commonwealth’s leased footprint through an overarching Commonwealth leasing strategy
- allowing non-corporate Commonwealth entities to benefit from a whole-of-government approach that draws on the Commonwealth’s substantial purchasing power, through better pricing in lease negotiations and through streamlined, consolidated, and more efficient facilities management purchasing under outsourced property service provider arrangements.

Criterion	Driving the government’s transformation agenda through supporting entities to become more effective and efficient as demonstrated by: <ul style="list-style-type: none"> • the majority of non-corporate entities being engaged with streamlining internal processes such as by conducting and actioning internal red tape reduction reviews • the majority of non-corporate entities being engaged with developing proportionate risk management tools and processes • the majority of non-corporate entities being engaged with the shared and common services agenda/on track to deliver the government’s agenda of a smaller, more efficient and better connected public sector • subject to the government’s agreement, the implementation of recommendations and savings delivered from functional and efficiency and contestability reviews.
Source	Corporate Plan 2016–17, page 14 Portfolio Budget Statements, Program 2.2, page 44

Result

Achieved

Finance is driving the government's transformation agenda as demonstrated by the following:

- Finance continues to engage with secretaries on public sector reform, previously through the Secretaries Committee on Transformation as a consultation forum, and now through the Secretaries APS Reform Committee, which is responsible for strategic oversight of APS-wide innovation and modernisation initiatives. This new committee will work collaboratively to drive reform including positive culture and engagement with the public sector.
- Finance chairs, and is a member of, the Deputy Secretaries Working Group on Red Tape. This group champions efforts across the public service to reduce internal red tape. More than 30 entities have appointed a key person—a 'red tape rebel'—to continue to promote and implement red tape reduction activities, including by reducing duplicative, inefficient and unnecessary processes within their organisations.
- In 2017, 95.5 per cent of non-corporate Commonwealth entities completed the Comcover risk management benchmarking process. The results indicate that entities continue to score higher in those elements of the survey which represent foundational risk management concepts, and that entities are focusing on enhancing maturity in the more complex elements, such as understanding and managing shared risk and building a positive risk culture.
- In 2017, 87 in-scope non-corporate Commonwealth entities have been scheduled to transition to a shared services hub in the next four years, with 14 of the 87 agencies having already completed transition.
- To date, 21 functional and efficiency reviews have been completed. Review outcomes announced at the time of the 2016–17 Budget have delivered savings of about \$5 billion from 2014–15 to 2020–21, with about a further \$14 billion over the period 2021–22 to 2026–27, through streamlining programs, improving span of control, improving systems and compliance processes, and terminating legacy programs.

Criterion	The phased functional roll-out of GrantConnect being completed by June 2017.
Source	Corporate Plan 2016–17, page 14
Result	<p>Substantially achieved</p> <p>GrantConnect is the Australian Government’s grants information system, which centralises the publication and reporting of Australian Government grants. It is being released for public and agency use in three functional phases.</p> <p>The release of GrantConnect Phase 1, enabling agencies to advertise forecast (upcoming or projected) and current grant opportunities centrally, was completed on 6 February 2017. This provides the authoritative source of information in relation to Australian Government grants. To date 18 agencies representing more than 90 per cent of Australian Government granting activity have published 128 grant opportunities on GrantConnect.</p> <p>GrantConnect Phase 2, which adds centralised grant award reporting functionality, is complete and agency implementation and training is underway. Reporting of grants awarded (outcomes of grant rounds) on GrantConnect will be mandatory, in accordance with the Commonwealth Grants Rules and Guidelines 2017, from 31 December 2017.</p> <p>GrantConnect Phase 3, will follow in early 2018 providing an online lodgement facility for grant applications.</p> <p>After all phases are released, GrantConnect will be the authoritative source for the discovery of new grant opportunities, facilitate electronic lodgement of applications for grants applicants, and provide centralised reporting on grants awarded across the Australian Government.</p>

Performance analysis—Transformation purpose

In 2016–17 Finance delivered a number of activities designed to facilitate public sector innovation, improve public sector operations and reform the management and operations of public assets.

