



# Towards Responsible Government

The Report of the  
National Commission of Audit

Phase Two

**March 2014**

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**Australian Government**  
**National Commission of Audit**

31 March 2014

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Dear Prime Minister, Treasurer and Minister

In accordance with the Terms of Reference we are pleased to present the Phase Two Report of the National Commission of Audit.

This Report builds on the theme of responsible government and focuses on Commonwealth infrastructure and public sector performance and accountability.

The Commission makes a number of recommendations to improve the structure and operation of the Australian Public Service and to improve practices for evaluating the effectiveness of government programmes and agencies.

The absence of proper programme evaluation and the proliferation of programmes, grants and bodies are major contributors to Commonwealth inefficiency. Changing the way the Commonwealth does business with a greater focus on results is paramount.

This Report also reinforces the need for a concerted effort to reduce duplication within the Federation and devolve more activities to the States and Territories.

The recommendations in this Report build on those from the Commission's Phase One Report which set out steps to repair the Budget and ensure taxpayers receive value for money.

Our combined Report provides a number of important recommendations which would increase transparency and accountability. As well as immediate changes, the Report outlines a number of structural reforms designed to ensure the long-term efficiency and fiscal sustainability of the Commonwealth.

Once again, the Commission records its appreciation to its professional and dedicated Secretariat led by Mr Peter Crone. We are also grateful to those who have provided further submissions and given us advice.

Yours faithfully

A.F. (Tony) Shepherd AO  
Chairman

Peter Boxall AO

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The Commission also acknowledges the editorial assistance provided by Stephen Matchett.

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Appendix

Volume 3

# Executive Summary

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This Second Phase Report of the National Commission of Audit builds on the theme of responsible government and examines in further detail government efficiency and effectiveness.

In accordance with its Terms of Reference, we also report on the extent, condition and adequacy of Commonwealth infrastructure and examine the appropriate role of the Commonwealth Government more broadly in infrastructure.

The Commission makes recommendations on what could be done to improve the structure and operation of the Australian Public Service and to improve practices for evaluating the effectiveness of government programmes and agencies.

Given the Commonwealth annually manages expenditure of some \$410 billion it is essential that there are sound processes and reliable information about what government plans to spend, what it actually spends and, critically, what it achieves from this spending.

Current Commonwealth arrangements have a strong focus on financial accountability but there is insufficient attention to whether programme objectives are being achieved.

This Report recommends directions and processes that can be used to address these issues.

The Report complements the Phase One Report, particularly in relation to the proposed reform of the operation of the Federation and the importance of preserving and protecting the Commonwealth's balance sheet.

This Report includes also further assessments of grant programmes, rationalisation of Commonwealth agencies, boards and committees and options to reform and rationalise other spending areas.

## Infrastructure

As at 30 June 2013 there were \$110 billion of non-financial assets on the Commonwealth's balance sheet including infrastructure with an estimated value of approximately \$57 billion.

Compared with the States and Territories (hereafter 'the States'), Commonwealth ownership of infrastructure is limited. Its main economic infrastructure is a network of rail lines and communication assets. This infrastructure is held in public corporations. It

also holds research and Defence related infrastructure and extensive holdings of land and properties.

This disparity in infrastructure holdings and investment is appropriate and reflects the Constitutional division of responsibilities, with the Commonwealth’s role primarily in the areas of telecommunications, interstate freight and aviation while the States have responsibility for roads, intra-state transport, water and social infrastructure. In aggregate the States hold some \$1.3 trillion in non-financial assets.

**Figure 1: Snapshot of Australia’s economic infrastructure at 30 June 2012**

Transport	Energy	Communications	Water
<p>33,404 km railway route length.</p> <p>6 ports above 50 million tonne throughput.</p> <p>900,082 km length of roads.</p>	<p>776,321 circuit km above ground transmission network.</p> <p>129,286 circuit km underground transmission network.</p> <p>55,395.9 MW generation capacity.</p>	<p>\$15,451m net capital IT stock for information, media and telecommunications industry.</p>	<p>\$144,179m value of water infrastructure assets.</p> <p>162,513 km urban water mains.</p> <p>136,295 km sewer mains.</p> <p>56,619 km rural water network.</p>

The majority of the Commonwealth’s infrastructure assets are held for its own use. They include property valued at \$36 billion and other infrastructure, plant and equipment totalling \$21 billion. The latter includes information and communications and office equipment.

Three Commonwealth public corporations hold the majority of Commonwealth-owned economic infrastructure held for public use – the Australian Rail Track Corporation, NBN Co and Airservices Australia. A fourth, Australia Post, owns a network of postal depots and mail sorting centres. The Commonwealth also owns a 13 per cent share in Snowy Hydro Ltd, an energy utility based in New South Wales.

Commonwealth-owned infrastructure also includes some \$600 million of assets through the National Capital Authority (such as roads and bridges in Canberra and Scrivener Dam) as well as other assets such as Parliament House, CSIRO research stations and facilities, a nuclear reactor at Lucas Heights in Sydney, immigration detention centres, navigation buoys and lighthouses.

The Commonwealth owns comparatively little social infrastructure with a limited number of health and education assets including the Mersey Hospital in Tasmania and the Australian National University.

## The condition and maintenance of the Commonwealth's infrastructure

The condition of Commonwealth infrastructure varies markedly. In some cases, assets are new and are currently being brought into service, as is the case with the National Broadband Network. In contrast, other property holdings, including various military barracks, post offices and lighthouses, predate Federation.

Maintenance of the infrastructure assets of Commonwealth public corporations has generally been managed.

- Maintaining the Australian Rail Track Corporation network has been and remains a major task. A major capital investment programme in excess of \$3 billion is committed to 2017-18. Despite the investment in the Australian Rail Track Corporation's network, the size and age of the network mean that it requires constant attention.
- The Commission understands that Airservices Australia intends to invest \$1.1 billion from 2013 to 2018. Ongoing investment in tower infrastructure and technology, the replacement of back-up terrestrial based navigation aids and surveillance equipment upgrades account for the majority of investment in the upcoming years and are designed to improve the efficiency and safety of air transport.
- Since 2009-10, Australia Post has invested over \$1 billion in its letters, parcels and retail networks. Australia Post is also investing \$2 billion over the next four years to modernise its parcels and retail networks and develop digital communications to meet anticipated consumer demand.

As outlined in the Commission's Phase One Report there are considerable challenges surrounding the management of the Commonwealth's property holdings, reflecting legacy issues such as contamination and underinvestment in repairs and maintenance.

The condition of much of this estate has deteriorated primarily due to underinvestment in regular maintenance, ineffective asset management plans and in many instances the deferral of maintenance expenditure in response to budgetary pressures.

As a result, increased expenditure on maintenance and related functions is now needed to bring assets back to minimum standards. Deferral of maintenance is penny wise and pound foolish.

The Commission considers better asset management practices and improved planning of property maintenance is essential, with a focus on long-term sustainability.

The Commission recommends all agencies should maintain current asset management plans covering the full range of activity from acquisition and including management, maintenance and disposal.



Agencies should also be required to report on the value of deferred maintenance and repairs in the notes to their financial statements, drawing on the asset management plan.

Reflecting the fact that it has significant landholdings affected by contamination, the Commonwealth should develop an estimate of the cost of remediating contamination on all Commonwealth property and report this as a contingent liability in Budget papers and agency financial statements.

As well as experiencing challenges associated with ensuring appropriate maintenance of infrastructure, many Commonwealth agencies experience challenges when it comes to funding the replacement of assets.

To partly address this, arrangements have been in place for a number of years under which agencies (other than Defence) receive a departmental capital budget. This provides them with up to \$10 million for individual asset purchases. The Commission considers further improvements should be made to this arrangement.

It is proposed the Commonwealth's capital budgeting policy be strengthened through the creation of a new centrally managed provision to fund major capital assets. This provision should be equal to the value of depreciation on the Commonwealth's major own-use assets, plus the net sales proceeds of such assets.

### **The Commonwealth's role in infrastructure**

Even though the Commonwealth owns only a small proportion of Australia's infrastructure its role extends broadly across the sector and includes significant regulatory, coordination and funding responsibilities.

Consistent with the discussion on the Federation in its Phase One Report, the Commission maintains decisions on policy and service delivery should be devolved to the level of government closest to the people receiving the services.

For most infrastructure, the users and beneficiaries reside within a particular State, and the State Government is in the best position to assess the merits of a particular project in providing services to the local community. The States should therefore retain primary responsibility for delivering infrastructure.

However, there will be instances when the Commonwealth decides to invest directly in, or finance infrastructure. The Commission recommends that:

- the Commonwealth only invest in infrastructure projects either alone, or jointly with the States and or the private sector, where a rigorous and transparent cost benefit analysis indicates substantial net benefits to the community;

- the Commonwealth's contribution of finance should be targeted to projects that provide broad economic or social benefits beyond commercial returns but cannot be completely funded in the short term by user charges and would not otherwise go ahead; and
- while favouring grant or equity contributions, the Commonwealth not be constrained by the form in which finance is provided, other than to ensure complete transparency, including appropriate provisioning in the Budget.

### **Funding to State and local governments for infrastructure**

The Commonwealth has a major involvement in funding infrastructure through grants to the States and to local governments, providing around \$5 billion per annum. This funding is directed mostly to road (71 per cent) and rail (25 per cent).

Commonwealth funding to the States and local governments for infrastructure has primarily been delivered via two programmes, with additional funding provided for local governments under the Financial Assistance Grants.

- The Nation Building Program provided funding of some \$3.8 billion in 2013-14 to assist national and regional economic development by improving the performance of land transport infrastructure.
- A separate source of funding is provided under the Nation-building Funds initiative. There are three Nation-building Funds: the Building Australia Fund (which funds economic infrastructure); the Education Investment Fund; and the Health and Hospitals Fund. As at 31 December 2013 these funds had an uncommitted balance of \$6.7 billion.

In its Phase One Report the Commission recommended reducing the degree of vertical fiscal imbalance within the Federation to increase the States' revenue capacities.

With access to an improved source of revenue — for example through the personal income tax system — the States would be in a better position to fund their own priorities, including in relation to infrastructure. In this situation the need for separate tied funding from the Commonwealth for infrastructure will diminish.

Recognising reforming the Federation will take some time, the Commission recommends consolidating existing infrastructure funding arrangements between the Commonwealth and the States in the interim under a single 'parent agreement'.

Funding could be provided in a single pool and allocated to the States on a formulaic basis including appropriate funds for maintenance and disaster mitigation. While the formula would need detailed work it could be based on a simple approach, for example taking account of population, size of road network and geographic area.

Financial Assistance Grants paid to local governments through the States as untied local roads grants, which totalled \$349.3 million in 2013-14, should also be included in this arrangement.

The Commonwealth would not be involved in the selection of projects. However, for this approach to work, there must be strong evaluation processes including appropriate cost benefit analyses. Too few project evaluations are made fully public and no Australian Government has in place adequate processes for ex-post review of cost benefit studies.

### **Public sector performance and accountability**

The Australian Public Service is one of the largest employers in the nation, with some 167,000 staff at June 2013. In addition, a further 90,000 people are employed elsewhere in the Commonwealth General Government Sector.

Improving the overall efficiency and effectiveness of government will be heavily dependent on the performance of the public service.

The *Public Service Act 1999* is the principal Act governing the establishment and operation of the Australian Public Service. The Act provides a framework for employment by outlining the core principles, values and characteristics that should underpin a professional and apolitical public service.

The Public Service Act does not contain any explicit references to the need to improve productivity in the public sector. However, it does aim to establish a public service that is efficient and effective and requires secretaries of departments to manage 'the affairs of the department efficiently, effectively, economically and ethically'.

### **The Australian Public Service Commission**

The Australian Public Service Commission has statutory responsibilities for leading and shaping the Australian Public Service.

Its functions include policy and advisory responsibilities on the service-wide employment framework (including workplace relations), classification, ethics and performance. It does not have centralised control over human resources, as agency heads have full managerial authority and responsibility under the Act.

During consultations stakeholders suggested public service performance is uneven and expressed concerns about the quality of leadership and performance management (including of under-performing staff).

It was also put to the Commission that the operation of the Public Service Act itself impedes improved productivity and a higher performing public sector.

Legally, there are no legislative barriers that restrict or impede addressing or managing out individual under-performance in the public sector. In practice however, it is difficult to manage under-performance.

The Australian Public Service comprises one of the largest and most complex workforces in Australia. The Commission of Audit recognises the benefits that come from devolving responsibilities to departmental secretaries and supports the continuation of this approach. Nevertheless, the Commission considers consistency in certain areas of operations improves productivity across the public sector.

The Commission of Audit also considers the Public Service Commissioner has an important role to play in supporting merit-based appointments to maintain an apolitical public service.

The Commission of Audit recommends that the office of the Public Service Commissioner be retained but be relocated to the Department of Employment. The role and responsibilities of the Public Service Commissioner would be assumed by the Secretary of that Department. Some existing functions of the Australian Public Service Commission should also be amalgamated into the Department of Employment.

### **Improving organisational structures within agencies**

Reforming the structures of government is an essential part of creating a more efficient and effective public sector and lies at the heart of much of the Commission's work.

The Commission's Phase One Report provided an overview and assessment of the size and structure of the Commonwealth Public Service and noted that the machinery of government changes implemented in September 2013 significantly simplified and streamlined portfolio arrangements. Recommendations were also made to rationalise many Commonwealth bodies and agencies.

Significant opportunities exist to pursue further efficiencies through better organisational structures within departments and agencies.

As outlined in Chart 1 below, the current staffing structure within the Australian Public Service is 'top-heavy'.

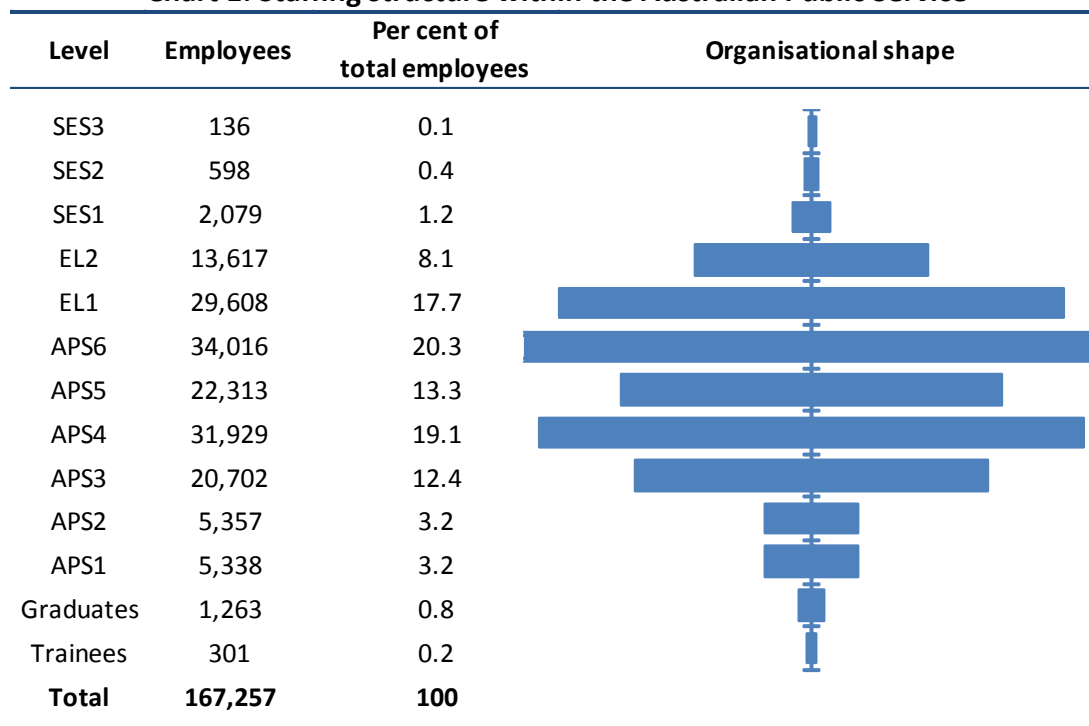
Around 40 per cent of the 167,000 Commonwealth public servants are employed at the junior and mid-manager levels – Australian Public Service Level 6 and Executive Level 1 classifications.

This trend towards middle management employment has occurred over the past twenty years. It reflects various factors including lower level jobs being lost due to technology and outsourcing, recruitment practices focused on highly qualified and specialist skills,

and limited flexibility regarding remuneration resulting in promotion being used as a retention strategy.

The net result of this shift in the composition of the Australian Public Service workforce is that mid-level managers have comparatively few people reporting directly to them. This is known as having a narrow span of control.

**Chart 1: Staffing structure within the Australian Public Service**



High performing organisations generally have fewer layers of employee classification and wider spans of control.

As part of its deliberations the Commission collected information from 90 agencies on their middle management spans of control and corporate overheads. Benchmarking was undertaken across agencies and against best practice targets for different functions.

The median spans of control reported by agencies that predominantly perform these functions are outlined in Table 1 below.

**Table 1: Spans of control of EL1s and EL2s**

Agency Type/Function	Best practice spans of control	Median span of control for managers	
		Executive Level 2	Executive Level 1
Policy & Research	5 - 8	3.9	2.0
Service Delivery	8 - 10	4.8	3.2
Regulation and Compliance	7 - 9	3.8	2.8
Other (specialist)	6 - 10	3.5	2.3

The Commission considers that there is significant scope to improve structures within many Commonwealth organisations.

However, the Commission does not advocate imposing span of control targets recognising that there are legitimate reasons for individual agency structures to vary from best practice benchmarks. The Commission considers departmental secretaries should be responsible and accountable for their own management practices and structures.

Nevertheless, in light of its analysis, the Commission considers all departmental secretaries and agency heads should be required to prepare plans within the next twelve months, which report on current management structures and spans of control, and identify opportunities for improvement.

The Commission also recommends a number of departments and agencies should develop their plans immediately, given the possibility to realise improved management structures on a large scale.

These include: the Department of Defence, Department of Human Services, Australian Taxation Office, Department of Immigration and Border Protection, Department of Health, Department of Social Services, Australian Bureau of Statistics and the Department of Agriculture.

### **Improving performance information**

The availability of good information on the performance of government programmes and activities is crucial to ensuring taxpayer funds are well spent and the government is held to account. High quality information is essential to answering basic questions such as what was the money used for, what was the policy objective and was it achieved?

The Commission has been asked to identify options for improving the assessment of government activities and reporting performance with a view to increasing transparency and accountability. These are the hallmarks of responsible government.

While a large volume of performance information is currently available there is no easily understood performance framework. Current arrangements make it difficult for the community to determine whether money is well spent, whether spending programmes meet their objectives and how efficiently and effectively the public sector is performing.

The level of programme detail currently provided in portfolio budget statements varies considerably, with some entities providing only high level information, while others include information that is more useful and relevant to gauging performance for policy purposes.

For example, the information presented to Parliament within the portfolio budget statements for Austrade's Export Development Grants Scheme is of limited usefulness. It simply outlines the amount budgeted to be spent and that the key performance indicators are the number of grant applications and recipients. There is no information on the effectiveness of this spending.

The Commission has made a number of recommendations to improve the information provided in portfolio budget statements along with the development of more meaningful key performance indicators and a greater role for the Australian National Audit Office to undertake assessments of departments' programme performance information.

### **Programme evaluation**

Through its annual budget process, the government reviews its policy settings and allocates funds to priority areas. However, budgeting is largely focused on incremental spending and savings decisions, with little systematic attention given to existing spending.

In particular insufficient attention is given to how existing spending can be better prioritised. The Commission considers there is a pressing need to improve programme evaluation practices at the Commonwealth level.

Greater scrutiny of programme performance and effectiveness and continuing appropriateness is achievable through three discrete measures:

1. Incorporating new and mandatory programme evaluation arrangements into the annual Budget processes.
2. Revamping the system of strategic reviews of selected programmes.
3. A new rolling process of comprehensive Portfolio Agency Audits of selected agencies.

**Mandatory programme evaluations:** The Commission proposes portfolio ministers produce an evaluation plan each year, covering existing and scheduled evaluation activity over a four year period. Evaluation plans would be provided as part of the annual Budget process in portfolio budget submissions. Portfolio ministers would also be required to report on the results of the evaluation activity — that is on the effectiveness of their programmes — in their portfolio budget submissions.

**Strategic Reviews:** Government activity continues to grow in complexity and breadth with some activities cutting across portfolio boundaries. It is proposed that the Department of Finance could undertake a small number (possibly around six) of Strategic Reviews each year, which holistically examine groups of programmes for their overall effectiveness (as opposed to savings being their prime objective).

**Portfolio Agency Audits:** Australian Government agencies currently operate in a highly-devolved financial and management framework with significant autonomy to effectively manage their operations. To complement the evaluation of programmes, the Commission recommends the Government implement a separate process to independently and comprehensively ‘audit’ the operations of selected portfolio agencies. These rolling audits would include a detailed examination of an agency’s strategic focus, organisational capability, governance structures, risk management, workforce planning, staff performance management and cost controls.

### **Delineating policy from service delivery**

The Commission was asked to examine the potential for a clearer delineation of responsibilities for policy and service delivery at the Commonwealth level.

In accordance with its Principles of Good Government, the Commission considers portfolio departments should undertake policy development, while agencies for the most part should deliver programmes and services. Between the categories of policy and service delivery choices need to be made about how things get done.

At the Commonwealth level, most service delivery functions are already separate from policy functions. The challenge therefore lies not so much in the separation but in working out how best to connect policy with delivery more effectively.

The Commission considers the interface between policy and service delivery can be improved by re-examining the way services are commissioned, improving the communication between policy departments and service delivery agencies and making greater use of the Cabinet Implementation Unit.



## Further rationalisation of Commonwealth bodies

In addition to the 194 principal bodies that were considered for rationalisation in its Phase One Report, the Commission has identified 696 non-principal bodies which exist at the Commonwealth level (including councils, boards and committees) and recommends 482 of them be considered for action as summarised in Table 2 below.

**Table 2: Bodies identified for rationalisation**

Action to be taken	Principal bodies	Non-principal bodies
Abolish	7	35
Merge with other bodies	35	6
Consolidate into the portfolio department	23	57
To be privatised	9	1
Review, with a view to merging, abolishing or transferring	28	383
<b>Total bodies identified for attention</b>	<b>102</b>	<b>482</b>
<b>Total bodies</b>	<b>194</b>	<b>696</b>

The Commission's analysis of the non-principal bodies revealed three themes which help explain why so many bodies exist. In summary, 93 non-principal bodies exist to provide support to the 194 principal bodies, 238 exist to facilitate inter-jurisdictional matters including Council of Australian Governments arrangements and processes; and a further 314 exist to provide advice to government.

Consistent with the Commission's proposals for reforming the Federation by undertaking a thorough reassessment of roles and responsibilities across levels of government, the Commission considers the need for many of the bodies associated with inter-jurisdictional matters including Council of Australian Government processes should be reassessed.

The Commission also considers that a major overhaul of the number of advisory bodies should be undertaken.

## Assessing Commonwealth grant programmes

The Commission's Phase One Report noted that the Commonwealth spent about \$22 billion on grants in 2012-13, across more than 500 grants programmes. A number of recommendations were made around improving administrative processes, including a broad-banding of grants and the establishment of a central grants register. It also recommended abolishing 20 existing grant programmes.

In its Phase Two Report, the Commission builds on this, examining remaining programmes that extend from 2014-15 and beyond.

- A practice of **broad-banding grants programmes** has the potential to significantly reduce the administrative and compliance burden and could lead to better outcomes for the money spent. For example there are 76 different grant programmes relating to Indigenous matters, 54 different programmes relating to health issues, 28 different schools-related grants and 21 different grants programmes relating to mental health matters (in this last instance involving aggregate expenditure of some \$500 million).
- In relation to identifying other Commonwealth grants programmes that could be **abolished** the Commission has focused on the larger programmes – the 172 grants programmes with annual spending of more than \$5 million. Fourteen grant programmes are identified for abolition involving spending in 2014-15 of around \$330 million. Taking into account funds already committed in these programmes (estimated to be about 40 per cent) abolition could deliver an annual saving of some \$200 million.
- The Commission also recommends **transferring to the States** a number of schools-related grant programmes.

### **Further potential savings in Commonwealth spending**

The Commission's Phase One Report focused on the Commonwealth's 15 largest and fast growing programmes as well as a number of other large spending areas, including: reforming general revenue assistance to the States; options to place military superannuation arrangements on a more sustainable financial footing; and other potential savings options.

The Commission has also reviewed other spending and programmes that fall elsewhere within the top one hundred areas of Commonwealth spending and has identified scope to reform a small number of social welfare programmes and local government initiatives. This includes:

- establishing a new benchmark for the **Parenting Payment Single** of 25 per cent of Average Weekly Earnings, with transition occurring over a 15 year period during which indexation would be linked to movements in the consumer price index;
- reforming **Youth Allowance** arrangements to better target assistance to students. This includes converting Relocation Scholarships into a voluntary income-contingent loan, similar to Student Start-Up Scholarships;

- realigning **working-age payments** (including Newstart, Widow and Sickness Allowance) for those over the age of 60 (who receive higher rates of assistance) to make them consistent with those for other recipients;
- reforming the arrangements for education supplements to abolish the Education Entry Payment and ensure the **Pensioner Education Supplement** is only provided to recipients during study terms or semesters; and
- not proceeding with the proposed trial of the **Housing Help for Seniors** programme, which will introduce a new exemption that would treat seniors with a similar level of wealth differently in terms of Age Pension eligibility.

### **Implications of the Commission's recommendations for public sector staffing**

The size of the public sector, including staffing, depends on the role of government, requiring a judgement about what governments should do and what citizens can best do for themselves.

The Commission considers that public sector staffing levels should reflect the Government's conscious choices about the functions to be delivered by the public sector, and reasonable expectations about the efficiency with which they can be delivered.

Since the late 1980s, 'efficiency dividends' have promoted greater cost efficiency in the Australian Public Service. There is some rationale for a consistently-applied low rate of efficiency dividend, given the public sector is not subject to commercial discipline to restrain costs and improve productivity.

That said, efficiency dividends are a particularly 'blunt instrument' to achieve budgetary savings.

Rather than make explicit and often difficult decisions about what government should do and the extent of public sector resourcing, an efficiency dividend reduces funding to both areas of high priority and areas of low priority; to areas already operating efficiently, and to areas where there could be significant efficiency gains.

In recent years, relatively high efficiency dividends have been applied to deliver short-term budgetary savings.

The Commission recognises that some agencies, through the efficiency dividend and other decisions, have already had significant reductions in funding, requiring voluntary and, in some cases, forced redundancies. This includes the Departments of Health, Environment, Communications and the Treasury.

Many of the Commission's recommendations, including those relating to a rationalisation of Commonwealth bodies and agencies, will have implications for public sector staffing levels.

However, given the existing activity within agencies to reduce staffing levels, the impact of the Commission's recommendations may be within, or additional to, planned reductions.

Over the medium term, if the Commission's recommendations to reform the Federation are progressed and a fundamental re-alignment of roles and responsibilities occurs, the reduction in duplication will mean fewer Federal public servants. This has particular implications for departments such as the Department of Education and the Department of Health.

In addition, the Commission has identified scope for potential improvements in organisational structures within departments and agencies, including through increasing spans of control at the Executive Level 1 and 2 staff classifications.

Depending on how these opportunities are progressed by departmental secretaries and agency heads there could be significant reductions in the number of mid-level public servants employed by the Commonwealth.

Estimates of the employment consequences of the Commission's recommendations at an aggregate level are necessarily indicative. As was the case with its estimates of savings, decisions on detailed programme design and timing of implementation will impact on any employment implications arising from the Commission's recommendations.

Nonetheless, as a broad guide, the Commission expects that some 15,000 fewer public servants could be required. This would represent a reduction of around 5 per cent of total Commonwealth General Government Sector employment.

## **A way ahead**

The Commission was asked to undertake a full-scale review of the spending of the Commonwealth Government to ensure value for money and the elimination of wasteful spending as well as to examine opportunities to improve efficiency and effectiveness. It was given a broad remit.

The Commission has taken a methodical and structured approach to this task, focusing attention proportionately on those areas most likely to have the biggest effects on budget sustainability and government efficiency.

There are 64 recommendations in its Phase One Report and a further 22 recommendations in the Phase Two Report. As outlined in both Reports, many of the Commission's recommendations can be implemented incrementally over time.

That said, the Commission has not examined everything the Commonwealth Government does. The Commission undertook its task in full knowledge that it would not be possible to examine every area of Commonwealth activity as part of a single, one-off review.

The reform process needs to be ongoing.

The Commission's Reports provide important direction and set out a number of processes that should be embedded into government. These processes should lead to more effective government and are intended to continue well after the National Commission of Audit is completed.

The Commission has emphasised the importance of a credible medium-term fiscal strategy that provides certainty over the role of government and fiscal policy in the economy. Adhering to the strategy will require a disciplined approach over many years to reassess the Government's spending priorities, return the Budget to surplus, and begin to pay down debt.

We have also made a case for reforming the Federation to clarify roles and responsibilities and improve financial arrangements so that governments can have greater control over their budgets and activities and are thus more accountable to their citizens.

The routine production of more meaningful information on government programmes and key performance indicators will improve transparency about the activities of government. It will also strengthen the evidence base for ministerial decision-making.

Similarly, a systematic approach to programme evaluation, linked to the Budget process, is aimed at ensuring ministers have robust information to guide key decisions about whether to expand existing programmes or reallocate funds to higher priorities.

A broader challenge is to foster a culture where the public sector systematically identifies what has worked and areas where further improvements could be made.

The effectiveness of individual government agencies is central to delivering effective and efficient government. While supporting the highly-devolved financial and management framework, the Commission has recommended separate processes to independently and comprehensively 'audit' the operations of selected portfolio agencies on a rolling basis. This would provide another avenue to drive performance by introducing external, objective scrutiny of an agency's operations.

These measures to improve performance assessment and evaluation will form part of an ongoing process to drive better government. However they will only be effective if ministers own and act on their findings.

Ultimately, governments need to play their part by clearly articulating their own policy priorities.

The Commission's Report maps out a path towards responsible government.

Throughout its deliberations, the Commission has been guided by the idea that Australia deserves responsible government.

It is an aspiration worth having.

# Recommendations

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## Infrastructure

### **Recommendation 1: Improved management of Commonwealth infrastructure**

The condition of Commonwealth infrastructure varies markedly. Better asset management is needed to ensure long-term sustainability. The Commission recommends the Government:

- a. ensure all agencies maintain current asset management plans which cover the full range of activity from acquisition, management, maintenance and disposal;
- b. require agencies to report on the value of deferred maintenance and repairs in the notes to their financial statements, drawing on the asset management plan;
- c. develop an estimate of the cost of remediating contamination on all Commonwealth property and report this as a contingent liability in Budget papers and agency financial statements; and
- d. create a new centrally managed provision to fund major capital assets, from which agencies can seek funding as part of the Budget process. This provision should be equal to the value of depreciation on the Commonwealth's major own-use assets plus the net sales proceeds of such assets.

### **Recommendation 2: Commonwealth investment in infrastructure**

Quality infrastructure is important to drive productivity and economic growth. While the States are best placed to identify projects that best suit local needs, the Commonwealth has a role in coordinating nationally significant infrastructure. The Commission recommends that to the extent the Commonwealth directly invests in or finances infrastructure:

- a. the Commonwealth only invests in infrastructure projects either alone, or jointly with the States and or the private sector, where a rigorous and transparent cost benefit analysis indicates that the project would provide substantial net benefits to the community;
- b. the Commonwealth's contribution of finance be targeted to those projects that provide broad economic or social benefits beyond commercial returns but cannot be completely funded in the short term by user charges and would not otherwise go ahead; and
- c. while favouring grant or equity contributions, the Commonwealth not be constrained by the form in which finance is provided other than to ensure complete transparency, including appropriate provisioning in the Budget.

### **Recommendation 3: Road user charging**

There is significant scope to expand road user charging, particularly for heavy vehicles, to reduce congestion and increase funding from those that directly benefit from road use.

The Commission recommends that the Commonwealth work with the States to develop mass-distance-location charging reforms. Over time, these reforms should be extended to universal road user charging for all vehicles to the maximum extent possible.



#### **Recommendation 4: Improving national transport regulation**

An efficient and well regulated transport system is critical to the cost structure and competitiveness of Australian business. The Commission recommends improving the regulation of national transport by:

- a. ensuring that, where appropriate, national land transport regulatory reforms are fully and consistently implemented in each jurisdiction as soon as practicable; and
- b. abolishing the cabotage policy.

#### **Recommendation 5: Infrastructure funding for the States and local governments**

The Commission's Phase One recommendations on addressing the degree of vertical fiscal imbalance within the Federation propose that the States have access to the personal income tax system so they are in a better position to fund their own priorities including infrastructure. In this situation, the need for separate tied funding from the Commonwealth for infrastructure will diminish.

Recognising that reforms to the Federation will take time to develop and implement, the Commission recommends in the interim that existing infrastructure funding arrangements between the Commonwealth and the States be consolidated, with:

- a. a single funding pool to be set aside and available for allocation to the States on a formulaic basis, including appropriate funding for maintenance and disaster mitigation with the Commonwealth having no involvement in project selection;
- b. eligibility for access to the funding pool would be conditional on each State having in place robust project evaluation and governance processes including cost benefit analyses that meet relevant criteria set by the Commonwealth;
- c. Financial Assistance Grants paid to local governments for local roads and made through the States should be included in this arrangement; and
- d. as part of the consolidation, the Government should reconsider whether the Nation-building Funds should be maintained in their current form or instead rolled into the single funding pool.

## Public sector performance and accountability

### Recommendation 6: Role of the Australian Public Service Commission

As one of Australia's largest workforces, it is important to improve public sector productivity and better harness talent across the Australian Public Service including by supporting merit-based appointments to maintain an apolitical public service. The Commission recommends that changes be made to the Public Service Act and associated arrangements including that:

- a. the *Public Service Act 1999* be amended to ensure an overriding obligation of those working in the public service to serve the Government is to be highly productive;
- b. the role and responsibilities of the Public Service Commissioner be assumed by the Secretary of the Department of Employment;
- c. existing functions of the Australian Public Service Commission be transferred to:
  - i. the Department of Employment in relation to workplace relations matters and employment conditions, as well as those functions relating to Senior Executive Service professional development;
  - ii. the Department of Finance in relation to the operation and management of the whole-of-government training and development contracts, as part of its coordinated procurement contract arrangements; and
  - iii. individual departments and agencies in relation to other operational functions through their human resource and corporate areas;
- d. the role of the Merit Protection Commissioner be abolished, with the Department of Employment to undertake responsibilities on Code of Conduct matters; and
- e. removing provisions for appeal processes in relation to promotion decisions for lower level positions in the Australian Public Service.

### **Recommendation 7: Public sector efficiency – improved spans of control**

Average management structures in the Australian Public Service are top heavy, particularly at the Executive Level 1 and Executive Level 2 classifications. The Commission recommends that spans of management control be improved by requiring:

- a. eight major departments and agencies to prepare plans that report on current management structures and spans of control, and opportunities for improvement, immediately for Cabinet consideration; and
- b. all portfolio secretaries and agency heads to prepare plans to improve management structures and spans of control for ministers within 12 months.

### **Recommendation 8: Public sector efficiency – Corporate services**

There are opportunities to improve the efficiency of corporate services across the Australian Public Service. In accordance with the Commission's Phase One recommendation to standardise corporate business processes and adopt the staged introduction of shared corporate services, the Commission further recommends:

- a. the Department of Finance should conduct detailed benchmarking of Australian Public Service spending on human resources against private sector spending to identify common efficiencies;
- b. corporate business processes should be standardised to the most efficient practices, given the wide variation in costs across the Australian Public Service;
- c. departments should provide corporate services for all agencies within their portfolio with fewer than 200 staff; and
- d. the Government should introduce shared services for finance and procurement functions as early priorities.

## **Recommendation 9: Improving information on government programmes and public sector performance**

Australians should have useful information about the objectives of government programmes, how much the Government plans to spend, what it actually spends, and what it achieves. To improve information and drive better public sector performance, the Commission recommends that:

- a. all information on programmes be provided in portfolio budget statements with appropriate scope and depth;
- b. more meaningful key performance indicators be developed for each programme and be included in portfolio budget statements;
- c. the Australian National Audit Office undertake regular audits of each department's 'programme performance information' and its relevance, as contained in portfolio budget statements, including the efficacy of key performance indicators and the quality of the reporting against each indicator; and
- d. the Department of Finance develop and maintain a central register of all programme expenditure on a programme-by-programme basis to better inform ministerial decision-making.

### **Recommendation 10: Programme evaluation – systematic reviews as part of the Budget process**

There is no systematic evaluation of programmes at the Commonwealth level. The Commission recommends that new arrangements be introduced to ensure that existing programmes are routinely assessed as part of the Budget process by:

- a. the Department of Finance developing and publishing detailed evaluation guidelines which will help all agencies to assess the appropriateness, efficiency and effectiveness of government programmes;
- b. introducing a mandatory requirement as part of the annual Budget requiring agencies, in consultation with the Department of Finance, to prepare and submit evaluation plans in portfolio budget submissions, which are to include a schedule of planned and existing programme evaluation activity over the next four years;
  - i. with final evaluation reports being provided to the Department of Finance on completion; and
  - ii. portfolio ministers reporting to Cabinet each year in their annual portfolio budget submissions on the results of the evaluation activity detailed in their evaluation plans, attaching completed evaluation reports.

### **Recommendation 11: Programme evaluation – rolling strategic reviews of major spending programmes**

Government programmes continue to grow in complexity and breadth, with some activities cutting across portfolio structures. To strategically assess government activity the Commission recommends:

- a. the Department of Finance conduct around six rolling strategic reviews each year on existing government expenditure programmes, with:
  - i. the reviews to be conducted jointly with responsible agencies;
  - ii. results and any recommendations to be brought forward by the Minister for Finance as part of the annual Budget process; and
  - iii. agency heads to be responsible for implementing recommendations agreed by government.

### **Recommendation 12: Performance evaluation – rolling ‘audits’ of agencies**

The performance of individual government agencies is central to delivering effective and efficient government. The Commission recommends:

- a. a small number of rolling Portfolio Agency Audits be undertaken each year, led by an independent person or panel, or the Department of Finance, to comprehensively assess efficiency and effectiveness across all aspects of an agency’s operations, programmes and administration, with:
  - i. results and any recommendations to be presented to the portfolio minister and the Minister for Finance, and considered as part of the annual Budget process; and
  - ii. agency heads to be responsible for implementing recommendations agreed by government; and
- b. that the Department of Defence be the subject of the first Portfolio Agency Audit, led by an independent person or panel.

### **Recommendation 13: Clearer delineation between policy and service delivery**

At the Commonwealth level, most service delivery functions have already been separated from policy functions. However, the Commission has identified a number of opportunities to better connect policy with service delivery:

- a. regulatory and service delivery entities should confine their functions to administering agreed policy, but should not be prevented from providing feedback to the relevant policy department on ways to enhance service delivery arrangements which go beyond their delivery mandate;
- b. implementation and ‘commissioning’ capabilities across government should be improved with a strengthened role for the Cabinet Implementation Unit;
- c. graduates in policy departments should be given a rotation in a front line delivery role, and vice versa as part of their graduate programmes; and
- d. greater use should be made of data analytics and randomised controlled trials to strengthen links between policy and service delivery and inform evidence-based decision-making.

## Rationalisation of remaining agencies, boards and committees

### **Recommendation 14: Reduce the number of non-principal government bodies**

Further to the Commission's recommendations to rationalise the number of government bodies contained in its Phase One Report, the Commission recommends a significant rationalisation of the 696 non-principal government bodies, including by:

- a. taking action on 482 existing non-principal bodies by:
  - i. abolishing 35 bodies;
  - ii. merging 6 bodies;
  - iii. consolidating 57 bodies;
  - iv. privatising 1 body;
  - v. reviewing with a view to rationalising 383 bodies; and
- b. regularly reassessing the operations and continuing need for all remaining non-principal bodies.

### **Recommendation 15: Further action on principal government bodies**

Building on the recommendation in the Phase One Report, the Commission recommends action for the following principal bodies:

- a. consolidate the Australian Government Solicitor's Office of General Counsel into the Attorney-General's Department and undertake a review to establish options for the wind-up of the remainder of the entity, including possible sale of the entity's client book;
- b. the office of the Public Service Commissioner be relocated to the Department of Employment, with some existing functions of the Australian Public Service Commission also amalgamated into that department;
- c. Comcare's claims management function be outsourced and private sector underwriting of Comcare's workers' compensation insurance scheme pursued; and
- d. an independent review be undertaken of Airservices Australia with a particular focus on the scope of its activities as well as its planned capital expenditure programme.

## Commonwealth grant programmes

### **Recommendation 16: Commonwealth grant programmes**

Further to the Commission's recommendations to improve the administration of grant programmes, including through the establishment of a central register of grants, the Commission recommends that:

- a. all agencies undertake a comprehensive assessment of all existing grants programmes to identify grants programmes that can be merged, abolished and transferred to the States. This assessment should inform the 2015-16 Budget;
- b. that priority be given to broad-banding or merging existing grants programmes in the areas of Indigenous affairs, health and mental health and those that are schools-related with a view to achieving significant administrative savings; and
- c. in addition to the specific grants programmes identified for abolition in its Phase One Report that a further 14 grants programmes identified be abolished.

