

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 2017-18 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 2017-18 include: public inquiries into *National Water Reform*; *Reforms to Human Services*; *Alternative Default Superannuation Fund Models*; and a *Productivity Review*; and studies into *National Disability Insurance Scheme (NDIS) Costs*; and *Transitioning Regional Economies*.

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 will also undertake inquiries into the effectiveness of the implementation of the Murray Darling Basin Plan every five years, with the first to be completed by the end of 2018.

Productivity Commission Budget Statements

The Commission will receive \$2.9 million over four years augmenting its role to improve the quality of outcomes for Indigenous Australians impacted by Commonwealth programs and services.

The Commission will also receive \$4.4 million over four years to undertake reviews of nationally significant Commonwealth-State agreements, and operate the COAG performance dashboard.

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. This self-initiated research currently includes work on: *Trends in Trade Policies: What do they mean for Australia?* 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' 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 2017-18 as at Budget May 2017

	2016-17 <i>Estimated actual</i> \$'000	2017-18 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	28,506	26,279
Departmental appropriation (c)	33,388	34,230
s 74 retained revenue receipts (d)	1,164	272
Departmental capital budget (e)	838	830
<i>Total departmental annual appropriations</i>	<i>63,896</i>	<i>61,611</i>
Total departmental resourcing	63,896	61,611
Total resourcing for Productivity Commission	63,896	61,611
	2016-17	2017-18
Average staffing level (number)	167	174

Prepared on a resourcing (that is, 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) 2017-18.
- (b) Excludes \$0.015m subject to quarantine by Department of Finance or withheld under section 51 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).
- (c) Excludes departmental capital budget (DCB).
- (d) Estimated retained 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 Commission are detailed in Budget Paper No. 2 and are summarised below.

Table 1.2: Measures announced since the 2016-17 Mid-Year Economic and Fiscal Outlook (MYEFO)

	Program	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000
Expense measures						
Enhanced Research and Evaluation in Indigenous Affairs						
Departmental expenses	1.1	-	(610)	(758)	(759)	(763)
Productivity Commission - COAG Dashboard and reviews of sector wide agreements						
Departmental expenses	1.1	-	(921)	(1,155)	(1,154)	(1,159)
Total expense measures		-	(1,531)	(1,913)	(1,913)	(1,922)

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:

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: Corporate Plan.

The most recent annual performance statement can be found at: Annual Performance Statement.

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, broken down by Departmental funding sources.

Table 2.1: Budgeted expenses for Outcome 1

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
Program 1.1: Productivity Commission					
Departmental expenses					
Departmental appropriations	33,388	34,230	33,458	33,461	33,594
Section 74 Retained revenue receipts (a)	1,164	272	194	201	208
Expenses not requiring appropriation in the Budget year (b)	1,123	1,103	1,100	1,100	1,100
Departmental total	35,675	35,605	34,752	34,762	34,902
Total expenses for program 1.1	35,675	35,605	34,752	34,762	34,902
Total expenses for Outcome 1	35,675	35,605	34,752	34,762	34,902
	2016-17	2017-18			
Average staffing level (number)	167	174			

(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 and 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.

Table 2.1.2: Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2017-18 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 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	2016–17 and forward year estimates
The Commission aims to be a valuable source of robust evidence-based analysis to inform public policy and to generate effective public debate. 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 debate; opportunities for public participation; open and transparent processes being followed; and reports being delivered within agreed timeframes.
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 2017-18 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences in entity resourcing and financial statements

The Productivity Commission does not have any material differences between entity resourcing and financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The Commission is budgeting for a break-even result in 2017-18 and 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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
EXPENSES					
Employee benefits	27,413	27,565	27,211	27,214	27,333
Suppliers	7,170	6,968	6,471	6,477	6,499
Depreciation and amortisation	1,073	1,053	1,050	1,050	1,050
Finance costs	19	19	20	21	20
Total expenses	35,675	35,605	34,752	34,762	34,902
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	1,164	272	194	201	208
Other	50	50	50	50	50
Total own-source revenue	1,214	322	244	251	258
Gains					
Other	-	-	-	-	-
Total gains	-	-	-	-	-
Total own-source income	1,214	322	244	251	258
Net (cost of)/contribution by services	(34,461)	(35,283)	(34,508)	(34,511)	(34,644)
Revenue from Government	33,388	34,230	33,458	33,461	33,594
Surplus/(deficit) attributable to the Australian Government	(1,073)	(1,053)	(1,050)	(1,050)	(1,050)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation surplus	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss)	(1,073)	(1,053)	(1,050)	(1,050)	(1,050)
Total comprehensive income/(loss) attributable to the Australian Government	(1,073)	(1,053)	(1,050)	(1,050)	(1,050)

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

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'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	1,053	1,050	1,050	1,050
Total comprehensive income/(loss) - as per the statement of comprehensive income	(1,073)	(1,053)	(1,050)	(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 Departmental Capital Budget Statement.