In the 2016–17 Corporate Plan, Finance included performance criteria for measuring key transformation activities—for example, the development of an open source web content management and hosting service to help agencies create modern, affordable and responsive websites; establishing a coordinated procurement for property-related services for agencies; and implementing a whole-of-government grant information system.

These performance details demonstrate the significance of Finance’s contributions to the Transformation purpose in 2016–17 with a number of key deliverables being delivered in advance of timeframes.

Purpose

4

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

Outcome 2 and Outcome 3

Criterion	Finance-owned properties are maintained in accordance with relevant safety, heritage and environmental requirements and in a condition fit for purpose.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.3, page 46
Result	Substantially achieved Observations made during the annual property inspections, combined with asset management plans, tenant feedback and the commitments made under Finance’s Heritage Strategy show that the Finance-owned property portfolio has been maintained in accordance with relevant safety, heritage and environmental requirements and in a condition fit for purpose.

Finance supports the services purpose by seeking to ensure that, for client entities using buildings and the broader community, Finance-owned properties are maintained to agreed standards and in compliance with relevant safety and environmental legislative requirements.

Finance manages the government’s non-Defence property portfolio within Australia. The portfolio consists of four main categories of property—office properties, special-purpose properties, mixed-used properties, and residential properties.

This is a diverse portfolio consisting of approximately 100 properties across Australia. Finance has a robust compliance program to ensure the non-Defence property portfolio meets safety, heritage and legislative requirements including:

- annual property inspections
- capital works and repairs and maintenance programs
- tenant feedback mechanisms
- Finance’s Heritage Strategy.

This robust compliance program has resulted in low numbers of Finance properties not meeting relevant safety, heritage and legislative requirements.

Criterion	Major capital works projects and major land contamination remediation projects are completed in close consultation with client entities and within the time, cost and quality parameters agreed by the government for the process.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.3, page 46
Result	Achieved Finance has worked to ensure major capital works and land contamination remediation projects are completed within the agreed parameters. All the identified projects that fall under this program met the specified time, cost and quality parameters for 2016–17.

As part of Finance’s management of the government’s non-Defence property portfolio within Australia, Finance is delivering a range of capital works, involving new construction works, refurbishment and remediation of existing Commonwealth properties including:

- Post Entry Quarantine Facility, Mickleham, VIC
- Villawood Immigration and Detention Centre, Sydney, NSW
- John Gorton Building, Canberra, ACT
- Cox Peninsula, NT.

Finance’s delivery of these projects contributes to the services purpose by providing properties to client entities within the parameters identified by the government including achieving quality, efficient and cost-effective outcomes. In order to ensure the delivery of these capital works within the agreed parameters, Finance complies with the Commonwealth Property Management Framework which establishes the principles for the efficient, effective, economical and ethical use of property resources. This framework provides guidance on matters such as the approval process for capital works and property management planning.

Criterion	Whole-of-Australian-Government procurement arrangements are well managed with: <ul style="list-style-type: none"> • scoping studies and tender processes conducted within agreed timeframes and budget • contracts managed in accordance with appropriate contract management plans.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.5, page 48

Result	<p>Achieved</p> <p>Finance has progressed its scoping studies and tender processes in accordance with the agreed timeframes and budget, and whole-of-government procurement arrangement contracts are being managed in accordance with contract management plans. The tender processes for a new travel accommodation arrangement and a new arrangement for stationery and office supplies were completed within schedule to ensure ongoing service delivery that is efficient and cost-effective for government.</p> <p>The approach to market for advertising is underway and on target for completion within schedule.</p>
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Finance contributes to the services purpose by establishing and maintaining whole-of-government procurement arrangements for common goods and services. These arrangements are established to benefit non-corporate Commonwealth entities when they procure goods and services.