## Further potential savings in other Commonwealth spending areas

### **Recommendation 17: Parenting Payment Single – establishing a new benchmark**

Parenting Payment Single provides important support to sole parents with young children, recognising their reduced capacity to work. The Commission recommends that changes be made to make it more sustainable by:

- a. changing current Parenting Payment Single indexation arrangements to a new benchmark of 25 per cent of Average Weekly Earnings; and
- b. transitioning to this arrangement, approximately over a 15 year period, by indexing the Parenting Payment Single maximum rate by the Consumer Price Index until it is equal to 25 per cent of Average Weekly Earnings.



### **Recommendation 18: Better targeting assistance to students**

Youth Allowance assists young people to participate in education. However, this assistance could be better targeted. It is recommended that:

- a. Relocation Scholarships be converted into a voluntary income-contingent loan, similar to Student-Start-up Scholarships; only be offered in the first year of relocation; and that students moving within cities no longer be eligible; and
- b. portability rules for Youth Allowance and Austudy be aligned with those for other working-age payments, allowing payment to continue for up to six weeks if the recipient is required to travel overseas for specific circumstances.

### **Recommendation 19: Better aligning working-age payments**

Currently, people aged 60 or over receiving certain working-age payments receive a higher rate than younger recipients.

The Commission recommends that the rates of Newstart, Widow and Sickness Allowance for those aged over 60 be aligned with those for other recipients.

### **Recommendation 20: Reforming education supplements**

A range of assistance is available to income support recipients who commence study. To reduce duplication and better target assistance the Commission recommends that:

- a. the Education Entry Payment be abolished; and
- b. the Pensioner Education Supplement only be provided to recipients during study terms or semesters.

### **Recommendation 21: Housing Help for Seniors**

There is a pressing need to ensure that the cost of the Age Pension remains sustainable and targeted to those in genuine need. The proposed Housing Help for Seniors programme will introduce a new exemption that would treat seniors with a similar level of wealth differently, in terms of Age Pension eligibility, depending on whether they recently downsized their home.

The Commission recommends that the Government not proceed with the announced trial of Housing Help for Seniors.

### **Recommendation 22: Payments to local government**

The Commission's Phase One recommendations on addressing the degree of vertical fiscal imbalance within the Federation propose that the States have access to the personal income tax system so they are in a better position to fund their own priorities. This will include support for local government. In this situation, the need for separate tied funding from the Commonwealth will diminish.

The Commission recommends that tied grants to local governments cease, and to the extent that programmes are identified as priorities, local or State governments provide them to the communities they serve.

# 1 - Introduction

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## Introduction

This Second Phase Report of the National Commission of Audit examines government efficiency and effectiveness in detail. In accordance with its Terms of Reference it builds on the theme of responsible government and focuses on infrastructure and public sector performance, productivity and accountability.

The Phase Two Report addresses the question of what should be done to improve the structure and operation of the Australian Public Service and how to better evaluate the effectiveness of government programmes and agencies.

The Commission's Phase One Report highlighted the legitimate role for government in Australia and also the challenges to create a sustainable budget.

To meet them, governments must reorganise and reprioritise what they do and how they do it. They must stop doing things that do not work or are less important.

Arrangements need to be simplified and the public service must remain accountable within a framework of ministerial responsibility.

This is consistent with the Principles of Good Government the Commission outlined in its First Phase Report. The Principles are repeated below.

Given the Commonwealth annually manages some \$410 billion of expenditure, it is essential that there are sound processes and good information about what government plans to spend, what it actually spends and, critically, what it achieves from this spending.

Consistent with its Terms of Reference, the Commission has focussed on the spending side of the Budget and has not examined tax issues in detail. As outlined in the Phase One Report, the Government has committed to consult the community to produce a comprehensive Taxation White Paper with all aspects of the tax system 'on the table'. This will provide an important opportunity to improve the tax system and examine existing tax concessions and 'tax expenditures'.

Current Commonwealth arrangements have a strong focus on financial accountability but there is insufficient attention to whether programme objectives are being achieved.

The Commission's Terms of Reference ask it to identify options for continuous assessment of programmes and agencies as well as better performance metrics and improved financial performance targets.

The public service plays a major role in this. Where the government's priorities are clear, departments and agencies are better placed to design and implement programmes and policies that deliver its agenda efficiently and effectively.

The arrangements that support the public service – including the Australian Public Service Commission, the Public Service Act and relevant legislative and governance requirements – should support a culture that delivers high performance and results.

Likewise, the Australian National Audit Office can accomplish more.

The Commission's Terms of Reference also ask it to examine the extent, condition and adequacy of Commonwealth infrastructure, identify factors that may have contributed to the current situation and report on possible remedies.

The discussion of this issue, outlined below, has significant overlap with many aspects of the Commission's Phase One Report particularly in relation to the Commonwealth balance sheet and the operation of the Federation.

A number of other issues initially raised there are further developed below including an assessment of grant programmes, rationalisation of Commonwealth agencies, boards and committees and options to reform and rationalise other spending programmes.

## **Principles of Good Government re-stated**

1. **Live within your means.** All government spending should be assessed on the basis of its long-term cost and effectiveness and the sustainability of the nation's long-term finances.
2. **Harness the benefits of the Federation but demand a responsible Federation.** The Commonwealth's activities should be guided by the Constitution. The States and Territories should be free to compete amongst themselves, respecting the regional differences of a big continent. However, there will be occasions where the national interest calls for a cooperative and national approach.
3. **Protect the truly disadvantaged.** Government should protect the truly disadvantaged and target public assistance to those most in need.
4. **Respect personal responsibility and choice.** Government should not and cannot eliminate or insure every risk to the community. Personal responsibility and choice are fundamental to our democratic system.
5. **Assure value for taxpayers' money and ministerial responsibility.** Governments spend taxpayers' money not the government's money. They must assure value across all expenditure and constantly strive to improve productivity and eliminate waste. All programmes should be regularly assessed for effectiveness

against their stated goals and outcomes. Ministerial responsibility is imperative and departments should be the primary source of policy advice.

6. **Be transparent and honest.** Transparency and honesty are fundamental to accountability. Government policy goals and programme outcomes must be transparent. Transparency in government will better illuminate the choices we face and the decisions needed for the overall good of the nation. Spending on lower priorities, however popular at the time, needs to be resisted.
7. **Reduce complexity.** Government should reduce complexity which impacts on its own operations, the operations of the States and Territories and the activities of the community and business. Reporting requirements should be kept to a minimum.
8. **Avoid regulation as a first response to a problem.** Adding new regulations to deal with problems should be the last resort and introduced only when existing laws prove inadequate and the risks of no regulation outweigh the costs to the community.
9. **Act in the public interest and recognise the benefits of markets.** In competitive markets, customers, not producers, take precedence. Competition and contestability drive lower costs, improve quality and give people what they want. Government should act in the public interest and only intervene in markets where market solutions fail to produce the best outcome for the nation as a whole.
10. **Do not deliver services if others are better placed to do it.** The delivery of public services should, wherever practicable, be handed to those organisations and levels of government closest to those receiving the service and should not be duplicated.

# **PART A**

## 2 - Infrastructure

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The Commission has been asked to review and report on the extent, condition and adequacy of Commonwealth infrastructure, the cause of any deficiencies and possible remedies.

### 2.1 Commonwealth sector infrastructure

In considering infrastructure, it is useful to distinguish between economic and social infrastructure.

Economic infrastructure is generally taken to include physical structures which facilitate the production and use of goods and services including transport, telecommunications networks, energy, water treatment and supply and sewerage. Social infrastructure includes the facilities and equipment used to satisfy society's education, health, community service and cultural needs.

Compared with the States, Commonwealth ownership of public infrastructure is limited, mainly a network of rail lines and communication assets. This infrastructure is held in public corporations. It also holds research and defence related infrastructure and an extensive holding of land and properties for its own use.

As outlined in the Commission's Phase One Report, as at 30 June 2013 the Commonwealth held \$110 billion of non-financial assets on its balance sheet. Within this, infrastructure is valued at approximately \$57 billion.

In contrast, the States hold some \$1.3 trillion non-financial assets including schools, hospitals, water infrastructure, police stations and rail and road infrastructure.

The disparity in infrastructure holdings and investment reflects the Constitutional division of responsibilities, with the Commonwealth's role primarily in the areas of telecommunications, interstate freight and aviation while the States have responsibility for roads, intra-state transport, water and social infrastructure.

The current level of Commonwealth infrastructure holdings also reflects policy decisions by successive federal governments to reduce their direct involvement in commercial activities with a resultant shift in asset ownership to the private sector through privatisation programmes.

**Figure 2.1: Snapshot of Australia’s economic infrastructure at 30 June 2012**

Transport	Energy	Communications	Water
<p>33,404 km railway route length.</p> <p>6 ports above 50 million tonne throughput.</p> <p>900,082 km length of roads.</p>	<p>776,321 circuit km above ground transmission network.</p> <p>129,286 circuit km underground transmission network.</p> <p>55,395.9 MW generation capacity.</p>	<p>\$15,451m net capital IT stock for information, media and telecommunications industry.</p>	<p>\$144,179m value of water infrastructure assets.</p> <p>162,513 km urban water mains.</p> <p>136,295 km sewer mains.</p> <p>56,619 km rural water network.</p>

Source: Bureau of Infrastructure, Transport and Regional Economics, 2013 and 2014.

Three Commonwealth public corporations hold the majority of Commonwealth-owned economic infrastructure held for public use – the Australian Rail Track Corporation, NBN Co and Airservices Australia. A fourth, Australia Post, owns a network of postal depots and mail sorting centres.

The Commonwealth also owns a 13 per cent share in Snowy Hydro Ltd, an energy utility based in New South Wales and 100 per cent of the Moorebank Intermodal Company, which will construct a freight terminal in Western Sydney.

The Commonwealth owns comparatively little social infrastructure with a limited number of health and education assets including the Mersey Hospital in Tasmania and the Australian National University.

The majority of the Commonwealth’s infrastructure assets are held for its own use. They include property valued at \$36 billion and other infrastructure, plant and equipment totalling \$21 billion which includes information and communications technology and office equipment.

Commonwealth-owned infrastructure also includes some \$600 million of assets through the National Capital Authority (including roads and bridges in Canberra and Scrivener Dam) as well as other assets such as Parliament House, various CSIRO research stations and facilities, a nuclear reactor at Lucas Heights in Sydney, immigration detention centres, navigation buoys and lighthouses.

Table 2.1 below summarises the Commonwealth’s holdings of infrastructure assets.



**Table 2.1: Commonwealth infrastructure holdings**

<b>Agency</b>	<b>Description/examples</b>	<b>Fixed assets (\$m)</b>
<b>Public corporations</b>		
Australian Rail Track Corporation	Railway track and related infrastructure	4,467
NBN Co	Broadband infrastructure	2,496
Australia Post	Postal depots, sorting centres and related infrastructure	1,616
Airservices Australia	Air traffic control and landing infrastructure	1,023
Other public corporations	Various	1,199
Total:		<b>10,802</b>
<b>General government sector</b>		
Department of Defence	Office buildings, Defence Force bases, training areas and ranges	23,713
Department of Parliamentary Services	Parliament House	2,220
CSIRO	Laboratories, research stations, marine research and radio telescopes	2,138
Department of Foreign Affairs and Trade	Embassies, consulates, overseas residences	2,134
Department of Finance	Domestic Commonwealth-owned office buildings, law courts and other property	1,662
Defence Housing Australia	Over 3,800 owned properties and over 18,300 under management	1,456
Department of Immigration and Citizenship	Immigration detention centres and related infrastructure	1,101
Australian Nuclear Science and Technology Organisation	Lucas Heights Nuclear facility, Cyclotron	1,063
Australian Broadcasting Corporation	47 owned studios, carparks, offices and broadcast equipment	853
National Capital Authority	Scrivener Dam, Lake Burley Griffin assets, bridges, roads and tunnels	769
Special Broadcasting Service	Office and studio, broadcast transmitters and other equipment	97
Other general government sector	Various, incl. navigation buoys, Sydney Harbour Federation Trust shipyard	9,021
Total:		<b>46,227</b>
<b>Total Commonwealth public sector</b>		<b>57,029</b>
<b>Investments</b>		
Snowy Hydro Ltd	Commonwealth 13 per cent shareholding, net assets value	233

Source: Department of Finance, *Final Budget Outcome 2012-13*, Snowy Hydro Limited 2013 Annual Report.

## **2.2 Condition of the Commonwealth's infrastructure**

The condition of Commonwealth infrastructure varies markedly. In some cases, assets are new and are currently being brought into service, as is the case with the National Broadband Network. In contrast, other property holdings, including various military barracks, post offices and lighthouses, predate Federation.

As outlined in the Commission's Phase One Report, managing the Commonwealth's property holdings involves considerable legacy issues, such as contamination and underinvestment in repairs and maintenance.

In considering the condition of the Commonwealth's infrastructure, the Commission has not undertaken a detailed engineering analysis or developed a comprehensive asset management plan for these assets. Nevertheless it makes some observations around maintenance and funding arrangements for asset replacement.

### **Maintenance**

A failure to optimise infrastructure investment through timely maintenance will lead to higher management and maintenance costs over time while reducing the capacity, reliability, safety and efficiency of the Commonwealth's assets.

The private sector and government business enterprises that operate on a commercial basis fund maintenance from revenue and best practice dictates this expenditure is in accordance with long-term asset management plans.

Maintenance has generally been managed for the infrastructure assets of Commonwealth public corporations.

Maintaining the Australian Rail Track Corporation network has been and remains a major task. The Corporation currently has responsibility for the management of over 8,500 route kilometres of standard gauge interstate track in South Australia, Victoria, Western Australia, Queensland and New South Wales. It also manages the Hunter Valley coal rail network, and other regional rail links in New South Wales.

In 2012-13, the Corporation reported annual infrastructure maintenance expenses of \$174.6 million. Also, in recent years there has been a significant level of investment as part of past stimulus packages, resulting in improved track reliability and transit times on some sections of track. A major capital investment programme in excess of \$3 billion is committed to 2017-18.

However, in recent years some of the capital projects undertaken by the Australian Rail Track Corporation have had marginal benefit-cost ratios, were not needed to meet future demand projections or did not effectively address expected capacity constraints.

Examples include the Broken Hill to Parkes concrete re-sleeper project, and the Whyalla to Broken Hill and the Parkes to Cootamundra re-railing projects, with a combined total cost of \$656 million.

The Corporation has subsequently written down a significant proportion of the value of these investments on its balance sheet as income forecasts in future years on its interstate network are not expected to fully offset the upfront capital costs.

Assessing the quality of the Australian Rail Track Corporation's network is complicated, even for subject matter experts.

An Australian Transport Safety Bureau report on the Melbourne-Sydney line released last year provided a detailed independent review which, through its 'Track Quality Index', provided a measure of alignment, gauge and twist of the rail track assets. Over the period from 2007 to 2011, a steady improvement in asset condition was recorded.

However, over the same period there was a marked increase in condition incident reporting by train crews, particularly on the Victorian sections. The Australian Transport Safety Bureau observed that the replacement of wooden sleepers with concrete improved some of the track quality components — and hence improved safety — but did not lead to sustained improvement in vertical alignment which influences the smoothness of a rail ride.

Despite the investment in the Australian Rail Track Corporation's network, the size and age of the network mean that it requires constant attention.

A separate Australian Transport Safety Bureau report concluded that defective track led to a derailment near Caragabal in New South Wales 2011, and temporary speed restrictions were imposed near Moree so lines could be repaired.

A report by the New South Wales Office of Transport Safety Investigations on a 2012 derailment of a coal train near Narrabri found the main cause was a buckle in the track. The Australian Rail Track Corporation's services in North-East Victoria have also been affected by an increasing incidence of mud holes.

Airservices Australia owns air traffic control and landing infrastructure including 1079 buildings at 684 sites around Australia, two major centres in Melbourne and Brisbane, four terminal control units, 29 towers at international and regional airports, and aviation rescue and fire fighting stations at 22 airports. Airservices also maintains a range of aviation navigation and surveillance equipment around the country.

The Commission understands Airservices Australia intends to invest \$1.1 billion over the period from 2013 to 2018. Ongoing investment in tower infrastructure and technology, the replacement of back-up terrestrial based navigation aids and surveillance equipment upgrades account for the majority of investment in the upcoming years and are designed to improve the efficiency and safety of air transport.

Future investments also include replacing and upgrading Airservices Australia's core air traffic management system, which will reach its end of life in the second half of the decade.

Since 2009-10, Australia Post has invested over \$1 billion in its letters, parcels and retail networks. Australia Post is also investing \$2 billion over the next four years to modernise its parcels and retail networks and develop digital communications to meet anticipated consumer demand.

The National Broadband Network is at an early stage and other processes to review it are underway.

There are significant maintenance issues across the Commonwealth's property estate.

The domestic property estate managed by the Department of Finance comprises 104 properties including commercial office buildings and public interest properties, such as the Prime Minister's Official Establishments.

The condition of this estate has deteriorated primarily due to underinvestment in regular maintenance, ineffective asset management plans and in many instances the deferral of maintenance expenditure in response to budgetary pressures.

As a result, increased expenditure on maintenance and related functions is now needed to bring assets back to minimum standards. Deferral of maintenance is penny wise and pound foolish.

Recent examples include urgent repairs to the facade of the heritage-listed John Gorton Building in Canberra to meet work health and safety requirements, the repair and maintenance of The Lodge and remediation projects on contaminated sites on the Cox Peninsula in the Northern Territory and Sydney's Malabar Headland.

A 2009 review of the Defence estate noted that many Defence facilities date back to World War Two and in some cases well before then. The Defence estate comprises three million hectares with some 400 owned properties (including 72 significant bases and several world heritage areas), 25,000 buildings and 6,000 other structure assets.

Over the last two decades Defence's capital funding has been primarily directed to military equipment rather than facilities, with average capital reinvestment in the estate falling by about a third. As a result funding is increasingly diverted to 'stop-gap'

repairs and maintenance to keep old facilities going. For many Defence properties, contamination is also a significant issue.

CSIRO's assets include 1,000 buildings at 54 locations. A comprehensive review in 2011-12 assessed 83 per cent of CSIRO buildings as needing significant maintenance to preserve operational capability.

In addition to budgeted repairs, an additional \$175 million in maintenance expenditure is needed over the next ten years to maintain CSIRO properties to meet external compliance requirements and certification standards.

The CSIRO also owns and operates three national facilities: the Australian Animal Health Laboratory, the Marine National Facility, and the Australian Telescope National Facility. Other agencies and universities use these facilities extensively, free of charge.

While introduction of user charging is an option, CSIRO has received funding to provide these facilities and most users of CSIRO's national facilities are funded by the Commonwealth. Nonetheless, the cost of owning, operating and maintaining these facilities needs to be better managed.

A 2010 audit of the overseas estate (managed by the Department of Foreign Affairs and Trade) undertaken by the Australian National Audit Office found that some buildings were old and had heritage significance, making maintenance, and compliance with relevant standards, challenging and expensive. Preventative maintenance had been ad hoc and inadequate in the past.

### **Improved asset management**

The Commission considers better asset management practices and improved planning of property maintenance is necessary.

The Audit Office has previously recommended agencies document a management plan to optimise the life and functionality of their assets, while scheduling down time to minimise disruption. Plans need to reflect that the maintenance spend may not be uniform over future years.

The quality of an asset management plan is paramount. There have been instances where asset management plans are in place, yet maintenance issues have still arisen. For example, the Department of Finance has a comprehensive Capital Asset Maintenance Plan for the John Gorton Building which was prepared in April 2010.

At the time, the condition of the building facade was rated as fair, with \$1.2 million in refurbishment scheduled for 2015-16. However in 2013-14, funding was provided for

urgent refurbishment of the facade. The amounts allocated were not disclosed, but are expected to be several tens of millions of dollars.

Deferring maintenance in response to short term budget pressures can be discouraged by requiring it to be reported, as occurs in the United States. New Federal Financial Accounting Standards there require agencies to measure and report on the value of deferred maintenance and repairs.

The Commission considers that a similar approach should be adopted by the Commonwealth.

## **Contamination**

While the Commonwealth has significant land holdings affected by contamination, the total extent across all agencies is difficult to estimate.

The Department of Finance is presently leading a whole-of-Commonwealth study on the management of contamination in Commonwealth land.

As part of this study, Finance surveyed 45 agencies on the level of contamination on land they own or use. The results show that 94 per cent of Commonwealth owned properties, a total of 2537 properties, may have had activities with the potential to have caused site contamination, but only 15 percent of these are known to require remediation.

Some 70 per cent have not been subject to a preliminary site investigation. Extrapolation of these findings suggests that just over half of Commonwealth property could have some level of contamination.

Estimated remediation costs can be in excess of potential divestment proceeds from the sale of land and failure to adequately provide for contamination liabilities can lead to large, unexpected further calls on the Budget.

Defence only makes a provision for decontaminating land where a legal or constructive obligation exists.

As at June 2013, this provision stood at \$872 million. For other Defence land, the potential costs are unknown and have not been assessed. Other agencies may include some provisions for property remediation, for example Finance includes a provision of \$5.6 million, but not specifically for decontamination. While the cost of decontaminating all Commonwealth property is unknown, it is likely to be billions of dollars.

In its Phase One Report, the Commission suggested that the Commonwealth's Budget should more accurately reflect the expected costs associated with contingent liabilities such as loans and guarantees.

A similar principle could be extended to cover liabilities such as the expected remediation costs of contamination on Commonwealth land. As with the other liabilities, this would need to be reflected as a best estimate and refined as the true extent of actual contamination and estimates of remediation costs becomes better known.

As an interim measure, the Commission suggests that there be greater transparency about the level of contamination and that agencies should maintain a register of contamination affecting their properties.

As part of their regular maintenance program, agencies should also aim to complete preliminary investigations of the extent of contamination on all properties over the next five years. Whether additional investigation is required should be determined on a case by case basis, based on value for money considerations.

### **Funding for asset replacement**

As well as experiencing challenges associated with appropriate maintenance of infrastructure, many Commonwealth agencies experience challenges funding asset replacement.

To partly address this, arrangements have been in place for a number of years under which agencies (other than Defence) receive a departmental capital budget. This provides them with up to \$10 million for individual asset purchases. Total capital budget allowances for each agency are based on their historical capital spending.

Where agencies required additional funding to replace assets beyond this amount the portfolio minister could bring forward a new spending proposal through the Budget process. In recent years, this has meant identifying offsetting savings from elsewhere within their budgets.

While some agencies have funded new capital expenditure for minor capital works and refurbishments through their capital budgets, others have found this difficult for a number of reasons including:

- departmental capital budgets were reduced by 20 per cent in 2011-12 as a one-off budget saving;
- major capital items are necessarily lumpy and expensive, and hence it is difficult to identify offsetting savings to accommodate them;

- cost savings that accrue beyond the forward estimates period are not considered offsets for capital costs even if the overall proposal has a positive net present value; and
- some assets are becoming more expensive to replace in real terms associated with technological development.

In the case of property sales, with limited exceptions, agencies are required to return all divestment proceeds to the Budget. In its Phase One Report, the Commission noted this policy provides little incentive for agencies to pursue property divestment. It also provides disincentives for agencies to maintain assets to an appropriate standard to optimise ultimate disposal values.

The current funding model presents a risk that when agencies need to fund major investment proposals over the departmental capital budget's \$10 million there is no obvious source of funding.

Consistent with its Principles of Good Government, the Commission considers that new investment should be funded if it is an important priority of government and if ownership of the asset is value for money.

A sensible approach to this issue would be to create a central provision to fund major capital assets at the Commonwealth general government level.

Agencies would bid for the allocation of capital funding from the provision, which at the whole of Commonwealth level would be better placed to address the infrequent and ad hoc nature of capital expenditure.

The provision to fund major capital acquisitions could be set at the value of the total depreciation of Commonwealth's major assets each year plus the net proceeds of own-use asset sales.

Creating this provision will not have an impact on the underlying budget balance at the time it is established. The underlying cash balance will be affected when an asset is purchased.

The reporting of this provision in the Budget papers will enhance transparency and planning in relation to replacement of the current stock of Commonwealth assets, which are essential to the delivery of Commonwealth services.



### **Recommendation 1: Improved management of Commonwealth infrastructure**

The condition of Commonwealth infrastructure varies markedly. Better asset management is needed to ensure long-term sustainability. The Commission recommends the Government:

- a. ensure all agencies maintain current asset management plans which cover the full range of activity from acquisition, management, maintenance and disposal;
- b. require agencies to report on the value of deferred maintenance and repairs in the notes to their financial statements, drawing on the asset management plan;
- c. develop an estimate of the cost of remediating contamination on all Commonwealth property and report this as a contingent liability in Budget papers and agency financial statements; and
- d. create a new centrally managed provision to fund major capital assets, from which agencies can seek funding as part of the Budget process. This provision should be equal to the value of depreciation on the Commonwealth's major own-use assets plus the net sales proceeds of such assets.

## **2.3 The Commonwealth's broader role in infrastructure**

Consistent with its Terms of Reference to identify other matters that should be brought to the Government's attention, the Commission considers it appropriate to outline views on the Commonwealth's broader role in infrastructure.

As highlighted above the Commonwealth owns only a small proportion of Australia's infrastructure. However, it has significant regulatory, coordination and funding responsibilities.

For example, while the Commonwealth has no explicit powers in relation to the planning and construction of roads, the national economy is best served by a safe and efficient national highway and land transport network.

However, consistent with the discussion on the Federation in its Phase One Report, the Commission maintains that decisions on policy and service delivery should be devolved to the level of government closest to the people receiving the services. This recognises that sub-national governments are likely to have greater knowledge of the needs of their citizens.

State and local governments are best placed to identify the infrastructure projects and requirements that are most needed by local communities. They are also best placed to

identify projects that provide an appropriate fit with the ongoing development of major urban areas.

The States should retain this responsibility. This would ensure that accountability for funding, providing and maintaining infrastructure is not clouded by a lack of clarity around who does what when it comes to infrastructure.

There is, however, a role for the Commonwealth to play in the coordination of infrastructure development of national importance.

Economic efficiency is more likely to be achieved if analysis of national networks is undertaken at a national level and decisions coordinated across levels of government, while recognising the need to respect the sovereignty of States in their own sphere.

If Australia's cities and regions are to be more liveable, productive and sustainable then the provision of infrastructure must keep pace with population growth. Alongside investment in new infrastructure, maintenance of existing assets is fundamental, particularly given growth in major metropolitan centres, the increasing intensity of motor vehicle use and a growing freight task.

With budgets constrained, Australia's governments face a significant challenge to pay for future public infrastructure while at the same time meeting rising community expectations.

The cost and complexity of infrastructure has also increased rapidly in recent years, as much infrastructure expansion occurs in more densely populated metropolitan areas where development costs can be high.

Environmental and occupational health and safety regulations have significantly increased the cost of infrastructure projects (for example due to lengthy and overly complex approvals processes).

Competition for resources arising from the investment phase of the resource boom has also increased costs – although this pressure may be easing. Labour market re-regulation has also added to costs.

Whilst recognising the primacy of the States in this sphere, it is also necessary to consider the wider context in which the Commonwealth promotes the development of infrastructure. This includes three key areas: its role in nationally significant infrastructure development; the effect of Commonwealth regulation on the development of private sector infrastructure; and the funding it provides to State and local governments.

The Commission of Audit acknowledges that the Productivity Commission is currently undertaking a broad-ranging inquiry into public infrastructure, with a focus on its provision, funding and financing and the scope for reducing associated costs.

The Productivity Commission is also examining a number of areas related to the Commission's work, including the roles and relationships between the various levels of government and the private sector, user charging and the impact of various funding and financing mechanisms on the Commonwealth Budget.

## **Commonwealth responsibilities**

### **Commonwealth role in nationally significant infrastructure**

While the States are best placed to make decisions and deliver infrastructure projects most needed by local communities, there is a role for the Commonwealth to play in the coordination of nationally significant infrastructure.

Under the *Infrastructure Australia Act 2008* nationally significant infrastructure includes energy, transport, communications and water infrastructure in which investment or further investment will materially improve national productivity.

Infrastructure Australia was established to advise governments, investors and infrastructure owners on a wide range of infrastructure matters. These matters include: current and future needs and priorities relating to nationally significant infrastructure; policy, pricing and regulatory issues that may impact on the utilisation of infrastructure and options for reforms; and mechanisms for financing investment in infrastructure.

Reforms are currently before the Parliament to improve the effectiveness of Infrastructure Australia in relation to its development of strategies to unlock infrastructure bottlenecks and modernise the nation's economic infrastructure and also to clarify its role in assisting governments focus on projects that will improve long-term productivity.

### **Direct Commonwealth investment in infrastructure**

There will be instances when the Commonwealth decides to invest directly in, or finance, infrastructure including alongside State Governments.

For most infrastructure, the users and beneficiaries reside within a particular State, and the State Government is in the best position to assess the merits of a particular project in providing services to the local community.

In other cases, Commonwealth Government intervention may be necessary to ensure that infrastructure which provides broader economic or social benefits, but may not be commercial, is delivered.

As the Productivity Commission has noted, where public infrastructure that is of value to the community cannot be funded through user charges it may be appropriate for the government to consider bearing demand risk.

Direct charges are not practical for some types of infrastructure because it is difficult to exclude those who do not pay. Social infrastructure is another area where government funding can be appropriate due to public good characteristics, the existence of externalities or as a matter of policy to ensure equitable access to services.

The Commission considers that in all cases involving Commonwealth investment in infrastructure there needs to be transparent and rigorous cost benefit analysis.

The Productivity Commission, in its recently released draft report on Public Infrastructure, highlighted that:

*The threshold step for any assessment on the merits of direct government provision of finance should focus on the underlying rationale for government involvement. Both government capital contributions and lending involve a transfer of financial costs and/or risks of a component of the financing to the taxpayer, and the first order question is whether this is warranted on public benefit grounds. To some degree, appropriate project selection and design as well as the decision on the extent of government involvement are more important than the form in which finance is provided by the government.*

The National Commission of Audit notes that if an asset is one where users can be charged for the service, it should be capable generating a positive net present value using a commercial rate of return for that class of assets. If the investment is capable of generating a commercial return, then the private sector should be best placed to supply it.

Where the Commonwealth decides to directly invest in or finance infrastructure, there are a number of forms this can take – in general via the provision of capital investment or lending support. There are a range of considerations which will inform the choice of investment method, all of which involve some transfer of risk to the government.

Grant funding, which is effectively a direct subsidy, may be appropriate where a project provides net economic or social benefits but where the return on investment is not sufficient to make the project commercially viable.

Payment of a grant can limit the Commonwealth's involvement in a project to a one-off intervention. Grant funding directly impacts on the Budget bottom line. A potential

downside to providing grants is that this may provide reduced incentives to deliver an efficient outcome as support is not tied to expected returns.

The Commonwealth can also provide a contribution by taking a direct equity position in an infrastructure project (including by investing through a company structure). Where it does take an equity position, the Commonwealth should disclose the rate of return it expects to receive and how this compares to the risk adjusted rate of return that a private sector investor would need to make the same investment.

As outlined in the Commission's Phase One Report, provided the expected return in real terms is positive, an equity investment in infrastructure will not have an impact on the Budget bottom line.

A critical aspect of the Commonwealth taking equity stakes in infrastructure is to ensure that it has considered an appropriate exit strategy.

In other circumstances the Commonwealth may provide concessional loans to a State or private sector proponent in order to lower the financing costs of a project.

However, irrespective of the form of financing support provided by the Commonwealth when it invests in infrastructure, the Commission considers that the full costs and risks to taxpayers should be transparently reported in the Budget papers.

As noted in the Commission's Phase One Report, concessional loans and guarantees involve the transfer of substantial risks to the Commonwealth. Consistent with the Commission's Phase One recommendations, the expected costs of loan default or of calling on guarantees should be reflected in the Budget.

## **Recommendation 2: Commonwealth investment in infrastructure**

Quality infrastructure is important to drive productivity and economic growth. While the States are best placed to identify projects that best suit local needs, the Commonwealth has a role in coordinating nationally significant infrastructure. The Commission recommends that to the extent the Commonwealth directly invests in or finances infrastructure:

- a. the Commonwealth only invests in infrastructure projects either alone, or jointly with the States and or the private sector, where a rigorous and transparent cost benefit analysis indicates that the project would provide substantial net benefits to the community;
- b. the Commonwealth's contribution of finance be targeted to those projects that provide broad economic or social benefits beyond commercial returns but cannot be completely funded in the short term by user charges and would not otherwise go ahead; and
- c. while favouring grant or equity contributions, the Commonwealth not be constrained by the form in which finance is provided other than to ensure complete transparency, including appropriate provisioning in the Budget.

## **Designating the National Land Transport Network**

The Commonwealth has the legislative responsibility for determining what constitutes the National Land Transport Network.

This is a single integrated network of land transport linkages based on national and inter-regional transport corridors including connections through urban areas, links to ports and airports and intermodal connections.

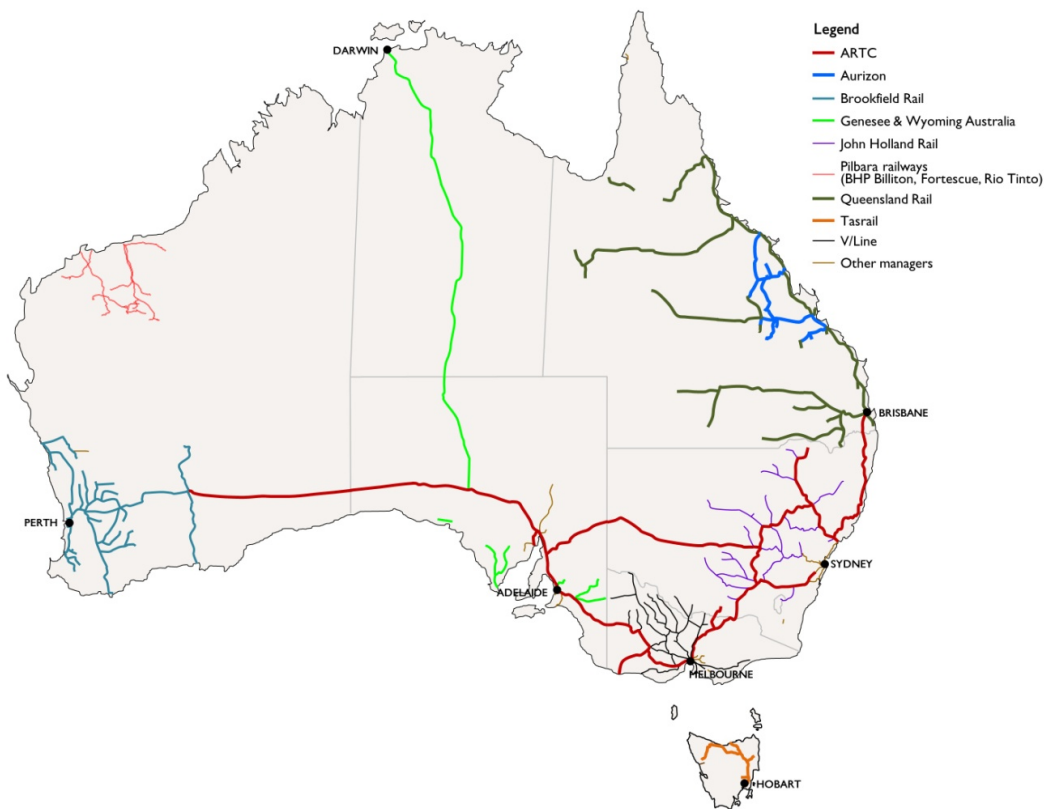
The Minister for Infrastructure and Regional Development specifies by determination what constitutes the Network, subject to requirements of the *Nation Building Program (National Land Transport) Act 2009*. The most recent determination was in 2005, with the current road and rail networks reflected in Figures 2.2 and 2.3 below.

Ownership of the National Land Transport Network remains with the States and the Commonwealth contributes maintenance funding on condition that the States appropriately maintain the network and provide agreed data on the condition and use of the network and funds provided.

**Figure 2.2: Australian national road network**



**Figure 2.3: Australia's railways, by network manager**



## Road user charging

Australia has many well-developed, user-funded infrastructure networks, including power, water and telecommunications where investment decisions are mainly taken by corporate entities that manage the provision of infrastructure services under regulatory supervision.

In the case of facilities such as ports and railways that carry bulk freight, use is generally subject to third party access regulation.

In contrast, the current public road-pricing model lacks transparency and does not price the efficient use of the road network. Under this system, access to most public roads is free, with only a small number of toll roads charging for use.

For both heavy and light vehicles, costs of road use are partially recovered by the States via registration fees. The Commonwealth also imposes a fuel excise predominantly as a general revenue measure.

As noted by the Australia's Future Tax System Review and Infrastructure Partnerships Australia, the current fuel excise recovers more revenue than the funds spent on the road network by the Commonwealth.

All vehicle users pay fuel excise on each litre of fuel used. Heavy vehicles can claim a fuel tax credit against the fuel excise, but this credit is set so as to impose a Road User Charge currently around 25 cents per litre.

The Road User Charge rises each year under determinations made by the National Transport Commission. The fuel excise rate is fixed in nominal terms at 38.1 cents per litre. In the absence of an increase to the fuel excise rate, the Road User Charge for heavy vehicles is likely to reach the fuel excise ceiling in five to seven years.

This system of cost recovery is not efficient and is not fair.

Current arrangements do not reflect the different costs imposed by type of vehicle, time and location of road use. Instead, for the same vehicle use, contributions to road costs depend on relative fuel efficiency.

While there can be good reasons to provide incentives for more fuel efficient vehicles, the system does not provide similar incentives to avoid contributing to congestion and road damage. Light vehicles pay more per kilometre travelled than heavy vehicles yet impose fewer costs on the road network.

Road related fees and charges are collected by two levels of government while investment in maintenance, renewal and expansion is spread across all three tiers of government. This results in a complex system that lacks transparency and does not provide a clear link between revenue and expenditure on the transport network.



This problem is particularly acute for heavy vehicles, which impose greater wear and tear on roads and face access issues related to this greater level of damage, both of which impact on road freight productivity.

For heavy vehicles, current charges are based on averages rather than reflecting each operator's actual use of the network. Heavy vehicle road users are consequently provided with no price signals related to their use of the road network. This results in a lack of efficiency in vehicle usage.

As road providers are not directly compensated for the costs imposed for heavy vehicles, they do not see heavy vehicle users as clients and have no incentives to allow heavy vehicle access. This problem has a greater impact in relation to local roads, which comprise 80 per cent of the road network.

Congestion on public roads remains a major community concern, resulting in strong pressure to expand metropolitan road networks. However, increasing congestion is not a result of a lack of investment but rather a failure to align user-demand with price signals. User charging would introduce price signals that should lead to better use and investment in transport infrastructure.

Accordingly, the Commission considers there is significant scope for increased user charging to provide price signals and enhance the efficiency of transport infrastructure markets. User charging also has the potential to help fund infrastructure in an efficient and equitable way.

It also helps ensure that users who derive the direct benefits from infrastructure, such as a new motorway or rail line, make a contribution to its provision, maintenance and operation.

Work is currently occurring under the Council of Australian Governments' Standing Council on Transport Infrastructure to improve the productivity of the heavy vehicle sector and address the problems outlined above. This work recognises that the current system of providing infrastructure to support heavy vehicle road access involves an inefficient, inequitable and unsustainable road charging regime.

Under the reform proposal, the tax-based charge for heavy vehicle road use would be replaced with a fee for service charge. This charge would be set to reflect the cost and use of the heavy vehicle road service.

This would be accompanied by a new national system for collecting revenue through 'mass-distance-location' charging of heavy vehicles using currently available technology. This system would provide better signals to heavy vehicle operators about the types of vehicle they use and the roads they use them on, and to road operators

about the type of pavements that should be built, resulting in more efficient investment in, and use of, the road network.

The Commission considers that these heavy vehicle reforms could, over time, be broadened to cover all road users. The most important reform is to introduce more effective price signals that better reflect the impact of road usage by different types of vehicles.

The community has come to accept the need for charging in the energy, communications and water sectors, and governments should consider such a user charging approach for parts of the road network and for time-of-day surcharges. The Commission notes that recently road user groups, including the major automobile associations, have endorsed the development of a more transparent and efficient user charging model for all road users.

### **Recommendation 3: Road user charging**

There is significant scope to expand road user charging, particularly for heavy vehicles, to reduce congestion and increase funding from those that directly benefit from road use.

The Commission recommends that the Commonwealth work with the States to develop mass-distance-location charging reforms. Over time, these reforms should be extended to universal road user charging for all vehicles to the maximum extent possible.

## **Commonwealth regulatory responsibilities**

The Commonwealth performs a significant role in economic and safety regulation related to infrastructure. These public interest roles involve responsibility for statutory regulatory frameworks, and providing national leadership and harmonisation, where appropriate across jurisdictions.

Some important reforms to competition policy and infrastructure regulation in the interests of national productivity have been put in place over the past few decades.

