PRODUCTIVITY COMMISSION

Section 1: Overview, appropriations and budget measures summary

OVERVIEW

The Productivity Commission (PC) is the Commonwealth Government's principal review and advisory body on microeconomic policy and regulation. The PC's work covers all sectors of the economy. It extends to the public and private sectors and focuses on areas of Commonwealth as well as State and Territory responsibility.

As a review and advisory body the PC does not have responsibility for implementing government programmes. It carries out research, inquiry, advising and incidental functions prescribed under the *Productivity Commission Act 1998.*

The PC contributes 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. It does this by undertaking:

- government commissioned projects;
- performance reporting and other services to government bodies;
- regulation review activities;
- competitive neutrality complaints activities; and
- supporting research and activities and statutory annual reporting.

APPROPRIATIONS

The total appropriation for the PC in the 2002-03 Budget is $23.0 million. Table 1.1 on the following page provides this detail.

Productivity Commission — appropriations 2002-03

Table 1.1: Appropriations and other revenue ($'000)

Outcome	Agency (price of outputs) ($'000)					Administered ($'000)				($'000)
	Revenue from government (appropriations)			Revenue from other sources[3]	Price of outputs[2]	Annual appropriations ($'000)		Special appropriations	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total			Bill No. 1	Bill No. 2 (SPPs & NAOs)			
	(A)	(B)	(C = A+B) (C1)[1]	(D)	(E = C+D) (E1)[1]	(F)	(G)	(H)	(I = F+G+H)	(J=C+I)
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	23,014	-	23,014	495	23,509	-	-	-	-	23,014
			98%	2%	100%					
Total	23,014	-	(K1)[1] 23,014	495	23,509	-	-	-	-	23,014
Agency capital (equity injections and loans)										-
Administered capital										-
Total appropriations										23,014

1. References C1 and E1 refer to information provided in Table 2.1. K1 refers to information provided in Table 3.1, Budgeted Statement of Financial Performance.
2. Refer to Budgeted Statement of Financial Performance in Table 3.1 for application of agency revenue.
3. Revenue from other sources includes other revenue from government (for example, resources free of charge) and revenue from other sources (for example, sales of goods and services). Non-appropriated agency revenues are detailed in Appendix 1.

Note: Percentage figures indicate the percentage contribution of revenue from government (agency appropriations) to the total price of outputs, by outcome.

EQUITY INJECTIONS AND LOANS

The PC does not have an appropriation for an equity injection or loan in the 2002-03 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between Government outcomes and the contributing outputs for the Productivity Commission (PC). Financial detail for Outcome 1 by outputs appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Map 2: Outcomes and output groups

Productivity Commission

Chairman: Mr Gary Banks

Overall Outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

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

Total price of outputs: $23.5 million
Agency outcomes appropriation: $23.0 million

Output Group 1.1

Productivity Commission

Output 1.1.1	Output 1.1.2	Output 1.1.3	Output 1.1.4	Output 1.1.5
Government commissioned projects	Performance reporting and other services to government bodies	Regulation review activities	Competitive neutrality complaints activities	Supporting research and activities and statutory annual reporting

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs since the previous year.

OUTCOME 1 — DESCRIPTION

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.

Measures affecting Outcome 1

There are no measures for the PC in the 2002-03 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2002-03 appropriations translate to total resourcing for Outcome 1, including revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1 ($'000)

	Estimated actual 2001-02 $'000		Budget estimate 2002-03 $'000
Agency appropriations			
Output Group 1.1 - Productivity Commission			
Output 1.1.1 - Government commissioned projects	8,000		8,200
Output 1.1.2 - Performance reporting and other services to government bodies	3,200		3,200
Output 1.1.3 - Regulation review activities	2,000		2,100
Output 1.1.4 - Competitive neutrality complaints activities	300		300
Output 1.1.5 - Supporting research and activities and statutory annual reporting	9,105		9,214
Total revenue from government (appropriations)	22,605	(C1)[1]	23,014
Contributing to price of agency outputs	98%		98%
Revenue from other sources			
Sales of goods and services	210		220
Interest	190		240
Other	35		35
Total revenue from other sources	435		495
Total price from agency outputs (Total revenue from government and from other sources)	23,040	(E1)[1]	23,509
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	23,040		23,509

	2001-02	2002-03
Average staffing level (number)	200	190

(1) C1 and E1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The PC's five outputs derive from its statutory functions. The quantum and scope of the work under each output is largely determined externally (for example, government commissioned projects, regulation impact statement assessments, competitive neutrality complaints investigations). In view of this, the PC requires the flexibility to vary resources amongst its various outputs.

The effectiveness with which the PC's outputs contribute to achievement of the outcome is difficult to assess. The PC is but one source of policy advice on matters relating to Australia's productivity and living standards and many issues are complex and long term. The PC aims to demonstrate its effectiveness by reporting annually on the relevance, quality, timeliness and cost-effectiveness of its outputs.

