

# 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, 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 2015-16 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 2015-16 include: public inquiries into the *Workplace Relations Framework*; *Barriers to Business Set-up, Transfer and Closure*; and *Migrant Intake into Australia*; and government commissioned studies into *Public Safety Mobile Broadband*; *Barriers to Growth in Australian Services Exports*; and *Mutual Recognition Schemes*.

The Commission is providing cross-jurisdictional reporting to the Council of Australian Governments (COAG) on performance of government services; indicators of Indigenous disadvantage; and expenditure on services to Indigenous Australians. 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 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. The supporting research program currently includes work on: *Superannuation Policy in the Post-Retirement Phase*; *International Education Services*; and *Integrating Household Survey Data into a CGE Framework*. The Commission's most recent research publications include research papers on: *Housing Assistance and Employment in Australia*; *Australia's International Tourism Industry*; and *Examining Barriers to More Efficient Gas Markets*; and a staff working paper on *Productivity: Concepts and Measurement*. A full list of the Commission's research reports and staff working papers is provided on the Commission's website.

As outlined in the *Portfolio Additional Estimates Statements 2014-15* (page 103) the Commission will take over some functions of the National Water Commission, subject to the passage of the legislation.

## 1.2 ENTITY RESOURCE STATEMENT

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

**Table 1.1: Productivity Commission resource statement — Budget estimates for 2015-16 as at Budget May 2015**

	<i>Actual Available Appropriation 2014-15</i> \$'000	Estimate of prior year amounts available in 2015-16 \$'000	Proposed at 2015-16 Budget \$'000	Total 2015-16 estimate \$'000
<b>Ordinary annual services (a)</b>				
<b>Departmental appropriation</b>				
Prior year appropriations (b)	23,900	24,051	-	24,051
Departmental appropriation (c), (d)	34,118	-	33,744	33,744
s74 Retained revenue receipts (e)	1,036	-	1,036	1,036
<b>Total net resourcing for the Productivity Commission</b>	<b>59,054</b>	<b>24,051</b>	<b>34,780</b>	<b>58,831</b>

(a) Appropriation Bill (No. 1) 2015-16.

(b) Estimated adjusted balance carried forward from previous year.

(c) Includes an amount of \$0.8m for the Departmental Capital Budget (refer to Table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.

(d) Departmental appropriation for 2014-15 excludes a quarantined amount (\$0.289m) relating to NWC functions as legislation is pending.

(e) Estimated Retained revenue receipts under section 74 of the PGPA Act.

Reader note: All figures are GST exclusive.

### **1.3 BUDGET MEASURES**

The Commission does not have any budget measures for 2015-16.

## 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 programmes are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes 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	2014-15 Estimated actual expenses \$'000	2015-16 Estimated expenses \$'000
<b>Programme 1: Productivity Commission</b>		
Departmental expenses		
Departmental appropriation (a)	34,299	33,934
Expenses not requiring appropriation in the Budget year (b)	1,100	1,100
<b>Total expenses for Outcome 1</b>	<b>35,399</b>	<b>35,034</b>
<hr/>		
<b>Average staffing level (number)</b>	2014-15 166	2015-16 167

(a) Departmental Appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources (s 74)'.  
(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, and resources received free of charge (ANAO audit fees).

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

## Contributions to Outcome 1

### Programme 1.1: Productivity Commission

#### Programme 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.

#### Programme expenses

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

**Table 2.2: Programme expenses**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Annual departmental expenses:					
Departmental item	34,299	33,934	34,056	33,401	32,606
Expenses not requiring appropriation in the Budget year (a)	1,100	1,100	1,100	1,080	1,080
<b>Total programme expenses</b>	<b>35,399</b>	<b>35,034</b>	<b>35,156</b>	<b>34,481</b>	<b>33,686</b>

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

#### Programme 1.1 deliverables

The Commission will deliver:

- public inquiry reports (for example, the inquiry report on Migrant Intake into Australia), and reports on other commissioned work (such as the study into Public Safety Mobile Broadband);
- 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
- 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.

