

PRODUCTIVITY COMMISSION

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PRODUCTIVITY COMMISSION

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

The Productivity Commission (the Commission) is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. The Commission's work extends to the public and private sectors, including areas of State, Territory and local government, as well as federal responsibility.

As a review and advisory body, the Commission does not have responsibility for implementing Government programs. It carries out inquiry, research, advising and incidental functions prescribed under the *Productivity Commission Act 1998*.

The Commission contributes to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis that takes a community-wide perspective rather than just the interest of particular industries or groups. The Commission has four broad components of work:

- government commissioned projects;
- performance reporting and other services to government bodies;
- competitive neutrality complaints activities; and
- supporting research and activities and statutory annual reporting.

It is anticipated the Commission's work in 2011-12 and the forward years will be integral to the national reform agenda. The Commission will continue to examine a variety of economic, social and environmental issues through its public inquiry and commissioned research program. Commissioned projects currently underway and carrying over into 2011-12 include: inquiries into *Disability Care and Support*, *Australia's Urban Water Sector*, *Economic Regulation of Airport Services*, *Economic Structure and Performance of the Australian Retail Industry*; studies of the *Education and Training Workforce – Early Childhood Development*, and *Schools*; and a continuation of the stream of work dealing with *Performance Benchmarking of Australian Business Regulation* and *Review of Regulatory Burdens on Business*.

Several of the commissioned projects have been initiated by the Council of Australian Governments (COAG). The Commission is also working with Australia's jurisdictions in respect of standing research responsibilities and specific projects. In particular, the Commission is providing cross-jurisdictional reporting to COAG on performance of government services; indicators of Indigenous disadvantage; and expenditure on services to Indigenous Australians. The Commission prepares and reports performance information to the COAG Reform Council in respect of the *Intergovernmental Agreement on Federal Financial Relations*. The Commission is also undertaking data development, modelling and analysis to report on the economic impacts and benefits of COAG's agreed reform agenda.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is an autonomous office located within the Commission. Its function is to receive and investigate complaints and provide advice to the Assistant Treasurer on the application of competitive neutrality arrangements. AGCNCO also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements.

The Commission has a statutory mandate to undertake research to complement its other activities. The supporting research program includes work on productivity performance and its determinants, environmental and resources management, labour markets (including social dimensions) and development of economic models and frameworks. The Commission's most recent research reports and staff working papers released in 2010-11 include *Population and Migration – Understanding the Numbers*, *Labour Force Participation of Women Over 45*, and *Childhood Obesity – An Economic Perspective*. A full list of the Commission's research reports and staff working papers is provided on the Commission's website.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by departmental classification.

Table 1.1: Productivity Commission resource statement — Budget estimates for 2011-12 as at Budget May 2011

	Estimate of prior year amounts available in 2011-12 \$'000	+ Proposed at Budget 2011-12 \$'000	= Total estimate 2011-12 \$'000	Actual available appropriation 2010-11 \$'000
Ordinary annual services				
Departmental				
Prior year departmental appropriation	9,336 ⁴	-	9,336	-
Departmental appropriation ³	-	34,448 ¹	34,448	41,424
Receipts from other sources (s31)	-	10 ²	10	10
Total net resourcing for the Productivity Commission	9,336	34,458	43,794	41,434

1. Appropriation Bill (No. 1) 2011-12.

2. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

3. Includes \$0.34 million in 2011-12 for the departmental capital budget (also refer to Table 3.2.5).

4. Estimated adjusted balance carried from previous year for annual appropriations.

1.3 BUDGET MEASURES

Budget measures relating to the Commission are detailed in Budget Paper No. 2, *Budget Measures 2011-12* and are summarised below.

Table 1.2: Productivity Commission 2011-12 Budget measures

	Program	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
Expense measures						
Efficiency dividend - temporary increase in the rate	1.1	-	(173)	(348)	(438)	(530)
Effective Carbon Prices in Key Economies - study ¹	1.1	-	-	-	-	-
Total expense measures		-	(173)	(348)	(438)	(530)
Related capital						
Efficiency dividend - temporary increase in the rate	1.1	-	(2)	(4)	(5)	(17)
Total related capital		-	(2)	(4)	(5)	(17)

1. The Commission received \$2.643 million in 2010-11 for this measure in the 2010-11 Additional Estimates.

Prepared on a government finance statistics (fiscal) basis.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the budget and forward years.

The Commission's outcome is described below, specifying the strategy, program, objective, deliverables and key performance indicators used to assess and monitor the performance of the Commission.

