

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 programmes. 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 2014-15 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 programme. Commissioned projects currently underway and carrying over into 2014-15 include: inquiries into *Access to Justice Arrangements*, *Natural Disaster Funding* and *Childcare and Early Childhood Learning*; and case studies into *Costs of Doing Business: Dairy Product Manufacturing*, and *Costs of Doing Business: Retail Trade Industry*.

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 statutory mandate to undertake research to complement its other activities. The supporting research programme 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 publications include a research paper on *An Ageing Australia: Preparing for the Future*, and staff working papers on *Productivity in Manufacturing: Measurement and Interpretation* and *Environmental Policy Analysis: A Guide to Non-Market Valuation*. 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 2014-15 as at Budget May 2014

	Estimate of prior year amounts available in 2014-15 \$'000	+	Proposed at Budget 2014-15 \$'000	=	Total estimate 2014-15 \$'000	Actual available appropriation 2013-14 \$'000
Ordinary annual services						
Departmental						
Prior year departmental appropriation	23,001	⁴	-		23,001	-
Departmental appropriation ³	-		34,118	¹	34,118	36,595
Receipts from other sources (s31)	-		825	²	825	740
Total net resourcing for the Productivity Commission	23,001		34,943		57,944	37,335

1. Appropriation Bill (No. 1) 2014-15.

2. Receipts received under section 31 (s31) of the *Financial Management and Accountability Act 1997*.

3. Includes \$0.9 million in 2014-15 for the departmental capital budget (also refer to Table 3.2.5).

4. Estimated adjusted balance carried forward from previous year.

1.3 BUDGET MEASURES

Budget measures relating to the Commission are summarised below.

Table 1.2: Productivity Commission 2014-15 Budget measures

	Program	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Expense measures						
Efficiency Dividend - temporary increase in the rate ¹	1.1	-	(392)	(774)	(1,205)	(1,205)
Efficiency Dividend - a further temporary increase of 0.25 per cent	1.1	-	(84)	(166)	(248)	(247)
Public Service efficiencies ²	1.1	(11)	(52)	(114)	(141)	(141)
Reforms to APS management and efficient procurement of agency software ¹	1.1	(32)	(73)	(136)	(140)	(140)
Repeal of the Carbon Tax - abolishing land initiatives and unnecessary bureaucracies ³	1.1	(3,595)	(4,621)	-	-	-
Total expense measures		(3,638)	(5,222)	(1,190)	(1,734)	(1,733)
Related capital						
Efficiency Dividend - a further temporary increase of 0.25 per cent	1.1	-	(2)	(4)	(7)	(7)
Total related capital		-	(2)	(4)	(7)	(7)

1. This measure was included in the *Economic Statement 2013* and has not previously appeared in a portfolio statement.

2. This measure was included in Budget Paper No. 2, *Budget Measures 2013-14* and has not previously appeared in a portfolio statement.

3. This measure was included in the *Mid-Year Economic and Fiscal Outlook 2013-14* and has not previously appeared in a portfolio statement.

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 programmes are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies 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, programme objective, programme deliverables and programme 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	2013-14 Estimated actual expenses \$'000	2014-15 Estimated expenses \$'000
Program 1: Productivity Commission		
Departmental expenses		
Departmental appropriation	37,056	34,088
Expenses not requiring appropriation in the budget year	1,110	1,090
Total expenses for Outcome 1	38,166	35,178
	2013-14	2014-15
Average staffing level (number)	185	170

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

The decline in funding across the forward estimates is largely a consequence of measures outlined in Table 1.2.

Table 2.2: Programme expenses

	2013-14 Revised budget \$'000	2014-15 Budget \$'000	2015-16 Forward year 1 \$'000	2016-17 Forward year 2 \$'000	2017-18 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	38,166	35,178	34,156	33,373	33,129
Total departmental expenses	38,166	35,178	34,156	33,373	33,129

Programme deliverables

The Commission will deliver:

- public inquiry reports (for example, the inquiry report on *Childcare and Early Childhood Learning*), and reports concerning other commissioned work (such as the case study into *Costs of Doing Business: Dairy Product Manufacturing*);
- 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 programme 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 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 2014-15. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations, 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

	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 2014-15	964	-	-	964	-	964	1.1
<i>Departmental 2013-14</i>	<i>1,193</i>	-	-	<i>1,193</i>	-	<i>1,193</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 2014-15 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 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
EXPENSES					
Employee benefits	29,927	27,148	25,902	25,538	25,534
Supplier	7,152	6,963	7,186	6,766	6,546
Depreciation and amortisation	1,070	1,050	1,050	1,050	1,030
Finance costs	17	17	18	19	19
Total expenses	38,166	35,178	34,156	33,373	33,129
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	740	825	648	130	10
Total revenue	740	825	648	130	10
Gains					
Other	40	40	40	40	40
Total gains	40	40	40	40	40
Total own-source income	780	865	688	170	50
Net cost of (contribution by) services	37,386	34,313	33,468	33,203	33,079
Appropriation revenue	36,316	33,263	32,418	32,153	32,049
Surplus (deficit) attributable to the Australian Government	(1,070)	(1,050)	(1,050)	(1,050)	(1,030)
Note: Impact of Net Cash Appropriation Arrangements					
	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Total Comprehensive Income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations	(1,070)	(1,050)	(1,050)	(1,050)	(1,030)
Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income	(1,070)	(1,050)	(1,050)	(1,050)	(1,030)

