Purpose of Budget Paper No. 4

Budget Paper No. 4 presents information on the full allocation of resources across the General Government Sector[1]. In 2022-23, agencies[2] will be responsible for administering approximately $628.5 billion in expenses to deliver services for individuals, families and businesses.

Budget Paper No. 4 sets out the departmental funding for agencies, administered funding managed by agencies, funding sources and the purposes of that funding under the Outcome statements for each agency in the General Government Sector.

Additionally, information is provided on the staffing of agencies delivering services to the Australian community.

1 The General Government Sector provides public services that are mainly non market in nature and for the collective consumption of the community, or involve the transfer or distribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding (2022-23 Budget, Budget Paper No. 1, Statement 9, Appendix A).

2 For ease of reading, the term 'agency' is used throughout this *Preface* to refer to non-corporate and corporate Commonwealth entities.

Preface

Over the past 3 years Australia has weathered significant natural disasters, a global pandemic and now confronts the impact of conflict in Europe. Against these adversities, the Australian economy has outperformed all major advanced economies, achieving a stronger recovery in output and jobs from pre-pandemic levels.

While Australia's economic performance through the COVID-19 pandemic has been the envy of the world, the achievements of these past 3 years defy the myth of Australia as a passively 'lucky country'. It was due to years of effort consolidating Australia's Budget position, that the Australian Government had the fiscal firepower to give strong temporary support needed by businesses and households through COVID-19 lockdowns.

Where other economies faltered, Australia has got through the worst of the pandemic with 377,000 more Australians in work than at the start of the pandemic, debt to gross domestic product levels below the Organisation for Economic Co-operation and Development (OECD) average, and household and business savings higher than before the pandemic respectively by $251 billion and $182 billion. Our vaccination rate is one of the highest of OECD countries and our loss of life is among the lowest.

The Government's pandemic response measures have been targeted, strategic and proportionate, keeping businesses afloat and saving jobs, to ultimately enable economic and social conditions to normalise as our vaccination rates rose. Now, sectors of our economy are rebounding, the Government is putting the relationship between Australians and the public sector back onto sustainable terms.

With unemployment the equal lowest since 1974, the time for large-scale economic stimulus is behind us. Real payments are reducing by 6.2 per cent in 2021-22 and 5.0 per cent in 2022-23 as the Government transitions to the next stage of our fiscal strategy. In this stage, we will rebuild our fiscal buffers by growing the economy and focussing public investment on critical services, public infrastructure and industry partnerships in transformative areas such as modern manufacturing, export infrastructure and communications technologies.

Throughout this, the Australian Public Service (APS) has demonstrated, and continues to demonstrate, a culture of excellence. It has modernised the way agencies collaborate across organisational boundaries, interact with citizens through digital tools and harness data to target service delivery.

This *Preface* highlights some key Government programs, supported by the APS, that position Australia for the next stages of growth and success.

Australia Facing the Strategic Challenges

Recent global events prove we cannot take peaceful conditions for granted. The Government is strengthening strategic partnerships and cooperation overseas, with a focus on Australia's clear role as a leader in the Indo-Pacific region. Building on our restoration of defence investment, the Government continues to strengthen Australia's defence capabilities across both traditional and modern domains. In the Antarctic, our program of scientific work and exploration is expanding to help preserve this region as a frontier for research and conservation. We are also contributing to global stability beyond our region, including providing humanitarian and military aid to Ukraine, supporting the Ukrainian people in the defence of their national sovereignty and freedoms.

Through the COVID-19 pandemic, Australia has supported vaccine and personal protective equipment (PPE) rollouts in our region, while sharing healthcare and quarantine management expertise. Our work as a regional leader has helped protect the health of our neighbours through a difficult period when the international supply of vaccines was constrained.

Protecting the Health of our Community

The COVID-19 pandemic has demonstrated that Australia has one of the world's best health systems that is resilient, accessible and a key contributor to our social security. In 2022–23, the Government makes another record contribution to health, investing more than $15 billion over 4 years to help Australians live healthier lives.

Australia has achieved a high level of immunisation against COVID-19, reaching the 6th highest in the OECD, mitigating pressures on our health system. More than $1.1 billion in Commonwealth funding has secured essential supplies of PPE for our health workforce, including general practitioners, pharmacists, aged care workers and nurses, so they can do their jobs safely.

In this Budget, $612.9 million of additional funding for the COVID-19 Health Response and Vaccine Program will continue to protect Australian lives, manage demand on our hospitals and ensure access to crucial vaccines, testing and treatment technologies. A further investment of $984.0 million through the Government's National Partnership Agreement with the States and Territories will ensure our hospitals can continue to manage demand through the next stages of the pandemic and provide critical care for COVID-19 patients.

Australia is protecting those at greatest risk in our community by focussing on the health and wellbeing of vulnerable groups, such as senior Australians. We are ensuring residential aged care facilities (RACFs) remain prepared for COVID-19 outbreaks, with $124.9 million to help meet the costs of COVID-19. This funding also extends the 'ready to deploy' surge workforce to ensure continuity of care for residents and intensive case management during outbreaks to the end of the year. A further $50.4 million will provide 4,000 training places for Registered Nurses in RACFs to become Authorised Nurse Immunisers, enabling senior Australians to be vaccinated 'in-house' for illnesses they may be more susceptible to, such as COVID-19, seasonal influenza or pneumococcal disease. The Government also continues to strengthen Australia's aged care system, building on a total investment of $27.0 billion in 2021-22, including home and residential care, increasing to $30.1 billion in 2022-23.