The challenge for the Commonwealth within a tightened fiscal environment is to ensure reform continues. This includes ensuring regulatory settings are sufficiently balanced and support the best operating environment for infrastructure owners, investors and users.

## Price monitoring and access regulation

Infrastructure assets are often natural monopolies – where it is more efficient for a single firm to supply a market than for multiple firms to do so. Owners of monopoly assets, including railways, ports and electricity networks, can have incentives to exercise their market power either to price their services well above costs or to prevent access by third parties to the asset.

Governments will typically deal with these issues through regulatory interventions including price regulation, price monitoring or overseeing prices charged through an access regime.

The *Competition and Consumer Act 2010* and the *Competition Principles Agreement* signed by the Commonwealth and the States establishes the Commonwealth's leadership role in access regulation.

There are a number of regulators and decision makers in the national regime, including the National Competition Council, which can recommend the designated minister declare an infrastructure service, giving parties the right to negotiate access arrangements. If the parties cannot agree, the Australian Competition and Consumer Commission can be called in to arbitrate and make a determination on terms and conditions of access. It can also accept undertakings from infrastructure providers.

The Australian Competition and Consumer Commission also has powers to monitor prices, usually following a direction from the government. Infrastructure-related markets currently subject to price monitoring include airport services and telecommunications, with a number of States also monitoring or regulating prices of certain infrastructure services.

Since its introduction, there have been a number of reviews of the National Access Regime, including Productivity Commission reviews in 2001 and 2013, and a 2005 report by the Export and Infrastructure Taskforce.

Subsequent to the earlier reviews, a number of changes have been made to the regime. In general, they have aimed to better target its use to key infrastructure and situations where access is an issue and also to streamline processes. This included the introduction of time limits for decisions to improve certainty for infrastructure investors and users.

Other changes sought by the Export and Infrastructure Taskforce, such as harmonisation of transport regulations and better coordination of infrastructure between jurisdictions, have also been progressively implemented.

As part of these reforms, in 2006, the Commonwealth and the States agreed to the *Competition and Infrastructure Reform Agreement*. This sets out commitments for a

simpler and more consistent system for regulation of nationally significant infrastructure across jurisdictions and includes specific reforms in relation to government business entities competing with the private sector.

The Commission of Audit notes that the most recent Productivity Commission inquiry (2013) found the National Access Regime should be retained, but recommended a number of changes to improve investment and regulatory certainty and reduce costs.

The Government has indicated that it intends to respond to the inquiry's recommendations following the Review of Competition Policy now underway.

The Commission supports this approach as a means of ensuring that changes to access matters are considered within any wider competition reforms. To the extent there are any outstanding recommendations from the Export and Infrastructure Taskforce, they should be considered as part of the Government's response.

### **National heavy vehicle, rail and maritime safety regulation**

The Commonwealth also has a key role in leading national reform of the regulation of heavy vehicles, rail safety and maritime safety.

Processes for implementing nationally consistent road, rail and intermodal regulatory and operational frameworks have been underway since the early 1990s and the establishment of the National Transport Commission.

This area has also been a particular recent focus of the Council of Australian Governments, which set an objective of reducing the number of regulators from 23 to three. This has the strong backing of industry.

The Commission's Principles of Good Government emphasise that the States should be free to compete against each other, respecting regional differences. However, there are occasions, including transport regulation, where the national interest calls for a cooperative and national approach.

A National Rail Safety Regulator, a National Heavy Vehicle Regulator and a National Maritime Safety Regulator have all been established although not all States have indicated a willingness to participate in the reforms. There is also a risk that the States may attempt to circumvent the intent of the national frameworks.

The Heavy Vehicle National Law, covering all vehicles over 4.5 tonnes, commenced operation on 10 February 2014 in all States except Western Australia and the Northern Territory. Western Australia decided not to sign the Intergovernmental Agreement with the Commonwealth and the other States.

The Commission has been advised that this reflects the high proportion, around 87 per cent, of Western Australian heavy vehicle traffic that is intra-state, and consequently the relatively lower benefits this State would derive from these reforms compared to the eastern States, where there is greater inter-state road freight.

While the benefits of harmonised national heavy vehicle regulation are strong, insufficient consideration was given to implementation, with the result that there have been substantial transitional challenges, particularly in the issuing of road access permits.

Insufficient staffing, problems with the regulator's systems and processes and an initial backlog of applications meant that there were substantial delays in the granting of permits. While temporary processing arrangements with the States have been put in place, continued Commonwealth leadership and facilitation will be required to ensure the intended benefits of the new regulatory arrangements are realised.

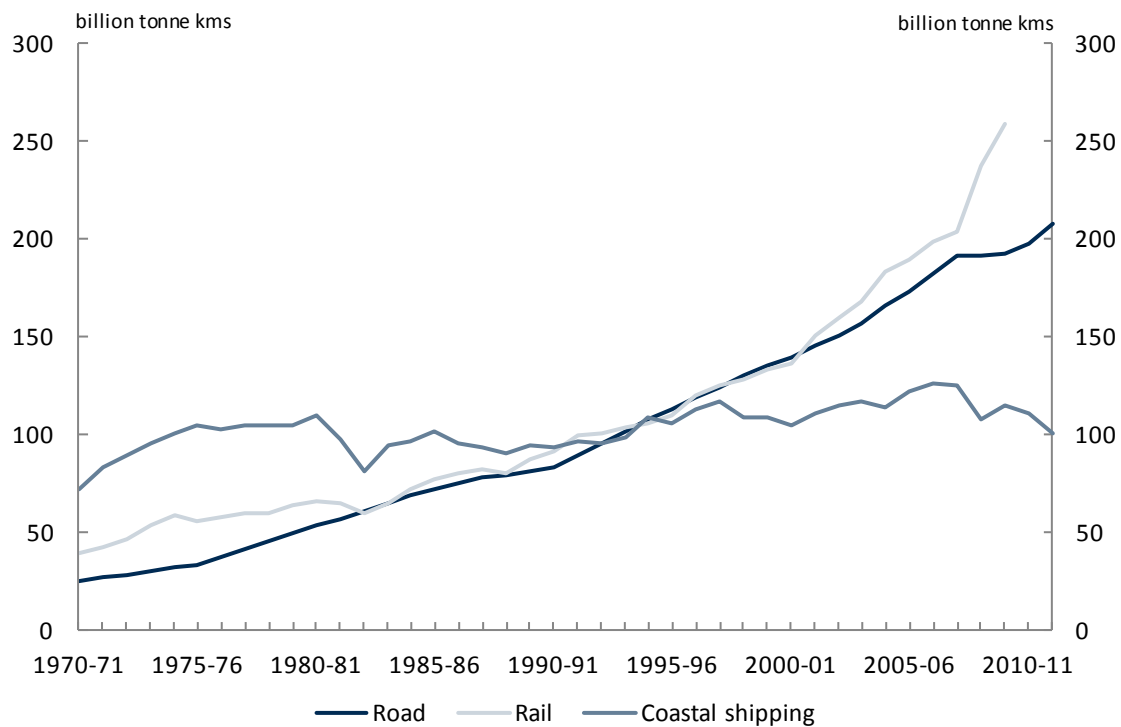
Reforms to transport regulation will reduce red tape for interstate operators who will no longer have to deal with multiple regulatory systems. For example there will be a 'one-stop' shop for heavy vehicle operators applying for roads access permits. Manufacturers of commercial vessels and heavy vehicles will also benefit from a consistent set of standards. These reforms should improve productivity for the users of infrastructure.

## Shipping

Shipping plays an important part in Australia's transport task. It carries virtually all of Australia's exports as measured by weight, and provides some 20 per cent of Australia's domestic freight task measured by tonne-kilometres.

However, as shown in Chart 2.1, while the volume of domestic freight has been growing steadily over the past 40 years, coastal shipping has remained largely static.

**Chart 2.1: Australian domestic freight**



Source: Bureau of Infrastructure, Transport and Regional Economics, 2013.

While shipping does not fit neatly into the definition of ‘infrastructure’, with the main infrastructure being the ports themselves, the Commonwealth regulates coastal shipping.

In part, the lack of growth in coastal shipping reflects the nature of the market which predominantly comprises bulk commodities moved from point to point for further processing within Australia. However, it also reflects the impact of regulatory policies.

Cabotage rules — that preserve freight routes from one Australian port to another for Australian-flagged ships — are effectively industry assistance, increasing costs and reducing competition.

In contrast, international trade is almost exclusively carried by foreign flagged ships. While these vessels are able to access coastal routes in certain circumstance, cabotage ensures a significant cost disadvantage for Australian businesses reliant on the movement of bulk commodities.

The Productivity Commission, in its recent draft report on Tasmanian Shipping and Freight, noted that Tasmania is particularly disadvantaged by coastal shipping regulation and that it should be reviewed and reformed urgently.

The Commonwealth Government has also indicated it intends to examine coastal shipping requirements.

To ensure that a more efficient coastal shipping industry, the Commission recommends cabotage be abolished.

#### **Recommendation 4: Improving national transport regulation**

An efficient and well regulated transport system is critical to the cost structure and competitiveness of Australian business. The Commission recommends improving the regulation of national transport by:

- a. ensuring that, where appropriate, national land transport regulatory reforms are fully and consistently implemented in each jurisdiction as soon as practicable; and
- b. abolishing the cabotage policy.

## **2.4 Commonwealth funding to State and local governments for infrastructure**

The Commonwealth has a major involvement in funding infrastructure through its provision of grant payments to the States and to local governments.

These grants make a major contribution to the construction and maintenance of infrastructure in those jurisdictions. The Commonwealth has provided funding for State infrastructure since the 1920s, but its road funding role significantly expanded in the 1970s.

The Commonwealth provides around \$5 billion per annum to the States and local governments for economic infrastructure. This funding is directed mostly to road (71 per cent) and rail (25 per cent) as shown in Table 2.2, delivered via two programmes.

The Nation Building Program is providing some \$3.8 billion in 2013-14 to improve the performance of land transport infrastructure.

Funding is provided under the *Nation Building Program (National Land Transport) Act 2009* in a number of categories, including for: projects related to the National Land Transport Network; other projects not part of the Network; the maintenance of local road assets under the Roads to Recovery Program; and improvement of safety at locations with a high incidence of motor vehicle accidents under the Black Spots Program.

In the 2013-14 Mid-Year Economic and Fiscal Outlook, the Government announced it would provide an additional \$8.2 billion over six years for land transport infrastructure

projects, including a new Bridges Renewal Programme. It has also introduced legislation to streamline the operation of the Act and extend the Roads to Recovery Programme.

**Table 2.2: Commonwealth infrastructure related payments to the States**

	\$ million
<b>Nation Building Plan for the Future</b> (Building Australia Fund)	
Road	58.0
Rail	891.0
<b>Nation Building Program</b>	
Investment - National Land Transport Network	
Road	2,722.7
Rail	297.8
Off-network projects	
Road	116.3
Rail	170.6
Roads to Recovery	373.2
Black spot projects	64.5
Heavy vehicle safety and productivity	40.0
Interstate road transport	80.8
Managed motorways	24.4
Regional Infrastructure Fund	163.3
Local road grants	349.3
Liveable cities	7.0
<b>Total</b>	<b>5,358.9</b>

Source: 2013-14 Budget, Budget Paper 3.

A separate source of funding is provided under the Nation-building Funds initiative. There are three Nation-building Funds, though only the Building Australia Fund funds economic infrastructure.

The remaining two — the Education Investment Fund and the Health and Hospitals Fund — fund social infrastructure. These are financial asset funds consisting of cash and investments and were established on 1 January 2009 by the *Nation-building Funds Act 2008*.

The Act gives responsibility for managing the investments to the Future Fund Board of Guardians. Both the capital and the investment earnings of the Nation-building Funds are available for government to spend.

As shown in Table 2.3, as at 31 December 2013 a total of \$26 billion in credits and earnings had accrued since establishment with around \$19 billion of commitments (of



which \$15 billion has been disbursed). The Nation-building Funds had an uncommitted balance of \$6.7 billion.

The rationale for establishing the Funds as separate accounts, rather than simply providing funding through the usual Budget processes, was to ensure the allocated money was clearly committed to future expenditure on new infrastructure.

**Table 2.3: Nation-building Funds, as at 31 December 2013**

	<b>Building Australia Fund</b>	<b>Education Investment Fund</b>	<b>Health and Hospitals Fund</b>	<b>Total (\$m)</b>
Total credits and net earnings	12,609.8	7,641.6	5,874.7	26,126.1
Commitments since establishment	10,245.6	4,207.5	4,949.8	19,402.9
<b>Uncommitted balance</b>	<b>2,364.2</b>	<b>3,434.1</b>	<b>924.8</b>	<b>6,723.2</b>

Source: Department of Finance, 2014.

Expenditure of the Funds is subject to assessment by an independent advisory board (Infrastructure Australia in the case of the Building Australia Fund, except for National Broadband Network projects which are not independently reviewed), consideration by the government, and approval by the Minister for Finance. Thereafter, a series of transfers of funds occurs from the Future Fund to the eventual recipient.

Expenditure from the Building Australia Fund has predominantly funded significant projects, including \$2.4 billion for the National Broadband Network, \$3.2 billion for Victorian regional rail and \$1.5 billion for the Hunter Expressway.

The vast majority of projects funded under the Education Investment Fund and the Health and Hospitals Fund have been of relatively small size. Commitments have been made to 302 projects, of which 188, or 62 per cent, have a Commonwealth contribution of less than \$25 million. In the case of the Health and Hospitals Fund, 75 per cent of committed projects involve Commonwealth contributions below \$25 million.

A weakness in current infrastructure funding arrangements between the Commonwealth and the States is that Commonwealth funding is generally focused on investing in new projects.

Less emphasis is given to maintaining and improving the condition of existing assets. This can undermine an integrated planning approach to the road network for example, by encouraging a focus on new projects rather than on the network as a whole.

The current arrangements for the three Nation-building Funds, with funding only able to be directed to capital expenditure, leads to an undue emphasis on 'ribbon cutting' opportunities generally associated with new projects, at the expense of periodic

maintenance and of small-scale improvements that could postpone or even avoid the need for costly asset expansions.

Further, there are significant management and governance costs associated with the Nation-building Funds.

The Commission considers that the Government may wish to re-examine the need for the Nation-building Funds in their current form. Instead, the Building Australia Fund could be rolled into a single economic infrastructure payment that could be provided to the States. This possibility is discussed below.

In relation to the Education Investment Fund and the Health and Hospitals Fund, consideration should be given to the long-term structures for education and health infrastructure funding, consistent with the Commission's Phase One recommendations in relation to progressive reform to health sector funding, and funding for research infrastructure, vocational education and training.

### **Possible future arrangements**

Infrastructure provision is an essential part of the role of the States and local government and they should be responsible and accountable to their citizens for delivery of essential public infrastructure assets.

In its Phase One Report the Commission recommended reducing the degree of vertical fiscal imbalance within the Federation to increase the States' revenue capacities.

With access to an improved source of revenue — for example through the personal income tax system — the States will be in a better position to fund their own priorities, including in relation to infrastructure. In this situation the need for separate tied funding from the Commonwealth for infrastructure will diminish.

Recognising reforming the Federation will take time, the Commission recommends consolidating existing infrastructure funding arrangements between the Commonwealth and the States in the interim under a single 'parent agreement'.

Funding could be provided in a single pool and allocated to the States on a formulaic basis including appropriate funds for maintenance and disaster mitigation. While the formula would need detailed work it could be based on a simple approach, for example taking account of population, size of road network and geographic area.

The Commonwealth would not be involved in the selection of projects. However, for this approach to work the Commission notes that there must be strong project evaluation processes including appropriate cost benefit analyses. Too few project

evaluations are made fully public and no Australian Government has in place adequate processes for ex-post review of cost benefit studies.

To address this problem, States' access to the infrastructure funding pool would be conditional on them having transparent and robust evaluation processes that meet criteria set by Infrastructure Australia.

Financial Assistance Grants paid to local governments through the States as untied local roads funding, which totalled \$349.3 million in 2013-14, should also be included in this arrangement to achieve greater targeting of Commonwealth infrastructure funding.

As discussed above, a role would remain for the Commonwealth to help deliver nationally significant infrastructure where there are clear spillover effects between jurisdictions of their infrastructure decisions.

Consistent with the requirements for funding to the States, any direct Commonwealth funding of nationally significant infrastructure or other projects where there is a clear public interest case for Commonwealth involvement should also be subject to proper project evaluation and compete with other spending proposals for funding via the normal Budget process.

### **Recommendation 5: Infrastructure funding for the States and local governments**

The Commission's Phase One recommendations on addressing the degree of vertical fiscal imbalance within the Federation propose that the States have access to the personal income tax system so they are in a better position to fund their own priorities including infrastructure. In this situation, the need for separate tied funding from the Commonwealth for infrastructure will diminish.

Recognising that reforms to the Federation will take time to develop and implement, the Commission recommends in the interim that existing infrastructure funding arrangements between the Commonwealth and the States be consolidated, with:

- a. a single funding pool to be set aside and available for allocation to the States on a formulaic basis, including appropriate funding for maintenance and disaster mitigation with the Commonwealth having no involvement in project selection;
- b. eligibility for access to the funding pool would be conditional on each State having in place robust project evaluation and governance processes including cost benefit analyses that meet relevant criteria set by the Commonwealth;
- c. Financial Assistance Grants paid to local governments for local roads and made through the States should be included in this arrangement; and
- d. as part of the consolidation, the Government should reconsider whether the Nation-building Funds should be maintained in their current form or instead rolled into the single funding pool.

## **PART B**

# 3 – Public sector performance and accountability

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Improving the overall efficiency and effectiveness of government will be heavily dependent on the performance of the public service.

By international standards, Australia has a relatively efficient and responsive public sector. Nevertheless a step-up in performance and the pace of change and a concentrated effort to increase productivity is necessary.

Contemporary public administration needs to be flexible and adaptable and should take a longer-term view of issues and solutions.

Throughout its deliberations the Commission has been provided with a range of views on the structure, performance and effectiveness of the Australian Public Service. There is a need to accelerate the take-up of best available management and delivery models.

The Commission was asked to examine and provide advice on public sector performance and accountability in the report. The following discussion builds on the material contained in its previous Report on the current structure of the Commonwealth Government and the recommendations on the rationalisation of public sector bodies and agencies.

## 3.1 Structure of the Australian Public Service

### The Public Service Act

The Australian Public Service comprises some 167,000 staff, as at June 2013. In addition a further 90,000 people are employed elsewhere in the Commonwealth General Government Sector.

The *Public Service Act 1999* is the principal Act governing the establishment and operation of the Australian Public Service. The Act provides a framework for employment by outlining the core principles, values and characteristics that should underpin a professional and proficient public service.

As a principles-based Act, the details of most employment processes and entitlements are left to departments and agencies. The Act's aims are to:

- establish an apolitical public service that is efficient and effective in serving the government, the Parliament and the Australian public;

- provide a legal framework for the effective and fair employment, management and leadership of Australian Public Service employees;
- define the powers, functions and responsibilities of agency heads, the Public Service Commissioner and the Merit Protection Commissioner; and,
- establish rights and obligations of Australian Public Service employees.

Among the values included in the Act is recognition that the Australian Public Service is openly accountable for its actions within a framework of overall ministerial responsibility.

The Public Service Act does not contain any explicit references to the need to improve productivity in the public sector. However, as noted above, it does aim to establish a public service that is efficient and effective and places on secretaries of departments the responsibility of ‘managing the affairs of the department efficiently, effectively, economically and ethically’.

The Act also provides directions on the creation of an office of secretary of departments, as well as arrangements for their appointment. It provides that an agency head may terminate the employment of a public service employee, inter alia, for non-performance or unsatisfactory performance of duties.

### **The Australian Public Service Commission**

The Australian Public Service Commission has statutory responsibilities for leading and shaping the Australian Public Service. It falls within the Prime Minister and Cabinet Portfolio and employs some 250 staff.

The \$110 million per annum it currently receives comprises \$23 million of departmental appropriations and \$29 million from the sale of goods and services. In addition, the Australian Public Service Commission receives a \$59 million special appropriation for parliamentarians’ and judicial officer holders’ remuneration and entitlements, which is drawn on by the Departments of the House of Representatives and the Senate, and the Attorney-General’s Department.

The Australian Public Service Commission is one of the largest managers of people in the country. It supports two statutory office holders in the Public Service Commissioner and the Merit Protection Commissioner.

The functions of the Australian Public Service Commission are set out in *Public Service Act 1999* and include:

- promoting the Australian Public Service Values and Code of Conduct;
- improving Australian Public Service people management;
- coordinating Australian Public Service wide training and career development;
- fostering leadership in the Australian Public Service; and
- providing learning and development services, advice and assistance to agencies on Australian Public Service matters.

The Commission's functions include policy and advisory responsibilities on the Australian Public Service employment framework (including workplace relations), classification, ethics and performance.

It encourages agencies to develop a more consistent approach to common terms and conditions of employment when negotiating enterprise agreements, in order to support the aim of moving towards 'one APS'.

The current structure and role of the Australian Public Service Commission is heavily influenced by the 2010 report: *Ahead of the Game: Blueprint for Reform of Australian Government Administration*.

This Report sought to boost and support the Australian Public Service workforce and leadership. It included steps to reduce internal red tape, but it also introduced a degree of re-centralisation in workforce development and planning. The Public Service Commission's mandate to lead and monitor developments in agency capacity and overall public sector performance has been strengthened as a consequence.

The Australian Public Service Commission does not have centralised control over human resources, as agency heads have managerial authority and responsibility under the Act. While agency heads retain the powers of an employer, these powers are required to be exercised within a more consistent, centrally determined and monitored framework.

Centralisation of functions such as workforce development and planning is an advantage in fostering 'one APS'. As well as facilitating the movement of public servants between agencies, it is intended to promote more integrated policy making and service delivery.

It aims to encourage Australian Public Service staff to work across boundaries in a collegiate manner, to serve the government of the day and develop practical solutions in a responsive manner.



The Commission considers there is a trade off between centralising responsibility in an agency such as the Australian Public Service Commission and facilitating appropriate flexibility to individual agencies to manage their operations.

In particular, centralisation should not dilute the responsibility of departmental secretaries and their leadership group to strategically manage their organisations, to develop future leaders, to drive productivity, pursue innovation and better deliver on the government's agenda.

Secretaries and other agency heads should be empowered to do so, supported by their own human resource management and corporate areas.

In some areas, standardisation may have added complexity and promoted consistency at the expense of agility.

### **Performance management**

During consultations stakeholders suggested to the Commission that public service performance is uneven and expressed concerns about the quality of leadership and management.

A recent Australian Institute of Management survey showed public sector managers are more disengaged than those in the private sector with regard to performance management and that public sector managers should play a stronger role in increasing organisational performance.

Managing performance is a core management responsibility. Managers need to provide feedback so that good performers are motivated and understand their managers' expectations.

Best practice performance management also requires strong processes for the difficult task of managing under-performance. Managers must be able to provide constructive criticism for poor performance and, where necessary implement processes to address it.

Common challenges that have been identified by the Public Service Commission in managing under-performance are its impact on colleagues; the time required to deal with under-performance; unwillingness of under-performers to try to improve; and dealing with health related and personal issues.

It was put to the Commission of Audit during its deliberations that the operation of the Public Service Act itself impedes improved productivity and a higher performing public sector.

Legally, there are no legislative barriers that restrict or impede addressing or managing out individual under-performance in the public sector. In practice however, it is difficult to manage under-performance.

The Act is generally performance-based, with little in the way of prescription of process. In fact, the processes related to human resources practices are generally found in either departmental policies or enterprise agreements.

The majority of Commonwealth agencies have performance management systems in place, although they vary significantly between agencies. However, the real challenge to effective individual performance management is the management of under-performance.

### **A future role for the Australian Public Service Commission**

The Australian Public Service is one of the largest and most complex workforces in Australia. The Commission of Audit recognises the benefits of devolving responsibilities to departmental secretaries, and supports its continuation.

That said, the Commission considers consistency in certain areas of operations will improve productivity across the public sector.

Also the Public Service Commissioner has an important role to play in supporting merit-based appointments to maintain an apolitical public service.

A decentralised alternative to the current arrangements for Australian Public Service Commission could involve a stronger role for secretaries, coordinated through the Secretaries Board, which includes the secretaries of all Commonwealth departments as well as the Australian Public Service Commissioner. The Secretary of the Department of the Prime Minister and Cabinet chairs the Secretaries Board.

This arrangement could improve strategic focus on the future needs of the Australian Public Service and replace the Public Service Commission's stewardship, strategy and network management functions. Residual Public Service Commission functions could be transferred to other agencies.

Alternatively, the office of the Public Service Commissioner could be relocated to the Department of Employment. The role and responsibilities of the Public Service Commissioner would be assumed by the Secretary of that Department.

Some of the existing functions of the Australian Public Service Commission would also be amalgamated into the Department of Employment. The Department of Employment has existing expertise in workplace relations matters and employment conditions. It has been responsible for these matters in the past.

The Australian Public Service Commission's functions relating to the Senior Executive Service professional development could also be undertaken by the Department of Employment.

The Australian Public Service Commission's responsibilities for procuring training and development services could be undertaken by the Department of Finance, as part of its coordinated procurement contract arrangements.

Other functions undertaken by the Public Service Commission could be pursued by individual agencies' human resource and corporate areas.

The Commission considers that the position of Merit Protection Commissioner can be abolished. This Commissioner reviews various management decisions in the public service, most notably Code of Conduct and promotions for lower grades of staff. It is noteworthy that, of the 174 promotion decisions reviewed by the Merit Protection Commissioner in 2012-13, only one decision was varied.

The availability of this additional level of appeal for promotion decisions differentiates the Australian Public Service from private sector employment arrangements and is available only for junior levels in the Australian Public Service. It has the potential to make the management of staff performance more complicated.

The Secretary of the Department of Employment can take over responsibility for the Code of Conduct matters that the Merit Protection Commissioner currently oversees.

The Commission of Audit acknowledges that implementation of its recommendations concerning the Australian Public Service Commission will require amendment to the *Public Service Act 1999*.

## Recommendation 6: Role of the Australian Public Service Commission

As one of Australia's largest workforces, it is important to improve public sector productivity and better harness talent across the Australian Public Service including by supporting merit-based appointments to maintain an apolitical public service. The Commission recommends that changes be made to the Public Service Act and associated arrangements including that:

- a. the *Public Service Act 1999* be amended to ensure an overriding obligation of those working in the public service to serve the government is to be highly productive;
- b. the role and responsibilities of the Public Service Commissioner be assumed by the Secretary of the Department of Employment;
- c. existing functions of the Australian Public Service Commission be transferred to:
  - i. the Department of Employment in relation to workplace relations matters and employment conditions, as well as those functions relating to Senior Executive Service professional development;
  - ii. the Department of Finance in relation to the operation and management of the whole-of-government training and development contracts, as part of its coordinated procurement contract arrangements; and
  - iii. individual departments and agencies in relation to other operational functions through their human resource and corporate areas;
- d. the role of the Merit Protection Commissioner be abolished, with the Department of Employment to undertake responsibilities on Code of Conduct matters; and
- e. removing provisions for appeal processes in relation to promotion decisions for lower level positions in the Australian Public Service.

## **3.2 Improving organisational structures within agencies**

Reforming government structures is essential to creating a more efficient and effective public sector and is at the heart of the Commission's work.

Choices and decisions around the structure of government can be considered at three levels:

- At a whole of government level there are choices around the number of portfolios and the allocation of responsibilities among them.
- Within portfolios there is scope to determine the allocation of different roles and responsibilities among the different departments, agencies and other bodies that fall within their remit.
- There is also significant scope to consider within individual organisations the appropriateness of structures, systems and management.

The Commission's Phase One Report dealt with the first of these, providing an overview and assessment of the size and structure of the Commonwealth Public Service including the 16 portfolios and associated 194 entities.

It noted that at a whole of government level, the machinery of government changes implemented in September 2013 significantly simplified and streamlined portfolio arrangements.

The Commission's Phase One Report also dealt with aspects of the second level, and made a number of recommendations to further streamline and rationalise many of the 194 principal bodies. Section Four below outlines further recommendations in relation to the 700 or so associated boards, councils and committees.

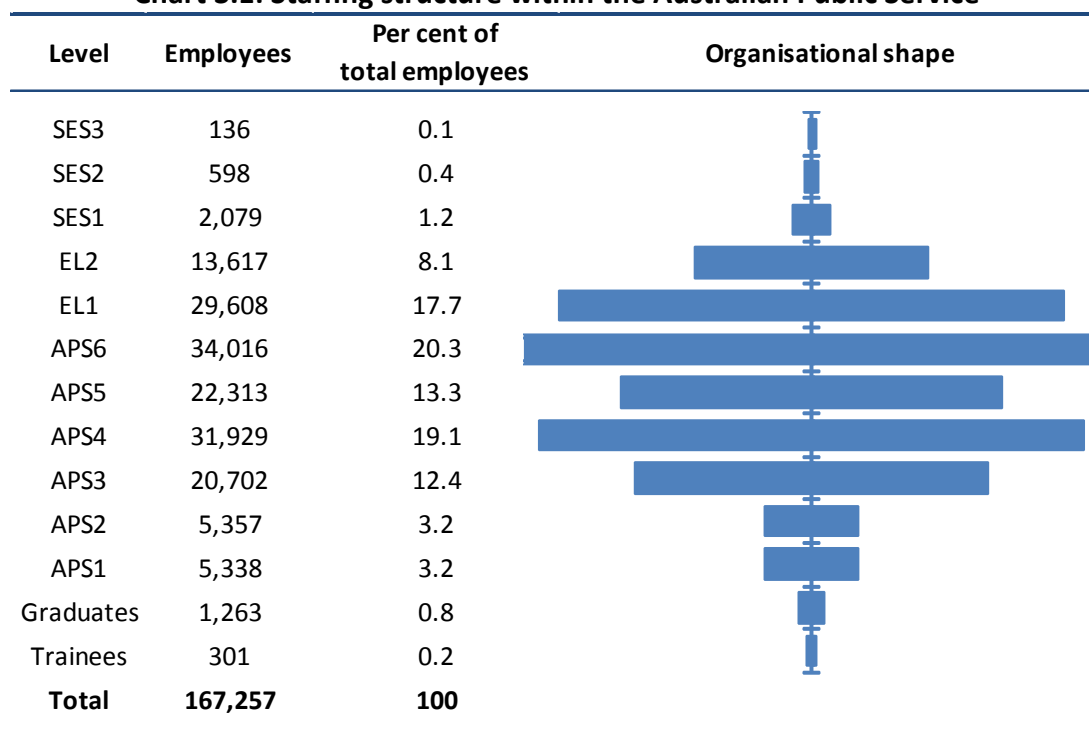
At the third level, significant opportunities exist to pursue further efficiencies through better organisational structures within departments and agencies. In many regards, these opportunities will be the key to driving significant productivity improvements across the Australian Public Service.

### **Staffing structures within the Australian Public Sector**

As outlined in Chart 3.1 below, the Australian Public Service's current staffing structure is 'top-heavy'.

Around 40 per cent of the 167,000 Commonwealth public servants are employed at the junior and mid-manager levels – Australian Public Service Level 6 and Executive Level 1 classifications. These positions have an average salary cost, including on-costs, of around \$120,000 and \$147,000 respectively.

**Chart 3.1: Staffing structure within the Australian Public Service**



Source: Australian Public Service Commission.

This trend toward an increasing employment of people at the middle management level has occurred over the past twenty years. It reflects various factors including lower level jobs being lost due to technology and outsourcing, recruitment practices focused on highly qualified and specialist skills, and limited flexibility regarding remuneration resulting in promotion being used as a retention strategy.

The net result of this shift in the composition of the Australian Public Service workforce is that mid level managers have comparatively few people reporting directly to them. This is known as having a narrow span of control.

As part of its deliberations the Commission sought information from all departments and agencies with more than 20 employees which operate under the *Public Service Act 1999* on their spans of control at the middle management level as well as information on their corporate overheads.

Responses were received from 90 agencies. These 90 agencies were classified into four groups based on Australian Public Service Commission classifications – Policy and Research; Service Delivery (Operations); Regulation and Compliance; and Other Support (including specialist and legal). This provided a basis for comparing spans of control across similar organisations, noting some agencies have multiple functions.

Information was collected on the number of staff within each organisation reporting directly to Executive Level 2 and Executive Level 1 officers.

Benchmarking was undertaken across agencies and against public sector best practice targets. The best practice target ranges for spans of control were developed by The Boston Consulting Group based on organisational de-layering analysis and projects conducted with public sector organisations around the world, including a number of Australian agencies at the Commonwealth and State levels.

Such benchmarks need to be used cautiously and in the context of the employment tasks undertaken and the availability of staff with the right capabilities. This makes providing reliable best practice estimates difficult.

That said, high performing organisations generally have fewer layers of employee classification and wider spans of control. This can result in better information flows, enhanced accountability, faster and more reliable communications and higher levels of staff morale.

While the ideal span of control will inevitably be partly determined by the nature and mix of the work involved in each agency, best practice targets provide indicative ranges against which current spans of control can be compared.

The best practice benchmarks are set out in Table 3.1 below. They range from 5 to 8 for policy and research functions to 8 to 10 for service delivery functions.

Table 3.1 also shows the median spans of control for managers at the Executive Level 2 (EL2) and Executive Level 1 (EL1) classifications.

These have been calculated after taking account of the responses from agencies and after adjusting for employees at these levels who have no management responsibilities (for example, technical specialists and others who have no staff directly reporting to them). As illustrated in the table, median spans of control are below best practice benchmarks in all categories, noting that some agencies perform functions in more than one category.

**Table 3.1: Spans of control of EL1s and EL2s**

Agency Type/Function	Best practice spans of control	Median span of control for managers	
		Executive Level 2	Executive Level 1
Policy & Research	5 - 8	3.9	2.0
Service Delivery	8 - 10	4.8	3.2
Regulation and Compliance	7 - 9	3.8	2.8
Other (specialist)	6 - 10	3.5	2.3

Source: National Commission of Audit Survey, Boston Consulting Group.

More detailed results are outlined in Charts 3.2 and 3.3 below on the spans of control for EL2s and EL1s respectively. They show how each agency's average span of control (excluding people with no management responsibilities) compares to the best practice targets. For instance:

- policy and research agencies – 10 of 14 agencies have an average span of control for EL2s that is below the best practice benchmark range, and 11 of 14 agencies have an average span of control for EL1s that is below best practice;
- service delivery and operational agencies – 21 of 23 agencies have average spans of control for EL2s and EL1s that are below the best practice benchmark range;
- regulation and compliance – all 15 agencies have average spans of control for EL2s and EL1s that are below the best practice benchmark range; and
- other specialist agencies – of the 38 specialist agencies, 32 have an average span of control for EL2s that is below the best practice range and 36 have an average span of control for EL1s below best practice.

The information provided by agencies demonstrates that there is a significant degree of variation in spans of control across agencies. The extent of the dispersion between agencies is highlighted in Charts 3.2 and 3.3.

For example, Chart 3.2 shows that across policy departments, spans of control for EL2s range from an average of 2.7 direct reports per EL2 manager in the Department of the Prime Minister and Cabinet to an average of 8.9 direct reports per EL2 manager in the Attorney-General's Department.

There are various reasons for the variation in spans of control across government agencies. Many agencies reported that narrow spans of control reflect the high proportion of staff in specialist roles, including legal, scientific, and accounting. Such staff are often promoted to executive level roles in order to pay market salaries for their particular skills.

One operational agency highlighted the increasing volume of work being undertaken in joint taskforces requiring senior leadership. Another indicated that spans of control appear low because they do not reflect job responsibilities that extend to supervision of external contractors.

The Department of the Treasury noted that many staff at EL1 and EL2 levels are employed as advisors with minimal staff supervision to provide high-level policy advice and representation.

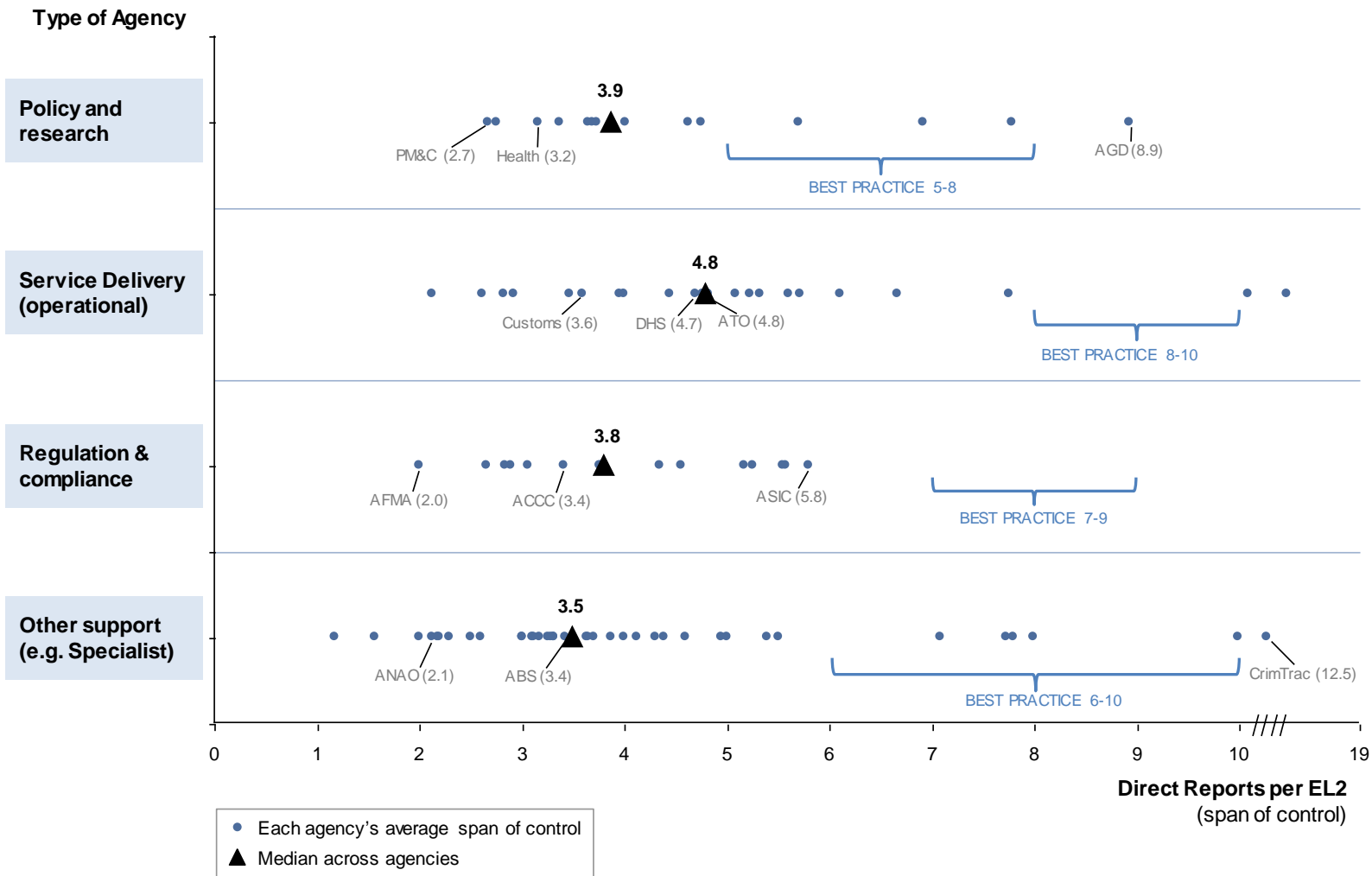


Some agencies, such as the Department of Health and the Department of Social Services have advised that they are already undertaking business process reforms which will increase spans of control over time.

A number of agencies, such as the Department of Employment, conduct a range of functions, including policy development, processing and transactional work as well as the delivery of some services. In these organisations, average spans of control are less meaningful than function-by-function estimates.

