

PRODUCTIVITY COMMISSION

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PRODUCTIVITY COMMISSION

Section 1: Agency 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, 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
- supporting research and activities and statutory annual reporting.

It is anticipated the Commission's work in 2012-13 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 2012-13 include: inquiries into *Barriers to Effective Climate Change Adaptation*, *Electricity Network Regulation*, and *Default Superannuation Funds in Modern Awards*; a joint study with the New Zealand Productivity Commission on *Strengthening Economic Relations between Australia and New Zealand*; and a continuation of the stream of work dealing with *Performance Benchmarking of Australian Business Regulation*. A program of work outlined in the *Clean Energy Future – Governance – Productivity*

Productivity Commission Budget Statements

Commission Reviews measure in the 2011-12 Additional Estimates has also commenced and will continue over 2012-13.

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 2011-12 include *Influences on Indigenous Labour Market Outcomes* and *Productivity in Electricity, Gas and Water: Measurement and Interpretation*. 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 for the Commission.

Table 1.1: Productivity Commission resource statement — Budget estimates for 2012-13 as at Budget May 2012

	Estimate of prior year amounts available in 2012-13 \$'000	Proposed at Budget 2012-13 \$'000	Total estimate 2012-13 \$'000	Actual available appropriation 2011-12 \$'000
Ordinary annual services				
Departmental				
Prior year departmental appropriation	15,967 ⁴	-	15,967	-
Departmental appropriation ³	-	37,881 ¹	37,881	38,307
Receipts from other sources (s31)	-	10 ²	10	10
Total net resourcing for the Productivity Commission	15,967	37,891	53,858	38,317

1. Appropriation Bill (No. 1) 2012-13.

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

3. Includes \$0.3 million in 2012-13 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

The Commission does not have any budget measures for 2012-13.

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, program deliverables and program 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	2011-12 Estimated actual expenses \$'000	2012-13 Estimated expenses \$'000
Program 1: Productivity Commission		
Departmental expenses		
Departmental appropriation	37,966	37,611
Expenses not requiring appropriation in the budget year	1,066	1,016
Total expenses for Outcome 1	39,032	38,627
	2011-12	2012-13
Average staffing level (number)	199	191

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

There are no significant changes to estimates across the forward years.

Table 2.2: Program expenses

	2011-12 Revised budget \$'000	2012-13 Budget \$'000	2013-14 Forward year 1 \$'000	2014-15 Forward year 2 \$'000	2015-16 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	39,032	38,627	39,380	39,323	35,038
Total departmental expenses	39,032	38,627	39,380	39,323	35,038

Program deliverables

The Commission will deliver:

- public inquiry reports (for example, the inquiry report on *Barriers to Effective Climate Change Adaptation*), 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.

Productivity Commission Budget Statements

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 2012-13. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations, 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

The Commission does not have any special accounts.

3.1.3 Australian Government Indigenous Expenditure

Table 3.1.3: Australian Government Indigenous Expenditure

	Appropriations				Other \$'000	Total \$'000	Program
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special approp \$'000	Total approp \$'000			
	Productivity Commission Outcome 1						
Departmental 2012-13	925	-	-	925	-	925	1.1
<i>Departmental 2011-12</i>	<i>1,093</i>	-	-	<i>1,093</i>	-	<i>1,093</i>	<i>1.1</i>

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

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

3.2.2 Analysis of budgeted financial statements

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

The Commission is budgeting for a break-even result in 2012-13 and the forward years.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (Showing Net Cost of Services)
(for the period ended 30 June)**

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
EXPENSES					
Employee benefits	27,428	27,396	27,833	28,139	24,790
Supplier	10,553	10,229	10,544	10,280	9,248
Depreciation and amortisation	1,030	980	980	880	975
Finance costs	21	22	23	24	25
Total expenses	39,032	38,627	39,380	39,323	35,038
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	36	36	36	36	36
Total gains	36	36	36	36	36
Total own-source income	46	46	46	46	46
Net cost of (contribution by) services	38,986	38,581	39,334	39,277	34,992
Appropriation revenue	37,956	37,601	38,354	38,397	34,017
Surplus (deficit) attributable to the Australian Government	(1,030)	(980)	(980)	(880)	(975)