Medicare Telehealth

Rapid implementation by the Department of Health of more than 300 Medicare telehealth service items in response to the COVID-19 pandemic helped keep patients connected to regular medical care during periods of lockdown and higher transmission risk.

There has been strong take-up by both patients and health practitioners to online and phone services, particularly in primary care.

In the 2 years to March 2022, 100 million telehealth services have been delivered to 17 million patients. More than $5 billion in benefits have been paid, not counting bulk billing incentives. So far 92,473 health practitioners have provided Medicare telehealth services and 93 per cent of COVID-19 telehealth services were bulk billed between the start of the pandemic to the end of last year.

This outstanding public take-up paves the way for the modernisation and longer term reform of Australia's health system. Making a broader range of telehealth services permanent is part of the Government's commitment to Guaranteeing Medicare and Strengthening Primary Care.

The Government is also focussed on mental health and suicide prevention services for Australians, including where demand for services has increased throughout the pandemic and natural disasters. In the 2021-22 Budget, $2.3 billion was announced for the National Mental Health and Suicide Prevention Plan to lead landmark reform in the mental health and suicide prevention system. The Government is providing $547 million in this Budget to further support the plan.

Under the plan, $8.6 million to establish the National Closing the Gap Policy Partnership on Social and Emotional Wellbeing will increase momentum in reducing the devastating impact of mental ill-health and suicide on Aboriginal and Torres Strait Islander individuals, families and communities. $17.8 million will deliver targeted mental health support to culturally and linguistically diverse communities in Australia, including to link mental health services to translating and interpreting services.

Resilience through Natural Disasters

Beyond the pandemic, natural disasters pose an enormous challenge to Australia's resilience. In recent years, disasters such as droughts, bushfires and floods have had a devastating impact on our nation, with some parts of the community responding to consecutive disasters.

From July 2021, the National Recovery and Resilience Agency (NRRA) has been at the forefront of disaster recovery efforts and ensuring Australian communities are better prepared for future disasters. The NRRA has a network of regional officers and brings together disaster risk management and program delivery expertise.

The Government's investment is guided by the National Disaster Risk Reduction Framework and the $261 million Disaster Risk Reduction Package jointly funded with the States and Territories. This coordinated effort helps reduce risk by improving natural hazard data and intelligence, including by creating a national fire map, adding new flood risk data into Geoscience Australia's online portal, removing legal impediments to the disclosure of risk information, harmonising research programs and improving forecast capabilities.

In 2021-22, the Commonwealth, State and Territory Disaster Recovery Funding Arrangements have been activated in response to 38 natural disaster events. Most recently the arrangements have been activated by the February to March 2022 floods that caused significant loss in Queensland and New South Wales. The response includes $2 billion for a comprehensive range of jointly funded measures, such as grants for primary producers, support for impacted councils, debris clean up and temporary housing assistance. This is in addition to other support that will be provided through arrangements for personal assistance and rebuilding of essential public infrastructure damaged by the floods.

Above and beyond support provided through these arrangements, the NRRA has coordinated across the Commonwealth to deliver a $378.3 million package of targeted support for community recovery across Queensland and New South Wales in areas declared to be catastrophically impacted. Measures include additional disaster payments to individuals, legal assistance, mental and primary healthcare, the Resilient Kids program, and small business financial counselling.

The Emergency Response Fund was established in December 2019, providing earnings that are available to augment recurrent funding for emergency response and natural disaster recovery and preparedness. The Government has also accessed the $150 million recovery and post-disaster resilience component available each financial year from the Emergency Response Fund for both 2021-22 and 2022-23 (totalling $300 million over 2 years) to enable further targeted measures that support community recovery from the floods in Queensland and New South Wales.

In this Budget, $50 million has been provided to reduce the impact of coastal and estuarine hazards, such as storm surges and coastal inundation. This new program will build on the National Flood Mitigation Infrastructure Program, which provided $100 million from the Emergency Response Fund in 2020-21 and 2021-22 to States and Territories to deliver critical flood mitigation projects to the community.

Support for Australians Impacted by Queensland and New South Wales Floods

In February to March 2022, Queensland and New South Wales experienced some of the most severe floods in Australia's history.

At the peak of Operation Flood Assist 2022, approximately 7,000 Australian Defence Force (ADF) personnel were supporting the flood response. ADF personnel are providing support across a range of search and rescue, clean up and recovery tasks, as well as conducting reconnaissance tasks and vulnerable person checks.

Another vital component of the flood response is economic support for Australians impacted by the floods. The Government has made disaster relief payments available, with over $1.1 billion already paid to over 1.3 million individuals as at 24 March 2022. The Government's delivery of payments builds on Services Australia's approach to rapid APS mobilisation in 2021, which saw almost $485 million of disaster relief payments made to Australians impacted by the previous New South Wales floods and Tropical Cyclone Seroja in Western Australia.

The Government has also broadened its efforts through recent Budgets to reduce the risk of future disasters and work with local communities and industry sectors on longer term recovery. Government support continues to be rolled out in response to the devastating 2019-20 Black Summer bushfires. To date, over $3.0 billion has been made available for critical recovery work that directly assists impacted individuals, communities and businesses, including support for more than 2,800 individual projects.