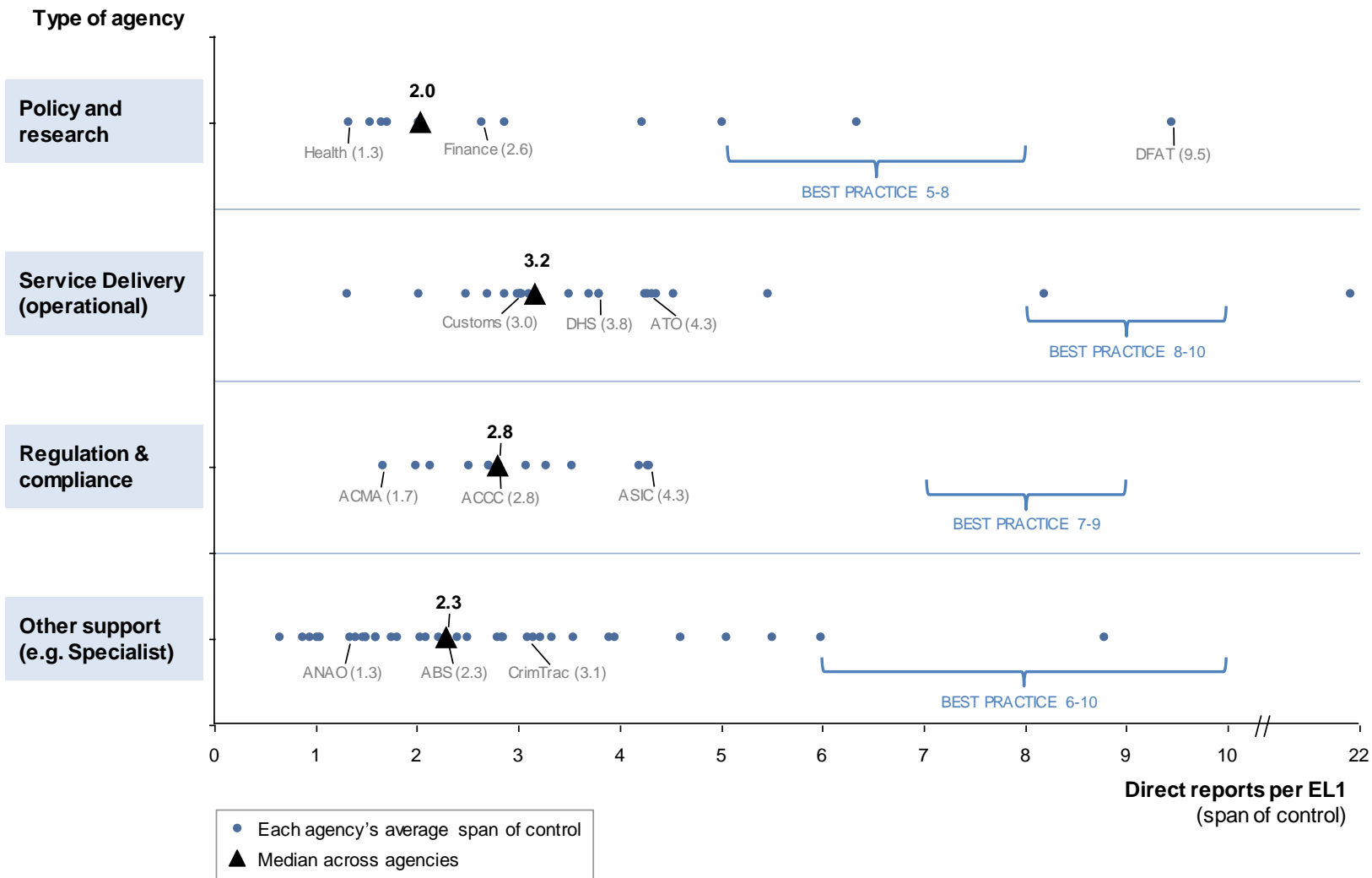
Recognising the many caveats that must be applied to these findings, it is nonetheless instructive that spans of control in the Australian Public Service tend to be well short of the best practice ranges for the vast majority of agencies surveyed, even after specialists and those others with no direct reports are excluded from the figures.

Chart 3.2: Spans of control – Executive Level 2



Source: National Commission of Audit Survey, Boston Consulting Group.

Chart 3.3: Spans of control – Executive Level 1



Source: National Commission of Audit Survey, Boston Consulting Group.

## **Improving spans of control within agencies**

While recognising that there are likely to be good reasons for the variation in spans of control among Commonwealth agencies, it is apparent that there is scope to improve structures within many Commonwealth organisations.

For illustrative purposes a scenario in which every agency achieves average spans of control for their EL1 and EL2 officers who manage staff that are at least equal to the lower end of the best practice ranges outlined above has been considered.

Moving all agencies who are not at best practice to at least the bottom of the best practice range would result in around 25 per cent fewer managers at the EL1 and EL2 levels (around 10,000 employees).

The Commission does not advocate imposing such a scenario on the Australian Public Service.

As outlined above, there are a range of legitimate reasons for individual agency structures to vary from best practice targets, making it unlikely that such a scenario could be achieved in practice.

However, it is difficult to fully reconcile the gap that exists between the best practice benchmarks and the spans of control prevailing today in many agencies that comprise the Australian Public Service. At face value there would appear to be significant scope to improve efficiency.

Consistent with the views outlined in the previous section, the Commission considers that departmental secretaries should be responsible and accountable for their own management practices and structures. They have a key role to play in improving productivity in their organisations and collectively in the public service as a whole.

As such, the Commission considers all departmental secretaries and agency heads should be required to prepare plans within the next twelve months which report on current management structures and spans of control, and identify opportunities for improvement.

These plans should consider the range of roles undertaken within the organisation, including the need for specialist positions at senior levels. They should also identify any changes required to management practices to support flatter structures. For example, this could include devolving authority and establishing direct reporting lines that are more than one level apart.

Section 3.3 below outlines a proposal for comprehensive audits of the operations of portfolio agencies. In a devolved model that lets managers manage, these Portfolio

Agency Audits will, in essence, examine whether departmental secretaries are running their organisations efficiently and effectively.

The Portfolio Agency Audits could assess agencies' management plans and report on their implementation.

In the meantime, the Commission considers that secretaries in a number of key large departments should expedite assessments of spans of control and the preparation of management plans including organisational structures.

The following departments and agencies should develop their plans immediately given the possibility to realise improved management structures on a large scale:

- Department of Defence, Department of Human Services, Australian Taxation Office, Department of Immigration and Border Protection, Department of Health, Department of Social Services, Australian Bureau of Statistics, and the Department of Agriculture.

#### **Recommendation 7: Public sector efficiency – improved spans of control**

Average management structures in the Australian Public Service are top heavy, particularly at the Executive Level 1 and Executive Level 2 classifications. The Commission recommends that spans of management control be improved by requiring:

- a. eight major departments and agencies to prepare plans that report on current management structures and spans of control, and opportunities for improvement, immediately for Cabinet consideration; and
- b. all portfolio secretaries and agency heads to prepare plans to improve management structures and spans of control for ministers within 12 months.

### **Corporate services**

The Commission's Phase One Report examined the potential for greater efficiencies through the standardisation of corporate business processes and staged implementation of shared corporate services for Commonwealth Government departments and agencies.

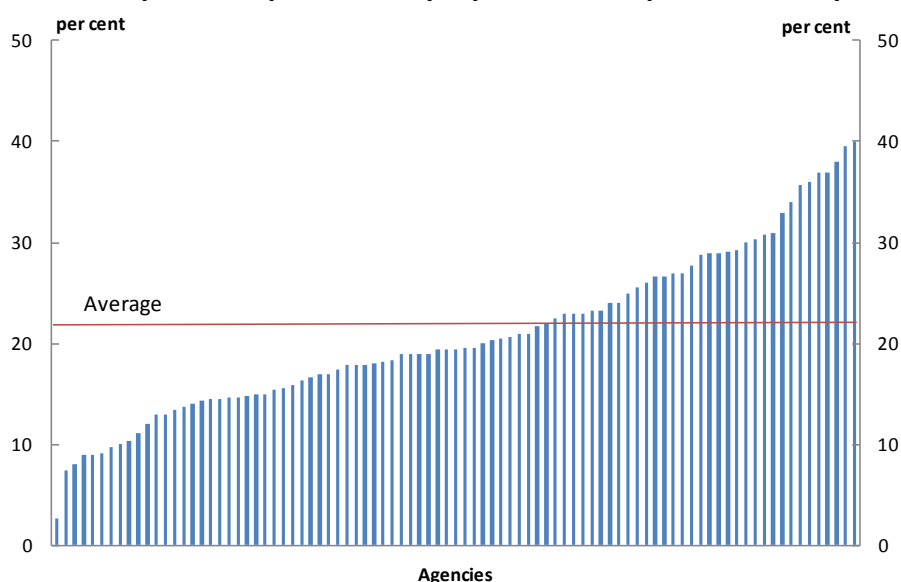
The Commission has undertaken further analysis of corporate spending by agencies within the Australian Public Service.

Using data collected from all departments and agencies with more than 20 employees which operate under the *Public Service Act 1999* the Commission has been able to undertake a benchmarking of costs across agencies in eight corporate services

categories: human resources; finance; legal; communications; general management; compliance; procurement; and information and communication technology.

Chart 3.4 shows the proportion of departmental expenses spent by agencies on corporate functions, ranging from below 10 per cent to around 40 per cent. On average, agencies spend around 21 per cent of their running costs on these functions.

**Chart 3.4: Corporate expenses as a proportion of departmental expenses**



Source: National Commission of Audit Survey.

Chart 3.5 shows the distribution of spending per staff member on different corporate functions collected by the Commission from departments and agencies.

Excluding information and communications technology, average corporate spending is highest on human resources and lowest on legal expenses and procurement.

Spending per full time employee equivalent varies within each corporate function, with agencies in the top quartile of the distribution spending around double per staff member what an agency in the bottom quartile spends on standard functions such as finance and human resources.

While overall corporate spending per person is not related to the size of an organisation, there are scale effects for some specific functions. Finance and procurement costs per full time employee equivalent tend to be higher in smaller agencies and lower in larger agencies.

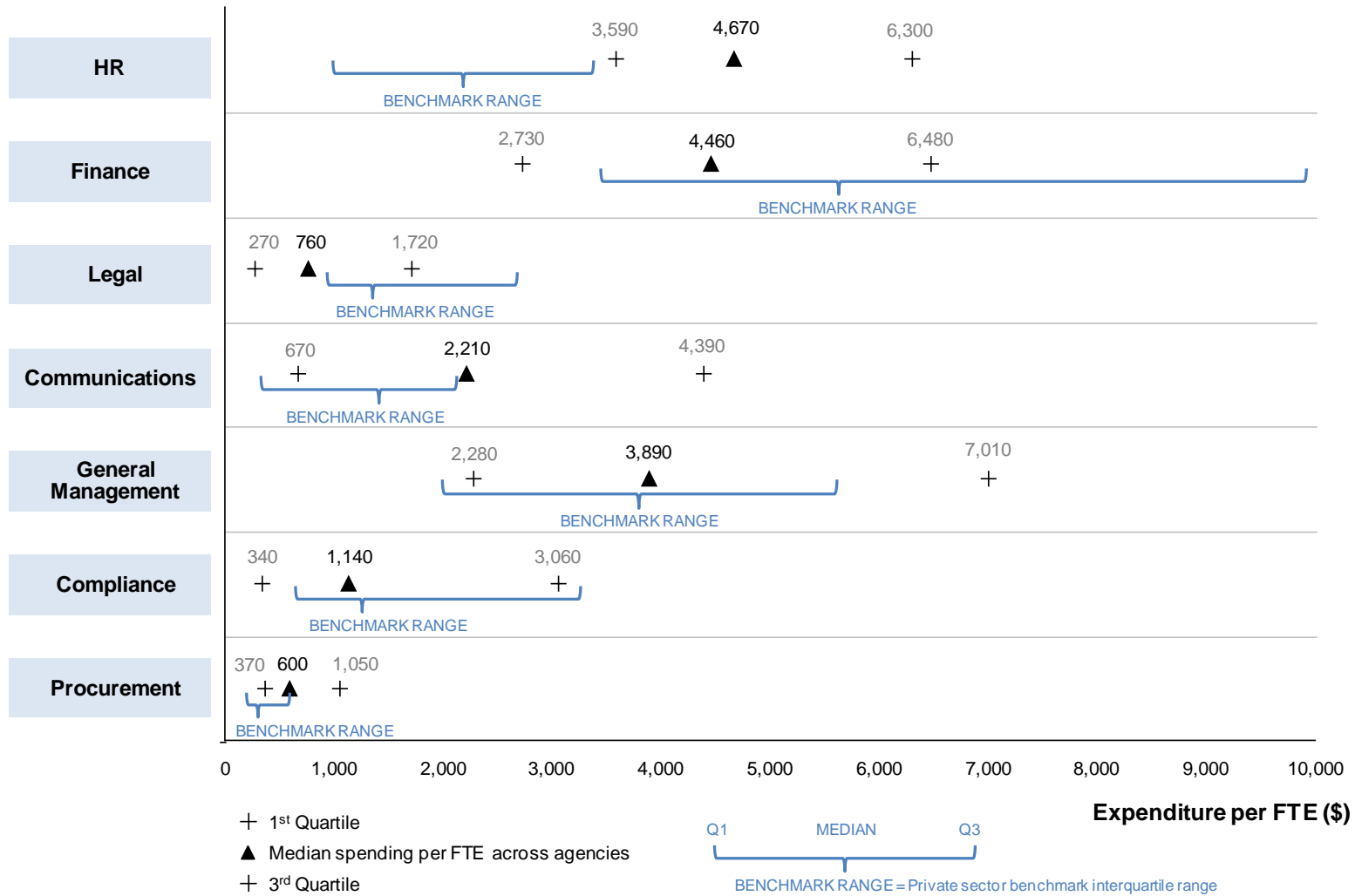
The Commission has also undertaken preliminary benchmarking of Australian Public Service corporate costs against similar private sector organisations in the financial, real estate and professional services sectors.

The findings suggest that in some areas such as finance and legal services, public sector agencies tend to spend less per person than similar private sector organisations.

Conversely, Australian Public Service agencies tend to spend significantly more per person than the private sector on human resources and communications functions. While any benchmarking of public and private organisations must be viewed with some caution, these findings provide an indication of where further efficiencies are most likely to be found.

**Chart 3.5: Distribution of corporate spending per staff member by agencies**

**Corporate Function**



Source: National Commission of Audit Survey, Boston Consulting Group.



## Opportunities for greater efficiency

The Commission's Phase One recommendation on corporate services had two core elements – firstly to standardise corporate processes and second to progressively introduce greater shared services. The analysis outlined above confirms the potential efficiencies available from these actions, and indicates where to focus efforts.

There is a wide dispersion of corporate spending per full time employee equivalent across agencies. There are some logical reasons for this variation. For example, some policy agencies require a larger communication function than others. However, it is likely that much of the variation is due to differences in efficiency, particularly for standard functions such as finance and human resources. The Commission considers that significant savings could be achieved by standardising corporate processes around best practice.

For example, if all agencies spending above the median per full time employee equivalent for each corporate function were to come down to the median, savings of over \$1 billion could be achieved.

The human resources function is an area that holds the greatest potential for efficiency improvement. High level benchmarking suggests that median spending of \$4,700 per person in the Australian Public Service is more than double the median in similar private sector organisations. This suggests that there may therefore be significant opportunity to lower the annual expenditure on human resources – which is currently around \$980 million per year across surveyed agencies.

The Commission considers that a detailed benchmarking exercise should be undertaken to compare Australian Public Service human resources functions to operations in the private sector, to find opportunities for efficiencies.

Data collected from agencies indicates that around a third of public service agencies with over 20 staff already have some form of shared services in place, although on average this represents only around 9 per cent of their corporate services. Most agencies surveyed also outsource a small proportion of their corporate services (on average around 12 per cent).

The Commission considers that the introduction of greater shared services should start in the areas where economies of scale are already apparent – finance and procurement.

As an initial step, services for small agencies with under 200 staff should be provided by portfolio departments.

### **Recommendation 8: Public sector efficiency – Corporate services**

There are opportunities to improve the efficiency of corporate services across the Australian Public Service. In accordance with the Commission's Phase One recommendation to standardise corporate business processes and adopt the staged introduction of shared corporate services, the Commission further recommends:

- a. the Department of Finance should conduct detailed benchmarking of Australian Public Service spending on human resources against private sector spending to identify common efficiencies;
- b. corporate business processes should be standardised to the most efficient practices, given the wide variation in costs across the Australian Public Service;
- c. departments should provide corporate services for all agencies within their portfolio with fewer than 200 staff; and
- d. the Government should introduce shared services for finance and procurement functions as early priorities.

### **3.3 Public sector accountability and performance**

The Commission's Phase One report emphasised the importance of clear fiscal rules and frameworks as a way of strengthening the nation's finances. It also highlighted the positive role the regular Intergenerational Reports play in raising awareness of the budgetary challenges of our ageing population and the role that the Parliamentary Budget Office could play in assessing progress against fiscal rules. The Commission made a number of recommendations to strengthen these arrangements.

Improved budget performance also needs to occur at the coal face of government – through improved performance and accountability at the individual programme level. These issues are discussed below.

#### **Improving performance information**

The availability of good information on the performance of programmes and activities is crucial to ensuring taxpayer funds are well spent and government held to account. High quality information is essential to answering basic questions such as what was the money used for, what was the policy objective and was it achieved?

As well as a means of accountability to citizens and Parliament, performance information strengthens the evidence base available to ministers and their advisers for decision-making, including as part of the annual Budget process.

Access to robust information also better enables the government to assess the policy merits of different programmes and prioritise expenditure.

The Commission has been asked to identify options for improving the assessment of government activities and reporting of their performance with a view to increasing transparency and accountability. These are the hallmarks of responsible government.

The quality and usefulness of current reporting of performance in budget-related documents such as portfolio budget statements varies markedly.

While a large volume of performance information is currently available there is no easily understood performance framework. Current arrangements make it difficult for the community to determine whether money is being well spent, whether spending programmes are delivering on their objectives and how efficiently and effectively the public sector is performing.

## **Outcomes and programmes framework**

Over the last 25 years, the Commonwealth Government's budget reporting framework has moved from a narrow focus on reporting financial inputs — money being allocated to programmes — towards an approach intended to provide greater information on results and outcomes achieved by the expenditure of public funds.

Despite this, most performance information is focussed on financial accountability — particularly whether the money was actually spent or spent on time. While this is important, it does not demonstrate if programmes are achieving their policy objectives.

The Commonwealth introduced the 'Outcomes and Outputs' framework for the Budget in 1999-00. Under this framework, all departments and agencies were required to identify explicit outcomes intended to define the desired impact of the government's activities and programmes on society.

These identified 'outcomes' formed the legal basis for appropriations approved by the Parliament.

In each department's portfolio budget statements, agencies are required to identify the 'outputs' to be produced and the administered items to be delivered on behalf of the government which contribute to the previously identified 'outcomes'.

The 2009-10 Budget introduced a variation to this approach with the introduction of the current 'Outcomes and Programmes' framework. This approach differs from the 'Outcomes and Outputs' framework in so far as it is intended to provide more information on programmes and what they contribute to achieving government outcomes over the Budget and forward years.

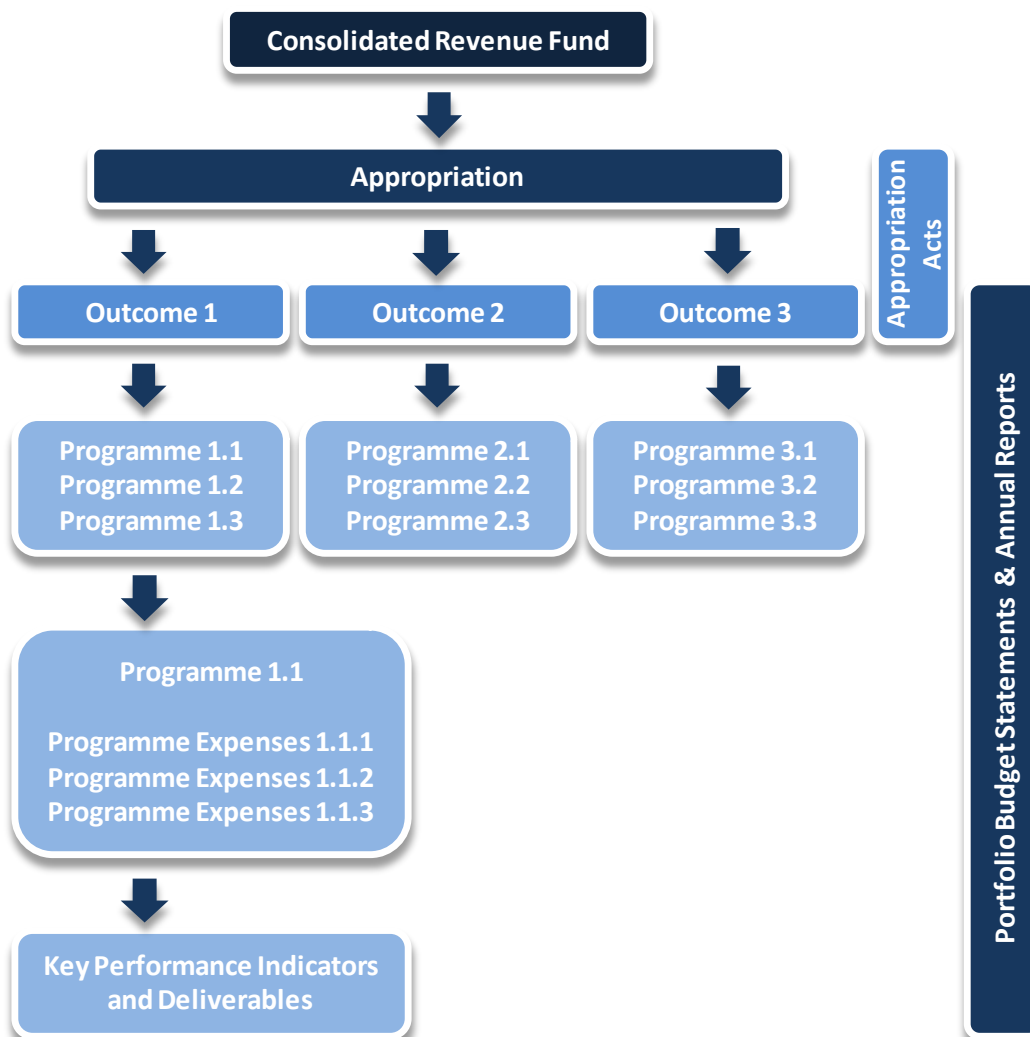
The Constitution requires that all revenues or monies raised or received by the Executive Government of the Commonwealth be placed in one Consolidated Revenue Fund.

The Constitution also provides that there must be an appropriation, made by law, for the purposes of the Commonwealth, before money can be drawn down from the Consolidated Revenue Fund.

Under current arrangements departments and agencies receive funding through the Commonwealth’s annual Appropriation Acts which provide funds to deliver specified ‘outcomes’ the government is seeking to achieve.

Specific government programmes contribute to these outcomes. Often several programmes will contribute to the achievement of one outcome. A summary of the Outcomes and Programmes framework is outlined in Figure 3.1 below.

**Figure 3.1: Outcomes and programmes framework**



Source: National Commission of Audit.

The Annual Budget Statements provide information on how the government intends to appropriate taxpayers' funds.

Presented with the Appropriation Acts, portfolio budget statements are intended to provide additional information on government expenditure, both of a financial and non-financial nature, at the portfolio and agency level.

Information on each programme contained in the portfolio budget statements should outline:

- associated deliverables (for example, the benefits or services intended to be provided, or the transfer payments to be made); and
- annual performance reporting on the delivery of programs and achievements against a set of key performance indicators.

The level of programme detail currently provided in portfolio budget statements varies considerably, with some entities providing only high level information, while others include information that is more useful and relevant to gauging performance for policy purposes.

As an example, Figure 3.2 shows the level of information presented for programme 3.1 'Employment Services' within the Department of Education, Employment and Workplace Relations' Portfolio Budget Statement.

The Employment Services programme is intended to achieve the outcome of '*enhanced employability and acquisition of labour market skills ...*' In this example, \$1.36 billion is projected to be spent in 2013-14 across six 'programme expense' areas within the employment services programme.

However, information useful in decision-making, such as whether to expand, cease or reduce a programme is not apparent until the 'programme expenses' level, which includes for example, Job Services Australia, the Pacific Seasonal Workers Programme and the Productivity Education and Training Fund.

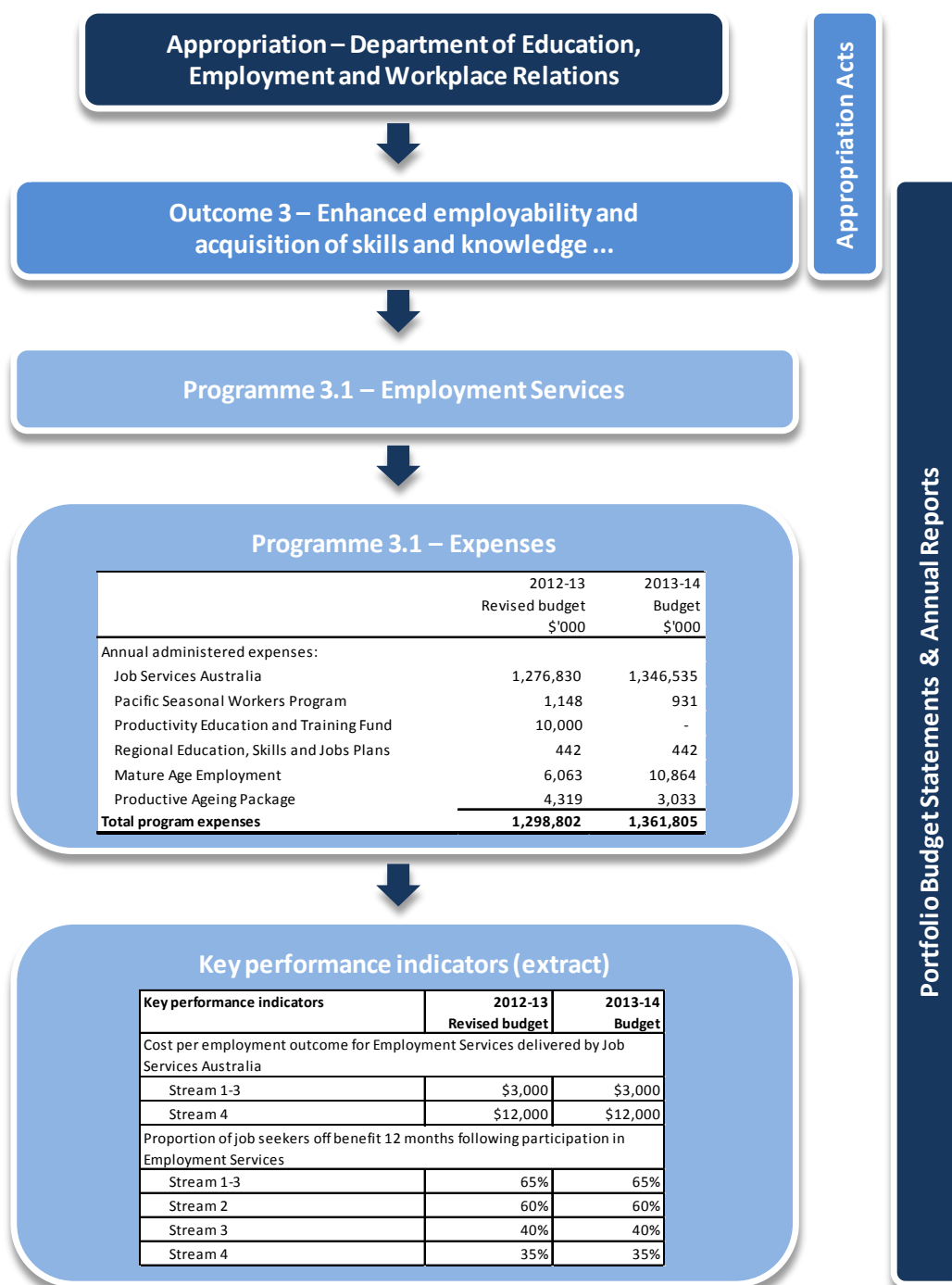
Relevant key performance indicators are also outlined. In terms of information that is available to assist in determining how successful the government has been in achieving its objectives, the quality of key performance indicators is relatively high in this example.

They include indicators such as costs per employed person and the proportion of job seekers off benefits at intervals of three and 12 months following participation in employment services.

However, the key performance indicators only relate to the performance of Job Services Australia and none of the other aspects that make up the programme, such as the Pacific Seasonal Workers Programme and the Productive Ageing Package. It is therefore difficult to determine whether these programmes are contributing effectively to the government's objectives in this area.

Comprehensive performance measurements against all programme expenses would assist in both measuring the effectiveness of a programme in meeting its objectives and also in more informed budget decision-making.

**Figure 3.2: Department of Education, Employment and Workplace Relations**

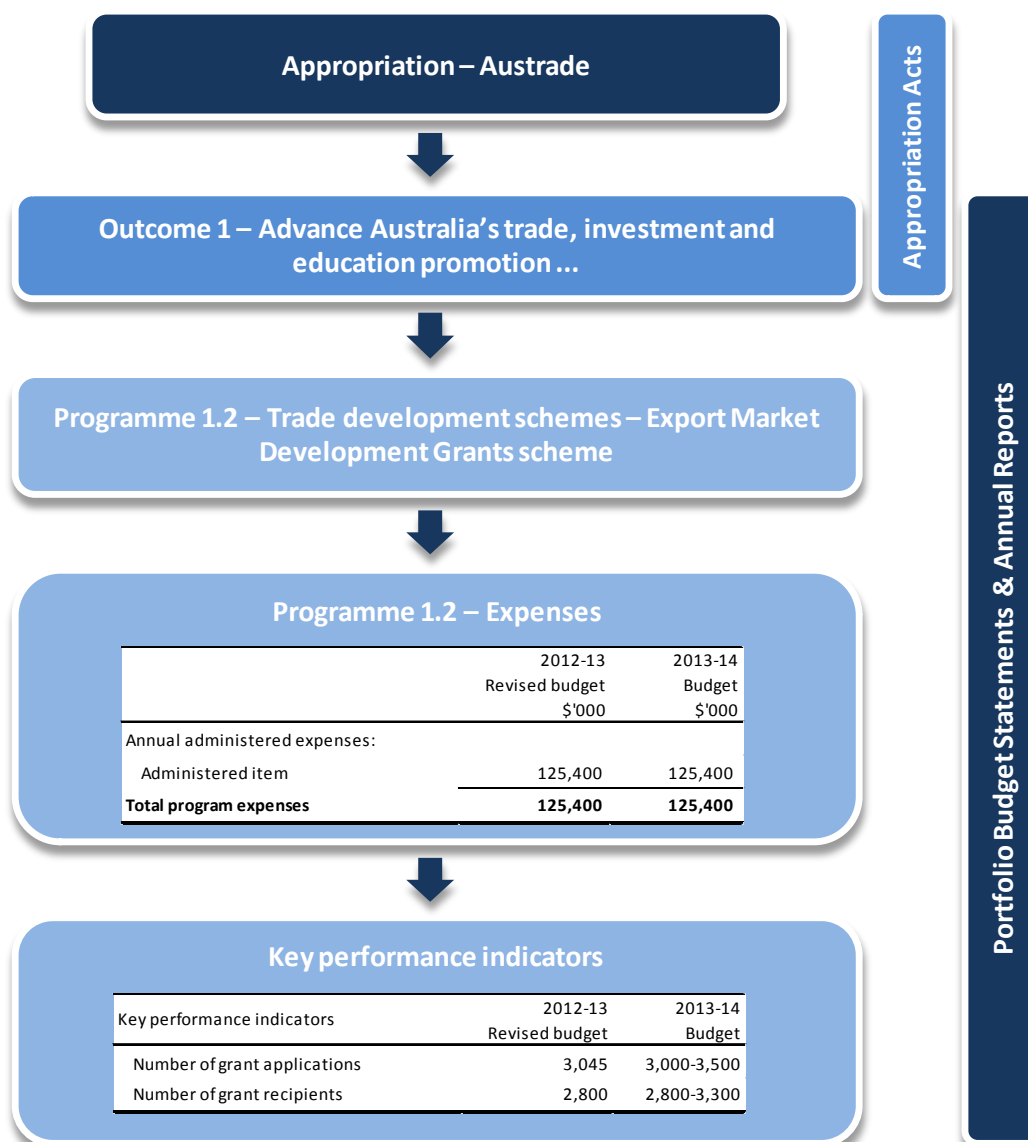


Source: Department of Education, Employment and Workplace Relations, 2013.

In contrast, the information presented to Parliament within the Portfolio Budget Statement for Austrade’s Export Market Development Grants Scheme (Figure 3.3) is of limited usefulness in answering basic questions like what was the money used for? What was the policy objective? Was it achieved?

The information provided simply outlines that \$125 million is budgeted to be spent. The key performance indicators are the number of grant applications and recipients. There is no information on the results of this spending.

Figure 3.3: Austrade



Source: Austrade, 2013.

## Performance reporting

The change in the Budget reporting framework from 2009-10 to a ‘programme’ focus was intended to demonstrate more clearly the achievements against pre-defined programme objectives.

Commonwealth entities currently report against some 650 government programmes that are measured by some 3,500 key performance indicators.

However, as illustrated above, it is often difficult to get an accurate and comprehensive picture of government programmes and what they are achieving. The level of information available at the ‘programme’ level is inadequate to provide useful policy insights.



The Australian National Audit Office (the Audit Office) has undertaken several assessments of entity performance measurement and reporting.

It found entities continue to experience challenges in developing and implementing meaningful key performance indicators, and that the administrative framework supporting their development and auditing is problematic.

The challenges in ensuring sufficient transparency and accountability of government expenditure are demonstrated by the Department of Foreign Affairs and Trade's Portfolio Budget Statement.

The objective of Programme 1.2 is *'to advance Australia's foreign, trade and economic, and security interests through participation in international organisations'*.

The outcome for \$258 million of associated expenditure is reported in one line. Similar reporting occurs within the Department of the Treasury's Portfolio Budget Statement for payments to international financial institutions.

While it is recognised that the Department of Foreign Affairs and Trade and the Department of the Treasury do not have prime accountability for expenditure of these funds, which are ultimately deployed by international entities, it is reasonable to expect more information in the portfolio budget statements as the prime accountability document.

The inclusion of detail such as who the funds were provided to, for what purpose, and what outcome, would provide more relevant information. In some cases, more detail is provided elsewhere, for example within departments' annual reports, which list organisations receiving funds.

The key performance indicators used to determine if the programme's objectives were met are that 'payments to international organisations are timely and within budget'. This reflects the current focus on financial performance rather than policy effectiveness.

Governments undertake a broad range of activities and some programmes are more suited to straightforward key performance indicators than others. Despite these challenges, the Commission considers more meaningful and measureable indicators should be developed and maintained.

### **Improving programme information for improved accountability and decision-making**

Assessing public sector entities' performance is a challenge given their goals are harder than those of private sector organisations to measure and communicate.

Private sector organisations exist primarily to maximise shareholder value, measured largely by financial profit or loss and share price. Businesses are paid for satisfying the customer. They are paid only when they produce what the customer wants. Customer satisfaction is the basis for performance and results in a business.

In contrast, the public sector aims to create public value; a direct but not always immediate benefit to society. Shareholder value is relatively easy to measure in monetary terms, public value is not.

‘Bottom line’ financial accountability data, while useful in acquitting the stewardship obligations of government in relation to public funds, is insufficient to measure public value or gauge public sector performance.

In order to improve programme information for accountability and decision-making, the Commission proposes changes be made to increase both the detail and quality of information presented.

In particular, information currently at the ‘programme’ level is generally too broad. In many cases, ‘programme expenses’ and key performance indicators and deliverables at this level would provide greater scope and depth. They would be more useful in making decisions whether to expand, cease or reduce activity.

The presentation of information within portfolio budget statements is the responsibility of agencies, utilising guidance provided by the Department of Finance. While this guidance is prescriptive, further improvements are needed to ensure both consistency in the type and quality of information across government.

At present there is no central register of government programmes at a detailed level (like ‘programme expenses’). The absence of a central register has been an impediment to the Commission in assessing government programmes - one likely shared with government when formulating the Budget.

The Department of Finance is currently redeveloping its Central Budget Management System, the information and technology system which supports financial and budget management for the Commonwealth Government.

In the new system, entities will enter financial data at a more detailed programme level, allowing information to be generated and centralised. This reporting will commence in late 2014, for the 2015-16 Budget.

The Commission encourages the continued development of this capability and its use within the Budget context.

To enhance the transparency of performance information there should be a ‘clear line of sight’ through all information sources, both forward looking through the portfolio

budget statements and backward looking through annual reports. This would enable a programme's progress to be followed, to allow a comparison of planned and actual performance.

### **The Public Governance, Performance and Accountability Act**

Some of the concerns regarding the level and quality of performance information are intended to be addressed through new measures within the *Public Governance, Performance and Accountability Act 2013* which is scheduled to take effect from 1 July 2014.

This Act will replace both the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997* with a single piece of legislation governing the management of public resources and the performance of Commonwealth entities.

This change builds upon the findings of the Commonwealth Financial Accountability Review. The Review found that while the existing financial framework has a strong focus on financial accountability, there is little consideration given to the achievement of objectives of government programmes or the quality of performance monitoring and information.

These deficiencies have been acknowledged and one of the key principles underpinning the design of the Public Governance, Performance and Accountability Act is that 'performance of the public sector is more than financial'.

Guided by this principle, the Act places a requirement on entities to properly measure, record and assess their performance and to report this within annual performance statements. These statements will form part of the annual reports that all agencies are currently required to prepare.

The annual performance statements are intended to provide a comparison of actual performance against planned performance as outlined in an entity's corporate plan. Furthermore, these annual performance statements may be examined and reported on by the Auditor-General.

The requirements for annual performance statements are intended to rebalance the focus of entity reporting between financial and non-financial performance information. They should provide a more complete explanation of performance to determine what has been achieved.

The policy and principles underlying the Public Governance, Performance and Accountability Act have the potential to enhance accountability and transparency. However, much of the detail on the workings of the Act is yet to be settled.

An imperative will be to ensure that the rules and guidance material accompanying the Act — including the requirements for measuring performance — are designed in a way that is practical at the operational level.

To ensure enhanced transparency and provide citizens and Parliament with a better basis for scrutiny, there should be a clear ‘line of sight’ between all reporting mechanisms.

This needs to extend across budget appropriations, portfolio budget statements and the performance accountabilities provided in agencies’ annual reports. Published information should make it simple and easy to compare planned versus actual performance when it comes to government spending.

### **Role of the Australian National Audit Office**

Under the *Auditor-General Act 1997*, the primary function of the Australian National Audit Office (the Audit Office) is to assist the Auditor-General.

The Auditor-General is responsible for auditing the financial statements of all Commonwealth entities operating under the *Financial Management and Accountability Act 1997* and *Commonwealth Authorities and Company Act 1997*. The Auditor-General is also authorised to conduct performance audits and assurance reviews of Commonwealth entities.

The functions of the Auditor-General were extended in 2011 through legislative amendments to include:

- auditing Commonwealth entities’ performance indicators; and
- auditing Commonwealth Partners, which includes States and Territory bodies, that receive Commonwealth funding for a particular purpose – sometimes referred to as the ‘follow the money’ provisions.

In conducting these independent reports, the Audit Office contributes to public sector accountability. Also, the Audit Office seeks to leverage knowledge and lessons acquired through its activities to improve performance across the public sector – for example through its better practice guides.

The Audit Office’s performance audits consistently demonstrate that many Commonwealth agencies fall short in developing and reporting performance measures that reveal the extent of progress against stated programme objectives.

Of the Audit Office’s 2011-12 and 2012-13 performance audit reports 48 per cent included recommendations that focussed on the need for better programme effectiveness measures.

Measuring the impact and effectiveness of government activity remains problematic. As is the relevance, reliability and meaningfulness of key performance indicators.

The Commission supports the expansion of the Audit Office's mandate which enables it to examine the appropriateness of agencies' key performance indicators and the completeness and accuracy of their reporting.

Improved programme performance measurement and assessment will contribute to increased efficiency and effectiveness of government and provide part of the information base for in-depth programme evaluations.

In this context, assessing whether programme key performance indicators are specific, measurable, achievable, relevant and timed — the so-called SMART criteria — will be important.

The Audit Office initiated a pilot project to audit key performance indicators in 2011-12 which it continued in 2012-13.

The reports on the pilot project show that agencies continue to have difficulty developing meaningful key performance indicators that measure the effectiveness of a programme's contribution to government outcomes. The Audit Office also noted that the pilot project confirmed implementation of performance measurement and reporting requires more focussed attention.

As outlined above, the introduction of the Public Governance, Performance and Accountability Act is expected to improve assessment and reporting of performance. In this context, the Audit Office will have an important role in focusing agencies' attention on measuring and improving the effectiveness of programmes.

This is consistent with the Australian National Audit Office's core function of providing auditing and assurance services to Commonwealth entities — providing an independent assessment of public sector financial reporting, administration and accountability.

## **Recommendation 9: Improving information on government programmes and public sector performance**

Australians should have useful information about the objectives of government programmes, how much the government plans to spend, what it actually spends, and what it achieves. To improve information and drive better public sector performance, the Commission recommends that:

- a. all information on programmes be provided in portfolio budget statements with appropriate scope and depth;
- b. more meaningful key performance indicators be developed for each programme and be included in portfolio budget statements;
- c. the Australian National Audit Office undertake regular audits of each department's 'programme performance information' and its relevance, as contained in portfolio budget statements, including the efficacy of key performance indicators and the quality of the reporting against each indicator; and
- d. the Department of Finance develop and maintain a central register of all programme expenditure on a programme-by-programme basis to better inform ministerial decision-making.

## **Financial performance targets and reporting**

The Commission's Terms of Reference require it to report on a methodology for developing and implementing financial performance targets for Commonwealth departments and agencies.

The relevance of traditional financial performance targets is limited for budget funded agencies.

Budget funded agencies, which operate under the *Financial Management and Accountability Act 1997*, predominantly have non-commercial functions and undertake activities for public benefit rather than motivated by profit, as in the private sector.

However, it is expected that departments and agencies will manage their operations within budget.

