

PRODUCTIVITY COMMISSION

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PRODUCTIVITY COMMISSION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

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 encompasses all sectors of the economy as well as social and environmental issues. Its activities cover all levels of government responsibility – Federal, State and Territory and Local.

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 economic performance and community wellbeing, based on independent and transparent analysis that takes a broad view encompassing the interests of the community as a whole, rather than just 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
- self-initiated research and statutory annual reporting.

In 2021-22 and the forward years, the Commission will continue to examine a variety of economic, social and environmental issues through its public inquiry and commissioned research. Commissioned projects underway in 2021-22 include inquiries into *Consumers' Right to Repair* and the *Register of Foreign-owned Water Entitlements*.

The Commission will also operate the Performance Reporting Dashboard and undertake further reviews of nationally significant sector-wide Commonwealth-State agreements. The Commission will continue to progress case studies on productivity reform within Australia for the Council on Federal Financial Relations, with the purpose of informing and diffusing knowledge and practices across governments and identifying reform opportunities.

Productivity Commission Budget Statements

The Commission will continue to provide cross-jurisdictional reporting on the performance of government services; indicators of disadvantage experienced by Aboriginal and Torres Strait Islander people; and expenditure on services to Aboriginal and Torres Strait Islander people.

As part of its new functions under the *National Agreement on Closing the Gap*, the Commission will develop and maintain a publicly accessible dashboard and annual data compilation report, underpinned by an information repository to inform reporting on progress on Closing the Gap. The Commission will also undertake an independent review of progress every three years, which will be complementary to a three-yearly Aboriginal and Torres Strait Islander-led review.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is an autonomous office located within the Commission. It receives and investigates complaints, and advises the 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 mandate to undertake research to complement its other activities. A full list of the Commission's research reports and supporting research is provided on the Commission's website.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to the Commission.

The table summarises how resources will be applied by outcome (government strategic policy objectives) and by administered (on behalf of the Government or the public) and departmental (for the entity's operations) classification.

Information in this table is presented on a resourcing (that is, appropriations/cash available) basis, whilst the 'Budgeted expenses by Outcome 1' tables in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: Productivity Commission resource statement — Budget estimates for 2021-22 as at Budget May 2021

	2020-21 <i>Estimated actual</i> \$'000	2021-22 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	34,503	30,672
Departmental appropriation (c)	33,297	36,616
s74 Retained revenue receipts (d)	310	10
Departmental capital budget (e)	2,327	829
Total departmental annual appropriations	<u>70,437</u>	<u>68,127</u>
Total departmental resourcing	70,437	68,127
Total resourcing for the Productivity Commission	70,437	68,127
<hr/>		
	2020-21	2021-22
Average staffing level (number)	162	190

All figures shown above are GST exclusive - these may not match figures in the cash flow statement.

Prepared on a resourcing (that is, appropriations available) basis.

(a) Appropriation Bill (No. 1) 2021-22.

(b) Excludes \$0.3m 2017-18 DCB which lapsed on 1 July 2020

(c) Excludes departmental capital budget (DCB).

(d) Estimated External Revenue receipts under section 74 of the PGPA Act.

(e) Departmental capital budgets are not separately identified in Appropriation Bill (No.1) and form part of ordinary annual services items. Please refer to Table 3.5 for further details. For accounting purposes, this amount has been designated as a 'contribution by owner'.

1.3 BUDGET MEASURES

The Productivity Commission has no new budget measures.

Section 2: Outcomes and planned performance

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 entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

The Commission's outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in Annual Reports – to provide an entity's complete performance story.

The most recent corporate plan for the Commission can be found at: (<http://www.pc.gov.au/about/governance/corporate-plan>.)

The most recent annual performance statement can be found at: (<https://www.pc.gov.au/about/governance/annual-reports/2019-20>)

2.1 BUDGETED EXPENSES AND PERFORMANCE 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.

Budgeted expenses for Outcome 1

This table shows how much the Commission intends to spend (on an accrual basis) on achieving the outcome.

Table 2.1: Budgeted expenses for Outcome 1

	2020-21 Estimated actual \$'000	2021-22 Budget \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000	2024-25 Forward estimate \$'000
Program 1.1: Productivity Commission					
Departmental expenses					
Departmental appropriation	35,322	36,982	37,548	36,683	36,637
s74 Retained revenue receipts (a)	310	10	10	10	10
Expenses not requiring appropriation in the Budget year (b)	1,100	1,100	1,100	1,100	1,100
Departmental total	36,732	38,092	38,658	37,793	37,747
Total expenses for program 1.1	36,732	38,092	38,658	37,793	37,747
Total expenses for Outcome 1	36,732	38,092	38,658	37,793	37,747
	2020-21	2021-22			
Average staffing level (number)	162	190			

(a) Estimated expenses incurred in relation to receipts retained under section 74 of the PGPA Act.