Building Infrastructure to Connect Australians

As Australia adapts to living with the pandemic, the Government is shifting from short term stimulus to measures that foster longer term growth. Investment in public infrastructure helps industry and businesses unlock their full potential. The Government is also working to reduce red tape from business approval processes to help create jobs and growth.

The devolution of environmental assessment approvals under the *Environment Protection and Biodiversity Conservation Act 1999* to the States and Territories under 'single touch' arrangements is progressing. This is supported by $10 million in this Budget as part of a broader $139.6 million to strengthen and streamline environmental and indigenous cultural heritage assessment processes. Through bilateral agreements we are maximising the number of environmental approvals being made by States and Territories, while monitoring their assessment processes to ensure Australia continues to meet international obligations for the environment and heritage. This practical approach is making the federation work more efficiently, without compromising the integrity or rigour of technical decision making.

The Government's $120 billion investment in the infrastructure pipeline over 10 years is focussed on connecting regions, supporting jobs and improving national freight links, while ensuring Australians get home sooner and safer. Since 2013, the Government has funded over 1,300 projects as part of the Infrastructure Investment Program, with the latest annual investment in the infrastructure pipeline reaching $15.8 billion in 2021-22.

In this Budget, $81.0 billion will be invested in the ongoing infrastructure pipeline over the next 4 years, including a step-up in annual investment to $23.9 billion in 2023-24. This investment will address challenges in the global supply chain, strengthen Australia's penetration of international markets and boost the prosperity that underpins our quality of life. It will also complement strategic investment in regional Australia to transform economic growth and productivity, and create more liveable regions.

$7.1 billion is being provided over 11 years from 2022-23 for the Government's Energy Security and Regional Development Plan. The investment focusses on strengthening infrastructure and supply chains in the Northern Territory, north and central Queensland, Pilbara region in Western Australia and Hunter region in New South Wales.

Over the next 10 years, $880 million of funding for the Roads of Strategic Importance initiative will upgrade 11 key freight corridors across Australia. This helps Australian exporters who trade in global markets become more internationally competitive, while increasing opportunities for regional employment and business growth.

The Government's infrastructure investment includes a commitment up to $14.5 billion to deliver the Melbourne to Brisbane Inland Rail and $400 million for the Botany Rail duplication in Sydney. These projects are being delivered by the Australian Rail Track Corporation to improve Australia's supply chain and the efficient transport of goods from producers to market.

Shifting Freight from Road to Rail

Intermodal terminals act as gateways to the international trading system by moving freight between ports, road, rail and warehouses. These terminals shift freight from our roads to more efficient rail networks, reducing emissions, enhancing supply chain efficiency and improving community safety.

In 2013 the Commonwealth went to market for development of the Moorebank Intermodal Terminal in south west Sydney, building across a precinct around the size of the Sydney CBD.

The Moorebank Intermodal Company, the Government Business Enterprise developing the precinct, has been renamed to reflect its expanded commercial remit as the National Intermodal Corporation, to establish additional terminals in Melbourne and Brisbane that connect to the Inland Rail network.

Since the 2021-22 Budget, the Government has committed $3.6 billion towards new intermodal terminals and supporting infrastructure in Melbourne, at both Beveridge and Truganina, including $3.1 billion of funding in this Budget.

Construction of the Melbourne terminals is expected to create over 1,350 jobs and remove 5,500 truck movements per day from Melbourne metropolitan arterial roads over the first 15 years of operation.

The recent $1.7 billion Moorebank warehousing and land acquisition by the LOGOS consortium and $1.2 billion investment by the Woolworths Group at the Moorebank Logistics Park demonstrate that industry is responding positively to the Government's investment.

A business case for the Brisbane terminal is underway in partnership with the Queensland Government. Terminals across Australia's 3 largest cities will provide additional capacity to the national freight system, including anchor points along the Eastern seaboard, helping Australian producers to participate in international markets.

Building on existing investments, the Government is investing $1.3 billion to strengthen regional, remote and peri-urban telecommunications infrastructure. The Government is providing $811.8 million for the Connecting Regional Australia initiative, which includes addressing mobile blackspots on up to 8,000 kilometres of regional roads and adjacent premises, businesses and tourist hotspots. The Government is also providing $480 million to NBN Co to support the upgrade of its fixed wireless and satellite networks. These investments form part of the Government response to the 2021 Regional Telecommunications Review, and are making online services more accessible to households, while better connecting businesses to urban and global markets.

Postal services that connect the community and businesses across the country and overseas are also being strengthened. The past 6 months reflected the strongest parcel volumes in the history of Australia Post, with parcel volumes growing by 28 per cent in 2020-21, and the delivery of 52 million parcels in December 2021.

In October 2021, Australia Post announced an additional $400 million to fund new parcel facilities, fleet and technology, bringing its total investment to $1 billion over the past 3 years. The investment will increase parcel capacity, including through new processing facilities in Queensland, South Australia, Victoria, New South Wales and Western Australia.

Australia's Centres for National Resilience

The Government has partnered with State governments to co-design Centres for National Resilience in Melbourne, Perth and Brisbane. Together with Howard Springs outside Darwin, these facilities provide enhanced quarantine capacity on the east, west, north and south of the Australian continent.