Under current arrangements, agencies may not operate 'at a loss' unless prior approval is provided by the Minister for Finance. Actual operating losses must be reported to the Minister.

In these circumstances offsets may be required along with the drawing down of the agency's cash reserves. Moreover, access to additional funding through appropriations is restricted to urgent situations which meet the limited legislative criteria provided for in the annual Appropriations Acts.

Accordingly, the ability of an agency to perform within its budget should provide an indication of an agency's financial stewardship.

Of itself, this will not necessarily equate with effective performance. As discussed above, additional performance information beyond financial reporting is required to fully assess an agency's effectiveness in delivering outcomes.

Financial reporting is, however, particularly important for commercial agencies, including government business enterprises.

Many of these entities undertake commercial activities and have a financial objective or profit target. Clear and accurate reporting against financial targets is an effective way to measure the performance of these entities.

The Department of Finance is responsible for setting policy on financial targets for government business enterprises. These settings are outlined in the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines*.

Financial targets are based on commercial principles and the desire to earn an appropriate return. The aim of financial targets is to ensure that government business enterprises operate and price their goods efficiently, earn a commercial rate of return and operate in an environment which is competitively neutral with the private sector.

Under existing guidelines, all government business enterprises are required to add to shareholder value in their operations. This requirement is considered to be achieved when an entity's weighted average cost of capital is exceeded.

Alternatively for service-based entities, the principal financial target is return on equity, as set by the risk free rate plus a risk premium appropriate to the government business enterprise.

Using a weighted average cost of capital as the principal financial target requires government business enterprises to earn returns sufficient to cover the cost of debt and the required return on equity. Other financial targets, particularly in relation to optimal capital structure and dividend policy, are also set as part of the annual corporate planning process.

The Commonwealth's equity investment in government business enterprises is not without risk. In the Phase One Report the Commission recommended that where the Commonwealth takes an equity position it should disclose the rate of return it expects

to receive and how this compares to the risk-adjusted rate of return that a private investor would need to make on the same investment.

In this context, a weighted average cost of capital, or risk adjusted return on equity, can assist in identifying an appropriate allowance for the risk of Commonwealth investment by comparison with comparable risk returns applying in the private sector.

The Commission considers that these principal financial targets are appropriate for measuring the financial performance of government business enterprises.

## **Programme evaluation**

The Commission has also been asked to identify options for continuous assessment of programmes, agencies and performance.

As a starting proposition, the Commission considers that improving government programmes and performance requires a sound evidence base.

For example, the Australian Capital Territory Government has released guidelines that outline a comprehensive and prescriptive approach to evaluating its programmes. Under these guidelines, evaluation refers to the process of measuring and assessing the impacts and merits of government policies, strategies and programmes.

Evaluation provides a means of determining the appropriateness, effectiveness and efficiency of government policies and programmes. It helps to answer questions such as:

- Is the policy producing the intended outcomes or any unintended outcomes?
- Has the policy achieved its stated objectives?
- Are there better ways of achieving these outcomes and objectives?
- Is the policy still aligned with government priorities, particularly in light of changing circumstances?
- Should the current programme be expanded, contracted or discontinued?
- Is there a case to establish new programmes?
- Can resources be allocated more efficiently by modifying a particular programme or the mix of programmes?

As outlined above, the Commonwealth Government reviews policy settings and allocates funds to priority areas through the annual Budget process. However, the



Budget focuses on incremental spending and savings decisions, with little systematic attention given to existing outlays.

In particular, insufficient attention is given to better prioritising existing spending.

This lack of transparency and scrutiny may result in less effective programmes that may not align with government priorities continuing for extended periods.

There is no systematic evaluation of expenditure programmes at Commonwealth level. The lack of an evaluation process is not to say that no reviews take place. As well as Productivity Commission inquiries, there are mechanisms like statutory reviews, parliamentary inquiries and ad hoc policy reviews.

However, evaluation is ad hoc, depending on priorities in individual agencies and the quality of information is variable.

For example, the Australian Aid Programme has included comprehensive evaluation for a number of years. Other agencies also undertake evaluations, but much of the resulting information is held in-house and not made widely available.

Conducting evaluations is not an end in itself. While they are useful for ongoing programme management, their limited visibility in the Budget process demonstrates those now undertaken are not used to potential.

Systematic and rigorous evaluation would improve the evidence base for future decision-making and contribute to improved government performance and transparency.

Linking evaluation to the Budget process has a number of advantages. It ensures relevant performance information is available at the point at which funding is committed. It also ensures ministerial decisions to expand programmes, or reallocate funds are better informed by evidence.

Evaluations do more than identify under-performing programmes to achieve savings. They also provide a mechanism to improve outcomes by identifying what has worked well, and determining how existing programmes can be more efficient and effective.

Integrating programme evaluations in the Budget process is a priority, but one which requires careful management.

Introducing a new, potentially onerous evaluation requirement into an already congested process would be counterproductive if agencies saw it as little more than a compliance exercise.

Ultimately, the success of an evaluation process depends on the appetite of ministers for rigorous assessments of programme effectiveness, and, importantly, their willingness to act on results.

A joint evaluation model, involving central and line agencies, operated in Australia between 1987 and 1997.

Under this process there was a formal requirement for all programmes to be evaluated every three to five years. Each portfolio was required to prepare an annual portfolio evaluation plan and all new policy proposals needed to include a statement regarding arrangements for future evaluations. The process was also intended to provide formal evidence of programme managers' oversight and management of resources.

The model was considered reasonably successful but had shortcomings. As well as being resource intensive, many agencies regarded it as an external impost rather than a tool to improve policy-making. The quality of evaluations also varied markedly.

This experience highlights two key challenges:

- Evaluation is a highly resource-intensive activity, requiring an intimate knowledge of programme design and operation.
- The need to ensure evaluations are rigorous.

Given their prime responsibility for the management of programmes, portfolio agencies are best placed to perform evaluations. Evaluation should be a normal part of day-to-day policy development and programme design. This includes determining up-front how a new programme is to be evaluated, and ensuring appropriate data is collected to enable an assessment.

That said, portfolio agencies may lack a whole-of-government perspective on individual programmes they manage. They also need to manage the influence of vested interests and other stakeholders who would directly benefit from continuation of the programme.

As such, central agencies, such as the Department of Finance, have a key role in ensuring the success of a whole-of-government evaluation framework.

The evaluation process needs to be supported by all parties. It should not place an overly onerous burden on portfolio agencies, but should still meet whole-of-government performance objectives. Appropriate incentives, and also sanctions where necessary, should exist to encourage and support agency engagement.

## **Integrating programme evaluation into ministerial decision-making**

The Commission considers there is a pressing need to improve programme evaluation practices at the Commonwealth level.

Greater scrutiny of programme performance and effectiveness and continuing appropriateness is achievable through three discrete measures:

1. Incorporating new mandatory programme evaluation arrangements into the annual Budget processes.
2. Revamping the system of strategic reviews of selected programmes.
3. A new rolling process of comprehensive Portfolio Agency Audits of selected agencies.

## **New programme evaluations**

The Commission proposes requiring portfolio ministers to produce an annual evaluation plan, covering existing and scheduled evaluation activity over a four-year period. These plans would not be large, but would include basic details describing programmes and setting out an evaluation timeline.

Evaluation plans would be part of portfolio budget submissions. Programme evaluations would be provided to the Department of Finance on completion. Ideally, this would occur well before portfolio budget submissions are submitted.

Portfolio ministers should report on the results of the evaluation activity — that is on the effectiveness of their programmes — in budget submissions.

The Department of Finance would play a key role by providing guidance material and assistance to line agencies. This would include developing and issuing detailed evaluation guidelines that outline how to assess the appropriateness, efficiency and effectiveness of programmes.

Where agencies consistently fail to produce sufficiently rigorous evaluations, the Treasurer and Minister for Finance may choose to subject the portfolio's programme or the entire portfolio to a strategic review or a Portfolio Agency Audit (as detailed below).

Central agencies would continue to use standard budget and policy processes (such as briefing the Expenditure Review Committee) to advise ministers regarding the quality of evaluations brought forward and the implications of evaluation results for budget deliberations.

### **Recommendation 10: Programme evaluation – systematic reviews as part of the Budget process**

There is no systematic evaluation of programmes at the Commonwealth level. The Commission recommends that new arrangements be introduced to ensure that existing programmes are routinely assessed as part of the Budget process by:

- a. the Department of Finance developing and publishing detailed evaluation guidelines which will help all agencies to assess the appropriateness, efficiency and effectiveness of government programmes;
- b. introducing a mandatory requirement as part of the annual Budget requiring agencies, in consultation with the Department of Finance, to prepare and submit evaluation plans in portfolio budget submissions, which are to include a schedule of planned and existing programme evaluation activity over the next four years;
  - i. with final evaluation reports being provided to the Department of Finance on completion; and
  - ii. portfolio ministers reporting to Cabinet each year in their annual portfolio budget submissions on the results of the evaluation activity detailed in their evaluation plans, attaching completed evaluation reports.

### **Strategic reviews**

Given the resource intensive nature of evaluating ‘base’ expenditure, the process outlined above is selective rather than a comprehensive assessment of all government expenditure.

Government activity continues to grow in complexity and breadth with some activities cutting across portfolio structures. Current examples include Indigenous policy and welfare reform.

A performance monitoring and evaluation system focused only at the entity level would not effectively assess cross portfolio activities and issues.

In such instances the Department of Finance could undertake a small number (around six) of strategic reviews each year, from a central agency perspective. While Finance would lead these reviews they would be conducted jointly with the portfolio agency, to draw on its programme specific knowledge and policy views.

The reviews would holistically examine groups of programmes, rather than achieve savings as a prime objective. For example, they could focus on areas not reviewed for a long period; ones with emerging policy issues; major or fast-growing expenditure areas; or those seen as needing reform.

As well as examining appropriateness, effectiveness and efficiency, the reviews would provide an opportunity to ensure programmes align with government priorities.

The strategic review process could build on, or re-visit, evaluations performed by the portfolio agency. As described above, this could include instances where evaluations by the responsible agency do not meet expectations for rigour and/or timeliness.

The strategic review process would also provide government with a level of assurance that a larger proportion of activity is regularly reviewed.

To ensure a whole-of-government focus, Cabinet could endorse the forward schedule of strategic reviews. The Minister for Finance would bring forward the results and any recommendations as part of the annual Budget process. To drive outcomes, agency heads would be responsible for implementing recommendations agreed by Government.

Government would still have the flexibility to commission discrete policy reviews of particular policy areas or programmes (for example through referral to the Productivity Commission).

#### **Recommendation 11: Programme evaluation – rolling strategic reviews of major spending programmes**

Government programmes continue to grow in complexity and breadth, with some activities cutting across portfolio structures. To strategically assess government activity the Commission recommends:

- a. the Department of Finance conduct around six rolling strategic reviews each year on existing government expenditure programmes, with:
  - i. the reviews to be conducted jointly with responsible agencies;
  - ii. results and any recommendations to be brought forward by the Minister for Finance as part of the annual Budget process; and
  - iii. agency heads to be responsible for implementing recommendations agreed by government.

## Portfolio Agency Audits

Australian Government agencies operate in a highly-devolved financial and management framework.

In the main, agencies employ and manage their own staff and their performance, commit Commonwealth funds through their own spending, as well as administer programmes on a day-to-day basis. Agencies have some flexibility to reallocate funds between programmes while still delivering high-level policy outcomes.

The Commission supports this ‘devolved’ model which ‘lets managers manage’ by making departmental secretaries and individual agencies responsible for their organisation’s mission.

However, the devolved model relies on ‘transparency about results’ – hence the emphasis on assessing and evaluating the performance of programmes (above).

To complement programme evaluation, the Commission recommends the Government implement a separate process to independently and comprehensively ‘audit’ the operations of selected portfolio agencies. The audits would improve performance by introducing external, objective scrutiny of an agency’s operations.

A Portfolio Agency Audit would differ in focus and scope from ongoing programme evaluations or strategic reviews. It would be a full-scale review, including a full assessment of the efficiency and effectiveness of a portfolio agency in achieving its mission.

As such it would take a detailed look at an agency’s departmental expenditure, the structure of its operations and its ability to achieve results. This may include examining its strategic focus, organisational capability, governance structures and risk management, as well as workforce planning, staff performance management and cost control.

It is envisaged that these agency audits will be led either by an independent person or panel or by the Department of Finance. Depending on the agency being audited this could include current or former senior public servants, external consultants and/or academics.

The results of the audits and any recommendations would be presented to both the relevant portfolio minister and the Minister for Finance. It should also be considered as part of the annual Budget process. To ensure improved performance, the head of the agency would be responsible for implementing recommendations agreed by government.

The Commission notes that the Government has committed to appoint a high-profile team to undertake a first-principles review of the structure of the Defence Department and all its major processes.

The focus of the review will be on achieving more streamlined and less bureaucratic decision-making. Key aims will be to bolster ministerial control, reduce waste, speed up decision-making and restore authority to the commanders responsible for delivering war-fighting capabilities.

A review along these lines for the Department of Defence would be consistent with the type of rolling agency audit that the Commission is proposing. As such, the Commission recommends that the Department of Defence could be the subject of the first Portfolio Agency Audit, led by a suitably qualified and independent person or panel.

#### **Recommendation 12: Performance evaluation – rolling ‘audits’ of agencies**

The performance of individual government agencies is central to delivering effective and efficient government. The Commission recommends:

- a. a small number of rolling Portfolio Agency Audits be undertaken each year, led by an independent person or panel, or the Department of Finance, to comprehensively assess efficiency and effectiveness across all aspects of an agency’s operations, programmes and administration, with:
  - i. results and any recommendations to be presented to the portfolio minister and the Minister for Finance, and considered as part of the annual Budget process; and
  - ii. agency heads to be responsible for implementing recommendations agreed by government; and
- b. that the Department of Defence be the subject of the first Portfolio Agency Audit, led by an independent person or panel.

### **3.4 Potential for clearer delineation between policy and service delivery**

The Commission was asked to examine the potential for a clearer delineation of responsibilities for policy and service delivery at the Commonwealth level. It has also examined connections between the two.

As highlighted in the Commission's Phase One Report, the activities of government typically extend across policy and delivery functions, where policy is about deciding what to do, and delivery is doing it.

As a rule, the Commission considers portfolio departments should undertake policy development, while agencies for the most part should deliver programmes and services.

Between the categories of policy and service delivery choices need to be made about how things get done.

At the Commonwealth level, most service delivery functions have already been separated from policy functions. For example, the Department of Human Services now delivers Medicare, Centrelink, and Child Support services as well as a range of income support services on behalf of social policy departments.

Policy advice on tax revenue is undertaken by the Treasury, while the Australian Taxation Office collects revenue. There is also a range of delivery agencies and third party providers delivering services such as financial regulation, telecommunications, health, disability and employment services.

The Commission's Phase One Report recommended further separation between policy and delivery functions in some areas, including the establishment of a separate border protection agency and potentially outsourcing visa processing.

The challenge, therefore, lies not so much in the separation of policy and delivery, which already exists, but in working out how to connect them more effectively.

For the policymaker, this is about effective processes of implementation, so that those charged with delivery are more responsive to policy. For the front line public service manager, however, it is about more effective processes of consultation, so that policymakers have a more realistic understanding of what their proposals will mean in practice. Front line managers would also argue for simpler policies that are less prescriptive and change less often.

The Commission considers the interface between policy and service delivery needs to improve. There are opportunities to rethink the way services are commissioned. There is scope to improve communication between policy departments and service delivery



agencies. There is also untapped potential to use data analytics and randomised controlled trials on the ground to inform policy choices early in the policy process.

### **The separation of policy and delivery in social services**

The clearest example of the delineation of policy and delivery functions at the Commonwealth level is the separation of social policy from the delivery of social services.

The current delivery arrangements had their origins in the creation of Centrelink in 1997. Centrelink was established as a statutory agency within the social security portfolio, with responsibility for delivering services and benefits to unemployed Australians and social welfare recipients.

Centrelink was not set up as a budget-funded agency. Rather it was funded directly by the organisations for which it delivered services. As its funding came principally from those departments and agencies, each organisation negotiated a purchase price for the services Centrelink agreed to provide using resources appropriated in the Budget.

These purchaser-provider arrangements were governed by negotiated contractual agreements with each department. Centrelink was required to report to its client departments on its performance against a series of detailed indicators.

In 2004 the Department of Human Services was established, bringing together a range of service delivery agencies, including Centrelink, Medicare, Health Services Australia and the Child Support Agency to improve service delivery arrangements.

The Human Services portfolio was created partly in response to the Uhrig review of corporate governance of statutory authorities and office holders. The direct purchaser-provider model, and independent board were replaced by more traditional governance arrangements. The heads of four of the service delivery agencies (Medicare Australia, Centrelink, Health Services Australia and Australian Hearing) then reported directly to the Minister through the Secretary of the Department of Human Services.

In 2011 the former Human Services agencies — Centrelink and Medicare — were integrated into the Department of Human Services, bringing together the department's frontline service delivery networks into a single customer facing network.

### **Overlaps between policy and delivery**

In some organisations, the line between policy and delivery is not clear. This is a claim often made in respect of national regulators. There are perceptions that some regulators consistently seek to extend the law in addition to enforcing it.

For example, several national regulators in the food and grocery sector are able to make and enforce rules resulting in the potential for regulatory activism: the ability to expand the range of activities to be regulated and to create their own work programme.

The Australian Competition and Consumer Commission will often test the law (including Australian Consumer Law) by taking on legal cases where the outcome is less certain. The fact that this organisation has incurred operating losses partly reflects this strategy. There have been significant financial impacts when unsuccessful court cases result in costs being awarded against the Commission.

Regulatory agencies, as well as other service delivery entities, should confine their functions to administering agreed policy.

This should not, however, prevent regulators and other service delivery agencies from exercising the discretion required to adopt appropriate risk management strategies and from providing feedback to the relevant portfolio department on policy shortcomings or any impediments, or opportunities, to enhance service delivery arrangements.

### **‘Commissioning’ of services**

Governments have a variety of instruments to implement policy – direct delivery, contracts and grants, loans and loan guarantees, taxes and tax expenditures and market design and regulation.

Which of these is best, and thus how the relationship between policy and implementation should be constructed and navigated, will depend on the circumstances.

A ‘commissioning’ arrangement has the potential to improve aspects of the traditional relationship between policy and delivery.

Commissioning is the process through which providers are granted authority to deliver services designed to meet specified social and economic outcomes. It is a relatively new concept in public administration, having been developed over the past decade or more in the United Kingdom.

The process of commissioning involves identifying and prioritising outcomes, and designing measurable performance objectives that will inform government whether outcomes are being met and whether they are being delivered in an effective and efficient manner. In many regards it is a ‘localised’ version of the programme accountability framework outlined in Section 3.3 above.

A key challenge in commissioning public services is the specification of outcomes and the design of performance measures that serve as appropriate surrogates for them. Governments face a number of difficulties in doing this:

- The temptation to adopt multiple and sometimes inconsistent outcomes as a way of attracting broader support for new initiatives.
- The difficulties involved in getting governments to settle on (and persist with) a relatively small number of priorities.
- The inclination to assign additional responsibilities to an agency that is doing a good job of delivering its existing outcomes.
- The challenges involved in specifying social outcomes in a manner that is independently observable and objectively measurable.
- The well-recognised challenges involved in finding suitable measures for many social outcomes.

By specifying outcomes or high level outputs, rather than processes or inputs, performance measurement can be employed in a way that gives the providers of services the room and incentive to innovate.

One advantage of a commissioning approach is it better ensures services are fit for purpose and that they are delivered in a timely and cost effective way. It can be a tool for challenging policy makers to ensure they have clarified the outcomes that programmes and policies are meant to achieve.

Often policy and commissioning functions are collated in the same organisation. In some cases it will be difficult to draw a clear boundary between the two functions – both policymakers and commissioners may have responsibility for aspects of system design and development.

In other cases services should be commissioned through an iterative process, weighing up the intended outcomes, the ease of implementation and affordability through repeated rounds of development and re-assessment. This can lead to innovation, as tends to happen in the private sector.

This iterative approach may be best achieved by separating commissioning and policy functions to give those doing the commissioning more freedom to innovate outside the traditional, slow moving policy cycle.

Many departments currently undertake substantial programme administration and implementation work, such as contract management, grant administration and performance monitoring within policy teams. Not only could commissioning be

improved by separating and grouping these functions, but economies of scale could be achieved by grouping similar administrative activities. Policy teams may also benefit from spending less time on day-to-day administration, and more time on policy analysis.

The Commission considers that commissioning should be improved in the Australian Public Service through a combination of measures, including strengthening the role of the Cabinet Implementation Unit that currently exists within the Department of the Prime Minister and Cabinet, and by building commissioning expertise within departments and agencies.

### **Implementation planning and commissioning**

The Cabinet Implementation Unit was established in 2003 to report to Cabinet on progress with the implementation of Cabinet priorities. Where implementation problems were identified they were brought to the Cabinet's attention and the Unit worked with agencies on remediation planning.

In recent years the Cabinet Implementation Unit has maintained regular Cabinet reporting, while taking an active role in advising departments on implementation planning early in the policy process. This has involved:

- assessing all submissions and new policy proposals going to the Cabinet for implementation and delivery issues planning;
- building capability across the Australian Public Service on implementation planning through training and the development of guides; and
- maintaining an implementation network for senior executives to share implementation and delivery experiences.

The Commission sees merit in the Cabinet Implementation Unit taking a strong role in working with policy departments in the design of outcomes, outputs and contracting arrangements with providers to strengthen departments' capacity in this area. It should continue to drive performance and ensure targets remain prominent, particularly given the delivery challenges faced by agencies and the lag between policy decisions and outcomes on the ground.

### **Stronger links between policy and delivery**

For those tasked with the delivery of front line public services, a significant gap often exists between policy and delivery. The world imagined by policymakers rarely resembles the world experienced by those who deliver services day-to-day.

Front line managers often report that they are consulted late in the process, once policy development has been largely completed and there is insufficient time for effective feedback. Also policy agencies are not always receptive to advice from the front line.

For example, the recent Capability Review of the Treasury noted that stakeholders described Treasury officers as dismissive of the expertise of line agencies or business. Instead, they tend to revert to first principles to build an understanding from scratch.

This deficiency is not limited to Treasury. It is evident that significant cultural change is required and that policymakers should be more prepared to learn from and access the 'lived experience' of front line workers. Practical issues around delivery should be built in to the foundations of policy design.

Opportunities to improve the interaction between policy and delivery include:

- encouraging mobility and exchange between sectors;
- providing avenues for interaction between policy and service delivery networks;
- undertaking analysis and providing mechanisms to take greater account of provider views;
- collecting information on user experience; and
- better programme evaluation.

A mandatory rotation programme for new graduates in the Australian Public Service has the potential to address some of these issues. Most departments and agencies provide graduate recruits with two or three work rotations within the organisation during their first year. Graduates in policy departments should be provided with an opportunity for a rotation in a front line delivery role, and vice versa. Over time this will help to build networks and a better understanding between organisations.

Effective programme evaluation mechanisms, which involve both policy and service delivery agencies testing the efficacy of a proposed intervention and alternative approaches, are particularly important. As recommended in the Phase One Report, government should improve its use of data and data analytics to achieve these goals. In particular, there is potential to make greater use of randomised controlled trials to test delivery outcomes and inform policy development.

Randomised controlled trials are used extensively in medical research and international development, but they are not used widely in areas such as social policy, even though the administrative data and systems are often already in place.

The Commission sees merit in making greater use of randomised controlled trials to help support links between policy and service delivery agencies and to improve outcomes, for example, in relation to services to disadvantaged populations such as Indigenous Australians.

**Recommendation 13: Clearer delineation between policy and service delivery**

At the Commonwealth level, most service delivery functions have already been separated from policy functions. However, the Commission has identified a number of opportunities to better connect policy with service delivery:

- a. regulatory and service delivery entities should confine their functions to administering agreed policy, but should not be prevented from providing feedback to the relevant policy department on ways to enhance service delivery arrangements which go beyond their delivery mandate;
- b. implementation and 'commissioning' capabilities across government should be improved with a strengthened role for the Cabinet Implementation Unit;
- c. graduates in policy departments should be given a rotation in a front line delivery role, and vice versa as part of their graduate programmes; and
- d. greater use should be made of data analytics and randomised controlled trials to strengthen links between policy and service delivery and inform evidence-based decision-making.

# **PART C**

## 4 - Other Matters

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### 4.1 Rationalisation of remaining agencies, boards and committees

The Commission's Phase One Report highlighted the large number of Commonwealth government bodies and the potential for this to contribute to duplication and overlap, unnecessary complexity, inefficiencies and a lack of accountability within government. In light of this, the Commission recommended that each department reassess all bodies within its portfolio with a view to reducing their number and associated overheads.

In the Phase One Report the Commission focussed on 194 principal Commonwealth bodies that operate under the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*, and recommended action of some form in relation to 99 of these bodies.

As part of further deliberations, the Commission has recommended action on three more principal bodies, bringing the total recommended actions for principal bodies to 102.

The lack of a central register of government bodies has made it difficult for the Commission to compile an accurate and complete list.

Nevertheless, in addition to the 194 principal bodies, the Commission has identified 696 non-principal bodies that exist at the Commonwealth level (including councils, boards and committees) based on information provided by departments and through other research undertaken.

In examining the potential for rationalisation of these non-principal bodies, the Commission was guided by the Principles of Good Government, along with the propositions that:

- the Commonwealth should consider withdrawing from activities outside its areas of core responsibilities;
- portfolio departments should undertake policy work, while agencies should deliver programmes and services;
- as far as practicable, bodies should be incorporated into the portfolio department;
- organisations and bodies should have clear accountability and focus, with defined roles and performance management measures; and
- the need for independence alone does not justify the establishment of a new operational body.



## Non-principal bodies

The 696 non-principal bodies identified by the Commission have been assessed against the criteria outlined above.

Of these, the Commission recommends that 482 non-principal bodies be considered for abolition, amalgamation, transformation or assessment. The recommended actions are summarised, alongside the recommended actions for principal bodies from the Phase One Report, in Table 4.1 below.

The 482 non-principal bodies identified as warranting attention represent 69 per cent of the total number of identified non-principal Commonwealth bodies. Details of the recommended actions are outlined in Annex B to this report and in the detailed volume of appendices.

**Table 4.1: Bodies identified for rationalisation or other action**

Action to be taken	Principal bodies	Non-principal bodies
Abolish	7	35
Merge with other bodies	35	6
Consolidate into the portfolio department	23	57
To be privatised	9	1
Review, with a view to merging, abolishing or transferring	28	383
<b>Total bodies identified for attention</b>	<b>102</b>	<b>482</b>
<b>Total bodies</b>	<b>194</b>	<b>696</b>

Source: National Commission of Audit.

## Key themes for rationalisation of non-principal bodies

The Commission's analysis of the 696 non-principal bodies has highlighted three themes that may explain why so many bodies exist. These themes are that many exist to support the 194 principal bodies; arise from Council of Australian Governments arrangements and processes; or advise government.

Some 93 non-principal bodies exist to provide support to the 194 principal bodies. For example the National Archives of Australia is supported by the National Archives of Australia Advisory Council. Similarly the Office of the Australian Information Commissioner is supported by two separate advisory committees – the Information Advisory Committee and the Privacy Advisory Committee.

The Commission's Phase One Report contained a detailed discussion on roles and responsibilities between the Commonwealth and the States as well as the complex and

often unwieldy arrangements associated with Council of Australian Governments processes.

The extent of the supporting apparatus for this is evident in that the Commission has identified 238 non-principal bodies which support and facilitate inter-jurisdictional matters, including those supporting the Council of Australian Governments or other areas of shared Commonwealth and State interest.

Of these, 109 are related to Council of Australian Governments arrangements. Further, it is likely that this figure is an understatement, as the Commission considers a number of portfolios have not fully disclosed the full extent of their involvement with Council of Australian Governments processes.

In its Phase One Report, the Commission emphasised the extent of duplication and overlap between the Commonwealth and the States and has recommended that a thorough reassessment of roles and responsibilities across levels of government be undertaken as a matter of urgency.

The need for many of the bodies associated with Council of Australian Government processes should be reassessed as part of the Commission's proposals for reforming the Federation.

The Commission has identified 314 non-principal bodies which operate in an advisory capacity. It is of course appropriate for the government to seek the views of stakeholders and obtain advice from experts outside of government. However, harnessing expertise and advice should be core business for departments which does not necessitate dedicated bodies.

The existence of an advisory body adds an additional layer of participation and administrative overhead, which needs to be balanced against the efficiency and effectiveness of obtaining this advice and guidance. The Uhrig Review of Corporate Governance of Statutory Authorities and Office Holders found the accountability of governing boards can be diminished when additional layers of participation are introduced without decision-making responsibility.

Collectively government advisory bodies consume substantial resources in the form of secretariat support, sitting fees, travel and corporate overheads.

The Commission considers substantial opportunities exist to rationalise the number of advisory bodies, including councils, advisory boards, reference groups and committees. Where the need for an advisory function remains, consolidation of this function into the portfolio department is preferred.

In addition to these key themes, within particular portfolios there are groupings of non-principal bodies that could be rationalised, outlined below.

Table 4.2 summarises the recommended actions for rationalisation of Commonwealth bodies (both principal and non-principal) by portfolio. As was the case for its Phase One recommendations, the Commission recognises further investigations and consultations may be required regarding these recommendations. Many will also be contingent on the Government adopting other recommendations of the Commission.

**Table 4.2: Commonwealth bodies by portfolio**

Portfolio	Principal bodies		Non-principal bodies	
	Total	For action	Total	For action
Agriculture	9	3	104	74
Attorney-General's	31	14	48	34
Communications	7	3	20	3
Defence	12	10	43	31
Education	7	4	27	24
Employment	10	6	9	5
Environment	11	6	58	31
Finance	9	4	3	1
Foreign Affairs	6	3	27	26
Health	22	16	66	41
Human Services	2	1	9	9
Immigration	3	3	8	2
Industry	10	3	67	40
Infrastructure and Regional Development	9	5	91	81
Parliamentary Services	4	0	0	0
Prime Minister and Cabinet	18	12	23	17
Social Services	4	0	16	10
Treasury	18	9	31	13
Veterans' Affairs	2	0	46	40
<b>Total bodies</b>	<b>194</b>	<b>102</b>	<b>696</b>	<b>482</b>

Source: National Commission of Audit.

### *Agriculture*

The Commission notes that Council of Australian Governments arrangements have led to the proliferation of 50 bodies within the Agriculture portfolio.

There are around 70 advisory bodies within this portfolio and the Commission considers their efficiency and effectiveness should be reviewed. They include the Agriculture Finance Forum, Aquaculture Committee, Australian Fisheries Management Forum, Beef Industry Advisory Committee, Forest and Wood Products Council and the Shark-Plan Representative Group.

Other bodies that should be consolidated in the Department include the Australian Landcare Council, Biosecurity Advisory Council, National Rural Advisory Council and Statutory Fishing Rights Allocation Review Panel.

The Commission considers the six selection committees established to appoint members to the boards of the corporations within the agriculture portfolio should be consolidated within the Department.

Following the recommendations in the first report to merge the Australian Pesticides and Veterinary Medicines Authority and National Industrial Chemical Notification and Assessment Scheme, the Commission recommends abolishing the Authority's advisory board and four associated committees.

### *Defence*

The Commission supports the Government's commitment to undertake a first-principles review of Defence's departmental structure and major processes. Opportunities for further rationalisation of 25 Defence non-principal bodies should be considered in this context.

The Defence Science and Technology Organisation should be assessed for its outsourcing potential.

### *Foreign Affairs*

There are 20 bodies in the Foreign Affairs and Trade Portfolio that provide advice to government on promoting bilateral relations, such as the Australia-China Council, Australia-Japan Foundation and Australia-Indonesia Institute.

Some of these bodies are established by an Order-in-Council and also oversee components of the International Relations Grants Program. Secretariat support is provided by the Department of Foreign Affairs and Trade.

The Commission recommends a review of these bodies with a view to streamlining their functions. For example, it may be appropriate for the relevant policy divisions within the Department of Foreign Affairs and Trade to be responsible for these grants.

### *Health*

Further to the Commission's Phase One recommendation to rationalise entities in the Health portfolio, including by amalgamating many into a new Health Productivity and Performance Commission, action is recommended for another 40 non-principal bodies within the portfolio. Approximately half of these actions are due to consequential impacts of Phase One recommendations.

Following on from the Commission's recommendation to streamline approvals for new drugs through the Therapeutic Goods Administration, the ongoing need for eight therapeutic goods advisory committees should be reviewed.

Subsequent to the Commission's recommendation to open up the pharmacy sector to competition, the ongoing need for four related bodies should be assessed, including the Australian Community Pharmacy Authority and the Pharmaceutical Benefits Remuneration Tribunal.

In Phase One the Commission recommended changes to the current governance and funding arrangements for the Pharmaceutical Benefits Scheme. This will have an impact on three related bodies: the Life Saving Drugs Programme Reference Group, Pharmaceutical Benefits Pricing Authority and the Pharmaceutical Benefits Advisory Committee.

There are also around nine advisory bodies in the portfolio that merit review.

### *Industry*

Of the Industry portfolio's 67 non-principal bodies around three quarters are advisory.

While the Commission acknowledges the need for technical expertise there are opportunities to reduce the number of advisory bodies in the portfolio. Some 16 should be reviewed with a view to being abolished.

In light of the Phase One recommendations regarding industry assistance and research and development, the ongoing need for Innovation Australia and its eight underlying committees and groups should also be reviewed.

The Commission has also examined the role of the Office of Spatial Policy and considers it should be abolished, with residual activities moved to the Department of Communications. Also, the Australian Industry Participation Authority could be abolished as part of the Government's deregulation agenda.

### *Infrastructure and Regional Development*

There are 55 Regional Development Australia committees within the Department of Infrastructure and Regional Development. Regional Development Committees are funded by State, Territory and local governments in some jurisdictions.

The Commonwealth appropriates approximately \$20 million for these committees, an average \$360,000 each. These committees develop regional plans, help to identify solutions that address the region's needs and hold regional forums.

For example, in 2012-13 Regional Development Australia Barossa engaged in activities such as: improving digital literacy for business, establishing a digital cluster for start up creatives, roundtables to discuss the potential of live music in the region, a region cycle route mapping project and assisting people with their resumes and job applications.

Consistent with the subsidiarity principle and the Commission's Principles of Good Government, the Commonwealth is not best placed to meet the needs of specific

regions. Accordingly, the Commission recommends that the Commonwealth withdraw its involvement in these committees and transfer responsibility to State and local governments recognising that they are better placed to address region-specific issues.

#### ***Actions for other portfolios***

Commonwealth rehabilitation services are provided through CRS Australia. The Commission recommends that CRS Australia should cease functions at the end of its current contract in mid-2015 given there is now an established market for the provision of rehabilitation services. Some of CRS Australia's allied health professionals could be transitioned to the National Disability Insurance Agency.

The Commission considers that the Education Investment Fund Advisory Board and Health and Hospitals Fund Advisory Board could be abolished following the consideration of whether to maintain the Nation-building Funds in their current form, as discussed in Chapter Two.

An international market exists for the design and manufacture of printed currency. There is merit in considering privatisation of Note Printing Australia Pty Ltd, as has also been recommended by the Commission for the Royal Australian Mint. Elsewhere in the Treasury portfolio, the Commission considers that the Australian Charities and Not-for-Profits Commission and its advisory board could be abolished, as these functions could be undertaken by the Australian Taxation Office.

The Commission recommends the Defence Services Homes Insurance Scheme and its advisory board be abolished. There is an established and competitive insurance market. There is no compelling rationale for continued government involvement in this area. Further, noting the number of advisory bodies within the Veterans' Affairs portfolio, there is merit in identifying whether opportunities exist to share the resources of other Commonwealth departments, such as the Department of Health, Department of Human Services and Department of Defence.

#### **Further actions for principal bodies**

Subsequent to the recommendation in the Phase One Report, the Commission has identified actions for four principal bodies – the Australian Public Service Commission, the Australian Government Solicitor, Comcare and Airservices Australia.

A future role for the Australian Public Service Commission is discussed in Chapter Three. The Commission recommends the office of the Public Service Commissioner be relocated to the Department of Employment. Some existing functions of the Australian Public Service Commission should also be amalgamated into that Department.

The Australian Government Solicitor houses much of the Commonwealth's expertise in areas of tied legal work, such as the Constitution, Cabinet, national security and public

international law. Under the Attorney-General's Legal Services Directions, only the Australian Government Solicitor and other tied providers are permitted to advise the government on these matters.

The Attorney-General's Department is responsible for the provision of legal advice to the Attorney-General, as Australia's first law officer, and to the government as a whole.

Recognising that the division of these responsibilities is less than ideal, the Commission considers the Department's role in the provision of coordinated and strategic advice could be substantially strengthened if the Australian Government Solicitor's functions most closely related to the core executive activities of government were consolidated into the Attorney-General's Department – namely those functions provided by the Office of General Counsel.

This would enhance the Department's capacity to fully deliver its important strategic role, and would better serve the Attorney-General and the government of the day.

The Commission notes the remainder of the Australian Government Solicitor primarily competes with the private sector in the contestable government legal services market. Consistent with the Principles of Good Government outlined in the Phase One Report, the Commission sees no compelling rationale for this. A review should occur, which establishes options to wind-up the remainder of entity, including the possible sale of the Australian Government Solicitor's client book.

In its Phase One Report, the Commission recommended that Comcare, which manages workers compensation for Commonwealth Public Sector agencies be relocated into the Department of Employment. Further to this recommendation, consideration should be given to Comcare's claims management operations being outsourced and private sector underwriting of Comcare's workers' compensation insurance scheme.

Airservices Australia retains an essential role in air traffic control and aeronautical safety. In its Phase One Report the Commission noted the potential to outsource some of its activities. Further to this, the Commission considers that an independent review be undertaken of the organisation with a particular focus on the scope of its activities as well as its planned capital expenditure programme.

### **Central register of government bodies**

The Commission's analysis of non-principal bodies reinforces the need for a central register of government bodies, as recommended in the Phase One Report.

In addition to establishing the register, which departments should continually update, the Commission advocates annual reporting by the Department of Finance.

The report would highlight new, abolished and consolidated bodies across portfolios, and the Commonwealth generally. A regular report would assist ministers, the Parliament, departments and the public to monitor where public resources are directed.

#### **Recommendation 14: Reduce the number of non-principal government bodies**

Further to the Commission's recommendations to rationalise the number of government bodies contained in its Phase One Report, the Commission recommends a significant rationalisation of the 696 non-principal government bodies, including by:

- a. taking action on 482 existing non-principal bodies by:
  - i. abolishing 35 bodies;
  - ii. merging 6 bodies;
  - iii. consolidating 57 bodies;
  - iv. privatising 1 body;
  - v. reviewing with a view to rationalising 383 bodies; and
- b. regularly reassessing the operations and continuing need for all remaining non-principal bodies.



### **Recommendation 15: Further action on principal government bodies**

Building on the recommendation in the Phase One Report, the Commission recommends action for the following principal bodies:

- a. consolidate the Australian Government Solicitor's Office of General Counsel into the Attorney-General's Department and undertake a review to establish options for the wind-up of the remainder of the entity, including possible sale of the entity's client book;
- b. the office of the Public Service Commissioner be relocated to the Department of Employment, with some existing functions of the Australian Public Service Commission also amalgamated into that department;
- c. Comcare's claims management function be outsourced and private sector underwriting of Comcare's workers' compensation insurance scheme pursued; and
- d. an independent review be undertaken of Airservices Australia with a particular focus on the scope of its activities as well as its planned capital expenditure programme.

## **4.2 Commonwealth grant programmes**

As detailed in the Commission's Phase One Report, the Commonwealth spent about \$22 billion on grants in 2012-13, across more than 500 grants programmes. This total — which excludes grants for foreign aid, grants to the States and local governments, and other scholarship grants — represented approximately 6 per cent of total Commonwealth expenditure.

In its earlier Report, the Commission recommended establishing a central register of Commonwealth grant programmes to provide transparency for potential grant applicants and to facilitate informed consideration on grant matters by decision makers.

The establishment of a more rigorous assessment process was also proposed to reduce the proliferation of new Commonwealth grant programmes. These new guidelines would require the proposing minister to demonstrate, at the approval stage:

- the need for the new grant;
- that a grant is the most appropriate mechanism;
- its relationship with existing programmes;

- why it cannot be accommodated within existing programmes; and
- whether a new model of grant development or management is appropriate or could be trialled.

In its Phase One Report the Commission also recommended 20 grants programmes be abolished. It further proposed consolidating all grants programmes with a value less than \$5 million across the forward estimates in each portfolio. Funding for grants should also be reduced by 15 per cent by 2015-16.

As part of its second phase deliberations the Commission has examined many of the remaining Commonwealth grants programmes and makes a number of further recommendations.

A summary of the total number of grants programmes by portfolio, together with their value in 2014-15 is outlined at Table 4.3 below. Taking account of the 20 grant programmes the Commission recommended abolishing, as well as the fact that a number of current programmes do not extend into the coming financial year and beyond, some 399 grant programmes remain. Their aggregate expenditure is estimated to be \$22.4 billion in 2014-15. A full list is at Annex C.