(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, audit fees and other resources received free of charge.

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as government priorities change.

Table 2.2: Performance criteria for Outcome 1

Table 2.2 below details the performance criteria for the program associated with Outcome 1 and summarises how that program is delivered.

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	
Program 1.1 – The Commission provides governments and the Australian community with information and advice that better informs policy decisions to improve Australians’ wellbeing.	
Delivery	The Commission undertakes inquiries, research, and performance reporting and analysis. It provides robust analysis and advice on a range of economic, social and environmental issues, taking a community-wide perspective. The Commission engages widely, including through hearings, release of draft reports, roundtables, seminars and submissions, to seek informed input to its reports.
Performance information	
Performance criteria	2021-22 and forward years
The Commission aims to be a valuable source of robust evidence-based analysis to inform public policy; to generate effective public debate; and have recognition that our approach to evidence-based policy analysis is worthy of consideration by other governments. In doing so, it seeks to engage effectively with the community, have open and transparent processes, and provide timely reporting.	A range of indicators inform the Commission’s performance assessment, including the Commission’s work being widely referenced in public policy forums; projects and reports meeting commissioned timelines; and open and transparent processes being followed.
Purposes	The Commission’s purpose, as embodied in the <i>Productivity Commission Act 1998</i> , is to provide governments and the Australian community with information and advice that better inform policy decisions to improve Australians’ wellbeing.

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2021-22 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

There are no material differences between entity resourcing and financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The Commission is budgeting for a break-even result in 2021-22 and the forward years.

3.2. BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

	2020-21 Estimated actual \$'000	2021-22 Budget \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000	2024-25 Forward estimate \$'000
EXPENSES					
Employee benefits	28,350	29,912	30,269	29,387	29,430
Suppliers	3,849	4,695	4,942	4,999	4,954
Depreciation and amortisation	4,181	3,179	3,179	3,179	3,179
Finance costs	352	306	268	228	184
Total expenses	36,732	38,092	38,658	37,793	37,747
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	310	10	10	10	10
Other	50	50	50	50	50
Total own-source revenue	360	60	60	60	60
Total own-source income	360	60	60	60	60
Net (cost of)/contribution by services	(36,372)	(38,032)	(38,598)	(37,733)	(37,687)
Revenue from Government	33,297	36,616	37,308	36,555	36,667
Surplus/(deficit) attributable to the Australian Government	(3,075)	(1,416)	(1,290)	(1,178)	(1,020)

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June (continued)

Note: Impact of net cash appropriation arrangements

	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000
Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations, depreciation on ROU, principal repayments on leased assets	(1,500)	-	-	-	-
less: Depreciation/amortisation expenses previously funded through revenue appropriations (a)	1,050	1,050	1,050	1,050	1,050
less: depreciation/amortisation expenses for ROU assets (b)	3,131	2,129	2,129	2,129	2,129
add: Principal repayments on leased assets (b)	2,606	1,763	1,889	2,001	2,159
Total comprehensive income/(loss) - as per the statement of comprehensive income	(3,075)	(1,416)	(1,290)	(1,178)	(1,020)

Prepared on Australian Accounting Standards basis.

(a) From 2010-11, the Government introduced net cash appropriation arrangements where Bill 1 revenue appropriations for the depreciation/amortisation expenses of non-corporate Commonwealth entities (and select corporate Commonwealth entities) were replaced with a separate capital budget (the Departmental Capital Budget, or DCB) provided through Bill 1 equity appropriations. For information regarding DCBs, please refer to Table 3.5 Departmental Capital Budget Statement.

(b) Applies to leases under AASB 16 Leases.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2020-21 Estimated actual \$'000	2021-22 Budget \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000	2024-25 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	288	288	288	288	288
Trade and other receivables	30,549	31,308	32,068	32,531	32,693
Total financial assets	30,837	31,596	32,356	32,819	32,981
Non-financial assets					
Land and buildings	20,744	17,965	15,186	12,407	9,628
Property, plant and equipment	1,284	1,074	866	978	1,395
Intangibles	146	146	146	126	106
Other non-financial assets	294	294	294	294	294
Total non-financial assets	22,468	19,479	16,492	13,805	11,423
Total assets	53,305	51,075	48,848	46,624	44,404
LIABILITIES					
Payables					
Suppliers	270	270	270	270	270
Total payables	270	270	270	270	270
Interest bearing liabilities					
Leases	16,746	14,983	13,094	11,093	8,934
Total interest-bearing liabilities	16,746	14,983	13,094	11,093	8,934
Provisions					
Employee provisions	12,126	12,246	12,366	12,486	12,606
Other provisions	-	-	-	-	-
Total provisions	12,126	12,246	12,366	12,486	12,606
Total liabilities	29,142	27,499	25,730	23,849	21,810
Net assets	24,163	23,576	23,118	22,775	22,594
EQUITY*					
Parent entity interest					
Contributed equity	11,311	12,140	12,972	13,807	14,646
Reserves	1,593	1,593	1,593	1,593	1,593
Retained surplus (accumulated deficit)	11,259	9,843	8,553	7,375	6,355
Total equity	24,163	23,576	23,118	22,775	22,594

Prepared on Australian Accounting Standards basis.