The new Centres will have capacity as strategic Commonwealth assets for ongoing use in future health crises, emergencies and humanitarian responses. At a total cost of $1.4 billion, these Centres feature world-class systems of infection prevention and control, and are built to last for decades to come.

The new Centres provide capacity for 2,000 beds in addition to 1,600 beds at Howard Springs, with scope for additional capacity if necessary in the future.

The Centres are owned by the Commonwealth. Following completion of construction, State governments are responsible for the operation and management of the facilities for the duration of the COVID-19 pandemic.

In February 2022, the Victorian Government commenced accepting guests at the Centre for National Resilience Melbourne. The Commonwealth is working with the Western Australian and Queensland governments to enable them to commence commissioning, testing and training activities at the Centres in Perth and Brisbane.

Energy Security for the Future

The Government is committed to improving Australia's energy security by opening up more sources of affordable and reliable electricity, gas and liquid fuel supplies, with an additional $50.3 million to accelerate priority gas infrastructure projects towards final investment decision. The Government is also advancing Australia's liquid fuel security, at a time of global uncertainty, through the release of Australia's crude oil stocks from the United States' Strategic Petroleum Reserve into global markets, and using the proceeds to replenish Australia's fuel reserves when prices fall from current highs. The Government continues to invest in fuel storage capacity and retaining refining capabilities.

The Government is also accelerating support for the emerging hydrogen industry through $127.8 million to establish a Hydrogen Utilisation Strategic Investment Fund to support growth in local demand for hydrogen and related low emissions technologies. The Government is setting the framework for the hydrogen industry by establishing an overarching Guarantee of Origin scheme to create a regulatory and investment climate to grow Australia's hydrogen and low emissions products industries.

In October 2021, the Government announced the Long Term Emissions Reduction Plan for Australia to reach net zero emissions by 2050 by driving down the cost of low emissions technologies and accelerating deployment at scale. In addition to the progress we are making through the Technology Investment Roadmap, this Budget focusses on measures to reduce Australian energy costs and emissions, such as the deployment of microgrid projects for affordable and reliable energy in regional areas. As energy costs are a significant part of household and business budgets, efforts are targeted at securing more supply, not only to ensure continuity, but also to improve competition and place downward pressure on prices. Efforts to date have helped bring residential electricity prices down by 8 per cent in the last 2 years.

Boosting Economic Output

Much of the innovation by Australian businesses in recent years has been underpinned by the instant asset write-off. This tax concession has encouraged Australian entrepreneurs to look past the COVID-19 pandemic and reach for the opportunities on the other side. This policy has delivered significant growth of investment in plant, machinery and equipment, making Australian businesses more productive and competitive. The write-off brought forward the timing of a tax deduction for the cost of a new business asset. This backs in businesses that are prepared to take risks and invest in growth.

The Government has introduced and extended a range of tax incentives, including running temporary full expensing and extending it to 30 June 2023. This investment incentive can work in combination with the Government's loss carry-back scheme.

Businesses also benefit from the Government's other initiatives to encourage innovation, such as the Research and Development Tax Incentive and the patent box.

The Government is reducing the annual uplift rate for pay-as-you go income tax and GST instalments, delivering $1.9 billion in cash flow support for 2.3 million small and medium enterprises (SMEs), sole traders and other individuals with investment income.

We have continued to cut red tape, including savings of $450 million per annum, by making it easier for companies to use technology to communicate with their shareholders and with each other, hold meetings, validly execute documents and distribute meeting related materials. In this Budget, further targeted tax incentives will encourage small business investment in skills and digital capabilities.

Throughout the COVID-19 pandemic, the Government and industry have met the challenges of supplying medical and other essential goods and services. But recent events also highlight the importance of an enhanced focus on sovereign capability, particularly in areas where there are global supply chain risks.

The Government's Modern Manufacturing Strategy helps local manufacturing operations scale-up and integrate into international markets, giving them the edge to create more highly skilled jobs. The strategy prioritises Australia's areas of comparative advantage and strategic importance, such as resources technology and critical minerals processing, food and beverage, space, clean energy and recycling, medical products, and defence.

In March 2022, the Government announced the 2022 Critical Minerals Strategy to grow our critical minerals sector, expand downstream processing and help meet future global demand. There is a limited global supply of critical minerals, which are important components in a number of high-tech products such as phones, electric cars and solar panels. The Government's aspiration is to make Australia a critical minerals powerhouse in the new global economy, positioning ourselves as a reliable source of supply.

Measures supporting this strategy to help unlock the industry's potential in Australia include the $200 million Critical Minerals Accelerator Initiative and the $50.5 million virtual National Critical Minerals Research and Development Centre. We are looking to not only extract these precious ores, but also refine them and make high quality end products on shore in Australia.

$250 million over 2 years from 2022-23 will expand the Modern Manufacturing Initiative to work with industry to catalyse and accelerate business investment. By helping to unlock private sector investment, the Government is supporting our manufacturers to deliver on the world stage.

We have secured an agreement with Moderna to build the first mRNA production facility in Australia. This will help protect Australia from future pandemics, such as evolving strains of COVID-19 or new respiratory diseases that emerge, while also boosting our local biotechnology sector and increasing our future prosperity.