Whole-of-government arrangements give effect to government policy decisions, improve consistency and control, and deliver savings and efficiencies. These arrangements may take the form of a contract, a standing offer and/or template documentation and have been established by lead entities such as Defence and Finance.

Whole-of-government arrangements may be established through a tender process and led by an entity with policy responsibility for, or expertise in, particular goods or services. The coordinated procurement contracting initiative has established whole-of-government contracts and arrangements where savings and efficiencies are being delivered to entities.

Criterion	<p>Government advertising is conducted in accordance with government advertising policies.</p> <p>Targets expected to be achieved:</p> <ul style="list-style-type: none"> Government advertising in 2016–17 will be conducted in accordance with government advertising policies.
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Source	Portfolio Budget Statements 2016–17, Program 2.5, page 48
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Result	<p>Achieved</p> <p>All advertising campaigns above the value of \$250,000 that were launched in 2016–17, and were subject to the <i>Guidelines on Information and Advertising Campaigns by Non-corporate Commonwealth Entities</i>, were reviewed by the Independent Communications Committee. The committee's compliance advice for all relevant campaigns was published on Finance's website.</p>
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The *Guidelines on Information and Advertising Campaigns by Non-corporate Commonwealth Entities* contain five principles for government advertising and information campaigns, including the need for campaigns to be properly targeted, free from political content, relevant to government responsibilities, and conducted with due regard to efficiency, effectiveness and accountability. By complying with the guidelines—as all non-corporate Commonwealth entities under the PGPA Act must do—Finance contributes to the services purpose.

Criterion	<p>The Service Delivery Office is transitioned to Finance with:</p> <ul style="list-style-type: none"> • the Service Delivery Office fully established within Finance • the Standard Service Agreement developed for delivery of services to client entities • business continuity and service delivery maintained.
Source	Portfolio Additional Estimates Statements 2016–17, Program 2.6, page 38
Result	<p>Achieved</p> <ul style="list-style-type: none"> • All the planned machinery-of-government project milestones were completed. • A Standard Service Agreement has been developed detailing the services to be delivered, the governance and management arrangements for the Service Delivery Office including key performance measures, assurance mechanisms and a shared risk approach, and the cost and pricing approach. • Business continuity was maintained for the enterprise resource planning system and the delivery of the transferred corporate functions.

The Service Delivery Office was established in Finance, as a part of a machinery-of-government change, in December 2016. The office delivers transactional corporate services to client entities (other Australian Government agencies) in order to enable them to focus on their core business, while driving efficiencies for government in the delivery of back-office administration functions. The services offered include core human resource, financial and enterprise resource planning system services.

Establishment of the Service Delivery Office in Finance has included a focus on strengthened governance arrangements. The office’s governance arrangements have been developed to support accountable authorities to meet their obligations under the *Public Governance, Performance and Accountability Act 2013* and to improve transparency for clients.

Criterion	<p>Act of Grace and waiver of debt requests:</p> <ul style="list-style-type: none"> • timely completion of all Act of Grace and waiver of debt requests on receipt of required documentation from relevant parties. • 100 per cent compliance with timeframes in the <i>Administrative Decisions (Judicial Review) Act 1977</i>. • no adverse findings from the Commonwealth Ombudsman.
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Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.1, page 41
Result	<p>Achieved</p> <p>Act of Grace payments and waiver of debt requests (discretionary claims) were completed in a manner compliant with specified benchmarks including the following:</p> <ul style="list-style-type: none"> • 72 per cent of discretionary payments were completed within 60 days in 2016–17. • There was 100 per cent compliance of Special Financial Claims with the timeframes in the <i>Administrative Decisions (Judicial Review) Act 1977</i>. The relevant timeframe from section 13 of the Act is the provision of statements of reasons in 28 days. 100 per cent of statements of reasons for discretionary payments were issued within 28 days in 2016–17. • There were no adverse findings from the Commonwealth Ombudsman in 2016–17 in relation to discretionary payments.

