

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 2016-17 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 and carrying over into 2016-17 include: public inquiries into *Intellectual Property Arrangements; Regulation of Agriculture; Regulation of Marine Fisheries and Aquaculture; Alternative Default Superannuation Fund Models; Data Availability and Use; the Education Evidence Base*; and a study into *Superannuation Competitiveness and Efficiency*.

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 expecting to commence reviews related to the National Water Initiative and the Murray-Darling Basin Plan (and associated water resource plans).

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 entities in, implementing competitive neutrality requirements.

The Commission has a mandate to undertake research to complement its other activities. This self-initiated research currently includes work on: *Indigenous Primary School Education Outcomes: Key Contributors*; and *Disruptive Technologies: What do governments need to do?* The Commission's most recent research publications include papers on: *Developments in Anti-Dumping Arrangements*; and *Housing Decisions of Older Australians*. 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.

Information in this table is presented on a resourcing (i.e. appropriations/cash available) basis, whilst the 'Budgeted expenses for Outcome 1' table 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 2016-17 as at Budget May 2016

	2015-16 <i>Estimated actual</i> \$'000	2016-17 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	27,263	27,320
Departmental appropriation	32,890	33,395
s74 retained revenue receipts (c)	841	1,007
Departmental capital budget (d)	846	838
<i>Total departmental annual appropriations</i>	<i>61,840</i>	<i>62,560</i>
Total departmental resourcing	61,840	62,560
Total resourcing for Productivity Commission	61,840	62,560
	2015-16	2016-17
Average staffing level (number)	164	167

Prepared on a resourcing (i.e. appropriations available) basis.

Please note: All figures shown above are GST exclusive — these may not match figures in the cash flow statement.

(a) Appropriation Bill (No. 1) 2016-17.

(b) Excludes \$0.3 million withheld under section 51 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

(c) Estimated retained revenue receipts under section 74 of the PGPA Act.

(d) 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

Budget measures in Table 1.2 relating to the Commission are detailed in the *2015-16 Mid-Year Economic and Fiscal Outlook*.

Table 1.2: Entity 2016-17 Budget measures

Measures not previously reported in a portfolio statement

	Program	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Measures						
Public Sector Savings —						
Enterprise Resource Planning Systems						
Departmental expenses	1.1	-	-	(19)	(23)	-
Public Sector Superannuation						
Accumulation Plan Administration						
Fees						
Departmental expenses	1.1	(8)	(8)	(8)	(8)	(8)
Total expense measures		(8)	(8)	(27)	(31)	(8)

Prepared on a Government Finance Statistics (fiscal) basis. Figures displayed as a negative represent a decrease in funds and a positive represent an increase in funds.

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, specifying the strategy, program objective, program deliverables and program key performance indicators used to assess and monitor the performance of the Commission.

Note:

From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside those required under the enhanced Commonwealth performance framework. 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 from October 2016 – to provide an entity's complete performance story.

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

Table 2.1 shows how much the Commission intends to spend (on an accrual basis) on achieving the outcome.

Table 2.1: Budgeted expenses for Outcome 1

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
Program 1.1: Productivity Commission					
Departmental expenses					
Departmental appropriation (a)	32,890	33,395	33,192	32,371	32,568
s74 Retained revenue receipts (a)	841	1,007	10	10	10
Expenses not requiring appropriation in the Budget year (b)	1,123	1,123	1,103	1,100	1,100
Departmental total	34,854	35,525	34,305	33,481	33,678
Total expenses for program 1.1	34,854	35,525	34,305	33,481	33,678
Total expenses for Outcome 1	34,854	35,525	34,305	33,481	33,678

(a) Estimated expenses incurred in relation to receipts retained under section 74 of the PGPA Act 2013.

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

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

The table below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2016-17 Budget measures have created new programs or materially changed existing programs.

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 — Productivity Commission		
The Commission provides governments and the Australian community with information and advice that better informs policy decisions to improve Australians' wellbeing.		
Delivery	The Commission provides independent research and advice on a range of economic, social and environmental issues. The Commission consults, including through hearings, round tables, seminars and submissions, to seek informed input to its reports. The Commission publishes all its working papers and models which contribute to its conclusions.	
Performance information		
Performance criteria	2015–16 targets	2016–17 and forward year targets
The Commission aims to complete projects, reports and associated activities that are of a high quality, useful to stakeholders and timely.	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.	The Commission's work being widely referenced in public policy forums; projects and reports meeting commissioned timelines; and independent and transparent processes are 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. To do this, we apply robust, transparent analysis and we adopt a community-wide perspective.	

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2016-17 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Explanatory notes and analysis of budgeted financial statements

The Commission is budgeting for a break-even result in 2016-17 and the forward years.