**Table 4.3: Commonwealth grants programmes by portfolio - 2014-15**

Portfolio	Number of Programmes	\$ million
Agriculture	12	24.8
Attorney-General's	28	410.5
Communications	2	3.8
Defence	10	100.3
Education	63	8,703.7
Employment	5	11.0
Environment	10	312.0
Finance	8	1.2
Foreign Affairs and Trade	2	16.7
Health	117	3,215.2
Immigration and Border Protection	1	0.1
Industry	31	1,388.8
Infrastructure and Regional Development	15	4,337.8
Prime Minister and Cabinet	45	1,136.7
Social Services	36	2,689.9
Treasury	7	4.8
Veterans' Affairs	7	9.9
<b>Total</b>	<b>399</b>	<b>22,367.2</b>

Source: National Commission of Audit.

The largest 50 programmes account for more than 85 per cent of total Commonwealth expenditure on grants. These programmes are all over \$50 million per year.

In contrast there are 227 grant programmes involving annual expenditure of less than \$5 million. These grants account for around \$350 million or 1.5 per cent of total grant expenditure.

The main categories of grants are in the areas of Indigenous affairs, health, schools, social services, mental health, industry assistance, vocational education and training, and infrastructure. They account for approximately 60 per cent of the number of grants.

Of the \$22.4 billion of grant programmes in place for 2014-15, the Commission has been advised that commitments or contracts are in place for a significant number (around 40 to 50 per cent of grants).

The Commission has nonetheless undertaken a further examination of the 399 remaining grants programmes and notes substantial opportunities to pursue a further rationalisation of programmes.

Options available to rationalise existing grants programmes include:

- merging existing grants programmes;
- ceasing grants programmes; and
- transferring responsibility for grants programmes to the States.

A discussion of the Commission's findings is outlined below.

### **Merge grants programmes**

In many instances a large number of grants programmes are directed towards a single common area. These include:

- Indigenous matters – 76 different programmes, involving aggregate expenditure of \$1.8 billion in 2014-15;
- health issues – 54 different programmes, involving aggregate expenditure of \$1.0 billion;
- schools-related grants – 28 different programmes, involving aggregate expenditure of \$230 million;
- mental health matters – 21 different programmes, involving aggregate expenditure of \$503 million; and
- infrastructure – 15 different grants, involving aggregate expenditure of \$4.3 billion.

As outlined in the Commission's Phase One Report, broad-banding grants programmes could significantly reduce the administrative and compliance burden and lead to better outcomes.

For example, consolidating the 20 or so mental health grants programmes could lead to the \$500 million allocated to the area being better spent. This should be a priority for the current review of mental health services and programmes due to report in November 2014.

Likewise, there should be a comprehensive assessment of grant programmes relating to Indigenous matters. As outlined in the Commission's Phase One Report, there are too many disparate and fragmented Commonwealth Indigenous programmes and there is significant scope for consolidation and rationalisation. This must extend to Indigenous-specific grants programmes.

The Commission has also recommended the establishment of a Health Productivity and Performance Commission arising from the rationalisation of a number of existing Commonwealth health bodies. This new body should assess the efficacy of the 54 health-related grants programmes and assess opportunities to better use associated funding.

### **Cease grants programmes**

In identifying other Commonwealth grants programmes that could be abolished the Commission has focused on the larger programmes – the 172 which spent more than \$5 million in 2014-15.

Table 4.4 sets out 14 programmes, accounting for around \$330 million, which should be abolished. Taking into account funds already committed (estimated to be about 40 per cent) their abolition could deliver an annual saving of some \$200 million. Annual savings of a similar magnitude could be expected over the remainder of the forward estimates period.

**Table 4.4: Grant programmes identified for cessation**

Agency Name	Grant Programme Name	2014-15 \$m
Department of Social Services	Financial Management Program	104.9
Department of Industry	Clean Technology Programs - Industry	78.3
Department of Infrastructure	Community Infrastructure Grants Program	29.5
Australian Research Council	Linkage – Industrial Transformation Research Program	20.3
Attorney-General's Department	International Films Incentive Payments	20.0
Attorney-General's Department	National Crime Prevention Fund	19.0
Tourism Australia	Tourism Industry Regional Development Fund	12.1
Department of Industry	Automotive New Markets Initiative	9.9
Department of Education	Improving Educational Outcomes	9.8
Department of the Environment	Australian Climate Change Science Program	7.8
Department of Education	School Education Reforms Implementation	5.6
Department of Education	Australian Institute for Teaching and School Leadership	5.5
Defence Materiel Organisation	Skilling Australia Defence Industry Program	5.3
Department of the Prime Minister and Cabinet	National Congress of Australia's First Peoples	5.0
<b>Total</b>		<b>333.0</b>

Source: National Commission of Audit.

The **Financial Management Program** provides some \$100 million to fund financial counselling, money management, emergency relief, retirement information services and the Home Energy Saver Scheme. Around \$6 million funds the Gambling Help Online (funding is scheduled to expire on 30 June 2015).

While the funding for problem gambling should continue, there should be a re-assessment of the remaining programmes' structures and delivery. Some State and local governments provide these or similar services.

The **Clean Technology Programs** comprise the Clean Technology Investment programme, the Clean Technology Food and Foundries programme and the Clean Technology Innovation programme. Designed in the context of rising energy prices associated with the carbon tax, these programmes provide competitive merit-based grants to assist manufacturing businesses to invest in energy efficient capital equipment and low emissions technologies, processes and products. The Government has decided to discontinue the Clean Technology programmes as part of the package to repeal the carbon tax.

The **Community Infrastructure Grants Program** involves funding projects for construction or upgrade of local sport, arts, recreation and community infrastructure, identified by local communities as priorities.

While these grants may well serve a useful community purpose it is not clear that the Commonwealth Government should be involved. Under the Commission's Principles of Good Government, as far as practicable, policy and services should be delivered by the level of government closest to the beneficiaries to allow programmes to be tailored to meet community needs. Moreover, the Commission understands this programme has significant uncommitted funding, some of which has been in place since 2010.

The **Industrial Transformation Research Program** funds the creation of research hubs and research training centres. The programme has up to four rounds a year. The Commission understands the Australian Research Council has diverted funding from this programme towards other priorities, due to low demand for the scheme. It should be abolished.

**International Films Incentive Payments** programme provides a subsidy to attract international screen productions to Australia. The continued funding of this grants programme should cease, consistent with the Commission's recommendation in its Phase One Report to limit industry assistance to areas of genuine market failure.

The **National Crime Prevention Fund** provides grants to enhance community safety, such as closed circuit television systems and supports projects aimed at young people at risk of engaging in street crime. While the objectives of this scheme are likely well intentioned, States have prime responsibility for local policing and crime prevention.

The **Tourism Industry Regional Development Fund** programme supports investment in tourism-related accommodation, infrastructure, experience and facilities. The aim of this programme is to attract tourists to regional areas and encourage them to stay for longer, and in doing so provide jobs, investment and growth in regional Australia.

Most of the benefits accrue to tourism operators.

The continued funding of this grants programme should cease, consistent with the Commission's recommendation in its Phase One Report to limit industry assistance to areas of genuine market failure.

The **Automotive New Markets Initiative** programme provides \$28.2 million over three years for grants to Australian automotive supply chain companies to broaden their customer and product base, both domestically and internationally. Additional Commonwealth funding of \$10 million was provided in May 2013 in response to Ford's announcement that it will cease manufacturing in Australia from 2016.

This grants programme should cease, consistent with the Commission's recommendation to limit industry assistance to areas of genuine market failure.

The **Improving Educational Outcomes** programme was published in the 2013 Pre-Election Economic and Fiscal Outlook as a fund available for unspecified activities

related to improving educational outcomes. Without the necessary transparency it is not clear whether funding associated with this grants programme meets the Commission's Principles of Good Government including assured value for money.

The **Australian Climate Change Science Program** provides \$31.6 million over four years to support research by the CSIRO, the Bureau of Meteorology, the Antarctic Climate and Ecosystems Cooperative Research Centre, the Centre for Excellence for Climate Change Science and the Australian Academy of Science on the causes, nature, timing and consequences of climate change for Australia and the region. Between them, the agencies and organisations funded by the programme already receive significant direct Commonwealth funding and would be in a position to fund climate change science activities through their existing resources. These funds should be returned to the Budget or allocated to priority areas.

Funding of \$11.0 million over two years from 2015-16 is under consideration for the **Australian Institute for Teaching and School Leadership**, to assist with activities relating to quality teaching and school leadership. A further \$14.2 million supports the Australian Institute for Teaching and School Leadership through two separate grants: the development of national reforms to support quality teaching and school leadership; and, to develop resources that will help build Asia-relevant capability, such as training modules and resources for Asian language teachers.

Given the States' prime responsibility for school education the Commission recommended in its Phase One Report abolishing the Australian Institute for Teaching and School Leadership. Continued funding for it and associated grants programmes should not be continued.

Since 2005 the **Skilling Australia Defence Industry Program** has provided funding to improve the quality and quantity of skills training in businesses that could seek defence contracts. The continued funding of this grants programme should cease, consistent with the Commission's recommendation in its Phase One Report to limit industry assistance to areas of genuine market failure.

The Indigenous Capability and Development – **National Congress of Australia's First Peoples** programme provides for a funding agreement with the National Congress of Australia's First Peoples, valued at \$15.0 million over three years from 2014-15. The Congress is intended to act as a representative voice for Indigenous people and provide advice to government on national strategic matters that affect Indigenous people.

The Commission understands that the Congress represents a very small proportion of the adult Indigenous population (less than 5 per cent) and a significant amount of funding is unspent. The Commission's Phase One Report suggested that funding support for the National Congress be discontinued given it duplicates existing Indigenous

representative bodies. Any savings should be redirected into the new Indigenous education voucher program recommended by the Commission in its Phase One Report.

In addition to the 14 grants programmes identified above for abolition — all of which involve spending of more than \$5 million — the Commission has identified many smaller programmes that portfolio agencies could consolidate or rationalise.

Although these smaller grants programmes may appear worthy, it is not consistent with the Commission's principles to justify spending taxpayers' dollars on them.

For example, the grant programme Leveraging Australia's Expat Platform provides \$2.8 million to support a global network of more than 20,000 expatriate Australians. While it is likely the network has benefits, expatriate Australians and other private sector interests should fully fund the programme if it is to continue.

Similarly, the Keys2Drive programme that subsidises driving lessons, the Digital Business Kits programme, Musos in Residence, and other programmes have popular appeal. However, spending on lower priorities and in areas that fall outside the Commonwealth's responsibility should be resisted.

### **Transfer grants programmes to the States**

The Commission also recommends transferring to the States a number of schools-related grant programmes.

The **School Improvement Support Funding** programme for both Independent and Catholic schools provides \$100 million and \$54.7 million respectively to assist them implement various education reforms.

**Teach for Australia** places high achieving non-teaching graduates in disadvantaged secondary schools for two years while they complete a postgraduate qualification in teaching.

Transferring these grants programmes is consistent with the Commission's recommendations in its Phase One Report that the States should have policy and funding responsibility for government and non-government schools.



### **Recommendation 16: Commonwealth grant programmes**

Further to the Commission's recommendations to improve the administration of grant programmes, including through the establishment of a central register of grants, the Commission recommends that:

- a. all agencies undertake a comprehensive assessment of all existing grants programmes to identify grants programmes that can be merged, abolished and transferred to the States. This assessment should inform the 2015-16 Budget;
- b. that priority be given to broad-banding or merging existing grants programmes in the areas of Indigenous affairs, health and mental health and those that are schools-related with a view to achieving significant administrative savings; and
- c. in addition to the specific grants programmes identified for abolition in its Phase One Report that a further 14 grants programmes identified be abolished.

### **4.3 Further savings in other Commonwealth spending areas**

The Commission's Phase One Report focused on the Commonwealth's 15 largest and fast growing programmes as well as a number of other large spending areas including reforming general revenue assistance to the States; options to place military superannuation arrangements on a more sustainable financial footing; and other potential savings options.

With further investigation, the Commission has reviewed around 95 per cent of total Commonwealth outlays.

After excluding spending related to tax expenditures; terminating programmes; and programmes for which there are limited direct policy levers such as public debt interest, the Commission has identified scope to reform a number of social welfare programmes and local government initiatives.

#### **Parenting Payment Single**

Parenting Payment Single provides important support to sole parents with young children, recognising their reduced capacity to work. Parenting Payment Single was historically linked to the Age and other pensions. Until changes were made to the Age and Disability Support Pensions and Carer Payment as part of the *Secure and Sustainable Pensions* reforms in 2009, the rates and income tests were the same.

The maximum rate of Parenting Payment Single (currently \$725.10 per fortnight including the Pension and Clean Energy Supplements) is indexed twice a year by CPI. The rate is also benchmarked to 25 per cent of Male Total Average Weekly Earnings.

The maximum rate of the payment is now around \$120 lower than the pensions per fortnight (including supplements), but still maintains some similar characteristics. Historically, pension rates have been set with regard to community standards by indexing the rate of payment by wages rather than simply maintaining its value in real terms. This ensures that a pensioner's standard of living continues to have some reference to the incomes of the broader community.

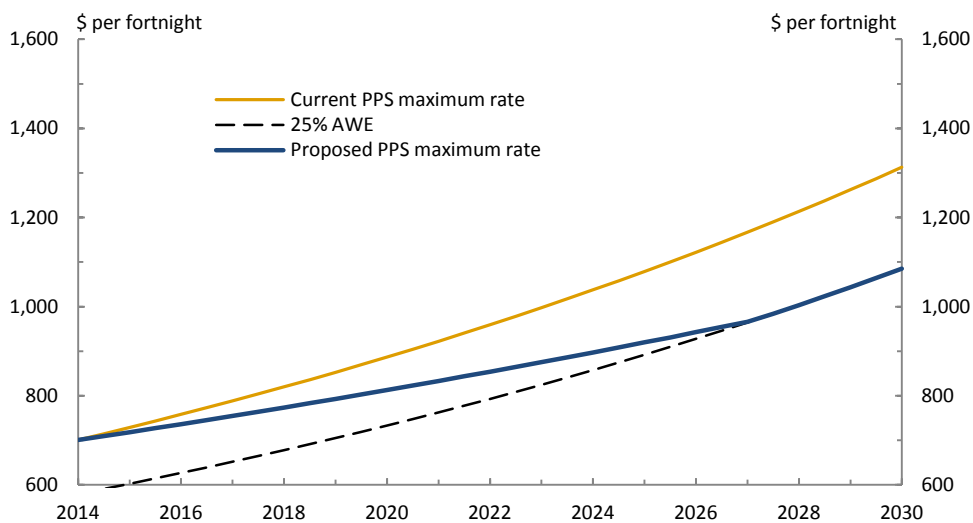
The policy rationale for using Male Total Average Weekly Earnings as a benchmark is weak as the increase in female labour force participation means a wage measure covering only males is an anachronism in the context of contemporary Australia. Average Weekly Earnings is a more appropriate benchmark for payments, given that women are a major part of the labour force. Benchmarking to Average Weekly Earnings still recognises that pensions should have regard to community standards through benchmarking to wages.

In the Phase One Report the Commission recommended that the maximum base rate of the Age and Disability Support Pensions and Carer Payment be changed over time to be equal to, and then grow in line with, 28 per cent of Average Weekly Earnings. Consistent with this recommendation, it is also recommended that the benchmark for Parenting Payment Single be changed to 25 per cent of Average Weekly Earnings.

The re-alignment over time could be achieved by indexing the current maximum rate of Parenting Payment Single by CPI until it reaches the new benchmark.

As shown in Chart 4.1 below, on current trends the transition can be expected to be completed by around 2027-28 (in just under 15 years time). The proposed transition to the new arrangements will mean that although sole parents' payment will be less than it otherwise would be, it will not fall in either real or nominal terms.

**Chart 4.1: Transition to new Parenting Payment Single benchmark**



Source: National Commission of Audit.

### **Recommendation 17: Parenting Payment Single – establishing a new benchmark**

Parenting Payment Single provides important support to sole parents with young children, recognising their reduced capacity to work. The Commission recommends that changes be made to make it more sustainable by:

- a. changing current Parenting Payment Single indexation arrangements to a new benchmark of 25 per cent of Average Weekly Earnings; and
- b. transitioning to this arrangement, approximately over a 15 year period, by indexing the Parenting Payment Single maximum rate by the Consumer Price Index until it is equal to 25 per cent of Average Weekly Earnings.

### **Youth Allowance and Austudy**

Access to education is important to enable people to reach their potential, to engage in the workforce and to make a productive contribution to society. As well as supporting Australia's economic competitiveness, education is a key driver of social mobility, economic prosperity and social cohesion. For these reasons, government has an important role in supporting people to participate in education.

These payments provide income support for young people who are unable to work full time as they are studying. There is scope to change some of the payments' eligibility to better target this assistance.

Currently, Relocation Scholarships are available to dependent Youth Allowance recipients who move away from the family home to study. The scholarships provide a minimum of \$4,145 in the first year and \$1,036 in subsequent years of study to all

eligible students, with a higher rate of \$2,073 provided to students moving from regional or remote areas in their second and third years of study. The scholarships are automatically provided to all eligible students and are provided to students moving within capital cities.

In addition to Relocation Scholarships, all students receiving Youth Allowance also receive Student Start-up Scholarships of \$2,050. Legislation is currently before Parliament to convert Student Start-up Scholarships to an income-contingent loan, to be paid back after any Higher Education Loan Programme debt is fully repaid.

Assistance with the costs of relocating may be important in enabling some young people to participate in education. However, this assistance could be better targeted. It is recommended that Relocation Scholarships be converted into a voluntary income-contingent loan, similar to the Student-Start-up Scholarships. This would require students to decide if they really needed this assistance. The Commission recommends that the relocation loans be limited to the first year of relocation, and that they no longer be provided to students moving within their home capital city.

In its Phase One Report the Commission recommended changes to the Higher Education Loan Programme, including increasing the interest rate on loans from CPI to a rate that covers the government's cost of borrowing; reducing the threshold for student loan repayments to the minimum wage; and indexing repayment thresholds by CPI instead of Average Weekly Earnings. It is recommended that these changes would also apply to the new Relocation Loans.

Currently students can continue to receive Youth Allowance and Austudy while travelling overseas for any reason for up to six weeks. The Commission recommends that the rules for these payments be aligned with those for other working-age payments, which would only allow payment to continue for up to six weeks if the recipient is required to travel overseas for specific circumstances (for example, as a requirement of their study, to receive medical treatment or in an acute family crisis). There is little rationale for student payments to have more generous portability rules than other working-age payments.

### **Recommendation 18: Better targeting assistance to students**

Youth Allowance assists young people to participate in education. However, this assistance could be better targeted. It is recommended that:

- a. Relocation Scholarships be converted into a voluntary income-contingent loan, similar to Student-Start-up Scholarships; only be offered in the first year of relocation; and that students moving within cities no longer be eligible; and
- b. portability rules for Youth Allowance and Austudy be aligned with those for other working-age payments, allowing payment to continue for up to six weeks if the recipient is required to travel overseas for specific circumstances.

### **Working-age payments**

Currently recipients of Newstart, Widow and Sickness Allowance who are aged 60 or over and have been receiving payments for at least nine months continuously receive a higher rate of payment than younger recipients and also receive Telephone Allowance.

Higher rates were introduced in 1990. As recipients were only five years away from being eligible for Age Pension, it was considered appropriate to assist them with the higher rate.

There is little rationale for recipients aged over 60 to receive higher rates of assistance than those under 60. Accordingly it is recommended that the rate of these allowances for those over 60 be reduced to align with those for other recipients.

### **Recommendation 19: Better aligning working-age payments**

Currently, people aged 60 or over receiving certain working-age payments receive a higher rate than younger recipients.

The Commission recommends that the rates of Newstart, Widow and Sickness Allowance for those aged over 60 be aligned with those for other recipients.

Currently, recipients of certain income support payments who are studying may be eligible for the Pensioner Education Supplement (of up to \$62.40 per fortnight) and the Education Entry Payment (a lump-sum of \$208). The Commission notes the Education Entry Payment generally duplicates the assistance provided by the Pensioner Education Supplement, and assistance with start-up costs that is available through Job Services Australia when recipients commence study. It is recommended that the Education Entry Payment be abolished.

Also recipients of the Pensioner Education Supplement currently receive the payment throughout the year, including during vacation periods. The Commission recommends that the Supplement only be provided to recipients during study terms or semesters.

### **Recommendation 20: Reforming education supplements**

A range of assistance is available to income support recipients who commence study. To reduce duplication and better target assistance the Commission recommends that:

- a. the Education Entry Payment be abolished; and
- b. the Pensioner Education Supplement only be provided to recipients during study terms or semesters.

### **Housing Help for Seniors**

The Housing Help for Seniors programme was announced by the former Government in the 2013-14 Budget, having been informed by the work undertaken by the Advisory Panel on Positive Ageing. A trial of the scheme is scheduled to proceed from 1 July 2014.

The trial would create an exemption from the Age Pension means test for seniors who downsize their home. If they downsize to a home of lesser value, they will be able to place at least 80 per cent of the excess sale proceeds (to a cap of \$200,000) into a special account, which will be exempt from the pension income and assets tests for up to 10 years, or until a withdrawal is made from the account, whichever occurs first.

In the Phase One Report the Commission recommended replacing the current Age Pension income and assets tests, from 2027-28, with a single comprehensive means test which would deem income from a greater range of assets, including the value of the principal residence in excess of \$750,000 for coupled pensioners and \$500,000 for a single pensioner.

The Commission recommends that the Government not proceed with the trial, as it treats seniors with a similar level of wealth differently, in terms of Age Pension eligibility, depending on whether they have recently downsized their home.

The effect of the programme will be to introduce a new exemption and will move the Age Pension towards a less comprehensive means test arrangement.

This is counter to the directions implied by the Commission's other recommendations in this area, which are intended to make the Age Pension more sustainable over the longer term.

### **Recommendation 21: Housing Help for Seniors**

There is a pressing need to ensure that the cost of the Age Pension remains sustainable and targeted to those in genuine need. The proposed Housing Help for Seniors programme will introduce a new exemption that would treat seniors with a similar level of wealth differently, in terms of Age Pension eligibility, depending on whether they recently downsized their home.

The Commission recommends that the Government not proceed with the announced trial of Housing Help for Seniors.

### **Payments to local government**

As detailed in the Phase One Report, the Commission proposed that a comprehensive review of the roles and responsibilities between the Commonwealth and State governments be undertaken to ensure that: policy and service delivery is as far as is practicable delivered by the level of government closest to the people receiving those services; each level of government is sovereign in its own sphere; and duplication between the Commonwealth and the States is minimised.

The Commission recommended that the States be provided access to the Commonwealth Personal Income Tax base and that the Commonwealth lower its Personal Income Tax rates to allow room for the States to levy their own income tax. The impact of lower revenue collections for the Commonwealth would be offset through an equivalent reduction in other financial assistance payments to the States.

This approach applies equally well in assessing the Commonwealth's relationship with local government.

The Commission recommends that should such reforms be made to address vertical fiscal imbalance and horizontal fiscal equalisation, the States should make greater use over the longer term of access to the Personal Income Tax base to fund their expenditure responsibilities. This includes support for local government.

In the interim, to the degree that the Commonwealth continues to provide grants to local governments, these should be untied, rather than tied to particular activities. This would give local government clearer responsibility for delivering local services and greater accountability to the communities they serve.

The Commonwealth's largest source of funding to local government is through untied **Financial Assistance Grants**, composed of general purpose grants (\$787.3 million in 2013-14) and untied roads funding (\$349.3 million in 2013-14). Funding in 2013-14 is

lower than trend and reflects a decision by the former Government to bring forward \$1.1 billion from 2013-14 to be paid in 2012-13.

Both components of Financial Assistance Grants are paid to the States to be passed onto local government.

The Commonwealth also provides a broader range of small tied grants to local and State governments. While funding for these programmes is often on a short-term and terminating basis, and some of the programmes may have merit, whether they continue should be a matter for the State or local government.

The **Safer Suburbs Programme - Taxi Security Scheme** (\$3.8 million over 4 years from 2013-14) aims to address crime and anti-social behaviour around taxi ranks by providing grants for community safety measures, including installation of Closed Circuit Television systems, improved street lighting and youth diversion programs. In 2013, the programme was extended to cover grants for measures to improve the safety of taxi drivers at taxi ranks.

The **Digital Productivity Initiative** (\$39.2 million over 4 years from 2013-14) provides assistance to enhance the digital economy and improve levels of technology use. This includes: programmes for local government to provide online customer support, community engagement, and building and development of applications; and programmes providing assistance to universities to support the utilisation of high definition videoconferencing.

The **Liveable Communities** (\$20 million over 2 years from 2011-12) programme was established to support improved alignment of urban planning and design with the National Urban Policy and Council of Australian Governments principles. This programme has now terminated.

The Commonwealth also provides a range of small tied grants to fund State government responsibilities.

**Keys2drive** (\$11.5 million over 4 years from 2013-14) is a learner driver education programme owned and delivered by the Australian Automobile Association and state motoring clubs. Its objectives are to enhance learner driving experiences and increase safety during the first six months of the provisional period.

The **Seatbelts on Regional School Buses** (\$3 million over 4 years from 2013-14) programme provides funding for eligible school bus operators to subsidise the installation of seatbelts on new buses or retrofit existing buses. The programme aims to increase the number of seatbelt-equipped school buses operating on high speed roads in rural and regional areas.



Accountability of government spending would be enhanced if these and other tied Commonwealth grants ceased, and to the extent that programmes are identified as priorities, local or State governments provide them to the communities they serve.

#### **Recommendation 22: Payments to local government**

The Commission's Phase One recommendations on addressing the degree of vertical fiscal imbalance within the Federation propose that the States have access to the personal income tax system so they are in a better position to fund their own priorities. This will include support for local government. In this situation, the need for separate tied funding from the Commonwealth will diminish.

The Commission recommends that tied grants to local governments cease, and to the extent that programmes are identified as priorities, local or State governments provide them to the communities they serve.

#### **4.4 Implications for public service staffing**

The size of the public sector, including staffing, requires a judgement about what governments should do and what citizens can best do for themselves.

The Commission considers the public service should be appropriately resourced to efficiently and effectively deliver services to the community where the rationale for ongoing government involvement is strong.

Since the late 1980s, 'efficiency dividends' have promoted greater cost efficiency in the Australian Public Service. There is some rationale for a consistently-applied low rate of efficiency dividend, given the public sector is not subject to commercial discipline to restrain costs and improve productivity.

That said, efficiency dividends are a particularly 'blunt instrument' to achieve budgetary savings.

Rather than make explicit and often difficult decisions about what government should do and the extent of public sector resourcing, an efficiency dividend reduces funding to both areas of high priority and areas of low priority; to areas already operating efficiently, and to areas where there could be significant efficiency gains.

In recent years, relatively high efficiency dividends have been applied to deliver short-term budgetary savings.

The Commission recognises that some agencies, through the efficiency dividend and other decisions, have already had significant reductions in funding, requiring voluntary

and, in some cases, forced redundancies. This includes the Departments of Health, Environment, Communications and the Treasury.

The Commission considers that public sector staffing levels should reflect the Government's conscious choices about the functions to be delivered by the public sector, and reasonable expectations about the efficiency with which they can be delivered.

Many of the Commission's recommendations, including those relating to a rationalisation of Commonwealth bodies and agencies and efficiency of corporate services, will have implications for public sector staffing levels.

Given the existing activity within agencies to reduce staffing levels, the impact of the Commission's recommendations may be within, or additional to, planned reductions.

Over the medium term, if the Commission's recommendations to reform the Federation are progressed and a fundamental re-alignment of roles and responsibilities occurs, the reduction in duplication will mean fewer federal public servants. This has particular implications for departments such as the Department of Education and the Department of Health.

The Commission has made recommendations about absorbing agencies into portfolio departments, such as the Defence Materiel Organisation into the Department of Defence. It has also proposed that the headquarters structure in Defence, including the number of senior positions, should be realigned to 1998 levels.

Its recommendations to increase spending on foreign aid at a more measured pace will mean that not as many people will be needed to deliver the Australian aid programme, while opportunities to outsource visa processing could also have consequences for public sector employment.

As part of reforms to improve the effectiveness of Indigenous expenditure, the Commission has recommended consolidating the existing 150 or so Commonwealth Indigenous programmes and activities into no more than six or seven programmes. This is likely to impact on the total number of Commonwealth employees required to deliver Indigenous programmes.

The Commissions' recommendations to better target welfare payments would mean an overall reduction in the number of staff required to administer the system.

In addition, the Commission has identified scope for potential improvements in organisational structures within departments and agencies, including through increasing spans of control at the Executive Level 1 and 2 classifications.

Depending on how these opportunities are progressed by departmental secretaries and agency heads there could be significant reductions in the number of mid-level public servants employed by the Commonwealth.

In 2013-14, as reported in the Budget papers, the Average Staffing Level in the Commonwealth General Government Sector was just over 257,300.

The General Government Sector provides public services that are mainly non-market in nature. The sector comprises all government departments, offices and some other bodies such as ComSuper. It excludes the public non-financial corporations sector (for example Australia Post and the Australian Submarine Corporation) and the public financial corporations sector (for example Medibank Private and the Reserve Bank of Australia).

Estimates of the employment consequences of the Commission's recommendations at an aggregate level are necessarily indicative. As was the case with its estimates of savings, decisions on detailed programme design and timing of implementation will impact on any employment implications arising from the Commission's recommendations.

Nonetheless, as a broad guide, the Commission expects that around 15,000 fewer public servants could be required flowing from the recommendations presented in this Report. This would represent a reduction of around 5 per cent of total General Government Sector employment.

## 5 – A way ahead

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The Commission was asked to undertake a full-scale review of the spending of the Commonwealth Government to ensure value for money and the elimination of wasteful spending as well as to examine opportunities to improve efficiency and effectiveness. It was given a broad remit.

The Commission has taken a methodical and structured approach to this task, focusing attention proportionately on those areas most likely to have the biggest effects on budget sustainability and government efficiency.

There are 64 recommendations in its Phase One Report and a further 22 recommendations in the Phase Two Report. As outlined in both Reports, many of the Commission's recommendations can be implemented incrementally over time.

That said, the Commission has not examined everything the Commonwealth Government does. The Commission undertook its task in full knowledge that it would not be possible to examine every area of Commonwealth activity as part of a single, one-off review.

The reform process needs to be ongoing.

The Commission's Reports provide important directions and set out a number of processes that should be embedded into government. These processes should lead to more effective government and are intended to continue well after the National Commission of Audit is completed.

The Commission has emphasised the importance of a credible medium-term fiscal strategy that provides certainty over the role of government and fiscal policy in the economy. Adhering to the strategy will require a disciplined approach over many years to reassess government spending priorities, return the Budget to surplus, and begin to pay down debt.

We have also made a case for reforming the Federation to clarify roles and responsibilities and improve financial arrangements so that governments can have greater control over their budgets and activities and thus be more accountable to their citizens.

The routine production of more meaningful information on government programmes and key performance indicators will improve transparency about the activities of government. It will also strengthen the evidence base for ministerial decision-making.

Similarly, a systematic approach to programme evaluation, linked to the Budget process, is aimed at ensuring ministers have robust information to guide key decisions about whether to expand existing programmes or reallocate funds to higher priorities.

A broader challenge is to foster a culture where the public sector systematically identifies what has worked and areas where further improvements could be made.

The effectiveness of individual government agencies is central to delivering effective and efficient government. While supporting the highly-devolved financial and management framework, the Commission has recommended separate processes to independently and comprehensively 'audit' the operations of selected portfolio agencies. This would provide another avenue to drive performance by introducing external, objective scrutiny of an agency's operations.

These measures to improve performance assessment and evaluation will form part of an ongoing process to drive better government. However they will only be effective if ministers own and act on their findings.

Ultimately, governments need to play their part by clearly articulating their own policy priorities.

The Commission's Report maps out a path towards responsible government.

Throughout its deliberations, the Commission has been guided by the idea that Australia deserves responsible government.

It is an aspiration worth having.

# 6 – Annexes

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**A**    **Terms of Reference**

**B**    **List of Commonwealth bodies**

**C**    **Grant programmes**

## Annex A: Terms of Reference

### Context

It is almost 20 years since there has been a thorough review of the scope, efficiency and functions of the Commonwealth Government. During this time the size of the Commonwealth Government has expanded significantly, as has the remit of some of its activities.

It is also essential that the Commonwealth Government live within its means and begin to pay down debt.

It is therefore timely that there should be another full-scale review of the activities of the Commonwealth Government to:

- ensure taxpayers are receiving value-for-money from each dollar spent;
- eliminate wasteful spending;
- identify areas of unnecessary duplication between the activities of the Commonwealth and other levels of government;
- identify areas or programs where Commonwealth involvement is inappropriate, no longer needed, or blurs lines of accountability; and
- improve the overall efficiency and effectiveness with which government services and policy advice are delivered.

Accordingly, the Commission of Audit ('the Commission') has a broad remit to examine the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure, and to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24.

In carrying out its work, the Commission may wish to invite submissions, consult key stakeholders and seek information from persons or bodies, where this will assist its deliberations.

The Commission should also be guided in its work by the principles that:

- government should have respect for taxpayers in the care with which it spends every dollar of revenue;
- government should do for people what they cannot do, or cannot do efficiently, for themselves, but no more; and
- government should live within its means.

## Scope

### Phase 1

#### *Scope of government*

The Commission is asked to assess the current split of roles and responsibilities between and within the Commonwealth Government and State and Territory governments, including areas of duplication.

In relation to activities performed by the Commonwealth, the Commission is asked to identify:

- whether there remains a compelling case for the activity to continue to be undertaken; and
- if so, whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States, or local government.

The Commission may consider and comment upon the current architecture of Commonwealth-State relations. The Commission's views on this issue will help to inform the Government's forthcoming White Paper on the Reform of the Federation.

#### *Efficiency and effectiveness of government expenditure*

The Commission is asked to report on efficiencies and savings to improve the effectiveness of, and value-for-money from, all Commonwealth expenditure across the forward estimates and in the medium term, including:

- options for greater efficiencies in the Australian Public Service, such as:
  - increasing contestability of services;
  - adoption of new technologies in service delivery and within government;
  - consolidation of agencies and boards;
  - rationalising the service delivery footprint to ensure better, more productive and efficient services for stakeholders;
  - flattening organisational structures and streamlining lines of responsibility and accountability;
  - consolidating government support functions into a single agency; and
  - privatisation of Commonwealth assets.



- potential improvements to productivity, service quality, and value for money across the public sector, including better delivery of services to the regions; and
- anything that is reasonably necessary or desirable to improve the efficiency and effectiveness of government generally.

The Commission is asked to review and report on:

- options to manage expenditure growth, including through reviewing existing policy settings, programs and discretionary spending (such as grants);
- savings and appropriate price signals — such as the use of co-payments, user-charging or incentive payments — where such signals will help to ensure optimal targeting of programs and expenditure (including to those most in need), while addressing the rising cost of social and other spending;
- mechanisms that allow for the periodic evaluation of the effectiveness of all areas of expenditure in meeting their announced objectives; and
- other savings or matters that the Commission considers should be brought to the Government’s attention.

***State of the Commonwealth’s finances and medium-term risks to the integrity of the Budget position***

The Commission is asked to assess the financial position of the Commonwealth, including the state of the balance sheet, including all assets and liabilities, and Commonwealth risk expenditures.

The Commission is asked to review and report on the long-term sustainability of the Budget position, identifying key policy areas where trends in expenses and revenue pose risks to the structural integrity of the Budget.

Where possible, the Commission should identify options to address any such budget risks in the medium to long-term, including by introducing appropriate incentives to encourage self-provision of services by individuals over time.

***Adequacy of existing budget controls and disciplines***

The Commission is asked to assess the adequacy of current budgetary practices and rules (including specified timeframes and targets) in promoting efficient and effective government, disciplined expenditure, long-term fiscal sustainability and budget transparency.

## Phase 2

### *Commonwealth infrastructure*

The Commission is asked to review and report on the extent, condition and adequacy of Commonwealth sector infrastructure and, if found to be deficient, factors that may have contributed to the current situation and possible remedies.

### *Public sector performance and accountability*

The Commission is asked to:

- identify options for continuous assessment of programs, agencies and performance;
- identify options for strengthening Commonwealth budgeting arrangements by:
  - increasing independent and credible scrutiny;
  - examining the role of the Parliamentary Budget Office, the Australian National Audit Office and the Intergenerational Report; and
  - reviewing the way risk expenditures are accounted for.
- report on a methodology for developing and implementing financial performance targets for Commonwealth departments and agencies (having regard to international experience and Australian best-practice, including by government business enterprises);
- review and report on the effectiveness of existing performance metrics and options for greater transparency and accountability through improved public reporting;
- identify options for a clearer delineation of responsibilities for policy and service delivery; and
- identify other savings or matters that the Commission considers should be brought to the Government's attention.

## Reporting

The Commission will report to the Prime Minister, Treasurer and Minister for Finance with:

- the first phase due by the end of January 2014; and
- the second phase due by no later than the end of March 2014.