Criterion	Services to ministers, office-holders, senators, members and their staff meet service standards.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 3.1, page 55
Result	<p>Substantially achieved</p> <p>Service standards met for the period ending 30 June 2017 include:</p> <ul style="list-style-type: none"> • 97 per cent of client contacts were acknowledged within 24 hours and responded to within agreed timeframes. • 100 per cent of office establishment and relocation projects were delivered within their approved budget. • 99.6 per cent of COMCAR reservations were completed without service failure. <p>Service standards not met for the period ending 30 June 2017 included:</p> <ul style="list-style-type: none"> • 94 per cent of payments (including payroll) being made within agreed timeframes.

A key measure of Finance’s contribution to its service purpose is the delivery of services to parliamentarians and their employees. Finance regards the delivery of timely and efficient business support to current and former parliamentarians and their employees as essential to their work in the public interest which subsequently benefits the broader Australian community.

Finance oversees the provision of a number of services to parliamentarians and their respective employees under the *Members of Parliament (Staff) Act 1984* including administering the majority of non-travel related provisions made under the parliamentary work expenses framework and its accountability mechanisms.

In order to determine its performance in delivering these services Finance has identified four high-level service standards related to essential services delivered by Finance. In 2016–17 Finance met three of these service standards but did not meet the standard for timeliness of payments because of the higher volume of payments following the 2016 federal election. The higher volume of payments was a result of the unusual occurrence of a double dissolution, the first since the 1987 election, resulting in the election of all 226 parliamentarians. This necessitated the processing of payments for all outgoing and incoming members and senators and their employees.

Criterion	An implementation framework is established to progress the recommendations from the <i>Independent Review of Parliamentary Entitlements</i> .
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 3.1, page 55
Result	Achieved Establishment of the implementation framework is demonstrated by the completion of critical project milestones since 1 July 2016 including: <ul style="list-style-type: none"> • the Parliamentary Business Resources (PBR) Bill 2017 and the PBR (Consequential and Transitional Provisions) Bill 2017 were drafted, introduced and subsequently passed by parliament • 12 recommendations have been implemented, 23 have commenced and preliminary work has been undertaken on the one remaining recommendation • development of the Parliamentary Business Resources Regulations is well advanced.

In addition to delivering services to parliamentarians and their employees, Finance contributes to the services purpose for parliamentarians by implementing—in collaboration with the Department of the Prime Minister and Cabinet, the Remuneration Tribunal and the Independent Parliamentary Expenses Authority—the recommendations of the review entitled 'An Independent Parliamentary Entitlements System'. Finance is seeking through this process to contribute to improving the clarity and transparency of the administration of parliamentary work expenses including:

- delivering better support to parliamentarians and their staff in their work—for example, supporting them to make principles-based decisions and operate inside the rules
- enabling administrators to provide an efficient and effective service.

Performance analysis: Services purpose

In 2016–17 Finance delivered a wide range of services to a diverse range of stakeholders within and beyond government. The 2016–17 Corporate Plan included specific performance criteria for these stakeholders who range from parliamentarians carrying out parliamentary business, to members of the community seeking a debt waiver to Commonwealth entities undertaking procurements. The performance criteria articulated by Finance for the services purpose in the 2016–17 Corporate Plan sought to capture key aspects of the services Finance delivers in order to demonstrate whether Finance was managing and delivering efficient and cost-effective services to, and for, the government.

The performance reported here demonstrates that Finance made substantial contributions toward the services purpose. However, because of additional activities related to the 2016 federal election which was impacted by the unusual occurrence of a double dissolution of the Parliament (which could not have been predicted until the Prime Minister's announcement), Finance fell marginally short at 94 per cent of the specified 95 per cent service standard regarding payments being made within agreed timeframes under the Ministerial and Parliamentary Services program. To avoid greater slippage against this standard, Finance directed staffing resources through its prioritisation and surge operating model to assist with this peak demand.