Note: Impact of Net Cash Appropriation Arrangements

	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000
Total Comprehensive Income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations	(1,030)	(980)	(980)	(880)	(975)
Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income	(1,030)	(980)	(980)	(880)	(975)

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
ASSETS					
Financial assets					
Cash and equivalents	387	387	387	387	387
Trade and other receivables	16,120	16,384	16,399	16,722	16,809
Total financial assets	16,507	16,771	16,786	17,109	17,196
Non-financial assets					
Land and buildings	5,047	4,380	3,713	3,048	2,318
Infrastructure, plant and equipment	590	378	171	244	427
Intangibles	81	76	70	65	60
Other	555	555	555	555	555
Total non-financial assets	6,273	5,389	4,509	3,912	3,360
Total assets	22,780	22,160	21,295	21,021	20,556
LIABILITIES					
Provisions					
Employees	10,940	11,090	11,090	11,090	11,090
Other	407	429	452	476	501
Total provisions	11,347	11,519	11,542	11,566	11,591
Payables					
Suppliers	585	585	585	585	585
Other	2,863	2,771	2,582	2,293	1,899
Total payables	3,448	3,356	3,167	2,878	2,484
Total liabilities	14,795	14,875	14,709	14,444	14,075
Net assets	7,985	7,285	6,586	6,577	6,481
EQUITY					
Contributed equity	2,155	2,435	2,716	3,587	4,466
Reserves	2,154	2,154	2,154	2,154	2,154
Retained surpluses or accumulated deficits	3,676	2,696	1,716	836	(139)
Total equity	7,985	7,285	6,586	6,577	6,481
Current assets	17,062	17,326	17,341	17,664	17,751
Non-current assets	5,718	4,834	3,954	3,357	2,805
Current liabilities	10,667	10,914	11,014	11,119	11,184
Non-current liabilities	4,128	3,961	3,695	3,325	2,891

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	10	10	10	10	10
Appropriations	37,399	37,337	38,339	38,074	33,930
Other	310	-	-	-	-
Total cash received	37,719	37,347	38,349	38,084	33,940
Cash used					
Employees	27,278	27,246	27,833	28,139	24,790
Suppliers	10,571	10,285	10,697	10,533	9,606
Total cash used	37,849	37,531	38,530	38,672	34,396
Net cash from or (used by) operating activities	(130)	(184)	(181)	(588)	(456)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	221	96	100	283	423
Total cash used	221	96	100	283	423
Net cash from or (used by) investing activities	(221)	(96)	(100)	(283)	(423)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	351	280	281	871	879
Total cash received	351	280	281	871	879
Net cash from (used by) financing activities	351	280	281	871	879
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	387	387	387	387	387
Cash at the end of the reporting period	387	387	387	387	387

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2012-13)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2012					
Balance carried forward from previous period	3,676	2,154	-	2,155	7,985
Adjusted opening balance	3,676	2,154	-	2,155	7,985
Comprehensive income					
Surplus (deficit) for the period	(980)	-	-	-	(980)
Total comprehensive income recognised directly in equity	(980)	-	-	-	(980)
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	280	280
Total transactions with owners	-	-	-	280	280
Estimated closing balance as at 30 June 2013	2,696	2,154	-	2,435	7,285

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget (DCB) statement

	Estimated actual 2011-12 \$'000	Budget estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	351	280	281	871	879
Total new capital appropriations	351	280	281	871	879
Provided for:					
Purchase of non-financial assets	221	96	100	283	423
Other	130	184	181	588	456
Total Items	351	280	281	871	879
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	221	96	100	283	423
Funded internally from departmental resources					
TOTAL	221	96	100	283	423
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	221	96	100	283	423
Total cash used to acquire assets	221	96	100	283	423

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 2012				
Gross book value	6,116	1,130	582	7,828
Accumulated depreciation/amortisation and impairment	1,069	540	501	2,110
Opening net book balance	5,047	590	81	5,718
Capital asset additions				
By purchase - appropriation ordinary annual services	-	76	20	96
Total asset additions	-	76	20	96
Other movements				
Depreciation/amortisation expense	667	288	25	980
Total other movements	667	288	25	980
As at 30 June 2013				
Gross book value	6,116	1,206	602	7,924
Accumulated depreciation/amortisation and impairment	1,736	828	526	3,090
Closing net book balance	4,380	378	76	4,834

Prepared on Australian Accounting Standards basis.