## Annex B: List of Commonwealth bodies

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
1	<b>Department of Agriculture</b>					
2	Australian Fisheries Management Authority					
3	Australian Pesticides and Veterinary Medicines Authority		✓			
1	Australian Pesticides and Veterinary Medicines Authority Advisory Board	✓				
2	Community Consultative Committee	✓				
3	Industry Liaison Committee	✓				
4	Registration Liaison Committee for the Australian Pesticides and Veterinary Medicines Authority	✓				
5	Manufacturers' Licensing Scheme - Industry Liaison Committee	✓				
4	Cotton Research and Development Corporation					
6	Cotton Research and Development Corporation Selection Committee			✓		
5	Fisheries Research and Development Corporation					
7	Fisheries Research and Development Corporation Selection Committee			✓		
6	Grains Research and Development Corporation					
8	Grains Research and Development Corporation Selection Committee			✓		
7	Grape and Wine Research and Development Corporation		✓			
9	Grape and Wine Research and Development Corporation Selection Committee			✓		
8	Rural Industries Research and Development Corporation					
10	Rural Industries Research and Development Corporation Selection Committee			✓		
9	Wine Australia Corporation		✓			
11	Wine Australia Corporation Selection Committee			✓		
	<b>Biosecurity</b>					
12	<i>Abalone Aquaculture Health Accreditation Working Group</i>					*
13	<i>Animal Health Committee</i>					*
14	<i>AQUAPLAN Working Group</i>					*
15	<i>Australian and New Zealand Standard Diagnostic Procedures Working Group</i>					*
16	<i>Australian Weeds Committee</i>					*
17	<i>Bait Translocation Working Group</i>					*
18	<i>Benchmarks Working Group</i>					*
19	<i>Biosafety and Biosecurity Working Group</i>					*
20	<i>Biosecurity Advisory Council</i>			✓		
21	<i>Biosecurity Emergency Preparedness Working Group</i>					*
22	<i>Biosecurity Incident National Communication Network</i>					
23	<i>Bovine Johne's Disease Technical Advisory Group</i>					*
24	<i>Eminent Scientists Group</i>					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
25	<i>Established Pests and Diseases Working Group</i>					*
26	<i>Food and Grocery Sector Group</i>					
27	<i>Freshwater Invertebrate Pests Sub-committee</i>					*
28	<i>High Throughput Johne's Technical Working Group</i>					*
29	<i>Import Risk Analysis Appeals Panel</i>					
30	<i>Interim Inspector General of Biosecurity</i>					
31	<i>Laboratories for Emergency Animal Disease Diagnosis and Response Working Group</i>					*
32	<i>Marine Pest Sectoral Committee</i>					*
33	<i>National Aquatic Animal Health Industry Reference Group</i>					*
34	<i>National Biosecurity Committee</i>					*
35	<i>National Biosecurity Committee Stakeholder Engagement Consultative Group</i>					*
36	<i>National Biosecurity Information Governance Group</i>					*
37	<i>National Decision Making and Investment Working Group</i>					*
38	<i>National Emergency Preparedness and Response Working Group</i>					*
39	<i>National Strategies Working Group</i>					*
40	<i>National Surveillance and Diagnostics Working Group</i>					*
41	<i>New Test Evaluation Working Group</i>					*
42	<i>Pacific Oyster Health Management Working Group</i>					*
43	<i>Plant Health Committee</i>					*
44	<i>Point-of-Care Tests Working Group</i>					*
45	<i>Private Practitioner Engagement Working Group</i>					*
46	<i>Quality Assurance Working Group</i>					*
47	<i>Rabies Preparedness Working Group</i>					*
48	<i>Reference Laboratories Working Group</i>					*
49	<i>Research, Development and Extension Working Group</i>					*
50	<i>Sub-committee on Animal Health Laboratory Standards</i>					*
51	<i>Sub-committee on Aquatic Animal Health</i>					*
52	<i>Sub-committee on Domestic Quarantine &amp; Market Access</i>					*
53	<i>Sub-committee on Emergency Animal Diseases</i>					*
54	<i>Sub-committee on National Forest Health</i>					*
55	<i>Sub-committee on National Plant Health Surveillance</i>					*
56	<i>Sub-committee on Plant Health Diagnostics</i>					*
57	<i>Training Working Group</i>					*
58	<i>Vertebrate Pests Committee</i>					*
<b>Marine/Fisheries</b>						
59	<i>Aquaculture Committee</i>					✓
60	<i>Australian Fisheries Management Forum</i>					✓
61	<i>Northern Territory Fisheries Joint Authority</i>					
62	<i>Queensland Fisheries Joint Authority</i>					
63	<i>Seafood Exporters Consultative Committee</i>					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
64	<i>Shark-Plan Representative Group</i>					✓
65	<i>Statutory Fishing Rights Allocation Review Panel</i>			✓		
66	<i>Torres Strait Protected Zone Joint Authority</i>					
67	<i>Western Australian Fisheries Joint Authority</i>					
	<b>Forestry</b>					
68	<i>Forest and Wood Products Australia Limited</i>					
69	<i>Forest and Wood Products Council</i>					✓
70	<i>Forestry and Forest Products Committee</i>					*
71	<i>National Forest Inventory Steering Committee</i>					*
	<b>Industry</b>					
72	<i>Agricultural Industry Advisory Council</i>					
73	<i>Australian Egg Corporation Limited</i>					
74	<i>Australian Meat Processor Corporation Limited</i>					
75	<i>Australian Plague Locust Commission</i>					
76	<i>Australian Pork Limited</i>					
77	<i>Australian Wool Innovation Limited</i>					
78	<i>Beef Industry Advisory Committee</i>					✓
79	<i>Dairy Australia Limited</i>					
80	<i>Dairy Export Industry Consultative Committee</i>					
81	<i>Department of Agriculture - Live Animal Export Division - Industry Government Implementation Group</i>					
82	<i>Export Meat Industry Advisory Committee</i>					
83	<i>Export Meat Industry Advisory Committee Animal Welfare Subcommittee</i>			✓		
84	<i>Export Wild Game Meat Industry Consultative Committee</i>					
85	<i>Meat and Livestock Australia Limited</i>					
86	<i>SafeMeat</i>					
87	<i>Sugar Research Australia Limited</i>					
88	<i>Wheat Industry Advisory Taskforce</i>					✓
	<b>Agriculture</b>					
89	<i>Agricultural Finance Forum</i>					✓
90	<i>Agvet Chemical Regulation Committee</i>					*
91	<i>Animal Welfare Committee</i>					*
92	<i>Australian Landcare Council</i>			✓		
93	<i>Food Export Regulators Steering Committee</i>					
94	<i>Food Policy Working Group</i>	✓				
95	<i>Halal Consultative Committee</i>					
96	<i>High-Level Group on Drought</i>					*
97	<i>Horticulture Australia Limited</i>					
98	<i>National Committee for Land Use and Management Information</i>					
99	<i>National Committee on Soil and Terrain</i>					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	100 National Rural Advisory Council			✓		
	101 Primary Industries Standing Committee					*
	102 Productivity and Regulatory Reform Committee					*
	103 Standing Council on Primary Industries					*
	104 Taskforce on National Uniform Standards for the Voluntary Microchipping of Horses					*
<b>10</b>	<b>Attorney-General's Department</b>					
11	Administrative Appeals Tribunal		✓			
12	Australia Business Arts Foundation Ltd		✓			
13	Australia Council		✓			
14	Australian Commission for Law Enforcement Integrity					
15	Australian Crime Commission		✓			
	105 Inter-Governmental Committee on the Australian Crime Commission					✓
16	Australian Federal Police					
17	Australian Film, Television and Radio School					✓
	106 Australian Film, Television and Radio School Council	✓				
18	Australian Financial Security Authority					
19	Australian Government Solicitor			✓		
	107 Australian Government Solicitor Advisory Board	✓				
20	Australian Human Rights Commission					
21	Australian Institute of Criminology					✓
	108 Criminology Research Advisory Council					✓
22	Australian Law Reform Commission			✓		
23	Australian National Maritime Museum					
24	Australian Security Intelligence Organisation					
25	Australian Transaction Reports and Analysis Centre					✓
26	Bundanon Trust		✓			
27	CrimTrac		✓			
	109 CrimTrac Strategic Issues Group	✓				
28	Family Court and Federal Circuit Court		✓			
29	Federal Court of Australia		✓			
30	National Archives of Australia					
	110 National Archives of Australia Advisory Council					
31	National Film and Sound Archive					
32	National Gallery of Australia					
33	National Library of Australia					
34	National Museum of Australia					
35	National Portrait Gallery of Australia					
36	Office of Parliamentary Counsel					
37	Office of the Australian Information Commissioner					
	111 Information Advisory Committee		✓			

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	112 Privacy Advisory Committee		✓			
38	Office of the Director of Public Prosecutions					
39	Old Parliament House - Museum of Australian Democracy					
	113 Museum of Australian Democracy at Old Parliament House Advisory Council					
40	Screen Australia		✓			
	<b>Law and order</b>					
	114 Administrative Review Council			✓		
	115 Admiralty Rules Committee			✓		
	116 Australian Institute of Police Management					
	117 Bankruptcy Reform Consultative Forum					✓
	118 Business Government Advisory Group on National Security					✓
	119 Copyright Tribunal					
	120 Defence Abuse Response Taskforce					✓
	121 Family Law Council					✓
	122 Firearms and Weapons Policy Working Group					*
	123 High Court of Australia					
	124 Interception Consultative Committee					
	125 Intercountry Adoption Harmonisation Working Group					*
	126 Central Authorities for Intercountry Adoptions					
	127 Law Courts Ltd					
	128 National Cybercrime Working Group					*
	129 National Government Advisory Group on Chemicals					*
	130 National Identity Security Coordination Group					*
	131 National Industry Reference Group on Chemicals					*
	132 National Justice Chief Executive Officers Group					*
	133 National Legal Assistance Advisory Body					✓
	134 National Native Title Tribunal					
	135 National Policing Senior Officers Group					*
	136 Precursor Advisory Group					
	137 Precursor Industry Reference Group					
	138 Senior Officers Group on Organised Crime					*
	139 Standing Council on Law and Justice					*
	140 Standing Council on Police and Emergency Management					*
	<b>Arts/Culture/Heritage</b>					
	141 Advisory Committee for Indigenous Repatriation					✓
	142 Artbank Advisory Committee					✓
	143 Classification Board					
	144 Classification Officers Standing Committee					*
	145 Classification Review Board		✓			
	146 Committee on Taxation Incentives for the Arts	✓				

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	147 <i>Film Certification Advisory Board</i>			✓		
	148 <i>National Cultural Heritage Committee</i>			✓		
	149 <i>Public Lending Right Committee</i>			✓		
	<b>Disaster mitigation/recovery</b>					
	150 <i>Critical Infrastructure Advisory Council</i>					
	151 <i>Natural Disaster Relief and Recovery Arrangements Stakeholder Group</i>					✓
	152 <i>Trusted Information Sharing Network for Critical Infrastructure Resilience</i>					
41	<b>Department of Communications</b>					
42	Australian Broadcasting Corporation					
	153 ABC Advisory Council					
	154 ABC Splash Strategic Advisory Group					
43	Australian Communications and Media Authority					
	155 Communications Security and Enforcement Roundtable					
	156 Consumer Consultative Forum					
	157 Emergency Call Service Committee					
	158 Numbering Advisory Committee					
	159 Protection Zone Committees					
	160 Radiocommunications Consultative Committee					
	161 Technical Advisory Group					
44	Australian Postal Corporation				✓	
	162 Australia Post Stakeholder Council					
45	NBN Co Limited				✓	
	163 National Broadband Network Liaison Group					
46	Special Broadcasting Service					
	164 SBS Community Advisory Committee					
47	Telecommunications Universal Service Management Agency			✓		
	165 <i>Australian Communications Consumer Action Network</i>					
	166 <i>Community Broadcasting Foundation</i>					
	167 <i>National Cyber Security Awareness Week Steering Group</i>			✓		
	168 <i>National ICT Australia Limited</i>					✓
	169 <i>Online Safety Consultative Working Group</i>					
	170 <i>Telecommunications Experts Group</i>					
	171 <i>Telework Advisory Panel</i>	✓				
	172 <i>Youth Advisory Group on Cybersafety</i>					
48	<b>Department of Defence</b>					
49	Army Amenities Fund Company					✓
50	Army and Air Force Canteen Service					✓
51	Australian Military Forces Relief Trust Fund					✓



Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
52	Australian Strategic Policy Institute Limited					
53	Defence Housing Australia				✓	
54	Defence Materiel Organisation			✓		
173	Australian Government Defence Export Support Forum	✓				
174	CEO Roundtable					✓
175	Defence and Industry Skills Taskforce					✓
176	Defence Industry Innovation Board					✓
177	Defence Industry Innovation Centre					✓
178	Defence Industry Innovation Centre Advisory Board					✓
179	Defence Materiel Organisation Diversity Advisory Group					✓
55	Royal Australian Air Force Welfare Recreational Company					✓
56	Royal Australian Air Force Veterans' Residences Trust Fund					✓
57	Royal Australian Air Force Welfare Trust Fund					✓
58	Royal Australian Navy Central Canteens Board					✓
59	Royal Australian Navy Relief Trust Fund					✓
	<b>Capability provision</b>					
180	Australian Army					
181	Australian Signals Directorate					
182	Defence Imagery and Geospatial Organisation					
183	Defence Intelligence Organisation					
184	Defence Science and Technology Organisation					✓
185	Defence Science and Technology Organisation Advisory Board					✓
186	Royal Australian Air Force					
187	Royal Australian Navy					
	<b>Personnel support services</b>					
188	Australian Centre for Posttraumatic Mental Health					✓
189	Australian Defence Force Financial Services Consumer Council					✓
190	Centre for Military and Veterans' Health					✓
191	Defence Families of Australia					✓
192	Defence Force Advocate					✓
193	Defence Force Remuneration Tribunal					✓
194	Defence Force Retirement and Death Benefits Authority					
195	Defence Reserve Support Council					✓
196	Forces Entertainment Board					✓
197	Gender Equality Advisory Board					✓
198	Inspector-General of the Australian Defence Force					
199	Joint Education and Training Advisory Board					✓
200	Judge Advocate General					
201	Military Superannuation and Benefits Board of Trustees No. 1					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	202 <i>Office of Reserve Service Protection</i>			✓		
	203 <i>Religious Advisory Committee to the Services</i>					✓
	204 <i>Royal Australian Navy Central Canteens Fund</i>					✓
	<b>Industry</b>					
	205 <i>Australian Maritime Defence Council</i>					✓
	206 <i>Capability Development Advisory Forum</i>					✓
	207 <i>Defence Future Capability Technology Centre Committee</i>					✓
	208 <i>Rapid Prototyping, Development and Evaluation Board</i>					✓
	<b>Other</b>					
	209 <i>Australian Defence Human Research Ethics Committee</i>					✓
	210 <i>Defence Honours and Awards Appeals Tribunal</i>					
	211 <i>Defence Procurement Advisory Board</i>					✓
	212 <i>Director of Military Prosecutions</i>					
	213 <i>Principal War Gratuity Authority</i>					✓
	214 <i>Strengthened Export Controls Steering Group</i>					✓
	215 <i>Woomera Prohibited Area Advisory Board</i>					✓
60	<b>Department of Education</b>					
61	Australian Curriculum, Assessment and Reporting Authority			✓		
62	Australian Institute for Teaching and School Leadership Limited	✓				
63	Australian Institute of Aboriginal and Torres Strait Islander Studies					✓
64	Australian National University					
65	Australian Research Council					
	216 <i>Australian Research Council Advisory Council</i>					✓
66	Tertiary Education Quality and Standards Agency		✓			
	217 <i>Higher Education Standards Panel</i>					✓
	218 <i>Aboriginal and Torres Strait Islander Higher Education Advisory Council</i>					✓
	219 <i>Advancing Quality in Higher Education Reference Group</i>					✓
	220 <i>Australia India Education Council</i>					
	221 <i>Australian Children's Education and Care Quality Authority</i>					*
	222 <i>Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee</i>					*
	223 <i>Australian Qualifications Framework Council</i>					*
	224 <i>Australian Youth Forum Steering Committee</i>			✓		
	225 <i>Australian-American Educational Foundation (Fulbright Commission)</i>					
	226 <i>Education Investment Fund Advisory Board</i>	✓				
	227 <i>Education Services Australia</i>					
	228 <i>Flexible Learning Advisory Group</i>					*
	229 <i>Higher Education Research Data Advisory Council</i>					✓
	230 <i>Higher Education Research Reference Group</i>					✓

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
231	<i>International Education Advisory Council</i>					✓
232	<i>National Advisory for Tertiary Education, Skills and Employment</i>					*
233	<i>National Senior Officials Committee</i>					*
234	<i>National Skills Standards Council</i>					*
235	<i>National Youth Week National Planning Group</i>					*
236	<i>Office for Learning and Teaching Strategic Advisory Committee</i>			✓		
237	<i>Standing Council on School Education and Early Childhood</i>					*
238	<i>Standing Council on School Education and Early Childhood Joint Working Group to Provide Advice on Students with Disability</i>					*
239	<i>Standing Council on Tertiary Education, Skills and Employment</i>					*
240	<i>Strategic Cross-sectoral Data Committee</i>					*
241	<i>Tuition Protection Service Advisory Board</i>					✓
242	<i>Y20 Planning Group</i>					✓
67	<b>Department of Employment</b>					
68	Asbestos Safety and Eradication Agency			✓		
243	Asbestos Safety and Eradication Council	✓				
69	Coal Mining Industry (Long Service Leave Funding) Corporation					
70	Comcare			✓		
244	Safety, Rehabilitation and Compensation Commission			✓		
71	Fair Work Commission					
72	Office of the Fair Work Building Industry Inspectorate					
245	Fair Work Building Industry Inspectorate Advisory Board					✓
73	Office of the Fair Work Ombudsman		✓			
74	Safe Work Australia			✓		
75	Seafarers Safety, Rehabilitation and Compensation Authority (Seacare)			✓		
76	Workplace Gender Equality Agency			✓		
246	<i>COAG Select Council on Workplace Relations</i>					*
247	<i>Commonwealth Safety Regulatory Forum</i>			✓		
248	<i>Fair Work Building and Construction Independent Assessor</i>					
249	<i>Federal Safety Commissioner</i>					
250	<i>National Workplace Relations Consultative Council</i>					
251	<i>Road Safety Remuneration Tribunal</i>					
77	<b>Department of the Environment</b>					
78	Bureau of Meteorology					
252	Bureau of Meteorology Australian Water Information Advisory Council					
253	Bureau of Meteorology Jurisdictional Reference Group on Water Information					*

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
254	Bureau of Meteorology Water Accounting Standards Board					*
79	Clean Energy Regulator					
80	Climate Change Authority	✓				
86	National Environment Protection Council Service Corporation					
81	Director of National Parks			✓		
255	Booderee National Park Board of Management					
256	Kakadu National Park Board of Management					
257	Uluru-Kaṯa Tjuta National Park Board of Management					
82	Great Barrier Reef Marine Park Authority					
258	Great Barrier Reef Ministerial Forum					
83	Low Carbon Australia Ltd	✓				
84	Murray-Darling Basin Authority			✓		
259	Basin Officials Committee					✓
260	Murray-Darling Basin Community Council					✓
261	Murray-Darling Basin Ministerial Council					
85	National Water Commission			✓		
87	Sydney Harbour Federation Trust					✓
	<b>Water</b>					
262	Commonwealth Environmental Water Holder					
263	Commonwealth Environmental Water Office					
264	Commonwealth Environmental Water Stakeholder Reference Panel					
265	Environmental Water Scientific Advisory Panel					
266	Indigenous Water Advisory Committee					
	<b>Region specific</b>					
267	Alligator Rivers Region Advisory Committee					
268	Alligator Rivers Region Technical Committee					
269	Antarctic Research Assessment Committee			✓		
270	Antarctic Science Advisory Committee			✓		
271	Australian Antarctic Names and Medals Committee					
272	Great Artesian Basin Coordinating Committee			✓		
273	Lake Eyre Basin Community Advisory Committee					
274	Lake Eyre Basin Ministerial Forum					
275	Lake Eyre Basin Scientific Advisory Panel			✓		
276	Reef Water Quality Independent Science Panel					
277	Reef Water Quality Protection Plan Partnership Committee					
	<b>Heritage</b>					
278	Australian Heritage Council					
279	Australian World Heritage Advisory Committee					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
280	<i>Australia-Netherlands Committee on Old Dutch Shipwrecks</i>					
281	<i>Historic Shipwrecks Delegates Committee</i>					
282	<i>Iconic Sites Taskforce</i>			✓		
283	<i>National Landscapes Reference Committee</i>					✓
284	<i>Natural Heritage Ministerial Board</i>					
285	<i>Natural Heritage Trust Advisory Committee</i>					✓
286	<i>Rock Art Foundation Committee</i>					
287	<i>World Parks Congress National Steering Committee</i>					✓
	<b>Biology</b>					
288	<i>Australian Biological Resources Study Advisory Committee</i>			✓		
289	<i>Biological Diversity Advisory Committee</i>			✓		
290	<i>Expert Panel on a Declared Commercial Fishing Activity</i>			✓		
291	<i>Land Sector Carbon and Biodiversity Board</i>	✓				
292	<i>National Marine Mammal Advisory Committee</i>	✓				
293	<i>National Marine Mammal Scientific Committee</i>	✓				
294	<i>National Wildlife Corridors Committee</i>	✓				
295	<i>Threatened Species Scientific Committee</i>			✓		
	<b>Fuels</b>					
296	<i>Fuel Standards Consultative Committee</i>			✓		
297	<i>Oil Stewardship Advisory Council</i>			✓		
298	<i>Product Stewardship Advisory Group</i>			✓		
	<b>Climate</b>					
299	<i>Climate Adaptation Outlook Independent Expert Group</i>					✓
300	<i>Domestics Offsets Integrity Committee</i>					
301	<i>Emissions Intensive - Trade Exposed Expert Advisory Committee</i>			✓		
302	<i>Expert Panel for Major Coal Seam Gas Projects</i>					✓
	<b>Other/Various</b>					
303	<i>COAG Standing Council on Environment and Water</i>					*
304	<i>Environmental Research Advisory Panel</i>					✓
305	<i>Hazardous Waste Technical Group</i>			✓		
306	<i>Independent Expert Scientific Committee on Coal Seam Gas and Large Coal Mining Development</i>					✓
307	<i>Indigenous Advisory Committee</i>					
308	<i>National Environment Protection Council</i>					*
309	<i>Water Efficiency Labelling and Standards Regulator</i>					
88	<b>Department of Finance</b>					
89	Albury-Wodonga Development Corporation			✓		
90	ASC Pty Ltd				✓	

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
91	Australian Electoral Commission					
92	Australian River Co. Limited					
93	Commonwealth Superannuation Corporation					
94	Commonwealth Superannuation Administration (ComSuper)		✓			
95	Future Fund Management Agency					
96	Medibank Private Ltd				✓	
	310 Australian Procurement and Construction Council					
	311 Comcover Advisory Council	✓				
	312 Cross Jurisdictional Chief Information Officers' Committee					
97	<b>Department of Foreign Affairs and Trade</b>					
98	Australian Centre for International Agricultural Research					
	313 Australian Centre for International Agricultural Research Policy Advisory Council			✓		
	314 Commission for International Agricultural Research			✓		
99	Australian Secret Intelligence Service					
100	Australian Trade Commission (Austrade)			✓		
101	Export Finance and Insurance Corporation	✓				
102	Tourism Australia			✓		
	315 Australia Awards Board	✓				
	316 Australia International Cultural Council					✓
	317 Australia International Cultural Council Board					✓
	318 Australia National Commission for UNESCO					✓
	319 Australia-China Council					✓
	320 Australia-China Council Advisory Board					✓
	321 Australia-India Council					✓
	322 Australia-India Council Advisory Board					✓
	323 Australia-Indonesia Institute					✓
	324 Australia-Indonesia Institute Advisory Board					✓
	325 Australia-Japan Foundation					✓
	326 Australia-Japan Foundation Advisory Board					✓
	327 Australia-Korea Foundation					✓
	328 Australia-Korea Foundation Advisory Board					✓
	329 Australia-Malaysia Institute					✓
	330 Australia-Malaysia Institute Advisory Board					✓
	331 Australia-Thailand Institute					✓
	332 Australia-Thailand Institute Advisory Board					✓
	333 Council for Australian-Arab Relations					✓
	334 Council for Australian-Arab Relations Advisory Board					✓
	335 Council on Australia Latin America Relations					✓
	336 Council on Australia Latin America Relations Board					✓

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	337 <i>Editorial Advisory Board</i>					
	338 <i>Tourism Quality Council of Australia</i>			✓		
	339 <i>Tourism Research Advisory Board</i>			✓		
103	<b>Department of Health</b>					
104	Australian Commission on Safety and Quality in Health Care		✓			
105	Australian Institute of Health and Welfare		✓			
106	Australian National Preventive Health Agency		✓			
107	Australian Radiation Protection and Nuclear Safety Agency					
108	Australian Sports Anti-Doping Authority					
	340 Anti-Doping Research Panel	✓				
	341 Anti-Doping Rule Violation Panel					
	342 Australian Sports Anti-Doping Authority Advisory Group					✓
109	Australian Sports Commission					
110	Australian Sports Foundation					
111	Cancer Australia		✓			
112	Food Standards Australia New Zealand					
113	General Practice Education and Training Limited			✓		
	343 General Practice Recognition Appeal Committee			✓		
	344 General Practice Recognition Eligibility Committee			✓		
114	Health Workforce Australia			✓		
115	Independent Hospital Pricing Authority		✓			
116	National Blood Authority			✓		
117	National Health and Medical Research Council		✓			
118	National Health Funding Body		✓			
119	National Health Performance Authority		✓			
120	National Mental Health Commission		✓			
121	Organ and Tissue Authority			✓		
122	Private Health Insurance Administration Council		✓			
123	Private Health Insurance Ombudsman		✓			
124	Professional Services Review			✓		
	<b>Therapeutic Goods</b>					
	345 <i>Therapeutic Goods Administration</i>					
	346 <i>Advisory Committee on Biologicals</i>					✓
	347 <i>Advisory Committee on Chemicals Scheduling</i>					✓
	348 <i>Advisory Committee on Complementary Medicines</i>					✓
	349 <i>Advisory Committee on Medical Devices</i>					✓
	350 <i>Advisory Committee on Medicines Scheduling</i>					✓
	351 <i>Advisory Committee on Non-prescription Medicines</i>					✓
	352 <i>Advisory Committee on Prescription Medicines</i>					✓
	353 <i>Advisory Committee on the Safety of Medical Devices</i>					✓

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	354 <i>Advisory Committee on the Safety of Medicines</i>					✓
	355 <i>Advisory Committee on the Safety of Vaccines</i>					✓
	356 <i>Australian Therapeutic Goods Advisory Council</i>					✓
	357 <i>Therapeutic Goods Committee</i>					✓
	358 <i>Therapeutic Goods (Codes of Conduct) Implementation Advisory Group</i>					✓
	<b>Medicare</b>					
	359 <i>Medicare Participation Review Committee</i>					
	<b>Pharmaceuticals</b>					
	360 <i>Australian Community Pharmacy Authority</i>					✓
	361 <i>Fifth Community Pharmacy Agreement Consultative Committee</i>					✓
	362 <i>Fifth Community Pharmacy Agreement Reference Group</i>					✓
	363 <i>Life Saving Drugs Program Reference Group</i>					✓
	364 <i>Pharmaceutical Benefits Advisory Committee</i>					✓
	365 <i>Pharmaceutical Benefits Pricing Authority</i>					✓
	366 <i>Pharmaceutical Benefits Remuneration Tribunal</i>					✓
	<b>Industry Regulation</b>					
	367 <i>Australian Health Practitioner Regulation Agency</i>					
	368 <i>Aboriginal and Torres Strait Islander Health Practice Board of Australia</i>					✓
	369 <i>Agency Management Committee</i>					
	370 <i>Chinese Medicine Board of Australia</i>					
	371 <i>Chiropractic Board of Australia</i>					
	372 <i>Dental Board of Australia</i>					
	373 <i>Medical Board of Australia</i>					
	374 <i>Medical Radiation Practice Board of Australia</i>					
	375 <i>National Pathology Accreditation Advisory Council</i>					
	376 <i>Nursing and Midwifery Board of Australia</i>					
	377 <i>Occupational Therapy Board of Australia</i>					
	378 <i>Optometry Board of Australia</i>					
	379 <i>Osteopathy Board of Australia</i>					
	380 <i>Pharmacy Board of Australia</i>					
	381 <i>Physiotherapy Board of Australia</i>					
	382 <i>Podiatry Board of Australia</i>					
	383 <i>Psychology Board of Australia</i>					
	<b>Other</b>					
	384 <i>Australian National Council on Drugs</i>					✓
	385 <i>Australian Suicide Prevention Advisory Council</i>					✓
	386 <i>Australian Technical Advisory Group on Immunisation</i>					✓
	387 <i>Diabetes Advisory Group</i>					✓



Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
388	<i>Drug and Alcohol Prevention and Treatment Advisory Committee</i>					✓
389	<i>Expert Panel Review of Elective Surgery and Emergency Access Targets under the National Partnership Agreements on Improving Public Hospital Services</i>					*
390	<i>Gene Technology Regulator</i>					
391	<i>Health and Hospitals Fund Advisory Board</i>	✓				
392	<i>Healthdirect Australia</i>					
393	<i>Hearing Services Consultative Committee</i>			✓		
394	<i>Medical Services Advisory Committee</i>			✓		
395	<i>Medical Training Review Panel</i>			✓		
396	<i>Ministerial Advisory Committee on Blood Borne Viruses and Sexually Transmissible Infections</i>			✓		
397	<i>National Aboriginal and Torres Strait Islander Health Equality Council</i>					✓
398	<i>National Health Funding Pool Administrator</i>					*
399	<i>National Industrial Chemicals Notification and Assessment Scheme</i>		✓			
400	<i>National Lead Clinicians Group</i>					✓
401	<i>Personally Controlled Electronic Health Records Independent Advisory Council</i>					
402	<i>Personally Controlled Electronic Health Records Jurisdictional Advisory Committee</i>					
403	<i>Professional Services Review Panel</i>					
404	<i>Professional Services Review - Determining Authority</i>					
405	<i>Prostheses List Advisory Committee</i>					✓
<b>125</b>	<b>Department of Human Services</b>					
126	Australian Hearing Services (Australian Hearing)				✓	
406	<i>Child Support National Stakeholder Engagement Group</i>					✓
407	<i>Compliance Working Group</i>					✓
408	<i>CRS Australia</i>					✓
409	<i>Health Professionals Online Services Sub-committee</i>					✓
410	<i>National Multicultural Advisory Group</i>					✓
411	<i>National Place-Based Advisory Group</i>					✓
412	<i>National Student Services Partnership Group</i>					✓
413	<i>Older Australians Working Group</i>					✓
414	<i>Stakeholder Consultative Group</i>					✓
<b>127</b>	<b>Department of Immigration and Border Protection</b>					✓
128	Australian Customs and Border Protection Service					✓
415	Customs and Border Protection National Consultative Committee					✓
416	Customs Reform Board					✓
417	National Customs Brokers Licensing Advisory Committee					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
129	Migration Review Tribunal and Refugee Review Tribunal		✓			
	418 <i>Immigration Health Advisory Group</i>					
	419 <i>Minister's Council on Asylum Seekers and Detention</i>					
	420 <i>Ministerial Advisory Council on Skilled Migration</i>					
	421 <i>Office of the Migration Agents Registration Authority</i>					
	422 <i>Office of the Migration Agents Registration Authority Advisory Board</i>					
130	<b>Department of Industry</b>					
131	Australian Institute of Marine Science					
132	Australian Nuclear Science and Technology Organisation					
133	Australian Renewable Energy Agency			✓		
	423 Australian Renewable Energy Agency Advisory Panel	✓				
134	Australian Skills Quality Authority		✓			
135	Commonwealth Scientific and Industrial Research Organisation					
	424 CSIRO - Australia Telescope National Facility Steering Committee					
	425 CSIRO Climate Change Adaptation Flagship Advisory Committee					
	426 CSIRO Digital Productivity and Services Flagship Advisory Committee					
	427 CSIRO Energy Strategic Advisory Committee Membership					
	428 CSIRO Environment Strategic Advisory Committee					
	429 CSIRO Food Futures Flagship Advisory Committee					
	430 CSIRO Manufacturing Strategic Advisory Committee					
	431 CSIRO Marine National Facility Steering Committee					
	432 CSIRO Mineral Resources Strategic Advisory Committee					
	433 CSIRO Preventative Health Flagship Advisory Committee					
	434 CSIRO Sustainable Agriculture Flagship Advisory Committee					
	435 CSIRO Water for a Healthy Country Flagship Advisory Committee					
136	Geoscience Australia					
137	IIF Investments Pty Ltd	✓				
138	IP Australia					
	436 Advisory Council on Intellectual Property					✓
	437 Plant Breeder's Rights Advisory Committee			✓		
139	National Offshore Petroleum Safety and Environmental Management Authority					
	438 NOPSEMA Advisory Board					
	<b>Building</b>					
	439 <i>Australian Building Codes Board</i>					*
	440 <i>Commercial Building Disclosure Implementation Forum</i>			✓		
	441 <i>Joint Accreditation System of Australia/New Zealand Governing Board</i>					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
442	National Australia Building Energy Rating System National Steering Committee					
443	National Australia Building Energy Rating System Stakeholder Advisory Committee					
	<b>VET/Skills</b>					
444	Australian Workforce and Productivity Agency			✓		
445	Central Trades Committee					✓
446	National Vocational Education and Training Equity Advisory Council					*
	<b>Science/Research</b>					
447	Australia - India Strategic Research Fund Advisory Panel					✓
448	Australian Astronomical Observatory					
449	Australian Astronomical Observatory Advisory Committee					✓
450	Australian Research Committee					✓
451	Chief Scientist and Office of the Chief Scientist					
452	Office of Spatial Policy					✓
453	Prime Minister's Science, Engineering and Innovation Council					
454	QUESTACON Advisory Council					
	<b>Energy/Resources</b>					
455	Alternative Fuels Implementation Advisory Group					✓
456	Australian Energy Market Operator					
457	Bureau of Resource and Energy Economics					
458	Bureau of Resource and Energy Economics Advisory Council					✓
459	Consumer Advocacy Panel					
460	Energy Efficiency Working Group Buildings Committee					*
461	Maralinga Land and Environment Management Committee					
462	National Carbon Capture and Storage Council					✓
463	National Offshore Petroleum Titles Administrator					
464	National Operating Committee on Jet Fuel Assurance					✓
465	Resources Sector Advisory Forum					✓
466	Smart Grid Smart City – Strategic Policy and Regulatory Steering Committee					✓
467	Standing Council on Energy and Resources Energy Appointments Selection Panel					*
468	Study on the Eastern Australian Domestic Gas Market - Industry Reference Group	✓				
469	Technical Advisory Committee for the Coal Mining Abatement Technology Support Package					✓
	<b>Innovation</b>					
470	Cooperative Research Centres Committee					✓
471	Innovation Australia					✓

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
472	<i>Innovation Australia – Clean Technology Food and Foundries Investment Committee</i>					✓
473	<i>Innovation Australia – Clean Technology Innovation Committee</i>					✓
474	<i>Innovation Australia – Clean Technology Investment Committee</i>					✓
475	<i>Innovation Australia – Commercialisation Australia Board</i>					✓
476	<i>Innovation Australia – Innovation Grants Committee</i>					✓
477	<i>Innovation Australia – R&amp;D Incentives Committee</i>					✓
478	<i>Innovation Australia – R&amp;D Tax Incentive Advisory Committee</i>					✓
479	<i>Innovation Australia - Venture Capital Committee</i>					✓
480	<i>Manufacturing Leaders Group</i>					✓
481	<i>National Precincts Board</i>					✓
482	<i>Professional Standards Board for Patent and Trade Marks Attorneys</i>					
	<b>Industry</b>					
483	<i>Anti-Dumping Commission</i>					
484	<i>Australian Industry Participation Authority</i>	✓				
485	<i>Business Design Reference Group</i>					*
486	<i>Business Online Service Management Committee</i>					*
487	<i>Pharmaceutical Industry Working Group</i>					✓
488	<i>Pulp &amp; Paper Advisory Group</i>					✓
489	<i>Services Leaders Group</i>					✓
140	<b>Department of Infrastructure and Regional Development</b>					
141	Airservices Australia					✓
142	Australian Maritime Safety Authority					
143	Australian Rail Track Corporation Limited				✓	
144	Australian Transport Safety Bureau					
145	Civil Aviation Safety Authority					
146	Moorebank Intermodal Company Ltd				✓	
147	National Capital Authority					✓
148	National Transport Commission					✓
	<b>Infrastructure and Transport - Policy</b>					
490	<i>Accessible Public Transport Jurisdictional Committee</i>					*
491	<i>Accessible Public Transport National Advisory Committee</i>					*
492	<i>Australian Bicycle Council</i>					*
493	<i>Australian Motor Vehicle Certification Board</i>					*
494	<i>Infrastructure Australia</i>					
495	<i>Infrastructure Coordinator</i>	✓				
496	<i>Infrastructure Working Group</i>					*
497	<i>Marine Council</i>			✓		

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	498 Motor Vehicle Standards Review Panel			✓		
	499 Standing Council on Transport and Infrastructure					*
	500 Strategic Vehicle Safety and Environment Group					✓
	501 Technical Liaison Group					✓
	502 Sydney Airport Community Forum					
	503 Transport and Infrastructure Senior Officials' Committee					*
	<b>Infrastructure and Transport - Regulatory</b>					
	504 Administrator of Vehicle Standards					✓
	505 Associate Administrators of Vehicle Standards					✓
	506 Inspector of Transport Security					
	507 International Air Services Commission			✓		
	508 National Heavy Vehicle Regulator					*
	509 Office of the National Rail Safety Regulator					*
	510 Registrar of Liner Shipping					
	<b>Regional - Policy</b>					
	511 Australian Council of Local Government	✓				
	512 Expert Advisory Panel					
	513 Inter-Jurisdictional Working Group	✓				
	514 Local Government Ministers' Forum	✓				
	515 Northern Australia Indigenous Experts Forum on Sustainable Economic Development					
	516 Northern Australia Ministerial Forum					
	517 RDA ACT Australian Capital Territory					✓
	518 RDA NSW Central Coast					✓
	519 RDA NSW Central West					✓
	520 RDA NSW Far West					✓
	521 RDA NSW Hunter					✓
	522 RDA NSW Illawarra					✓
	523 RDA NSW Mid North Coast					✓
	524 RDA NSW Murray					✓
	525 RDA NSW Northern Inland					✓
	526 RDA NSW Northern Rivers					✓
	527 RDA NSW Orana					✓
	528 RDA NSW Riverina					✓
	529 RDA NSW South Coast					✓
	530 RDA NSW Southern Inland					✓
	531 RDA NSW Sydney					✓
	532 RDA NT Northern Territory					✓
	533 RDA QLD Brisbane City					✓
	534 RDA QLD Darling Downs & South West					✓
	535 RDA QLD Far North Queensland & Torres Strait					✓

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	536 RDA QLD Fitzroy & Central West					✓
	537 RDA QLD Gold Coast					✓
	538 RDA QLD Ipswich & West Moreton					✓
	539 RDA QLD Logan & Redlands					✓
	540 RDA QLD Mackay-Isaac-Whitsunday					✓
	541 RDA QLD Moreton Bay					✓
	542 RDA QLD Sunshine Coast					✓
	543 RDA QLD Townsville & North West					✓
	544 RDA QLD Wide Bay Burnett					✓
	545 RDA SA Adelaide Hills, Fleurieu & Kangaroo Island					✓
	546 RDA SA Adelaide Metropolitan					✓
	547 RDA SA Barossa					✓
	548 RDA SA Far North					✓
	549 RDA SA Limestone Coast					✓
	550 RDA SA Murraylands & Riverland					✓
	551 RDA SA Whyalla & Eyre Peninsula					✓
	552 RDA SA Yorke & Mid North					✓
	553 RDA TAS Tasmania					✓
	554 RDA VIC Barwon South West					✓
	555 RDA VIC Gippsland					✓
	556 RDA VIC Grampians					✓
	557 RDA VIC Hume					✓
	558 RDA VIC Loddon Mallee					✓
	559 RDA VIC Melbourne East					✓
	560 RDA VIC Northern Melbourne					✓
	561 RDA VIC Southern Melbourne					✓
	562 RDA VIC Western Melbourne					✓
	563 RDA WA Goldfields Esperance					✓
	564 RDA WA Great Southern					✓
	565 RDA WA Kimberley					✓
	566 RDA WA Mid West Gascoyne					✓
	567 RDA WA Peel					✓
	568 RDA WA Perth					✓
	569 RDA WA Pilbara					✓
	570 RDA WA South West					✓
	571 RDA WA Wheatbelt					✓
	572 Regional Australia Standing Council					*
	573 Senior Officials' Group					*
	574 Standing Committee of Senior Officials					*
	<b>Regional - Regulatory</b>					
	575 Administrator of Norfolk Island					

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
576	<i>Administrator of the Indian Ocean Territories (Christmas Island and Cocos (Keeling) Islands)</i>					
577	<i>Administrator of the Northern Territory</i>					
	<b>Other/Various</b>					
578	<i>National Disaster Recovery Taskforce</i>					*
579	<i>Reconstruction Inspectorate</i>					*
580	<i>Urban Policy Forum</i>			✓		
149	<b>Department of the Prime Minister and Cabinet</b>					
150	Aboriginal Hostels Limited					✓
151	Anindilyakwa Land Council					✓
152	Australian National Audit Office					
153	Australian Public Service Commission					✓
154	Central Land Council					✓
155	Indigenous Business Australia		✓			
156	Indigenous Land Corporation		✓			
157	National Australia Day Council Limited					
158	Northern Land Council					✓
159	Office of National Assessments					
160	Office of the Commonwealth Ombudsman		✓			
161	Office of the Inspector-General of Intelligence and Security					
162	Office of the Official Secretary to the Governor-General					
	581 Australian Bravery Decorations Council					
	582 Council for the Order of Australia					
	583 National Emergency Medal Committee					
163	Outback Stores Pty Ltd					✓
164	Tiwi Land Council					✓
165	Torres Strait Regional Authority					✓
166	Wreck Bay Aboriginal Community Council					✓
	<b>Indigenous</b>					
584	<i>Aboriginal and Torres Strait Islander Mental Health and Suicide Prevention Advisory Group</i>					✓
585	<i>Aboriginal Benefits Account Advisory Committee</i>					✓
586	<i>First Peoples Advisory Group</i>					✓
587	<i>Indigenous Development effectiveness Initiative Steering Committee</i>					✓
588	<i>Indigenous Education Consultative Bodies</i>					✓
589	<i>National Indigenous Drug and Alcohol Committee</i>					✓
590	<i>National NAIDOC Committee</i>					✓
591	<i>Prime Minister's Indigenous Advisory Council</i>					✓
592	<i>Prime Minister's Indigenous Business Policy Advisory Group</i>					✓

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	<b>Other</b>					
	593 <i>Australia in the Asian Century Advisory Board</i>	✓				
	594 <i>Australian Business 20 Leadership Group</i>					✓
	595 <i>Australia-New Zealand Counter-Terrorism Committee</i>					*
	596 <i>Civil Society 20 Steering Group</i>					✓
	597 <i>COAG Reform Council</i>					*
	598 <i>Council of Australian Governments</i>					*
	599 <i>Nomination Panel for appointments to the boards of the ABC and SBS</i>			✓		
	600 <i>Office of the Independent National Security Legislation Monitor</i>					
	601 <i>Official Establishments Trust</i>					
	602 <i>Prime Minister's Business Advisory Council</i>					
	603 <i>Remuneration Tribunal</i>					✓
	<b>167 Department of Social Services</b>					
	169 <i>Australian Aged Care Quality Agency</i>					
	168 <i>Australian Institute of Family Studies</i>					
	604 <i>Australian Institute of Family Studies Advisory Council</i>					✓
	<b>170 National Disability Insurance Agency</b>					
	<b>Aged care</b>					
	605 <i>Aged Care Determination Review Panels</i>			✓		
	606 <i>Aged Care Financing Authority</i>					
	607 <i>Aged Care Planning Advisory Committee</i>			✓		
	608 <i>Aged Care Pricing Commissioner</i>					
	609 <i>Aged Care Reform Implementation Council</i>					✓
	<b>Disability</b>					
	610 <i>Minister's Dementia Advisory Group</i>					✓
	611 <i>National People with Disabilities and Carer Council</i>					
	<b>Other</b>					
	612 <i>Australian Housing &amp; Urban Research Institute</i>					✓
	613 <i>Australian Multicultural Advisory Council</i>					✓
	614 <i>Forced Adoptions Implementation Group</i>					
	615 <i>National Accreditation Authority for Translators and Interpreters</i>					
	616 <i>National Children and Family Roundtable</i>		✓			
	617 <i>Refugee Resettlement Advisory Council</i>					✓
	618 <i>Social Security Appeals Tribunal</i>		✓			
	619 <i>Social Services Ministerial Advisory Council</i>					
	<b>171 Department of the Treasury</b>					
	172 <i>Australian Bureau of Statistics</i>					