Overarching analysis of performance against Finance's purposes

As a central agency of the Australian Government, Finance plays a key role in assisting the government to shape and deliver its priorities to ensure public expenditure programs are sustainable and reflect best value to government and the Australian community.

Finance's progress against its purposes in 2016–17 was achieved in the context of a challenging and uncertain operating environment. Our role in assisting the government to make informed decisions on its fiscal and policy objectives occurs amid a variety of factors, many of which are outside Finance's control and can impact Finance's performance in achieving its purposes. In 2016–17 key emerging environmental pressures influencing Finance's prioritisation decisions and performance included:

- the establishment of the interim Independent Parliamentary Expenses Authority in January 2017 which was of particular relevance to Finance's progress toward the services purpose
- announcements impacting Finance in the 2017–18 Federal Budget regarding key infrastructure initiatives of the government (including Melbourne to Brisbane inland rail, naval shipbuilding and Western Sydney Airport) and measures arising from implementation of the Public Service Modernisation Fund investments which was of particular relevance to Finance's progress toward the governance and transformation purposes
- the 2016 federal election, including managing the impacts of a double dissolution and extended caretaker period, which was of particular relevance to Finance's progress toward the services purpose.

During 2016–17 Finance implemented several machinery-of-government changes. These included the creation of the Independent Parliamentary Expenses Authority and subsequent movement of staff from Finance to the new entity, and the movement of a number of ICT functions and staff to the Digital Transformation Agency. Joining Finance during the year was the Service Delivery Office.

There was no material change in Finance's organisational capacity specific to any individual purpose in 2016–17. However, in 2016–17 Finance's organisational capacity was enhanced by the department's continuing transition into a more transformative organisation—one able to use its resources wisely and effectively to quickly adapt to a constantly changing environment. To support this approach Finance further embedded transformation activities into its ongoing business and maintained an internal focus on cultural and behavioural change.

To help Finance achieve its purposes it has an agile operating model which focuses on prioritisation, staff mobility, capability building and workforce planning. Finance has a team of approximately 220 project staff who are able to move flexibly to work on different priority projects as they emerge. In 2016–17 Finance used this team to meet 50 per cent of the human resources required for new and emerging priorities.

Financial performance

This section highlights Finance's financial performance during 2016–17 for both departmental and administered activities.

The department's financial statements are presented in Part 5. The Australian National Audit Office issued an unqualified audit opinion for these statements on 5 September 2017.

Finance's financial performance is summarised in Table 4. The department's entity resource statement and tables showing expenses by outcome are presented in Appendix 3.

Departmental activities

Departmental resourcing includes assets, liabilities, revenues and expenses that Finance controls directly and uses to produce outcomes on behalf of the government.

For the 2016–17 financial year, the department recorded an operating surplus of \$55.4 million. This is \$51.0 million less than the revised surplus estimate of \$106.4 million as published in the 2017–18 Portfolio Budget Statements and is due to higher insurance claims expense.

The operating surplus of \$55.4 million in 2016–17 compares to an operating surplus of \$113.5 million in 2015–16. Finance has budgeted for an operating surplus of \$47.1 million in 2017–18.

Operating expenses were \$51.2 million higher than 2015–16. This was primarily due to higher insurance claims expense, partially offset by lower centralised procurement expenditure.

Write-down and impairment of assets decreased by \$12.1 million, primarily due to a reduction in decrements for buildings and investment properties in 2016–17.