The Australian Space Agency is driving the growth of Australia's space sector and establishing our sovereign space capability. The Government is boosting the sector, jobs and technology as an anchor customer by investing $1.3 billion to 2038-39 and $38.8 million per annum ongoing to grow Australia's space industry.

The Government is partnering with leading international space agencies to ensure Australia's access to different types of Earth Observation data and improve our resilience to natural disasters. It also provides downstream benefits from creating high skill and high value jobs to supporting data-intensive industries such as agriculture, environmental protection and resources.

Over 5 years from 2021-22, $65.7 million will be invested to fast track access to space for Australian space businesses and researchers, and set the conditions to launch space assets and research projects from Australia. This is providing industry opportunities to grow capability and access global supply chains.

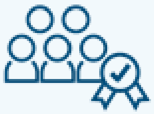
Australia's Workforce and Wellbeing

The Government's economic support through the pandemic mitigated the disruption and hardship experienced by individuals, households and businesses. In this Budget, measures are focused on ensuring flow-on pressures, such as labour shortages, do not become entrenched in our workforce, undermining Australia's potential for future growth.

With job vacancies today at their highest level since August 2008 and more Australians getting into work, we have a transformational opportunity to create opportunities for people who have previously fallen behind in the labour market. In this Budget, skills and employment opportunities for Australians are prioritised as part of the Government's National Workforce Strategy. This includes $153.5 million over the next 5 years to create more employment opportunities for Indigenous Australians and people with disability, and other disadvantaged cohorts less likely to benefit from market-led workforce investment.

Workforce Australia is transforming the Government's employment services and improving support for job seekers and employers. This includes a modern digital platform designed to become a single front door for all Government employment and skills programs, and a refreshed and refocussed network of providers to deliver tailored case management.

Participation by women in the Australian workforce is now at record levels. In the 2021-22 Budget, the Government announced $1.8 billion of funding over 5 years to further strengthen women's economic participation and security, including $1.7 billion to increase the affordability of child care. This Budget builds on last year's commitment to women's economic security by providing a further $346.1 million over 5 years from 2021-22 for a fully flexible Paid Parental Leave scheme to expand access and support women and families to balance work and care in a way that best suits their circumstances.



Australian Apprenticeships for the Next Generation

The Government's $7.9 billion investment in Australian apprenticeships from 2020 is ensuring a strong and sustainable apprenticeship system supports the next generation of skilled workers.

This record level of investment has helped the number of Australians taking up a trade apprenticeship reach 220,000, an all-time high since data was first collected in 1963.

The Government, through the Department of Education, Skills and Employment, is now transitioning support for apprenticeships to priority occupations in areas of market demand.

Digital Government Services

Launched in December 2021, the Digital Government Strategy sets a bold vision for Australia to be a top 3 digital government by 2025, in line with a broader vision to be a top 10 data and digital economy by 2030, by harnessing emerging developments in digital technology. The strategy, led by the Digital Transformation Agency, focusses on personalising services for citizens to meet their individual needs.

Cyber Hubs

In a more dangerous and uncertain world, there is no room for weakness in the Government IT networks used to hold public data.

In the 2021-22 Budget, the Government announced the Cyber Hubs Pilot to establish centres of expertise to respond to rapidly increasing and persistent cyber security threats. The pilot hardens the protection of Commonwealth-held information, including data on citizens and other government clients. The hubs strengthen cyber monitoring, detection and response capability across government.

$30.2 million has been provided in this Budget for a Cyber Hubs program to support 4 pilot hubs across the APS in the Department of Defence, Department of Home Affairs, Services Australia and the Australian Taxation Office.

The Cyber Hubs program is coordinated by the Digital Transformation Agency in partnership with the agencies that host the pilot hubs and supported by technical advice from the Australian Cyber Security Centre.

Government digital platforms are connecting Australians to modern services that are safe, easy to use and can be accessed at any time. These provide better user experience and ensure faster delivery. Australia now has some of the fastest payment systems of any government due to investment in the Welfare Payment Infrastructure Transformation Program and other innovations. Technology is enabling rapid delivery of much needed support payments, such as flood relief payments that could be processed within the hour for many Australians. In 2022-23, $127.4 million will expand the Digital Services to Take Farmers to Market initiative, to transform agricultural export systems and enable processes to be faster, easier, lower cost and on time.

The Government's Digital Identity system is connecting Australians to more services. The system is a simple way for Australians to securely verify their identity and prove who they are online. Over 7.8 million Australians and 1.3 million Australian businesses have created a Digital Identity to connect to over 100 government services, with strong safeguards to ensure ongoing security of data. Work to expand to a whole-of-economy solution for Australia is underway with the States, Territories and private sector.

eInvoicing

The Government's policy is to pay suppliers on time or pay interest, with maximum payment terms of 20 days for all suppliers or just 5 days for eInvoices. The policy supports faster cash flows to all Commonwealth suppliers, allowing them to pay their own suppliers sooner.

Already 42 Commonwealth agencies have eInvoicing capability, representing over 80 per cent of Commonwealth agency invoices able to be received as eInvoices. A further 56 agencies will be eInvoice enabled by 1 July 2022, with the Australian Taxation Office leading Commonwealth engagement with State and Territory and local governments to drive adoption of eInvoicing across all levels of government.