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✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	620 Australian Statistics Advisory Council					✓
173	Australian Competition and Consumer Commission					
174	Australian Office of Financial Management					
175	Australian Prudential Regulation Authority					
176	Australian Reinsurance Pool Corporation	✓				
177	Australian Securities and Investments Commission					✓
	621 Companies Auditors and Liquidators Disciplinary Board					
	622 Consumer Advisory Panel					
	623 Financial Literacy Board	✓				
178	Australian Taxation Office					
	624 Development Allowance Authority					✓
179	Clean Energy Finance Corporation	✓				
180	Commonwealth Grants Commission					
181	Corporations and Markets Advisory Committee			✓		
	625 Legal Committee of Corporations and Market Advisory Committee			✓		
182	Inspector-General of Taxation		✓			
183	National Competition Council		✓			
184	Office of the Auditing and Assurance Standards Board		✓			
185	Office of the Australian Accounting Standards Board		✓			
186	Productivity Commission					
	626 Australian Government Competitive Neutrality Complaints Office					
187	Reserve Bank of Australia					
	627 Note Printing Australia Pty Ltd				✓	
	628 Payments System Board					
188	Royal Australian Mint				✓	
	629 Australian Charities and Not-for-Profits Commission	✓				
	630 Australian Charities and Not-for-Profits Commission Advisory Board	✓				
	631 Australian Competition Tribunal					
	632 Australian Energy Regulator					
	633 Australian Government Actuary					
	634 Australian Loan Council					*
	635 Financial Reporting Council					
	636 Financial Sector Advisory Council					✓
	637 Foreign Investment Review Board					
	638 Legislative and Governance Forum on Consumer Affairs					*
	639 Legislative and Governance Forum on Corporations					*
	640 National Injury Insurance Scheme Advisory Group					
	641 Standard Business Reporting Board					
	642 Standing Council on Federal Financial Relations					*

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
643	<i>Steering Committee for the Review of Government Service Provision</i>					*
644	<i>Superannuation Complaints Tribunal</i>					
645	<i>Superannuation Complaints Tribunal Advisory Committee</i>					
646	<i>Takeovers Panel</i>					
647	<i>Tax Practitioners Board</i>					
648	<i>Trans-Tasman Accounting and Auditing Standards Advisory Group</i>					
649	<i>Trans-Tasman Council on Banking Supervision</i>					
650	<i>Trans-Tasman Outcomes Implementation Group</i>					
<b>189 Department of Veterans' Affairs</b>						
<b>190 Australian War Memorial</b>						
651	<i>Allied Health Advisory Committee</i>					✓
652	<i>ANZAC Centenary Advisory Board</i>					✓
653	<i>Applied Research Program Advisory Panel</i>					✓
654	<i>Australian National Memorial New Zealand Advisory Panel</i>					✓
655	<i>Community Nursing Clinical Advisory committee</i>					✓
656	<i>Community Nursing Reference Group</i>					✓
657	<i>Current and Former Members of the ADF Emerging Issues Forum</i>					✓
658	<i>Defence Services Homes Insurance Scheme</i>	✓				
659	<i>Defence Services Homes Insurance Advisory Board</i>	✓				
660	<i>Dental Advisory committee</i>					✓
661	<i>Department of Veterans' Affairs Human Research Ethics Committee</i>					
662	<i>eHealth Technical Advisory Group</i>					✓
663	<i>Emerging Issues Forum</i>					✓
664	<i>Ex-Service Organisation Round Table</i>					
665	<i>Gulf War Study Advisory Committee</i>					✓
666	<i>Health Innovation - Clinical Reference Group</i>					✓
667	<i>Local Medical Officer Advisory Committee</i>					✓
668	<i>Medical Software Industry Association Committee</i>					✓
669	<i>Medicines Advice and Therapeutics Education Services Practitioner Reference Group</i>					✓
670	<i>Medicines Advice and Therapeutics Education Services Veterans Reference Group</i>					✓
671	<i>Medicines Advice and Therapeutics Education Services Writing Group</i>					✓
672	<i>Military Rehabilitation and Compensation Commission</i>					
673	<i>National Health, Aged and Community Care Forum</i>					✓
674	<i>National Mental Health Forum</i>					✓
675	<i>Operational Working Party</i>					✓
676	<i>Optical Advisory committee</i>					✓

Principal Bodies	Non-Principal Bodies	Abolish	Merge	Consolidate in Department	Privatise	Other action
✓	Action recommended for Principal body					
✓	Action recommended for Non-Principal body					
*	COAG related body - review as part of reform of the Federation					
	677 <i>Pay for Performance Advisory Committee</i>					✓
	678 <i>Peacekeepers Study Advisory Committee</i>					✓
	679 <i>Prime Ministerial Advisory Council on Ex-Service Matters</i>					✓
	680 <i>Rehabilitation Advisory Committee</i>					✓
	681 <i>Rehabilitation Appliances Program Reference Committee</i>					✓
	682 <i>Repatriation Commission</i>					
	683 <i>Repatriation Medical Authority</i>					✓
	684 <i>Repatriation Pharmaceutical Reference Committee</i>					✓
	685 <i>Research Board</i>					✓
	686 <i>Research Working Group</i>					✓
	687 <i>Scientific Advisory Committee</i>					✓
	688 <i>Specialist Medical Review Council</i>					✓
	689 <i>State / Territory consultation forum</i>					✓
	690 <i>Veterans and Veterans Families Counselling Service National Advisory Committee</i>					✓
	691 <i>Veterans' Children Education Scheme State Boards</i>					
	692 <i>Veterans Home Care Reference Group</i>					✓
	693 <i>Veterans Mental Health Clinical Reference Group</i>					✓
	694 <i>Veterans' Review Board</i>					
	695 <i>Vietnam Veterans Education Centre Advisory Panel</i>					✓
	696 <i>Vietnam Veterans Family Study Consultative Forum</i>					✓
191	<b>Department of Parliamentary Services</b>					
192	Department of the House of Representatives					
193	Department of the Senate					
194	Parliamentary Budget Office					
	<b>Total bodies identified for action</b>	<b>42</b>	<b>41</b>	<b>80</b>	<b>10</b>	<b>411</b>
	<i>Principal bodies</i>	7	35	23	9	28
	<i>Non-principal bodies</i>	35	6	57	1	383

## Annex C: Grant programmes

**Table C.1: List of 399 grants programmes in 2014-15**

Agency Name	Grant Programme Name	2014-15 \$m
Department of Education	Commonwealth Grant Scheme – Priority Postgraduate and Sub-bachelor Courses	6,404.600
Department of Infrastructure and Regional Development	Nation Building Program Investment	2,725.800
Department of Social Services	Home Support – Commonwealth Home and Community Care Program	1,315.311
Department of Infrastructure and Regional Development	Nation Building Off-Network Projects	1,156.900
Department of Health	Medical Research - Medical Research Endowment Account	930.902
Department of Industry	Australian Apprenticeships Incentives Program	718.600
Department of Education	Discovery – various awards, fellowships and projects	561.032
Department of Health	Health Infrastructure – Health and Hospitals Fund - Rural and Regional Priority	497.700
Department of Infrastructure and Regional Development	Nation Building Roads to Recovery	350.000
Department of Health	Recurrent Funding of Indigenous Health Organisations	330.600
Department of the Environment	Caring for our Country	280.000
Department of Social Services	Family Support – Family and Children’s Services	255.784
Department of Social Services	Home Support – National Respite for Carers Program	238.671
Department of Social Services	Targeted Community Care Program	225.866
Department of Education	National Institutes	208.558
Department of Education	Higher Education Support – Higher Education Participation and Partnerships	185.400
Department of Industry	National Workforce Development Fund Grants – Vocational Education and Training National Support Program	173.700
Attorney-General's Department	Family Relationship Services Program	165.732
Department of Education	Support for the Child Care System – Early Years Quality Fund	165.000
Department of Health	Mental Health – Partners in Recovery	160.840
Department of the Prime Minister and Cabinet	Indigenous Employment Program	156.031
Department of Industry	Cooperative Research Centres Program	149.288
Australian Research Council	Linkage-Linkage Projects	148.858
Department of Health	Workforce and Rural Distribution - Specialist Training Program	121.400
Department of Health	High Performance and Participation Grants	120.400

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Education	Community Support Program - Mainstream Community Support	111.818
Department of Social Services	Financial Management Program – Financial Management Information and Assistance and Problem Gambling	104.900
Department of Health	Mental Health – Access to Allied Psychological Services	103.304
Australian Research Council	Linkage – ARC Centres of Excellence	101.095
Department of Education	National Collaborative Research Infrastructure Strategy	100.100
Department of Social Services	Ageing and Service Improvement - Aged Care Service Improvement and Healthy Ageing Grants Fund	98.059
Department of the Prime Minister and Cabinet	Native Title and Land Rights - Native Title and Land Rights Program	89.660
Department of Education	Building Stronger Communities: Better Schools	89.409
Department of Defence	Contribution to the North Atlantic Treaty Organisation to Support the Development and Sustainment of the Afghan National Security Forces	87.013
Department of the Prime Minister and Cabinet	Drug Strategy – Substance Misuse Service Delivery Grants Fund: Priorities 2 and 3 Indigenous Substance Abuse	84.477
Department of Health	Mental Health – Headspace: National Youth Mental Health Program	82.500
Department of Industry	Clean Technology Programs – Industry	78.300
Department of the Prime Minister and Cabinet	Drug Strategy – Substance Misuse Service Delivery Grants Fund – Indigenous Drug and Alcohol Treatment	76.800
Attorney-General's Department	Indigenous Legal Assistance and Policy Reform	76.026
Department of Social Services	Workforce and Quality	75.776
Department of Education	Trade Training - Trade Training Centres in Schools Program	74.500
Department of Education	Trade Training Centres in Schools Program - Non-Government	74.498
Department of Health	Improving Indigenous Access to Mainstream Primary Care and Case Coordination	67.600
Department of Social Services	Workforce and Quality – Zero Real Interest Loans	66.857
Department of Industry	Industry Workforce Training Sub-Program	62.432
Department of Social Services	Residential and Flexible Care – Capital Grants	61.558
Department of the Prime Minister and Cabinet	Aboriginal and Torres Strait Islander Health – Social and Emotional Wellbeing Program – Australian Institute of Aboriginal and Torres Strait Islander Studies	55.939
Department of Education	Inclusion and Professional Support Program	55.247
Department of Health	Primary Care Financing, Quality and Access – National Health Call Centre Network	54.600
Department of Health	Regional Tackling Smoking and Healthy Lifestyle Teams	54.400
Department of the Prime Minister and Cabinet	Aboriginal and Torres Strait Islander Health – Social and Emotional Wellbeing Program	50.900

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Health	Dental Flexible Grants Programme	49.658
Department of the Prime Minister and Cabinet	Economic Development and Participation - Remote Jobs and Communities Program - grants from the Community Development Fund	48.800
Department of Education	Support for the Child Care System - Budget Based Funded Services – Indigenous	47.500
Department of the Prime Minister and Cabinet	Family Support- Various Grants	46.612
Attorney-General's Department	Payments for the Provision of Community Legal Services	46.265
Department of Education	International Education Support Program	45.192
Department of Social Services	Settlement Services for Migrants and Refugees: Settlement Grants Program	44.450
Department of Industry	National Training System – Commonwealth Own Purpose Expense Sub-Program	44.050
Department of the Prime Minister and Cabinet	Indigenous Employment Program – Various Grants	43.303
Department of the Prime Minister and Cabinet	Indigenous Capability and Development – Indigenous Communities Strategic Investment Program	39.376
Department of Health	New Directions: An Equal Start in Life for Indigenous Children	39.062
Department of Health	Aboriginal and Torres Strait Islander Health – Indigenous Chronic Disease Package	37.300
Department of Industry	Workplace English Language and Literacy Program Grants - VET National Support Program	34.300
Department of Education	Linkage – Linkage Infrastructure, Equipment and Facilities	32.370
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance	32.301
Department of Social Services	Residential and Flexible Care – Aboriginal and Torres Strait Islander Flexible Aged Care Program	32.271
Department of Social Services	Community Investment – Community Capability Building Projects, Volunteer Grants and National Secretariat	32.000
Department of Health	Mental Health – National Suicide Prevention Programme	29.976
Department of the Prime Minister and Cabinet	Indigenous Law and Justice – Stronger Futures in the Northern Territory Community Safety and Justice – Community Night Patrols in the Northern Territory Program	29.877
Department of Infrastructure and Regional Development	Community Infrastructure Grants Program	29.500
Department of Health	State and Territory Funding Agreements: for Dedicated Organ and Tissue Donation Clinical Specialists in Hospitals and Organ and Tissue Donation Agencies	28.910
Department of Education	Higher Education – Quality Initiatives (Reward Funding)	28.658
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – 'Away from Base' Funding Support for Mixed-mode Delivery	28.419

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Infrastructure and Regional Development	Murray Darling Basin Regional Economic Diversification Program	27.998
Department of the Prime Minister and Cabinet	Indigenous Employment Program – Community Development and Employment Projects Program	27.672
Department of Health	Workforce and Rural Distribution - More Doctors and Nurses for Emergency Departments –Emergency Department Private Sector Clinical Supervision Program	27.472
Department of the Prime Minister and Cabinet	Drug Strategy – Substance Misuse Service Delivery Grants Fund: Combat Petrol Sniffing Project	26.967
Department of Health	Workforce and Rural Distribution - Nursing and Allied Health Scholarship Support Scheme	26.293
Department of Education	School Improvement Support Funding – Independent	25.000
Department of Social Services	Gender Equality for Women – Women’s Safety Agenda	24.972
Department of Health	Mental Health - Primary Education and Training and Primary Care Financing, Quality and Access	24.900
Department of Health	Workforce and rural distribution - Expansion of the Voluntary Dental Graduate Year Program	24.437
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – Various Grants	24.282
Department of Social Services	Housing Assistance and Homelessness Prevention - Youth Homelessness – Reconnect	24.125
Department of the Prime Minister and Cabinet	Stronger Futures in the Northern Territory – Child, Youth, Family and Community Wellbeing Package	22.511
Attorney-General's Department	Indigenous Employment Initiative	21.835
Department of the Prime Minister and Cabinet	Indigenous Housing and Infrastructure Programme	21.536
Attorney-General's Department	Indigenous Languages Support and Indigenous Culture Support	21.198
Department of Social Services	Family Support - Child Services	21.000
Department of Health	Programme 10.2 – e-Health Implementation – Tasmanian Health Assistance Programme	20.900
Australian Research Council	Linkage – Industrial Transformation Research Program	20.336
Department of Social Services	Workforce and Quality – Community Visitors Scheme	20.211
Department of the Prime Minister and Cabinet	Indigenous Sport and Active Recreation Programme – Various Grants	20.200
Department of the Prime Minister and Cabinet	Sport and Recreation Program – Departmental funding – Indigenous Sport and Active Recreation Program	20.200
Attorney-General's Department	International Films Incentive Payments	20.000
Department of the Prime Minister and Cabinet	Indigenous Law and Justice – Family Violence Prevention Legal Services Program	19.970
Department of Industry	Australian Apprenticeships Mentoring Sub-Program	19.800
Department of Health	Mental Health - Mental Health Nurse Incentive Program	19.700

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Infrastructure and Regional Development	Regional Development Australia Committees	19.600
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – Grants to Education Providers	19.222
Attorney-General's Department	National Crime Prevention Fund	19.000
Department of Infrastructure and Regional Development	Regional Development projects in Northern Australia	18.000
Department of Industry	Alternative Pathways Sub-Program	17.996
Department of Health	Communicable Disease Prevention and Service Improvement Grants (including the new Blood Borne Viruses and Sexually Transmissible Infections Prevention)	17.683
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – Stronger Futures in the Northern Territory – Education Components	17.526
Department of Industry	Step into Skills Sub-Program	17.100
Department of Health	Mental Health - Beyond Blue	16.800
Department of the Prime Minister and Cabinet	Higher Education Support - Indigenous Staff Scholarships	16.783
Department of the Prime Minister and Cabinet	Broadcasting and Digital Television – Indigenous Broadcasting Program	16.097
Department of Education	International Education Support – Various Awards, Subsidies and Projects	15.584
Department of Health	Mental Health – Day to Day Living in the Community	15.100
Department of Health	International Policy Engagement – World Health Organization and International Agency for Research on Cancer Contributions	14.800
Department of the Prime Minister and Cabinet	Community Investment – Indigenous Community Links Program	14.638
Department of the Environment	Water Reform – On-Farm Irrigation Efficiency Program	14.600
Department of Education	Promotion of Excellence in Learning and Teaching in Higher Education – various grants, awards and fellowships	14.400
Department of Health	National Palliative Care Projects - Chronic Disease Prevention and Service Improvement Fund	14.000
Department of Education	Budget Based Funded Program – non Indigenous component	13.723
Department of Education	School Improvement Support Funding – Catholic	13.667
Department of Health	Workforce and rural distribution - Medical Rural Bonded Scholarship Scheme	13.600
Department of Health	Mental Health – KidsMatter	13.500
Department of Health	Workforce and rural distribution - Training More Specialist Doctors in Tasmania	13.200
Department of Health	Additional funding for BreastScreen Australia program – Expand the Target Age Range	13.100
Department of Health	Australian Nurse-Family Partnership Programme	12.733



<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Education	Australian Curriculum, Assessment and Reporting Authority	12.428
Department of Industry	Accelerated Australian Apprenticeships Sub-Program	12.427
Department of the Prime Minister and Cabinet	Indigenous Law and Justice - Indigenous Justice Program	12.151
Tourism Australia	Tourism Industry Regional Development Fund	12.099
Department of Social Services	Family Support – Additional Family Services and Grants	11.700
Department of Education	More Support for Students with Disabilities Initiative – Non-Government	11.369
Attorney-General's Department	Indigenous Visual Arts Industry Support – building a stronger Indigenous visual arts industry	11.300
Department of the Prime Minister and Cabinet	Indigenous Capability and Development – Indigenous Leadership Activities – Regional Indigenous Women’s Gathering	11.271
Department of Health	Mental Health - Taking Action to Tackle Suicide Package	10.900
Department of Health	Workforce and rural distribution - Specialist Training Program - Private Infrastructure and Clinical Supervision Allowance	10.476
Department of Health	Direct Athlete Support Grants	10.000
Department of Industry	Victorian Innovation Investment Fund - Ford Assistance	10.000
Department of Industry	Automotive New Markets Initiative - Automotive New Markets Program	9.900
Department of Education	National Trade Cadetships	9.880
Department of Health	Active After-School Communities	9.800
Department of Education	Improving Educational Outcomes	9.765
Department of Education	Online Diagnostic Tools	9.734
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – Indigenous Tutorial Assistance Scheme	9.426
Department of Education	Higher Education – Quality Initiatives (maths and science)	9.330
Department of Health	Project Agreement for the Victorian Cytology Service	8.905
Department of Agriculture	Landcare - Innovation Grants	8.900
Department of Education	Australian Government Quality Teacher Program	8.557
Department of Health	Improving Eye and Ear Health Services for Indigenous Australians	8.300
Department of Health	Mental Health - National Perinatal Depression Initiative	8.200
Department of the Prime Minister and Cabinet	Indigenous Capability and Development – Cape York Welfare Reform	8.172
Department of the Environment	Australian Climate Change Science Program	7.800
Department of Agriculture	Payment to CSIRO - Contribution to the Operating Costs of the Australian Animal Health Laboratory	7.800

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Education	National Quality Agenda – Australian Children’s Education and Care Quality Authority	7.080
Department of Social Services	Local Solutions Fund – Better Futures, Local Solutions	7.000
Department of Health	Tackling Indigenous Smoking	7.000
Department of the Prime Minister and Cabinet	Indigenous Capability and Development – Indigenous Leadership	6.714
Department of Education	Teach for Australia	6.465
Department of Industry	Australia-India Science Research Fund	6.367
Health Workforce Australia	Expanding Workforce Capacity - Clinical Training Funding	6.350
Australian Organ and Tissue Donation and Transplantation Authority	Organ Donation Hospital Support Funding	6.173
Department of Industry	Square Kilometre Array Pre-construction Grants Program	6.146
Department of Health	Stronger Futures in the NT - Health measure: Remote Area Health Corps	6.146
Department of Infrastructure and Regional Development	Regional Aviation Access Program - Remote Airstrip Upgrade Funding Component	6.100
Cancer Australia	Improved Cancer Control - Support for Cancer Clinical Trials and Well Women Workshops	6.000
Attorney-General's Department	Creative Partnerships Australia	5.644
Department of Education	Support for students with Autism: Positive Partnerships	5.637
Department of Education	School Education Reforms Implementation – Australian Institute for Teaching and School Leadership	5.589
Department of Health	Rural health services – National Rural and Remote Health Infrastructure Program	5.531
Department of Education	Australian Institute for Teaching and School Leadership	5.500
Department of Health	Primary Health Care Base Funding Grants	5.500
Department of Health	Priority-driven Collaborative Cancer Research Scheme	5.400
Defence Materiel Organisation	Skilling Australia Defence Industry Program	5.300
Department of Social Services	Access and Information - Better Palliative Care in Aged Care	5.044
Department of Health	Chronic Disease – radiation oncology – Better Access to Radiation Oncology Program	5.000
Department of the Prime Minister and Cabinet	Indigenous Capability and Development – National Congress of Australia’s First Peoples	5.000
Department of Health	Aboriginal and Torres Strait Islander health – Establishing Quality Health Services – Continuation	5.000
Health Workforce Australia	Pathways into Practice Program	5.000

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Health	Health Infrastructure – Australian Capital Territory Paediatric Emergency Department Care Project	5.000
Department of Education	School Education Reforms Implementation – Education Services Australia	4.990
Aboriginal Hostels Limited	Community Operated Hostels – Departmental funding – Community and Corporate Partnerships Program	4.900
Department of Education	Higher Education Research Promotion	4.708
Department of Education	Maths and Science Participation	4.700
Department of Social Services	Allowances, Concessions and Services for Seniors - Broadband for Seniors	4.600
Department of Foreign Affairs and Trade	International Relations Grant Program	4.594
Department of Industry	Plantation Manufacturing Innovation and Investment Fund	4.561
Department of the Prime Minister and Cabinet	Indigenous Capability and Development – Indigenous Women’s Grants	4.557
Department of Employment	Workplace relations grants -Centre for Workplace Leadership; Ethical Clothing Australia	4.404
Department of the Environment	Clipper Ship 'City of Adelaide'	4.400
Department of Health	Improve Trachoma Control for Indigenous Australians	4.079
Department of Education	Child Care Services Support – Australian Early Development Index	4.060
Department of Health	Mental Health - Aboriginal and Torres Strait Islander Suicide Prevention Strategy	4.044
Department of Health	Mental Health - COAG Early Intervention Services for Children, Parents and Young People	4.043
Department of Industry	Textiles, Clothing and Footwear - Strategic Capability Program	4.000
Department of Health	Tasmania Health Assistance Package Element G: Innovative Flexible Funding for Mental Health	4.000
Department of Education	Grants and Awards	3.954
Department of Health	Workforce development and innovation - Outer Metropolitan Relocation Incentive Grant	3.800
Department of the Prime Minister and Cabinet	Indigenous Heritage Program	3.645
Department of the Treasury	Assetless Administration Fund	3.600
Department of Education	Youth Support	3.574
Department of Industry	National Centre for Asia Capability Sub-Program	3.531
Department of the Prime Minister and Cabinet	Women's Leadership and Development Strategy	3.496
Attorney-General's Department	Regional Arts Fund	3.325

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of the Prime Minister and Cabinet	Schools Support – various grants: Indigenous Rangers Cadetships Pilot; and Indigenous Remote Service Delivery Traineeships (Schools)	3.293
Department of Industry	Supplier Access to Major Projects – Opening Up Opportunities through Australian Industry Participation	3.230
Department of the Prime Minister and Cabinet	Public Awareness Programme	3.227
Department of Education	Schools Support - Framework for Open Learning Program	3.200
Australian Sports Commission	Local Sporting Champions	3.170
Department of Health	Australian Sports Outreach program - Pacific Sports Partnership Program	3.100
Department of Health	Programme 10.3 – Health Information – Health Systems Capacity Development Fund	3.100
Defence Materiel Organisation	Defence Future Capability Technology Centre	3.066
Department of Education	Support for the Child Care System – Long Day Care - Capital Grants - Exceptional Circumstances	3.000
Department of Employment	Migrant Communities and Employment Fund	3.000
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – Indigenous Education Consultative Bodies	2.949
Department of Education	More Support for Students with Disabilities Initiative – Commonwealth Own Purpose Expense	2.882
Department of Health	Primary care financing, quality and access – Primary Care Infrastructure Grants	2.829
Department of Social Services	Income Support for Carers - Ex Gratia Payment to Unsuccessful Applicants of Carer Payment	2.800
Department of Veterans' Affairs	Building Excellence in Support & Training - Payments to ESOs	2.781
Defence Materiel Organisation	Priority Industry Capability Innovation Program	2.763
Department of Education	Stronger Futures in the Northern Territory – Crèches	2.712
Department of Veterans' Affairs	Veteran and Community Grants Program - Veteran and Community Grants (Community Care Grants, Joint Venture Grants and Joint Venture Day Clubs)	2.664
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – Northern Territory Boarding Facilities	2.614
Department of Education	Support for the Child Care System – Budget Based Funded services – Improved Standards	2.600
Department of Health	Investment in Preventative Health - Tobacco Harm Minimisation Measure	2.598
Department of Veterans' Affairs	Applied Research Program - Health and Medical Research	2.507
Attorney-General's Department	Grants to Australian Organisations Program	2.503
Department of Education	School Education Reforms - ACT Association of Independent Schools	2.500
Department of Health	Research into Action, Competitive Innovation and High Performance Sports Research Programs	2.500

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Industry	Textiles Clothing and Footwear - Structural Adjustment Program	2.490
Attorney-General's Department	Proceeds of Crime Act 2002	2.450
Department of Health	Mental Health - Mental Health First Aid Training	2.436
Department of Education	Endeavour Language Teacher Fellowships	2.400
Australian Organ and Tissue Donation and Transplantation Authority	Transplant Outcome Registries and Other Community Organisation Funding	2.325
Department of Health	Healthy for Life Strong Fathers Strong Families	2.252
Attorney-General's Department	Australian Government International Exhibitions Insurance Program	2.200
Department of Agriculture	Indonesia-Australia Red Meat and Cattle Partnership	2.200
Department of Education	Schools National Projects	2.127
Department of Social Services	Housing Assistance and Homelessness Prevention – National Homelessness Strategy	2.122
Attorney-General's Department	National Emergency Management Projects	2.100
Department of Social Services	Services and Support for People with Disability - Services for People with Disability	2.100
Department of Health	Aboriginal and Torres Strait Islander health – Tackling Indigenous Smoking Program	2.100
Department of Health	Pathology Services – Pathology Reform Implementation – Quality Use of Pathology Programme	2.100
Department of Education	Child Care Next Steps – Accessibility and Flexibility Fund Grants	2.039
Department of Education	Quality Outcomes	2.018
Department of Education	Commonwealth-Australian National University Strategic Relationship	2.000
Department of Social Services	Multicultural and Citizenship Services: Diversity and Social Cohesion Program	2.000
Department of Health	Workforce and rural distribution - Radiation Oncology Workforce Program	2.000
Department of Communications	Digital Business Kits	2.000
Department of Education	Initiatives Supporting Innovation in Teacher Education	1.900
Department of the Environment	The Murray-Darling Basin Environmental Water Knowledge and Research Project	1.900
Office of the Fair Work Ombudsman	Community Based Employment Advice Services	1.871
Department of Social Services	Community Action Leaders – Better Futures, Local Solutions	1.834
Department of Health	Mental Health – Telephone Counselling, Self-help and Web-based Support programs – Australian Psychological Society, Call-a-Cuz	1.804
Department of Communications	New NBN-enabled Business Models and Applications (NBN Demonstrators)	1.767

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Social Services	Housing Assistance and Homelessness Prevention – National Housing Research Program	1.751
Department of Education	Student Resilience and Wellbeing Program	1.738
Department of Health	Research capacity and quality – Disease Surveillance	1.700
Attorney-General's Department	Bundanon Trust	1.676
Department of Infrastructure and Regional Development	Sustaining Australia's Maritime Skills Budget Measure	1.650
Department of the Prime Minister and Cabinet	National Women's Alliances Program	1.638
Attorney-General's Department	Get Reading!	1.600
Department of the Prime Minister and Cabinet	Stronger Futures in the Northern Territory - Food Security	1.591
Australian Sports Commission	State Departments of Sport and Recreation	1.520
Department of Education	Support for the Child Care System – Recognition of Prior Learning	1.500
Department of Health	Sport Anti-Doping Program	1.500
Department of Defence	Family Support Funding Program	1.494
Department of Industry	Science and Research Capacity – Australia India Strategic Research Fund	1.454
Department of Social Services	Housing Assistance and Homelessness Prevention – Household Organisational Management Expenses Advice	1.448
Department of Education	Short Term Emergency Assistance	1.438
Department of Agriculture	Plant Biosecurity and Response Reform	1.400
Department of Health	Recurrent Funding of Indigenous Health Organisations in South East Queensland Region	1.400
Department of Industry	Supplier Advocates – Opening Up Opportunities through Australian Industry Participation	1.336
Department of Education	Civics and Citizenship Education Program	1.302
Department of Social Services	Royal Commission into Institutional Responses to Child Sexual Abuse – Support Services	1.300
Department of Industry	Buy Australian at Home and Abroad – Supplier Advocates Initiative	1.278
Department of Social Services	Housing Assistance and Homelessness Prevention – National Homelessness Research Strategy	1.200
Department of Health	Core funding for the Alcohol and other Drugs Council of Australia	1.200
Department of Industry	Language, Literacy and Numeracy Practitioner Scholarship Grants - VET National Support program – National Foundation Skills Strategy Sub-Program	1.200
Department of Health	Illicit Drugs in Sport Program	1.200
Department of Employment	Tasmanian Forestry Workers Assistance Project - Extension	1.200

Agency Name	Grant Programme Name	2014-15 \$m
Department of the Prime Minister and Cabinet	Indigenous Women's Programme	1.189
Department of Industry	VET National Support program - National Foundation Skills Strategy Sub-Program	1.186
Department of Industry	Productive Ageing through Community Education Sub-Program	1.156
Department of Health	Aboriginal and Torres Strait Islander Health – Indigenous Remote Service Delivery Traineeship, Northern Territory	1.100
Department of Health	Substance Misuse and Service Delivery Grants Fund – Research Activities	1.100
Department of the Environment	Antarctica – Science, Policy and Presence – Australian Antarctic Science Grants	1.100
Department of Social Services	Gender Equality for Women – Support for Victims of Trafficking	1.055
Department of Education	Youth Attainment and Transitions – Australian Vocational Student Prize	1.040
Department of Social Services	Ageing and Service Improvement - Andrew Fisher Institute	1.017
Attorney-General's Department	Safer Suburbs Program - Taxi Security Scheme	1.000
Department of the Environment	International Whale and Marine Mammal Conservation Initiative – Australian Marine Mammal Centre Grants	1.000
Department of Agriculture	The Australian Animal Welfare Strategy	1.000
Department of Agriculture	Animal Biosecurity and Response Reform Program	1.000
Attorney-General's Department	National Collecting Institutions Touring and Outreach Program	1.000
Department of Health	Saving Lives in the Water - Element 2	1.000
Department of Health	Targeted Assistance - Medical – National Bariatric Surgery Registry	1.000
Department of Infrastructure and Regional Development	Seatbelts on Regional School Buses	1.000
Department of Veterans' Affairs	Saluting Their Service Commemorations Grants Program	1.000
Department of Health	Biosecurity and Emergency Response - Torres Strait Island Health Protection Strategy - Mosquito Control	1.000
Department of Industry	Leveraging Australia's Global Expat Platform – Advance	1.000
Department of Health	Ear and Eye Health Coordinators	1.000
Department of Infrastructure and Regional Development	Northern Australia Sustainable Futures Program	0.971
Attorney-General's Department	Support for Contemporary Music (Musos in Residence)	0.970
Department of Industry	Green Car Innovation Fund	0.950
Department of the Environment	National Trust Partnership Program	0.927
Department of Health	Expanding Workforce Capacity - Skills Recognition and Upskilling for Aboriginal and Torres Strait Islander Health Workers	0.922

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Health	Mental Health – National Mental Health Program – Mental Health in Multicultural Australia	0.901
Department of Health	Aboriginal and Torres Strait Islander Health – Stronger Futures in the Northern Territory Capital Program	0.900
Department of Agriculture	Caring for our Country – Landcare	0.900
Department of Health	Aboriginal and Torres Strait Islander Health – Dubbo Aboriginal Medical Service	0.900
Department of Health	National Coordination Unit under the Rheumatic Fever Strategy	0.900
Department of Education	School Education Reforms Implementation – Increasing Asian Literacy	0.898
Department of Education	Smarter Schools – Improving Teacher Quality – Teach for Australia – Commonwealth Own Purpose Expense	0.835
Attorney-General's Department	Visual Arts and Crafts Strategy – Arts and Cultural Development	0.800
Australian Bureau of Statistics	Australia Technology Network of Universities and Statistical Doctoral Scholarship	0.800
Department of Social Services	Housing Assistance and Homelessness Prevention – National Housing Priorities Fund	0.784
Department of Health	Blood and Organ Donation Services – Living Organ Donors – Supporting Leave	0.770
Department of Health	National Athlete Career and Education Program	0.754
Department of Finance	Grants in Aid	0.728
Department of Health	Pathology Services – Electronic Decision Support project – Phase two – Pathology Support for GPs	0.722
Department of Education	Community Festivals	0.700
Department of Health	Flat Out Incorporated Outreach Support Services for Criminalised Women project funded from the Substance Misuse Service Delivery Grants Fund	0.700
Department of Industry	National Centre for Vocational Education Research	0.696
Attorney-General's Department	Distributed National Collection Program	0.665
Attorney-General's Department	Prime Minister's Literary Awards	0.644
Attorney-General's Department	Indigenous Repatriation Program	0.614
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – Indigenous Education Action Plans and Targeted Projects	0.604
Department of Veterans' Affairs	History Grants Program	0.602
Department of Agriculture	Other Exotic Disease preparedness Program	0.600
Department of Health	Aboriginal and Torres Strait Islander Health – Stronger Futures in the Northern Territory Maintenance Program	0.600
Australian Sports Commission	Elite Indigenous Travel and Accommodation Assistance Program	0.600



<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Health	Improved Cancer Control – Supporting People Affected by Cancer Grant Initiative	0.600
Department of Health	Nucleic Acid Amplification Testing Programme	0.600
Department of Health	Mental Health – National Empowerment Project	0.600
Attorney-General's Department	Native Title Anthropologist Grants Program	0.582
Department of Health	Aboriginal and Torres Strait Islander Health Registered Training Organisation National Network	0.538
Australian Sports Commission	Australian Sports Outreach Program Pacific Country Program	0.507
Department of Education	Quality Outcomes - National Action Plan Literacy and Numeracy	0.500
Attorney-General's Department	Australian Government contribution to the National Cultural Heritage Special Account - Meeting of Cultural Ministers	0.500
Department of Health	A nationally-coordinated system for organ and tissue donation for transplantation – Community Awareness Grants	0.500
Department of Health	Aboriginal and Torres Strait Islander Health –National Continuous Quality Improvement Framework	0.500
Department of Employment	Ford Assistance Package – Regional Industry Employment Coordinator Flexible Funding Pool	0.500
Australian Research Council	Linkage – Learned Academies Special Projects	0.480
Attorney-General's Department	Adelaide Festival Centre - Support for Asian Cultural Activities	0.460
Department of Health	Core and Project funding for the Confederation of Postgraduate Medical Education Councils	0.430
Department of Health	Project Agreement for the Rheumatic Fever Strategy - South Australia	0.414
Department of Health	Sport Leadership Grants and Scholarships for Women	0.400
Department of Health	Indigenous Marathon Project (Rob de Castella's SmartStart for Kids)	0.400
Defence Materiel Organisation	New Air Combat Capability - Industry Support Program - Grant to Quickstep	0.321
Australian Sports Commission	Australian Sports Commission – Australian Sports Outreach Program Pacific – Disability Program	0.303
Department of Health	Aboriginal and Torres Strait Islander Health –Trachoma Surveillance	0.300
Department of Industry	Clean Technology Focus for Supply Chains	0.300
Department of Agriculture	Science and Innovation Awards	0.300
Department of Agriculture	National Residue Survey Grants	0.284
Department of Social Services	National Disability Insurance Scheme –Legal Support for the Administrative Appeals Tribunal	0.262
Department of Agriculture	The Australia China Agriculture Cooperation Agreement Program	0.240
Department of Infrastructure and Regional Development	Regional and Rural Research and Development Grants	0.228

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Finance	Grant-In-Aid - The Menzies Research Centre Limited	0.218
Australian Institute of Criminology	Criminology Research Grants Program	0.215
Department of Agriculture	The Australian Testing Centre for Marine Pests Initiative	0.214
Department of the Prime Minister and Cabinet	Non-Government Schools National Support – Indigenous Education Targeted Assistance – First Peoples Education Advisory Group	0.200
Australian Prudential Regulation Authority	Funding agreements with Capital Markets Cooperative Research Centre and University of New South Wales	0.200
Attorney-General's Department	Australian Government Contribution to the Cultural Special Account - Acquisition of Australian Protected Objects	0.196
Department of Veterans' Affairs	Overseas Privately Constructed Memorials Restoration Program	0.190
Department of Health	Mental Health - Safety and Quality Partnership Standing Committee Project Officer	0.182
Department of the Environment	Water Resources Assessment and Research Grant	0.175
Department of Health	Workforce and rural distribution - The Australian College of Rural and Remote Medicine Telehealth Project – Developing Support for Rural and Remote Health Professionals	0.150
Australian Taxation Office	DoXA Youth Foundation Cadetship Program	0.147
Department of Veterans' Affairs	Grants in Aid	0.145
Department of Health	Mental Health - Mental Health Professionals Online Development Project	0.143
Department of Defence	Provision of funding for the Strategic and Defence Studies Centre Post Doctoral Fellowship	0.143
Department of Health	Research Capacity and Quality – Australian Community Food Safety Campaign	0.141
Department of Immigration and Border Protection	Refugee Council of Australia	0.140
Department of Health	National Projects to reduce the impact of Sexually Transmissible Infections and Blood Borne Viruses in Indigenous People	0.136
Department of Health	Workforce and rural distribution - General Practice Rural Incentives Program – Flexible Payments System	0.125
Department of Health	Substance Misuse and Service Improvement Grants Fund - Research Activities	0.120
Department of Health	Research Capacity and Quality – Australian National Diabetes Audit	0.102
Australian Sports Commission	Business Development Program and Australian Institute of Sport Transition Grants	0.100
Australian Sports Commission	Australian Institute of Sport - Athlete Career and Education Program	0.100
Department of Social Services	Services and Support for People with Disability – Autism Co-operative Research Centre	0.100
Department of Defence	Army History Research Grants Scheme	0.084
Department of Finance	Grant-In-Aid, The Green Institute Limited	0.082

<b>Agency Name</b>	<b>Grant Programme Name</b>	<b>2014-15 \$m</b>
Department of Finance	Grant-In-Aid, The Page Research Centre Limited	0.082
Defence Materiel Organisation	New Air Combat Capability - Industry Support Program - Grant to Lovitt Technologies	0.071
Department of Health	Health workforce Innovation and Reform - National Prevocational Medical Education and Training Forum	0.060
Department of Health	Mental Health – University of New South Wales Partnerships for Better Health Project: Intellectual Disability and Mental Health – Leadership in Mental Health Reform	0.050
Great Barrier Reef Marine Park Authority	Great Barrier Reef Marine Park Authority	0.050
Department of Defence	E-Learning for African Peacekeepers	0.044
Australian Taxation Office	University Awards Program	0.039
Department of Finance	Grant-In-Aid, Animals Australia Incorporated	0.035
Department of Finance	Grant-In-Aid, Australian Institute of Policy and Science	0.035
Department of Finance	Grant-In-Aid, The RSPCA Australia Incorporated	0.035
Department of Infrastructure and Regional Development	Vehicle Safety Research Group - 2014 Research Program	0.026
Department of Finance	Grant-In-Aid, The Royal Humane Society of Australasia Incorporated	0.025
Department of Infrastructure and Regional Development	Funding for National Coronial Information System	0.025
Geoscience Australia	UNESCO - International Geoscience Program	0.020
Department of Infrastructure and Regional Development	Services to Indian Ocean Territories (Christmas Island Community Events Grants)	0.005
Department of the Treasury	ATO Prize for Indigenous Business Students	0.004
Department of the Treasury	Australian Charities and Not-for-profits Commission Early Career Research Award	0.003
Department of Social Services	Workforce and Quality – Culturally Appropriate and Targeting Training for the Aboriginal and Torres Strait Islander Aged Care Workers	0.002
Department of Social Services	Workforce and Quality – Indigenous Remote Service Delivery Traineeships	0.002
<b>Total</b>		<b>22,367.248</b>

Source: National Commission of Audit.