

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 2020-21 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 2020-21 include: an inquiry into *National Water Reform*, developing a whole-of-government evaluation strategy for policies and programs affecting Aboriginal and Torres Strait Islander people, a review of the *National Agreement for Skills and Workforce Development*, and a study into *Resources Sector Regulation*.

The Commission will also operate the National Cabinet performance dashboard, and undertake further reviews of nationally significant sector – wide Commonwealth-State agreements. The Commission will also progress case studies on productivity reform within Australia for the Council on Federal Financial Relations, with the purpose of

Productivity Commission Budget Statements

informing and diffusing knowledge and practices across governments and identifying reform opportunities.

The Commission will continue to provide cross-jurisdictional reporting on performance of government services; indicators of Indigenous disadvantage; and expenditure on services to Indigenous Australians.

The Commission will receive \$10.1 million over four years to undertake its new functions under the *National Agreement on Closing the Gap*. The Commission will deliver a dashboard and annual progress report, underpinned by an information repository, to measure progress towards Closing the Gap targets, as well as three-yearly reviews. This will involve the Commission enhancing its cultural capability, and adapting its ways of thinking and working, to better engage and work with Aboriginal and Torres Strait Islander people.

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 2020-21 as at Budget October 2020

	<i>2019-20 Estimated actual \$'000</i>	2020-21 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	34,140	34,503
Departmental appropriation (c)	33,517	33,297
s74 Retained revenue receipts (d)	552	310
Departmental capital budget (e)	824	2,327
Total departmental annual appropriations	69,033	70,437
Total departmental resourcing	69,033	70,437
Total resourcing for the Productivity Commission	69,033	70,437
	<i>2019-20</i>	2020-21
Average staffing level (number)	174	172

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

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

(a) Appropriation Bill (No. 1) 2020-21.

(b) Excludes \$0.3 million 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

Budget measures in Part 1 relating to the Productivity Commission are detailed in Budget Paper No. 2 and are summarised below.

**Table 1.2: Productivity Commission 2020-21 Budget measures
Measures announced after the Economic and Fiscal Update July 2020**

	Program	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000	2023-24 \$'000
Payment measures					
Closing the Gap — partnering for delivery (a)	1.1				
Departmental payments		1,154	2,903	3,451	2,561
Total payment measures		1,154	2,903	3,451	2,561

Prepared on a Government Finance Statistics (Underlying Cash) basis.

Figures displayed as a negative (-) represent a decrease in funds and a positive (+) represent an increase in funds

(a) The Government will provide \$10.1 million over four years from 2020-21 (and \$2.6 million ongoing from 2024-25) to the Productivity Commission to deliver an annual progress report and an improved dashboard to measure progress towards Closing the Gap targets, as well as a three-yearly review.

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/2018-19>

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.

(a) **Table 2.1: Budgeted expenses for Outcome 1**

	2019-20 Estimated actual \$'000	2020-21 Budget \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000
Program 1.1: Productivity Commission					
Departmental expenses					
Departmental appropriation	34,213	35,322	36,946	37,438	36,575
s74 Retained revenue receipts (a)	521	310	10	10	10
Expenses not requiring appropriation in the Budget year (b)	1,177	1,100	1,100	1,100	1,100
Departmental total	35,911	36,732	38,056	38,548	37,685
Total expenses for program 1.1	35,911	36,732	38,056	38,548	37,685
Total expenses for Outcome 1	35,911	36,732	38,056	38,548	37,685

	2019-20	2020-21
Average staffing level (number)	174	172

(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.

(c) Figures displayed as a negative (-) represent a decrease in funds and a positive (+) represent an increase in funds.

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	2019-20 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 2020-21 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 expects to make an operating loss of \$1.5 million in 2020-21. The expected loss is attributable to reclassification of \$1.5 million from its Annual Operating Appropriation to its Departmental Capital Budget for the Commission's new (Melbourne) office fit-out. The Commission is budgeting for a break-even result for 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

	2019-20 Estimated actual \$'000	2020-21 Budget \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000
EXPENSES					
Employee benefits	27,659	28,350	29,883	30,180	29,302
Suppliers	4,418	3,849	4,688	4,921	4,976
Depreciation and amortisation	3,637	4,181	3,179	3,179	3,179
Finance costs	197	352	306	268	228
Total expenses	35,911	36,732	38,056	38,548	37,685
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	521	310	10	10	10
Other	50	50	50	50	50
Total own-source revenue	571	360	60	60	60
Total own-source income	571	360	60	60	60
Net (cost of)/contribution by services	(35,340)	(36,372)	(37,996)	(38,488)	(37,625)
Revenue from Government	33,517	33,297	36,580	37,198	36,447
Surplus/(deficit) attributable to the Australian Government	(1,823)	(3,075)	(1,416)	(1,290)	(1,178)

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

Note: Impact of net cash appropriation arrangements

	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000	2023-24 \$'000
Total comprehensive income/(loss) excluding depreciation/ amortisation expenses previously funded through revenue appropriations, depreciation on ROU, principal repayments on leased assets	(445)	(1,500)	-	-	-
less: Depreciation/amortisation expenses previously funded through revenue appropriations (a)	1,127	1,050	1,050	1,050	1,050
less: depreciation/amortisation expenses for ROU assets (b)	2,510	3,131	2,129	2,129	2,129
add: Principal repayments on leased assets (b)	2,259	2,606	1,763	1,889	2,001
Total comprehensive income/(loss) - as per the statement of comprehensive income	(1,823)	(3,075)	(1,416)	(1,290)	(1,178)

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 leases under AASB 16 Leases.