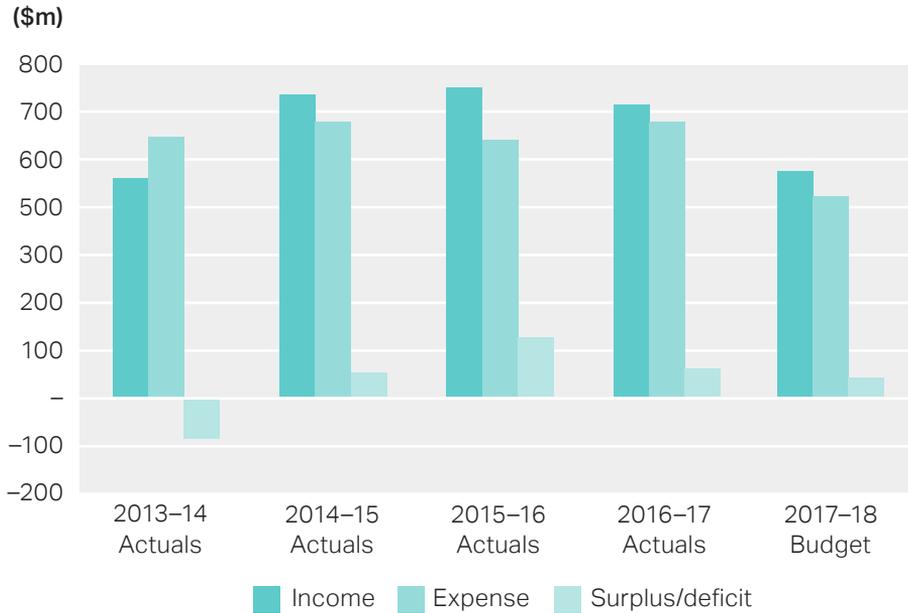
Table 4: Departmental financial performance

	30 June 2017 (\$'000)	30 June 2016 (\$'000)	Variance (\$'000)
Operating expenses	674,534	623,292	51,242
Write-down and impairment of assets	2,600	14,741	(12,141)
Total expenses	677,134	638,033	39,101
Own-source revenue	417,432	440,445	(23,013)
Gains	36,760	43,591	(6,831)
Net own-source income	454,192	484,036	(29,844)
Net cost of services	222,942	153,997	68,945
Revenue from government	278,357	271,315	7,042
Income tax equivalent	–	(3,843)	3,843
Operating surplus (deficit)	55,415	113,475	(58,060)
Changes in asset revaluation surplus	21,879	25,133	(3,254)
Total comprehensive income (loss)	77,294	138,608	(61,314)

The decrease in own-source revenue of \$23.0 million compared to 2015–16 was primarily due to decreased centralised procurement revenue resulting from changes to ICT procurement arrangements for some support and licensing arrangements, partially offset by increases in insurance premium revenue from Commonwealth entities.

Figure 2 outlines the department’s financial performance over the past four years and the budget for 2017–18.