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
ASSETS					
Financial assets					
Cash and equivalents	468	468	468	468	468
Trade and other receivables	23,175	23,478	23,551	21,073	21,363
Total financial assets	23,643	23,946	24,019	21,541	21,831
Non-financial assets					
Land and buildings	4,142	3,324	2,506	4,533	3,733
Infrastructure, plant and equipment	592	666	859	710	775
Intangibles	154	128	103	78	53
Other	498	498	498	498	498
Total non-financial assets	5,386	4,616	3,966	5,819	5,059
Total assets	29,029	28,562	27,985	27,360	26,890
LIABILITIES					
Provisions					
Employees	13,374	13,374	13,374	13,374	13,374
Other	497	514	532	551	570
Total provisions	13,871	13,888	13,906	13,925	13,944
Payables					
Suppliers	379	379	379	379	379
Other	2,612	2,323	1,929	1,490	1,177
Total payables	2,991	2,702	2,308	1,869	1,556
Total liabilities	16,862	16,590	16,214	15,794	15,500
Net assets	12,167	11,972	11,771	11,566	11,390
EQUITY					
Contributed equity	2,714	3,569	4,418	5,263	6,117
Reserves	2,771	2,771	2,771	2,771	2,771
Retained surpluses or accumulated deficits	6,682	5,632	4,582	3,532	2,502
Total equity	12,167	11,972	11,771	11,566	11,390
Current assets	24,141	24,444	24,517	22,039	22,329
Non-current assets	4,888	4,118	3,468	5,321	4,561
Current liabilities	13,018	13,123	13,188	13,022	13,072
Non-current liabilities	3,844	3,467	3,026	2,772	2,428

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	740	825	648	130	10
Appropriations	36,418	32,960	32,345	34,631	31,759
Total cash received	37,158	33,785	32,993	34,761	31,769
Cash used					
Employees	29,927	27,148	25,902	25,538	25,534
Suppliers	7,384	7,212	7,540	7,165	6,819
Total cash used	37,311	34,360	33,442	32,703	32,353
Net cash from or (used by) operating activities	(153)	(575)	(449)	2,058	(584)
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	126	280	400	2,903	270
Total cash used	126	280	400	2,903	270
Net cash from or (used by) investing activities	(126)	(280)	(400)	(2,903)	(270)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	279	855	849	845	854
Total cash received	279	855	849	845	854
Net cash from (used by) financing activities	279	855	849	845	854
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	468	468	468	468	468
Cash at the end of the reporting period	468	468	468	468	468

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2014-15)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2014					
Balance carried forward from previous period	6,682	2,771	-	2,714	12,167
Adjusted opening balance	6,682	2,771	-	2,714	12,167
Comprehensive income					
Surplus (deficit) for the period	(1,050)	-	-	-	(1,050)
Total comprehensive income recognised directly in equity	(1,050)	-	-	-	(1,050)
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation - DCB	-	-	-	855	855
Total transactions with owners	-	-	-	855	855
Estimated closing balance as at 30 June 2015	5,632	2,771	-	3,569	11,972

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget (DCB) statement

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	279	855	849	845	854
Total new capital appropriations	279	855	849	845	854
Provided for:					
Purchase of non-financial assets	126	280	400	845	270
Other	153	575	449	-	584
Total Items	279	855	849	845	854
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	126	280	400	2,697	270
Funded internally from departmental resources	-	-	-	206	-
TOTAL	126	280	400	2,903	270
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	126	280	400	2,903	270
Total cash used to acquire assets	126	280	400	2,903	270

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 2014				
Gross book value	4,960	803	738	6,501
Accumulated depreciation/amortisation and impairment	818	211	584	1,613
Opening net book balance	4,142	592	154	4,888
Capital asset additions				
By purchase - appropriation ordinary annual services	-	260	20	280
Total asset additions	-	260	20	280
Other movements				
Depreciation/amortisation expense	818	186	46	1,050
Total other movements	818	186	46	1,050
As at 30 June 2015				
Gross book value	4,960	1,063	758	6,781
Accumulated depreciation/amortisation and impairment	1,636	397	630	2,663
Closing net book balance	3,324	666	128	4,118

Prepared on Australian Accounting Standards basis.