The Government is supporting businesses to speed-up payment practices in business-to-business transactions, allocating $15.3 million across 3 years from 2021-22 to promote and accelerate the commercial adoption of eInvoicing.

In leading by example, the Government is seeking to drive a shift in behaviour for supplier payments in the broader market. This includes obligations for large companies that win Commonwealth contracts above $4 million to adopt the 20 day payment term for invoices up to $1 million from their own suppliers. We also require the largest businesses in Australia to publicly report on their payment times, which is helping SMEs make better informed decisions on those whom they do business with.

A Fit for Purpose Public Sector

Public Sector Staffing

The professional capability and capacity of the APS are essential to effective government administration. The Australian Government continues to ensure the provision of high quality services upon which Australians rely, and that the cost and size of the APS reflects the most efficient and effective delivery approach.

In this Budget, the Government has agreed a moderate uplift in Average Staffing Level (ASL) to 173,558, which is 416 above the updated estimate for 2021-22. The Government considers that in some instances a temporary continuance of peak ASL resources is necessary to support measures which sustain Australia's strong recovery from the

COVID-19 pandemic, bolster Australia's national security, support jobs creation and improve essential services.

While the increase in 2022-23 ASL is slightly above the latest 2021-22 estimate, it is 718 below the original expected peak forecast in the 2021-22 Budget, reflecting the difficulties some agencies had with recruiting stemming from the strong labour market and as a result of COVID-19 related lockdowns in 2021.

Decisions of government in the 2022-23 Budget that involve new ASL resources include:

- ASL increases in the Health portfolio to continue to support the delivery of the COVID-19 vaccine program and extend the National Incident Centre as part of the planning and preparation for winter 2022 and beyond.

- ASL increases in the Social Services portfolio for Services Australia to continue to respond to the impacts of the 2022 flood event in Queensland and northern New South Wales, and for the National Disability Insurance Agency to facilitate the timely delivery of services under the National Disability Insurance Scheme.

- ASL increases in the Home Affairs portfolio for security agencies to address risks posed by high risk terrorist offenders and strengthen Australia's defences against transnational, serious and organised crime.

- ASL increases in the Agriculture, Water and the Environment portfolio to deliver record investment in Australia's Antarctic science capability and implement reforms to the Government's environmental protection framework as part of the response to the Independent Review of the *Environment Protection and Biodiversity Conservation Act 1999*.

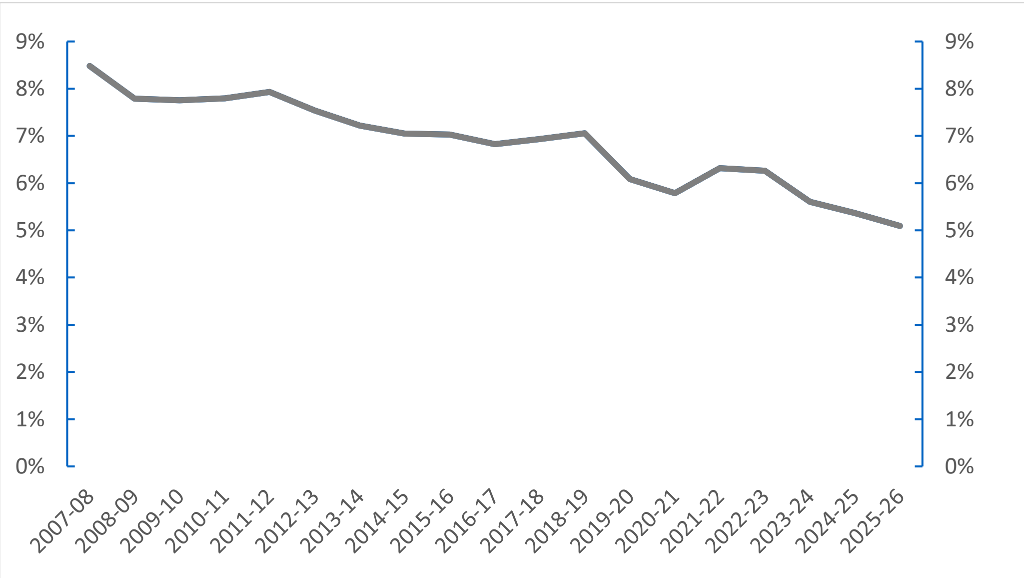
- ASL increases in the Defence portfolio to reflect increases in the Defence workforce to deliver the Sovereign Guided Weapons and Explosive Ordnance Enterprise, the National Naval Shipbuilding Enterprise and the AUKUS trilateral security pact.

All decisions have been taken in line with the Government's policy to manage the size of government administration through careful assessment of any specific needs for additional staff. This includes an ongoing requirement that agencies first inform the Government whether there are opportunities to reprioritise resources from other activities before requesting additional ASL. Where new activities cannot be undertaken within existing staffing resources, an assessment is made as to whether ASL or other delivery methods are the appropriate way to deliver policy outcomes. As has been evident over the challenging period of the COVID-19 pandemic, this framework is dynamic and facilitates ASL increases when they are appropriate to address specific pressures.