Outcome 1: Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective

Outcome 1 strategy

The Commission's activities derive from its statutory functions outlined in the *Productivity Commission Act 1998* and reported in detail in the Annual Report. The Commission aims to demonstrate its effectiveness by reporting annually on the relevance, quality, timeliness and cost-effectiveness of its activities.

Outcome expense statement

Table 2.1 provides an overview of the total expenses for Outcome 1.

Table 2.1: Budgeted expenses for Outcome 1

Outcome 1: Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective	2010-11 Estimated actual expenses \$'000	2011-12 Estimated expenses \$'000
Program 1: Productivity Commission		
Departmental expenses		
Departmental appropriation	37,289	34,107
Expenses not requiring appropriation in the budget year	968	1,065
Total expenses for Outcome 1	38,257	35,172
	2010-11	2011-12
Average staffing level (number)	194	183

Contributions to Outcome 1

Program 1.1: Productivity Commission

Program objective

The Commission's objective is to contribute to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

Program expenses

The decrease in expenses from 2010-11 is primarily due to ceasing funding for the study into emission reduction policies in key economies received in the 2010-11 Additional Estimates.

Table 2.2: Program expenses

	2010-11 Revised budget \$'000	2011-12 Budget \$'000	2012-13 Forward year 1 \$'000	2013-14 Forward year 2 \$'000	2014-15 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	38,257	35,172	35,253	35,428	35,578
Total departmental expenses	38,257	35,172	35,253	35,428	35,578

Program deliverables

The Commission will deliver:

- public inquiry reports (for example, the inquiry report on *Disability Care and Support*), and reports concerning other commissioned work (such as the continuation of the *Performance Benchmarking of Australian Business Regulation* study);
- government services performance reports including Australian Government or State or Territory service provision, key indicators of Indigenous disadvantage, and the Indigenous expenditure report;
- investigation of competitive neutrality complaints and associated activities such as research, advice and education; and
- statutory annual reporting including the *Trade and Assistance Review*; Commission research and staff working papers prepared in support of the Commission's inquiry program and to contribute to better understanding of public policy issues; and associated activities such as submissions, conference reports and speeches delivered by the Chairman, Commissioners and Commission staff.

Program key performance indicators

The Commission aims to complete projects, reports and associated activities that are:

- high quality;
- useful to stakeholders; and
- timely.

Indicators of performance include:

- the Commission's work being widely referenced in public policy forums;
- projects and reports are completed in accordance with commissioned timelines; and
- independent and transparent processes are followed.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2011-12. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

The Commission does not have any administered funds.

3.1.2 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the Commission.

Table 3.1.2: Estimates of special account cash flows and balances

	Opening balance	Receipts	Payments	Adjustments	Closing balance
	2011-12	2011-12	2011-12	2011-12	2011-12
	2010-11	2010-11	2010-11	2010-11	2010-11
Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Moneys Account	1	-	-	-	-
	-	-	-	-	-
Total special accounts					
2011-12 Budget estimate	-	-	-	-	-
Total special accounts					
2010-11 estimate actual	-	-	-	-	-

3.1.3 Australian Government Indigenous Expenditure

Table 3.1.3: Australian Government Indigenous Expenditure

	Appropriations				Other	Total	Program
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special approp \$'000	Total approp \$'000			
Productivity Commission Outcome 1							
Departmental 2011-12	887	-	-	887	-	887	1.1
<i>Departmental 2010-11</i>	<i>1,352</i>	-	-	<i>1,352</i>	-	<i>1,352</i>	<i>1.1</i>

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There are no differences between agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