Figure 2: Departmental financial performance, 2013–14 to 2017–18



Financial performance of administered activities

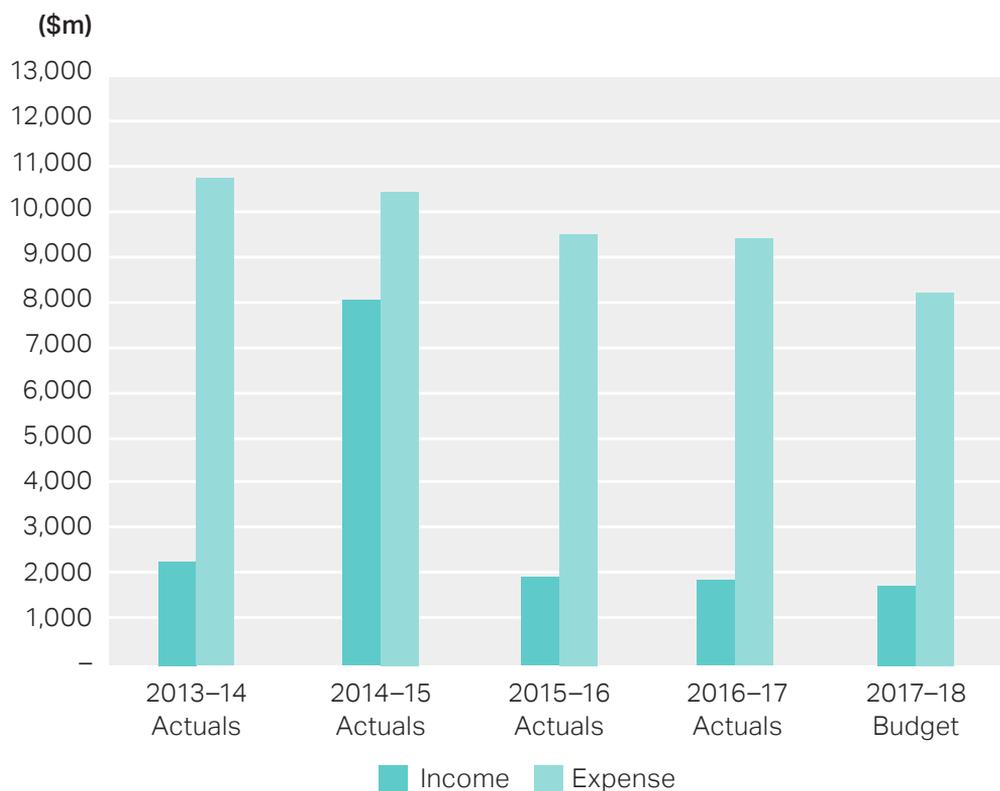
The financial performance of Finance's administered activities for 2016–17 is summarised in Table 5. Administered items are assets, liabilities, revenues and expenses that are managed or overseen by Finance on behalf of the government. Finance incurred \$9.5 billion of expenses, and recognised \$1.9 billion of income on behalf of the government in 2016–17, with expenses and income similar to that of the previous year.

Table 5: Administered financial performance

	30 June 2017 (\$'000)	30 June 2016 (\$'000)	Variance (\$'000)
Expenses administered on behalf of the government	9,480,184	9,509,540	(29,356)
Income administered on behalf of the government	1,895,086	1,906,567	(11,481)

Figure 3 outlines the department's financial performance in relation to administered activities over the past four years and the budget for 2017–18.

Figure 3: Administered activities, 2013–14 to 2017–18 (\$ million)



Financial summary and agency resource statement

Table 6: Financial Summary 2013–14 to 2016–17 (\$ million)

	2013–14 \$ million	2014–15 \$ million	2015–16 \$ million	2016–17 \$ million
Expenses				
Employees	168.08	161.22	170.36	168.62
Suppliers	222.29	331.70	321.89	303.57
Write-down and impairment of assets	118.92	57.69	14.75	2.60
Insurance claims	108.39	76.46	94.30	163.99
Other	34.89	48.08	36.73	38.36
Total expenses	652.57	675.15	638.03	677.14
Own-source income				
Rendering of services	143.02	152.82	230.94	201.35
Insurance premiums	86.26	100.87	125.15	140.29
Reinsurance and other recoveries	6.59	–	1.50	1.82
Rental income	48.18	76.48	72.12	67.68
Other revenues	9.66	7.33	10.74	6.29
Total own-source revenue	293.71	337.50	440.45	417.43
Gains	5.97	4.61	43.59	36.76
Net cost of services	352.89	333.04	153.99	222.95
Revenue from government	261.69	395.37	271.32	278.36
Income tax equivalent expense	5.86	5.91	3.84	–
Net surplus (deficit)	(97.06)	56.42	113.49	55.41
Equity	2,085.77	2,063.37	2,148.08	2,245.67
Net operating cash flow ^a	47.89	64.20	53.57	209.28
Returns to government	11.14	111.26	73.92	59.47

a A change in the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 means departmental appropriation receivable relating to special accounts is no longer considered an operating cashflow. This change resulted in a restatement in 2015–16 net operating cashflow from \$69.70 million to \$53.57 million.

Table 7: Economic performance summary

Indicator	2016–17 result (\$'000)
Operating statement	
Total expenditure	677,134
Total own-source income	454,192
Total net cost of service	222,942
Economic viability	
Total assets	3,057,406
Total liabilities	811,736