The main longer term structural change at a portfolio level will be the start of a build-up of Defence capacity, across both civilian and ADF workforce, reflective of the changes in the strategic risk environment. The Government has announced a long term plan to increase Defence's total permanent workforce to over 101,000 by 2040, representing an increase of 18,500 over baseline growth already agreed in the 2020 Force Structure Plan. This includes taking the total permanent ADF to almost 80,000 personnel. As with staffing in other portfolios, Defence capacity is not only a reflection of the number of people employed, but also a product of changes in skill requirements. Because the additional Defence staff will support cutting-edge capabilities, the staffing ramp up is a long term commitment so critical skills can be taught and experience grown.

Over the 4 years from 2022-23, the departmental funding provided to administer government services is declining as an overall share of total government expenses. This decline is consistent with the Government's longer term efforts to drive improved efficiency and productivity in the public service. This continued improvement in structural efficiency takes account of all departmental costs, including APS staff, contractors, and other supplier costs.

Graph 1: Departmental expenses as a percentage of total government expenses



(a) Expenses data (both total expenses and departmental expenses) represent General Government Sector expenses only.
(b) Expenses data from 2007-08 through to 2021-22 is derived from Final Budget Outcome statements (FBO). From 2022-23 onwards, expenses data reflects revised budget and forward estimates as at the 2022-23 Budget.
(c) Excludes Defence and the National Disability Insurance Agency.

APS Capability

The APS is a large workforce of professionals, working across diverse agency responsibilities. The Government is investing in APS skills and workforce planning to enable better service delivery, policy development and program design. The 2021 APS Census shows we have a highly motivated workforce, with 91 per cent of staff committed to 'go the extra mile' in their service for the public. The Australian Government's recent successes reflect well on the state of APS capability and commitment.

The APS Workforce Strategy 2025 sets skills and workforce priorities, including to position the APS as a world leader in the use of data and technology. This focusses on recruiting expertise from wider labour markets, particularly for ICT, digital and data talent. By investing in ongoing upskilling and providing enriching on-the-job experiences, we aim to retain talent at a time of strong workforce competition. The strategy also emphasises the development of entrepreneurial leaders who generate new ideas, challenge old perspectives and experiment with different solutions.

The mix of staff in the APS is becoming more reflective of the Australian community, as are the senior leaders occupying Australian Government board positions. As of December 2021, women held a record 50.2 per cent of these board positions, the highest overall result since targets were announced in 2016. This is an 8.5 percentage point increase from 30 June 2013, when women held only 41.7 per cent of positions. The Government is also focused on boosting the number of women occupying Chair and Deputy Chair positions on Government boards. As at 31 December 2021, women held a record 40 per cent of Chair and Deputy Chair positions.

The breadth of experience in the APS workforce has been enriched by the APS Surge Reserve, established in April 2021 to shift staff to pressure points and give them experiences outside their usual roles. The reserve provides ongoing capacity to rapidly mobilise large numbers of APS staff, with over 4,500 staff accepting temporary mobility opportunities to date. More enriching entry-level programs for new APS recruits are also being developed, including new whole-of-government digital and data internship, and data cadetship programs from 2023.

Australian Government Pandemic Support Payments

The Government has provided over $13 billion to Australians impacted by the COVID-19 pandemic through 2 income support payments directed at supporting people unable to earn their usual income due to the pandemic, or directed into isolation without paid leave entitlements.

As at 18 March 2022, over 7.2 million claims have been processed and over $13 billion of payments have been delivered by Services Australia, with staff from other agencies activated via the APS Surge Reserve to assist during peak periods.

Targeted government support through these payments has helped to ease the economic burden placed on Australian workers and their households as the broader community adapts to living with the pandemic.

Just as businesses are now getting their staff back safely to our central business districts and back to face-to-face client services, the APS has returned to normalised operations with new COVID-safe practices.

In 2022-23, the Government is investing $15.2 million over 7 years to establish APS Hubs in regional Australia that enable the APS to remain an employer of choice and provide staff with more diverse career opportunities. Accommodating staff in multi-agency work spaces in regional APS Hubs will locate staff closer to the communities they serve, while breaking down silos to broaden their perspectives. Growing the APS footprint, particularly in regional areas, will build stronger linkages with local communities and facilitate closer engagement across arms of government, supporting better policies and services for Australians.

Joined-up Government

The Commonwealth is at its most productive when it consults closely with the communities it serves and is willing to partner with other levels of government and non-government organisations to solve problems. Non-government organisations can offer the public sector access to cutting-edge skills and technological advances, especially in ICT and analytics. They can also offer commercial experience in areas such as client service, as well as independent views and assurance suited to program evaluation.

Partnerships between the public and private sector have been instrumental to the modernisation of government ICT infrastructure. This gives the public access to a variety of services online and around the clock and supporting technologies like the Welfare Payment Infrastructure Transformation program, the Digital Identity system and a range of online tools and automations of public services. The Government's commercial suppliers were instrumental in supporting several public sector responses to the historic challenges that arose from 2020 and helped sustain the rapid delivery of Government programs during the worst of the pandemic and recent natural disasters.

Just as we have required Commonwealth agencies to become more efficient over time, the Government is driving better value out of the consultancy sector. We are consolidating 20 previous panel arrangements into a single arrangement that has lowered rates of fees by 22 per cent when compared to rates on similar panels and improved the conditions and performance management standards for consultancies.