The Commission is budgeting for a break-even result in 2011-12 and the forward estimate years. The decrease in revenue in 2011-12 is primarily due to ceasing funding for the study into emission reduction policies in key economies received in the 2010-11 Additional Estimates. There is a corresponding decrease in operating expenses.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental comprehensive income statement
(for the period ended 30 June)**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
EXPENSES					
Employee benefits	26,698	25,198	25,126	25,081	25,291
Supplier	10,591	8,944	9,147	9,367	9,407
Depreciation and amortisation	935	1,030	980	980	880
Finance costs	33	-	-	-	-
Total expenses	38,257	35,172	35,253	35,428	35,578
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	10	10	10	10	10
Total revenue	10	10	10	10	10
Gains					
Other	33	35	35	35	35
Total gains	33	35	35	35	35
Total own-source income	43	45	45	45	45
Net cost of (contribution by) services	38,214	35,127	35,208	35,383	35,533
Appropriation revenue	37,279	34,097	34,228	34,403	34,653
Surplus (deficit) attributable to the Australian Government	(935)	(1,030)	(980)	(980)	(880)
Note: Reconciliation of operating result attributable to the agency					
	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
Operating result attributable to the Australian Government	(935)	(1,030)	(980)	(980)	(880)
Plus non-appropriated expenses depreciation and amortisation expenses	935	1,030	980	980	880
Operating result attributable to the Productivity Commission	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet
(as at 30 June)**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
ASSETS					
Financial assets					
Cash and equivalents	420	420	420	420	420
Trade and other receivables	9,451	9,731	10,136	10,389	11,197
Total financial assets	9,871	10,151	10,556	10,809	11,617
Non-financial assets					
Land and buildings	6,315	5,648	4,981	4,314	3,649
Infrastructure, plant and equipment	604	468	256	49	122
Intangibles	90	84	79	73	68
Other	522	522	522	522	522
Total non-financial assets	7,531	6,722	5,838	4,958	4,361
Total assets	17,402	16,873	16,394	15,767	15,978
LIABILITIES					
Provisions					
Employees	9,609	9,759	9,909	9,909	9,909
Total provisions	9,609	9,759	9,909	9,909	9,909
Payables					
Suppliers	371	371	371	371	371
Total payables	371	371	371	371	371
Total liabilities	9,980	10,130	10,280	10,280	10,280
Net assets	7,422	6,743	6,114	5,487	5,698
EQUITY					
Contributed equity	1,804	2,155	2,506	2,859	3,950
Reserves	2,154	2,154	2,154	2,154	2,154
Retained surpluses or accumulated deficits	3,464	2,434	1,454	474	(406)
Total equity	7,422	6,743	6,114	5,487	5,698
Current assets	10,393	10,673	11,078	11,331	12,139
Non-current assets	7,009	6,200	5,316	4,436	3,839
Current liabilities	9,142	9,333	9,541	9,601	9,646
Non-current liabilities	838	797	739	679	634

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	10	10	10	10	10
Appropriations	37,729	33,817	33,823	34,150	33,845
Total cash received	37,739	33,827	33,833	34,160	33,855
Cash used					
Employees	26,545	25,048	24,976	25,081	25,291
Suppliers	11,129	8,909	9,112	9,332	9,372
Total cash used	37,674	33,957	34,088	34,413	34,663
Net cash from or (used by) operating activities	65	(130)	(255)	(253)	(808)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	4,205	221	96	100	283
Total cash used	4,205	221	96	100	283
Net cash from or (used by) investing activities	(4,205)	(221)	(96)	(100)	(283)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	4,145	351	351	353	1,091
Total cash received	4,145	351	351	353	1,091
Net cash from (used by) financing activities	4,145	351	351	353	1,091
Net increase or (decrease) in cash held	5	-	-	-	-
Cash at the beginning of the reporting period	415	420	420	420	420
Cash at the end of the reporting period	420	420	420	420	420

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (budget year 2011-12)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2011					
Balance carried forward from previous period	3,464	2,154	-	1,804	7,422
Adjusted opening balance	3,464	2,154	-	1,804	7,422
Comprehensive income					
Surplus (deficit) for the period	(1,030)	-	-	-	(1,030)
Total comprehensive income recognised directly in equity	(1,030)	-	-	-	(1,030)
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	351	351
Total transactions with owners	-	-	-	351	351
Estimated closing balance as at 30 June 2012	2,434	2,154	-	2,155	6,743

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget (DCB) statement

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	4,145	351	351	353	1,091
Total capital appropriations	4,145	351	351	353	1,091
Represented by:					
Purchase of non-financial assets	4,145	221	96	100	283
Other	-	130	255	253	808
Total represented by	4,145	351	351	353	1,091
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	4,145	221	96	100	283
Funded internally from departmental resources	60	-	-	-	-
TOTAL	4,205	221	96	100	283
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	4,205	221	96	100	283
Total cash used to acquire assets	4,205	221	96	100	283

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements — departmental

	Buildings \$'000	Other infrastructure, plant & equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2011				
Gross book value	6,907	931	549	8,387
Accumulated depreciation/amortisation and impairment	592	327	459	1,378
Opening net book balance	6,315	604	90	7,009
Capital asset additions				
By purchase - appropriation ordinary annual services	-	201	20	221
Total asset additions	-	201	20	221
Other movements				
Depreciation/amortisation expense	667	337	26	1,030
Total other movements	667	337	26	1,030
As at 30 June 2012				
Gross book value	6,907	1,132	569	8,608
Accumulated depreciation/amortisation and impairment	1,259	664	485	2,408
Closing net book balance	5,648	468	84	6,200

Prepared on Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

The budgeted financial statements have been prepared on an Australian Accounting Standards Basis.