**Programme 1.1 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 entity finances for the 2015-16 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme 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 (AGIE)**

	<i>Approp Bill No. 1 \$'000</i>	<i>Approp Bill No. 2 \$'000</i>	<i>Special approp \$'000</i>	<i>Total approp \$'000</i>	<i>Other \$'000</i>	<i>Total \$'000</i>	<i>Programme</i>
Productivity Commission							
Outcome 1							
<b>Departmental 2015-16</b>	<b>1,012</b>	-	-	<b>1,012</b>	-	<b>1,012</b>	<b>1.1</b>
<i>Departmental 2014-15</i>	<i>990</i>	-	-	<i>990</i>	-	<i>990</i>	<i>1.1</i>

### 3.2 BUDGETED FINANCIAL STATEMENTS

#### 3.2.1 Differences in entity resourcing and financial statements

There are no material differences between entity 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 2015-16 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**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>EXPENSES</b>					
Employee benefits	27,348	27,151	26,779	26,267	26,466
Suppliers	6,984	6,815	7,308	7,165	6,170
Depreciation and amortisation	1,050	1,050	1,050	1,030	1,030
Finance costs	17	18	19	19	20
<b>Total expenses</b>	<b>35,399</b>	<b>35,034</b>	<b>35,156</b>	<b>34,481</b>	<b>33,686</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	1,036	1,036	507	10	10
<b>Total own-source revenue</b>	<b>1,036</b>	<b>1,036</b>	<b>507</b>	<b>10</b>	<b>10</b>
<b>Gains</b>					
Other	50	50	50	50	50
<b>Total gains</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Total own-source income</b>	<b>1,086</b>	<b>1,086</b>	<b>557</b>	<b>60</b>	<b>60</b>
<b>Net cost of/(contribution by) services</b>	<b>34,313</b>	<b>33,948</b>	<b>34,599</b>	<b>34,421</b>	<b>33,626</b>
Revenue from Government	33,263	32,898	33,549	33,391	32,596
<b>Surplus/(deficit) attributable to the Australian Government</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,030)</b>	<b>(1,030)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation surplus	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss)</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,030)</b>	<b>(1,030)</b>
<b>Total comprehensive income/(loss) attributable to the Australian Government</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,030)</b>	<b>(1,030)</b>

**Table 3.2.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June (continued)**

Note: Impact of net cash appropriation arrangements

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
<b>Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations.</b>	-	-	-	-	-
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	1,050	1,050	1,050	1,030	1,030
<b>Total comprehensive income/(loss) - as per the statement of comprehensive income</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,050)</b>	<b>(1,030)</b>	<b>(1,030)</b>

(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 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 3.2.5 Departmental Capital Budget Statement.

Prepared on Australian Accounting Standards basis.

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

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	335	335	335	335	335
Trade and other receivables	24,507	24,577	22,094	22,377	23,039
<b>Total financial assets</b>	<b>24,842</b>	<b>24,912</b>	<b>22,429</b>	<b>22,712</b>	<b>23,374</b>
<b>Non-financial assets</b>					
Land and buildings	3,324	2,506	4,533	3,733	2,933
Property, plant and equipment	632	825	676	741	747
Intangibles	122	97	72	47	22
Other non-financial assets	275	275	275	275	275
<b>Total non-financial assets</b>	<b>4,353</b>	<b>3,703</b>	<b>5,556</b>	<b>4,796</b>	<b>3,977</b>
<b>Total assets</b>	<b>29,195</b>	<b>28,615</b>	<b>27,985</b>	<b>27,508</b>	<b>27,351</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	415	415	415	415	415
Other payables	2,694	2,300	1,861	1,548	1,548
<b>Total payables</b>	<b>3,109</b>	<b>2,715</b>	<b>2,276</b>	<b>1,963</b>	<b>1,963</b>
<b>Provisions</b>					
Employee provisions	12,535	12,535	12,535	12,535	12,535
Other provisions	514	532	551	570	590
<b>Total provisions</b>	<b>13,049</b>	<b>13,067</b>	<b>13,086</b>	<b>13,105</b>	<b>13,125</b>
<b>Total liabilities</b>	<b>16,158</b>	<b>15,782</b>	<b>15,362</b>	<b>15,068</b>	<b>15,088</b>
<b>Net assets</b>	<b>13,037</b>	<b>12,833</b>	<b>12,623</b>	<b>12,440</b>	<b>12,263</b>

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

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>EQUITY*</b>					
Contributed equity	3,569	4,415	5,255	6,102	6,955
Reserves	2,771	2,771	2,771	2,771	2,771
Retained surplus (accumulated deficit)	6,697	5,647	4,597	3,567	2,537
<b>Total Equity</b>	<b>13,037</b>	<b>12,833</b>	<b>12,623</b>	<b>12,440</b>	<b>12,263</b>

\*'Equity' is the residual interest in assets after deduction of liabilities.  
Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2015-16)**