Prepared on Australian Accounting Standards basis.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	364	364	364	364	364
Trade and other receivables	26,249	26,920	27,562	27,666	25,920
Total financial assets	26,613	27,284	27,926	28,030	26,284
Non-financial assets					
Land and buildings	3,405	2,605	1,805	1,005	1,957
Property, plant and equipment	971	1,021	1,012	1,432	1,902
Intangibles	177	144	114	104	94
Other non-financial assets	606	606	606	606	606
Total non-financial assets	5,159	4,376	3,537	3,147	4,559
Total assets	31,772	31,660	31,463	31,177	30,843
LIABILITIES					
Payables					
Suppliers	532	532	532	532	532
Other payables	1,570	1,442	1,229	927	575
Total payables	2,102	1,974	1,761	1,459	1,107
Provisions					
Employee provisions	11,683	11,903	12,123	12,343	12,563
Other provisions	551	570	590	611	631
Total provisions	12,234	12,473	12,713	12,954	13,194
Total liabilities	14,336	14,447	14,474	14,413	14,301
Net assets	17,436	17,213	16,989	16,764	16,542
EQUITY*					
Contributed equity	4,692	5,522	6,348	7,173	8,001
Reserves	2,588	2,588	2,588	2,588	2,588
Retained surplus (accumulated deficit)	10,156	9,103	8,053	7,003	5,953
Total equity	17,436	17,213	16,989	16,764	16,542

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

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2017-18)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2017					
Balance carried forward from previous period	10,156	2,588	-	4,692	17,436
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	10,156	2,588	-	4,692	17,436
Comprehensive income					
Other comprehensive income	-	-	-	-	-
Surplus/(deficit) for the period	(1,053)	-	-	-	(1,053)
Total comprehensive income	(1,053)	-	-	-	(1,053)
Transactions with owners					
Contributions by owners					
Departmental capital budget (DCB)	-	-	-	830	830
Sub-total transactions with owners	-	-	-	830	830
Estimated closing balance as at 30 June 2018	9,103	2,588	-	5,522	17,213

Prepared on Australian Accounting Standards basis.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	35,615	33,559	32,816	33,357	35,340
Sale of goods and rendering of services	1,164	272	194	201	208
Total cash received	36,779	33,831	33,010	33,558	35,548
Cash used					
Employees	27,193	27,345	26,991	26,994	27,113
Suppliers	8,376	7,046	6,634	6,729	6,801
Total cash used	35,569	34,391	33,625	33,723	33,914
Net cash from/(used by) operating activities	1,210	(560)	(615)	(165)	1,634
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	2,048	270	211	660	2,462
Total cash used	2,048	270	211	660	2,462
Net cash from/(used by) investing activities	(2,048)	(270)	(211)	(660)	(2,462)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	838	830	826	825	828
Total cash received	838	830	826	825	828
Net cash from/(used by) financing activities	838	830	826	825	828
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	364	364	364	364	364
Cash and cash equivalents at the end of the reporting period	364	364	364	364	364

Prepared on Australian Accounting Standards basis.

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

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	838	830	826	825	828
Total new capital appropriations	838	830	826	825	828
<i>Provided for:</i>					
Purchase of non-financial assets	838	270	211	660	828
Other Items	-	560	615	165	-
Total items	838	830	826	825	828
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB (a)	2,048	270	211	660	2,462
TOTAL	2,048	270	211	660	2,462
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	2,048	270	211	660	2,462
Total cash used to acquire assets	2,048	270	211	660	2,462

(a) Does not include annual finance lease costs. Includes 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 2017-18)

	Buildings \$'000	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2017				
Gross book value	6,744	1,828	921	9,493
Accumulated depreciation/ amortisation and impairment	(3,339)	(857)	(744)	(4,940)
Opening net book balance	3,405	971	177	4,553
Capital asset additions				
Estimated expenditure on new or replacement assets				
By purchase - appropriation ordinary annual services (a)	-	250	20	270
Total additions	-	250	20	270
Other movements				
Depreciation/amortisation expense	(800)	(200)	(53)	(1,053)
Total other movements	(800)	(200)	(53)	(1,053)
As at 30 June 2018				
Gross book value	6,744	2,078	941	9,763
Accumulated depreciation/ amortisation and impairment	(4,139)	(1,057)	(797)	(5,993)
Closing net book balance	2,605	1,021	144	3,770

(a) 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No.1) 2017-18 for depreciation/amortisation expenses, DCBs or other operational expenses.

Prepared on Australian Accounting Standards basis.