3.1.2 Budgeted financial statements tables

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
EXPENSES					
Employee benefits	26,648	26,613	26,112	26,391	26,549
Suppliers	7,115	7,820	7,121	6,020	6,058
Depreciation and amortisation	1,073	1,073	1,053	1,050	1,050
Finance costs	18	19	19	20	21
Total expenses	34,854	35,525	34,305	33,481	33,678
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	841	1,007	10	10	10
Total own-source revenue	841	1,007	10	10	10
Gains					
Other	50	50	50	50	50
Total gains	50	50	50	50	50
Total own-source income	891	1,057	60	60	60
Net (cost of)/contribution by services	(33,963)	(34,468)	(34,245)	(33,421)	(33,618)
Revenue from Government	32,890	33,395	33,192	32,371	32,568
Surplus/(deficit) attributable to the Australian Government	(1,073)	(1,073)	(1,053)	(1,050)	(1,050)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation surplus	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss)	(1,073)	(1,073)	(1,053)	(1,050)	(1,050)
Total comprehensive income/(loss) attributable to the Australian Government	(1,073)	(1,073)	(1,053)	(1,050)	(1,050)

Note: Impact of net cash appropriation arrangements

	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations.	-	-	-	-	-
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	1,073	1,073	1,053	1,050	1,050
Total comprehensive income/(loss) - as per the statement of comprehensive income	(1,073)	(1,073)	(1,053)	(1,050)	(1,050)

(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.

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	346	346	346	346	346
Trade and other receivables	27,265	25,578	26,098	26,632	26,672
Total financial assets	27,611	25,924	26,444	26,978	27,018
Non-financial assets					
Land and buildings	2,506	3,588	2,788	1,988	1,188
Property, plant and equipment	991	917	967	958	1,378
Intangibles	185	152	119	89	79
Other non-financial assets	562	562	562	562	562
Total non-financial assets	4,244	5,219	4,436	3,597	3,207
Total assets	31,855	31,143	30,880	30,575	30,225
LIABILITIES					
Payables					
Suppliers	386	386	386	386	386
Other payables	2,461	1,745	1,452	1,108	713
Total payables	2,847	2,131	1,838	1,494	1,099
Provisions					
Employee provisions	11,976	12,196	12,416	12,636	12,856
Other provisions	532	551	570	590	611
Total provisions	12,508	12,747	12,986	13,226	13,467
Total liabilities	15,355	14,878	14,824	14,720	14,566
Net assets	16,500	16,265	16,056	15,855	15,659
EQUITY*					
Contributed equity	3,854	4,692	5,536	6,385	7,239
Reserves	2,771	2,771	2,771	2,771	2,771
Retained surplus (accumulated deficit)	9,875	8,802	7,749	6,699	5,649
Total equity	16,500	16,265	16,056	15,855	15,659

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

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2016-17)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2016					
Balance carried forward from previous period	9,875	2,771	-	3,854	16,500
Opening balance	9,875	2,771	-	3,854	16,500
Comprehensive income					
Surplus/(deficit) for the period	(1,073)	-	-	-	(1,073)
Total comprehensive income	(1,073)	-	-	-	(1,073)
Transactions with owners					
Contributions by owners					
Departmental capital budget (DCB)	-	-	-	838	838
Total transactions with owners	-	-	-	838	838
Estimated closing balance as at 30 June 2017	8,802	2,771	-	4,692	16,265

Prepared on Australian Accounting Standards basis.

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	32,833	35,082	32,672	31,837	32,528
Sale of goods and rendering of services	841	1,007	10	10	10
Total cash received	33,674	36,089	32,682	31,847	32,538
Cash used					
Employees	26,428	26,393	25,892	26,171	26,329
Suppliers	7,459	8,486	7,364	6,314	6,403
Total cash used	33,887	34,879	33,256	32,485	32,732
Net cash from/(used by) operating activities	(213)	1,210	(574)	(638)	(194)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	633	2,048	270	211	660
Total cash used	633	2,048	270	211	660
Net cash from/(used by) investing activities	(633)	(2,048)	(270)	(211)	(660)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	846	838	844	849	854
Total cash received	846	838	844	849	854
Net cash from/(used by) financing activities	846	838	844	849	854
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	346	346	346	346	346
Cash and cash equivalents at the end of the reporting period	346	346	346	346	346

Prepared on Australian Accounting Standards basis.

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	846	838	844	849	854
Total new capital appropriations	846	838	844	849	854
<i>Provided for:</i>					
Purchase of non-financial assets	633	838	270	211	660
Other Items	213	-	574	638	194
Total items	846	838	844	849	854
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB (a)	633	2,048	270	211	660
TOTAL	633	2,048	270	211	660
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	633	2,048	270	211	660
Total cash used to acquire assets	633	2,048	270	211	660

(a) Does not include annual finance lease costs. Include purchases from current and previous years' Departmental Capital Budgets (DCBs).

Prepared on Australian Accounting Standards basis.

Table 3.6: Statement of asset movements (Budget year 2016-17)

	Land and Buildings \$'000	Property, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2016				
Gross book value	4,882	1,597	867	7,346
Accumulated depreciation/amortisation and impairment	(2,376)	(606)	(682)	(3,664)
Opening net book balance	2,506	991	185	3,682
Capital asset additions				
Estimated expenditure on new or replacement assets				
By purchase - appropriation ordinary annual services (a)	1,900	128	20	2,048
Total additions	1,900	128	20	2,048
Other movements				
Depreciation/amortisation expense	(818)	(202)	(53)	(1,073)
Total other movements	(818)	(202)	(53)	(1,073)
As at 30 June 2017				
Gross book value	6,782	1,725	887	9,394
Accumulated depreciation/ amortisation and impairment	(3,194)	(808)	(735)	(4,737)
Closing net book balance	3,588	917	152	4,657

(a) 'Appropriation equity' refers to equity injections appropriations provided through Appropriation Bill (No. 2) 2016-17.

Prepared on Australian Accounting Standards basis.