The annual value of consultancies on AusTender (as a proportion of the total value of all contracts) has remained relatively stable at around 1.0 per cent over the past 10 years, having fallen from 1.3 per cent in 2011-12. Consultancy advice is being used appropriately for work that is temporary, project specific and specialised. With around $685 million of new consultancy contracts reported on Austender in 2020-21, this is a relatively small cost next to the $22 billion wages bill for the APS, but these investments provide strategic complementary assistance to the APS.

We are making it easier for SMEs to win Commonwealth contracts by allowing direct procurement from SMEs for contracts up to $200,000, making greater use of whole-of-government panels to reduce the costs of tendering and assessing the domestic economic benefits offered by suppliers competing for high value contracts. SMEs are supplying a record share of goods and services to the Government worth $18.7 billion, after the latest procurement statistics registered a record $5.1 billion increase in the value of Commonwealth contracts going to SMEs. SMEs are winning 43 per cent of contracts worth up to $20 million, well above our target of 35 per cent.

The Government has asked the APS to implement reforms to the Commonwealth Procurement Rules as soon as possible and no later than 1 July 2022. The reforms give SMEs a fairer opportunity to win Government contracts. The new rules will require officials to consider disaggregating larger projects into smaller work packages to encourage greater participation by more businesses, regardless of their size. We will also require that agencies limit the extent of pre-contract insurance and liability requirements, to reflect sufficient risk sharing while not imposing unreasonable or disproportionate risk transfer that unduly restricts the number of suppliers who can bid. Our pay on-time commitment will be extended to all suppliers, regardless of contract value.

Reflecting some of the unique issues involved with national security, and consistent with Australia's international undertakings, we have also authorised the Department of Defence to undertake limited tenders with SMEs for procurements up to $500,000 from 1 July 2022.

Growing Regional Digital and Data Talent for Australia's Growth and Recovery

The Government has committed $18.6 million over 3 years to pilot APS digital and data training, and employment opportunities for people living in regional areas, without them needing to leave their communities.

The pilot establishes digital and data APS Academy Campuses alongside universities, acting as a bridge into APS entry-level positions. The Campuses will be linked to the Government's centrally coordinated APS entry-level programs.

The Campuses will create a strong culture of cross-skilling and collaboration. Onsite supervisors will support the accelerated development of talent in digital and data roles, allowing students to pursue their careers while staying connected to, and grounded in, their local communities.

The Government's investment in the Campuses will enable the APS to build a strong pipeline of skilled staff from diverse backgrounds, who bring a perspective tuned into the needs of people in regional Australia.

A Resilient Australia

The *Preface* to Budget Paper No. 4 provides an important annual update on the model of government in Australia, highlighting where and why it is evolving. In recent years the focus has been on adopting smarter technologies, forging partnerships with the non-government sector, locking in efficiencies and getting the balance right in choices about devolved versus centralised areas of public administration.

As Australia continues to demonstrate its leadership in the face of recent national and global events, the APS has delivered outstanding performance to help meet the needs of our citizens. COVID-19 has been a catalyst for change in both the public and private sectors, accelerating efforts to digitise services, driving more transactions online and providing more responsive services to clients.

This Budget marks a point in time distinguished by serious challenges and major opportunities not only for our nation, but the world as a whole. The Government is working with the APS, as a trusted partner, as we implement the COVID-19 recovery plan to help Australia bounce back faster and stronger.

Australia’s past successes rest upon the strengths of our open rules-based economy, which provides the best conditions for widely-shared prosperity and well-funded public institutions. The health and stability of this economic system cannot be taken for granted, including in light of recent events that have shaken old certainties.

- Australia has been subject to undeserved coercive trade action, as have other nations.
- Like other countries we have experienced challenges getting access to critical health supplies in a global marketplace where supplies became constrained.
- We have seen Ukraine, a sovereign country, devastated by an unprovoked invasion by a military superpower.
- Global supply chains have been disrupted by both COVID-19 and the war in Ukraine, contributing to global inflationary pressures.

These events represent serious threats to the conditions of peace and stability that prevailed over previous years. While we cannot assume that the present geopolitical risks will worsen, nor can we be unprepared for further disruption.

The Australian Government recognises the vital link between our economic security and our national security. A strong economy is the foundation for our ability to remain strong and resilient, and gives us the capacity to boost our defence capability, contribute to regional and global security and stability, and work with partners to promote our shared values and interests. Better regulatory settings, competitive taxes and ease of market entry remain essential components of our vision for Australia now and into the future.

The 2022-23 Budget includes some distinctive shifts of focus to back in key supply chains, export infrastructure, the critical minerals industry, energy security and advanced modern manufacturing. This does not represent a departure from our past view of the role of government, they are each aimed at fostering business-led growth. None of these efforts are about setting up the Government as a business owner in various sectors, or as a proxy for private anchor investors. We are supporting industry-led solutions to vulnerabilities. These investments are a necessary response to fundamental changes in our strategic environment, targeted in key areas where we need to ensure economic resilience.

Such strategic investments are only affordable if we maintain liberal economic settings that continue to attract private capital and skilled labour across all sectors of our economy. Strong national security, like investment in essential services, requires a growing economic and employment base. The Government is helping to create and grow prosperous private markets, rather than imposing new taxes on citizens and businesses. Through this Budget, I see the Australian Government as a trusted partner that will keep our economy strong, preserve our sovereign strengths, and help build our industry sectors and enabling infrastructure for Australia's future.

Senator the Hon Simon Birmingham

Minister for Finance