*'Equity' is the residual interest in assets after deduction of liabilities.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2021-22)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2020				
Balance carried forward from previous period	11,259	1,593	11,311	24,163
Adjusted opening balance	11,259	1,593	11,311	24,163
Comprehensive income				
Surplus/(deficit) for the period	(1,416)	-	-	(1,416)
Total comprehensive income	(1,416)	-	-	(1,416)
Transactions with owners				
Contributions by owners				
Departmental Capital Budget (DCB)	-	-	829	829
Sub-total transactions with owners	-	-	829	829
Estimated closing balance as at 30 June 2020	9,843	1,593	12,140	23,576
Closing balance attributable to the Australian Government	9,843	1,593	12,140	23,576

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2020-21 Estimated actual \$'000	2021-22 Budget \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000	2024-25 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	35,478	36,496	37,188	36,435	36,547
Sale of goods and rendering of services	310	10	10	10	10
Net GST received	-	-	-	-	-
Other	-	-	-	-	-
Total cash received	35,788	36,506	37,198	36,445	36,557
Cash used					
Employees	28,130	29,792	30,149	29,267	29,310
Suppliers	4,413	4,645	4,892	4,949	4,904
Interest payments on lease liability	341	306	268	228	184
Total cash used	32,884	34,743	35,309	34,444	34,398
Net cash from/(used by) operating activities	2,904	1,763	1,889	2,001	2,159
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	4,275	190	192	492	797
Total cash used	4,275	190	192	492	797
Net cash from/(used by) investing activities	(4,275)	(190)	(192)	(492)	(797)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	3,977	190	192	492	797
Total cash received	3,977	190	192	492	797
Cash used					
Return of contributed equity	-	-	-	-	-
Principal payments on lease liability	2,606	1,763	1,889	2,001	2,159
Total cash used	2,606	1,763	1,889	2,001	2,159
Net cash from/(used by) financing activities	1,371	(1,573)	(1,697)	(1,509)	(1,362)
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	288	288	288	288	288
Cash and cash equivalents at the end of the reporting period	288	288	288	288	288

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement (for the period ended 30 June)

	2020-21 Estimated actual \$'000	2021-22 Budget \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000	2024-25 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	2,327	829	832	835	839
Total new capital appropriations	2,327	829	832	835	839
<i>Provided for:</i>					
Purchase of non-financial assets	2,327	190	192	492	797
Other items		639	640	343	42
Total items	2,327	829	832	835	839
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB (a)	3,977	190	192	492	797
Funded internally from departmental resources (b)	298				
TOTAL	4,275	190	192	492	797
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	4,275	190	192	492	797
Total cash used to acquire assets	4,275	190	192	492	797

Prepared on Australian Accounting Standards basis.

(a) Includes purchases from current and previous years' Departmental capital budgets (DCBs).

(b) Includes the following sources of funding:

- current Bill 1 and prior year Act 1/3/5 appropriations (excluding amounts from the DCB);
- donations and contributions;
- gifts;
- internally developed assets;
- s74 External Revenue; and
- proceeds from the sale of assets.

Table 3.6: Statement of asset movements (Budget year 2021-22)

	Buildings \$'000	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2021				
Gross book value	7,061	2,742	822	10,625
Gross book value - ROU assets	21,811	-	-	21,811
Accumulated depreciation/amortisation and impairment	(2,487)	(1,458)	(676)	(4,621)
Accumulated depreciation/amortisation and impairment - ROU assets	(5,641)	-	-	(5,641)
Opening net book balance	20,744	1,284	146	22,174
Capital asset additions				
Estimated expenditure on new or replacement assets				
By purchase - appropriation ordinary annual services (a)	-	170	20	190
By purchase - other - ROU assets	-	-	-	-
Total additions	-	170	20	190
Other movements				
Depreciation/amortisation expense	(650)	(380)	(20)	(1,050)
Depreciation/amortisation on ROU assets	(2,129)			(2,129)
Total other movements	(2,779)	(380)	(20)	(3,179)
As at 30 June 2022				
Gross book value	7,061	2,912	842	10,815
Gross book value - ROU assets	21,811	-	-	21,811
Accumulated depreciation/ amortisation and impairment	(3,137)	(1,838)	(696)	(5,671)
Accumulated depreciation/amortisation and impairment - ROU assets	(7,770)	-	-	(7,770)
Closing net book balance	17,965	1,074	146	19,185

Prepared on Australian Accounting Standards basis.

(a) 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No. 1) 2021-22 for depreciation/amortisation expenses, DCBs or other operational expenses.