	Retained earnings \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2015</b>					
Balance carried forward from previous period	6,697	2,771	-	3,569	13,037
<b>Adjusted opening balance</b>	<b>6,697</b>	<b>2,771</b>	<b>-</b>	<b>3,569</b>	<b>13,037</b>
<b>Comprehensive income</b>					
Surplus/(deficit) for the period	(1,050)	-	-	-	(1,050)
<b>Total comprehensive income recognised directly in equity</b>	<b>(1,050)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,050)</b>
<b>Transactions with owners</b>					
<b>Contributions by owners</b>					
Departmental Capital Budget (DCB)	-	-	-	846	846
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>846</b>	<b>846</b>
<b>Estimated closing balance as at 30 June 2016</b>	<b>5,647</b>	<b>2,771</b>	<b>-</b>	<b>4,415</b>	<b>12,833</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Budgeted departmental statement of cash flows (for the period ended 30 June)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	33,112	32,828	36,032	33,108	31,934
Sale of goods and rendering of services	1,036	1,036	507	10	10
<b>Total cash received</b>	<b>34,148</b>	<b>33,864</b>	<b>36,539</b>	<b>33,118</b>	<b>31,944</b>
<b>Cash used</b>					
Employees	27,500	27,151	26,779	26,267	26,466
Suppliers	7,223	7,159	7,697	7,428	6,120
<b>Total cash used</b>	<b>34,723</b>	<b>34,310</b>	<b>34,476</b>	<b>33,695</b>	<b>32,586</b>
<b>Net cash from/(used by) operating activities</b>	<b>(575)</b>	<b>(446)</b>	<b>2,063</b>	<b>(577)</b>	<b>(642)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	280	400	2,903	270	211
<b>Total cash used</b>	<b>280</b>	<b>400</b>	<b>2,903</b>	<b>270</b>	<b>211</b>
<b>Net cash from/(used by) investing activities</b>	<b>(280)</b>	<b>(400)</b>	<b>(2,903)</b>	<b>(270)</b>	<b>(211)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	855	846	840	847	853
<b>Total cash received</b>	<b>855</b>	<b>846</b>	<b>840</b>	<b>847</b>	<b>853</b>
<b>Net cash from/(used by) financing activities</b>	<b>855</b>	<b>846</b>	<b>840</b>	<b>847</b>	<b>853</b>
<b>Net increase/(decrease) in cash held</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	335	335	335	335	335
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>335</b>	<b>335</b>	<b>335</b>	<b>335</b>	<b>335</b>

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget statement (for the period ended 30 June)**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 (DCB)	855	846	840	847	853
<b>Total new capital appropriations</b>	<b>855</b>	<b>846</b>	<b>840</b>	<b>847</b>	<b>853</b>
<i>Provided for:</i>					
<i>Purchase of non-financial assets</i>	280	400	840	270	211
<i>Other Items</i>	575	446	-	577	642
<b>Total Items</b>	<b>855</b>	<b>846</b>	<b>840</b>	<b>847</b>	<b>853</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation - DCB (a)	280	400	2,697	270	211
Funded internally from departmental resources	-	-	206	-	-
<b>TOTAL</b>	<b>280</b>	<b>400</b>	<b>2,903</b>	<b>270</b>	<b>211</b>
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	280	400	2,903	270	211
<b>Total cash used to acquire assets</b>	<b>280</b>	<b>400</b>	<b>2,903</b>	<b>270</b>	<b>211</b>

(a) Includes both current Bill 2 and prior Act 2/4/6 appropriations and special capital appropriations. Prepared on Australian Accounting Standards basis.

**Table 3.2.6: Statement of asset movements (Budget year 2015-16)**

	Buildings \$'000	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
<b>As at 1 July 2015</b>				
Gross book value	4,921	1,029	754	6,704
Accumulated depreciation/amortisation and impairment	(1,597)	(397)	(632)	(2,626)
<b>Opening net book balance</b>	<b>3,324</b>	<b>632</b>	<b>122</b>	<b>4,078</b>
<b>Capital asset additions</b>				
<b>Estimated expenditure on new or replacement assets</b>				
By purchase - appropriation ordinary annual services (a)	-	380	20	400
<b>Total additions</b>	<b>-</b>	<b>380</b>	<b>20</b>	<b>400</b>
<b>Other movements</b>				
Depreciation/amortisation expense	(818)	(187)	(45)	(1,050)
<b>Total other movements</b>	<b>(818)</b>	<b>(187)</b>	<b>(45)</b>	<b>(1,050)</b>
<b>As at 30 June 2016</b>				
Gross book value	4,921	1,409	774	7,104
Accumulated depreciation/amortisation and impairment	(2,415)	(584)	(677)	(3,676)
<b>Closing net book balance</b>	<b>2,506</b>	<b>825</b>	<b>97</b>	<b>3,428</b>

(a) 'Appropriation equity' refers to equity injections appropriations provided through Appropriation Bill (No. 2) 2015-16, including CDABs.

Prepared on Australian Accounting Standards basis.