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

	2019-20 Estimated actual \$'000	2020-21 Budget \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	288	288	288	288	288
Trade and other receivables	34,380	30,549	31,307	32,065	32,526
Total financial assets	34,668	30,837	31,595	32,353	32,814
Non-financial assets					
Land and buildings	11,372	20,744	17,965	15,186	12,407
Property, plant and equipment	709	1,284	1,074	866	978
Intangibles	146	146	146	146	126
Other non-financial assets	294	294	294	294	294
Total non-financial assets	12,521	22,468	19,479	16,492	13,805
Total assets	47,189	53,305	51,074	48,845	46,619
LIABILITIES					
Payables					
Suppliers	270	270	270	270	270
Total payables	270	270	270	270	270
Interest bearing liabilities					
Leases	9,499	16,746	14,983	13,094	11,093
Total interest bearing liabilities	9,499	16,746	14,983	13,094	11,093
Provisions					
Employee provisions	11,906	12,126	12,246	12,366	12,486
Other provisions	603	-	-	-	-
Total provisions	12,509	12,126	12,246	12,366	12,486
Total liabilities	22,278	29,142	27,499	25,730	23,849
Net assets	24,911	24,163	23,575	23,115	22,770
EQUITY*					
Parent entity interest					
Contributed equity	8,984	11,311	12,139	12,969	13,802
Reserves	1,593	1,593	1,593	1,593	1,593
Retained surplus (accumulated deficit)	14,334	11,259	9,843	8,553	7,375
Total equity	24,911	24,163	23,575	23,115	22,770

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 2020-21)

	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	14,334	1,593	8,984	24,911
Adjusted opening balance	14,334	1,593	8,984	24,911
Comprehensive income				
Surplus/(deficit) for the period	(3,075)	-	-	(3,075)
Total comprehensive income	(3,075)	-	-	(3,075)
Transactions with owners				
Contributions by owners				
Departmental Capital Budget (DCB)	-	-	2,327	2,327
Sub-total transactions with owners	-	-	2,327	2,327
Estimated closing balance as at 30 June 2020	11,259	1,593	11,311	24,163
Closing balance attributable to the Australian Government	11,259	1,593	11,311	24,163

Prepared on Australian Accounting Standards basis.

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

	2019-20 Estimated actual \$'000	2020-21 Budget \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	33,322	35,478	36,460	37,078	36,327
Sale of goods and rendering of services	557	310	10	10	10
Net GST received	(19)	-	-	-	-
Other	(5)	-	-	-	-
Total cash received	33,855	35,788	36,470	37,088	36,337
Cash used					
Employees	27,310	28,130	29,763	30,060	29,182
Suppliers	4,248	4,413	4,638	4,871	4,926
Interest payments on lease liability	186	341	306	268	228
Total cash used	31,744	32,884	34,707	35,199	34,336
Net cash from/(used by) operating activities	2,111	2,904	1,763	1,889	2,001
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	212	4,275	190	192	492
Total cash used	212	4,275	190	192	492
Net cash from/(used by) investing activities	(212)	(4,275)	(190)	(192)	(492)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	508	3,977	190	192	492
Total cash received	508	3,977	190	192	492
Cash used					
Return of contributed equity	296	-	-	-	-
Principal payments on lease liability	2,259	2,606	1,763	1,889	2,001
Total cash used	2,555	2,606	1,763	1,889	2,001
Net cash from/(used by) financing activities	(2,047)	1,371	(1,573)	(1,697)	(1,509)
Net increase/(decrease) in cash held	(148)	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	436	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)

	2019-20 Estimated actual \$'000	2020-21 Budget \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000	2023-24 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	824	2,327	828	830	833
Total new capital appropriations	824	2,327	828	830	833
<i>Provided for:</i>					
Purchase of non-financial assets	212	2,327	190	192	492
Other items	612	-	638	638	341
Total items	824	2,327	828	830	833
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB (a)	212	3,977	190	192	492
Funded internally from departmental resources (b)	-	298	-	-	-
TOTAL	212	4,275	190	192	492
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	212	4,275	190	192	492
Total cash used to acquire assets	212	4,275	190	192	492

Prepared on Australian Accounting Standards basis.

(a) Does not include annual finance lease costs. 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 2020-21)

	Buildings	Other property, plant and equipment	Computer software and intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2020				
Gross book value	3,761	1,787	802	6,350
Gross book value - ROU assets	11,958	-	-	11,958
Accumulated depreciation/ amortisation and impairment	(1,837)	(1,078)	(656)	(3,571)
Accumulated depreciation/amortisation and impairment - ROU assets	(2,510)	-	-	(2,510)
Opening net book balance	11,372	709	146	12,227
Capital asset additions				
Estimated expenditure on new or replacement assets				
By purchase - appropriation ordinary annual services (a)	3,300	955	20	4,275
By purchase - other - ROU assets	9,853	-	-	9,853
Total additions	13,153	955	20	14,128
Other movements				
Depreciation/amortisation expense	(650)	(380)	(20)	(1,050)
Depreciation/amortisation on ROU assets	(3,131)	-	-	(3,131)
Total other movements	(3,781)	(380)	(20)	(4,181)
As at 30 June 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)
Closing net book balance	20,744	1,284	146	22,174

Prepared on Australian Accounting Standards basis.

(a) 'Appropriation equity' refers to equity injections appropriations provided through Appropriation Bill (No. 2) 2020-21.