An elaboration of the activities covered by each of the outputs is as follows:

Output 1: Government commissioned projects

Public inquiries (for example, price regulation of airport services, independent review of the job network, review of radio communication acts and the automotive industry), case studies and other commissioned work (such as impact of foot and mouth disease).

Output 2: Performance reporting and other services to government bodies

Government services performance reports, performance monitoring and related research on government trading enterprises, as well as international benchmarking of economic infrastructure.

Output 3: Regulation review activities

Assessments of regulation impact statements, a range of associated activities such as annual reporting, research, advice and education.

Output 4: Competitive neutrality complaints activities

Investigations of competitive neutrality complaints and associated activities such as research, advice and education.

Output 5: Supporting research and activities and statutory annual reporting

Statutory annual reporting, research and working papers and associated activities such as submissions, conferences and speeches.

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 - Productivity Commission	
Output 1.1.1 - Government commissioned projects	Capacity to undertake projects to a cost of $8.2 million.
	Projects of a high standard, useful to government, undertaken in accordance with required processes and on time.
Output 1.1.2 - Performance reporting and other services to government bodies	Capacity to provide reports and services to a cost of $3.2 million.
	Reports of a high standard, useful to government, and completed on time.
Output 1.1.3 - Regulation review activities	Capacity to undertake Regulation Impact Statement assessments and associated activities to a cost of $2.1 million.
	Regulation Impact Statement assessments and associated activities of a high standard, advice useful to government and on time.
Output 1.1.4 - Competitive neutrality complaints activities	Capacity to undertake activities to a cost of $0.3 million.
	Competitive neutrality complaints successfully resolved within ninety days; associated activities of a high standard and useful to government.
Output 1.1.5 - Supporting research and activities and statutory annual reporting	Capacity to undertake annual reporting, research projects and associated activities to a cost of $9.2 million.
	Reports, projects and associated activities of a high standard, useful to government, raising community awareness and on time.

EVALUATIONS

Evaluation of actual levels of achievement will be shown in the PC's 2002-03 Annual Report. The framework for evaluation is described in the 2000-01 Annual Report, and will be updated in the 2001-02 Annual Report.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Productivity Commission (PC)'s 2001-02 Annual Report and form the basis for the input into the Whole of Government Accounts. The financial statements should be read in conjunction with the accompanying notes.

The financial statements are prepared consistent with Goods and Services Tax (GST) accounting requirements, as outlined by the Urgent Issues Group (UIG) of the Australian Accounting Standards Board. The UIG consensus requires that expenses and assets be accounted for net of recoverable GST, revenues be accounted for net of GST payable and that cash flows and accounts payable and receivable are reported gross. Appropriations are thus net of recoverable GST amounts.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

This statement provides a picture of the expected financial results for the PC by identifying full accrual expenses and revenues, which highlights whether the PC is operating at a sustainable level.

Budgeted agency statement of financial position

This statement shows the financial position of the PC. It enables decision makers to track the management of the PC's assets and liabilities.

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in the PC's non-financial assets over the Budget year 2002-03.

Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
Revenue from ordinary activities					
Revenue from government	22,605	(K1)[1] 23,014	23,151	23,175	23,339
Sales of goods and services	210	220	230	240	250
Interest	190	240	290	270	250
Other	35	35	35	35	35
Total revenues from ordinary activities	23,040	23,509	23,706	23,720	23,874
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	16,907	17,283	17,081	17,386	17,628
Suppliers	5,164	5,257	5,713	5,624	5,502
Depreciation and amortisation	930	930	873	671	705
Total expenses from ordinary activities (excluding borrowing costs expense)	23,001	23,470	23,667	23,681	23,835
Borrowing costs expense	-	-	-	-	-
Net surplus or deficit from ordinary activities	39	39	39	39	39
Gain or loss on extraordinary items	-	-	-	-	-
Net surplus or deficit	39	39	39	39	39
Capital use charge	39	39	39	39	39
Net surplus or deficit after capital use charge	-	-	-	-	-

(1) K1 — shows the link back to Table 1.1.

Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
ASSETS					
Financial assets					
Cash	73	113	76	82	107
Receivables	60	60	60	60	60
Investments	4,900	6,000	7,200	5,150	6,100
Other	190	190	190	190	190
Total financial assets	5,223	6,363	7,526	5,482	6,457
Non-financial assets					
Infrastructure, plant and equipment	1,962	1,454	886	3,495	3,075
Intangibles	137	85	70	85	110
Total non-financial assets	2,099	1,539	956	3,580	3,185
Total assets	7,322	7,902	8,482	9,062	9,642
LIABILITIES					
Provisions and payables					
Employees	6,735	7,315	7,895	8,475	9,055
Suppliers	190	190	190	190	190
Other	39	39	39	39	39
Total provisions and payables	6,964	7,544	8,124	8,704	9,284
Total liabilities	6,964	7,544	8,124	8,704	9,284
EQUITY					
Capital	1,686	1,686	1,686	1,686	1,686
Reserves	96	96	96	96	96
Accumulated surpluses or deficits	(1,424)	(1,424)	(1,424)	(1,424)	(1,424)
Total equity	358	358	358	358	358
Current liabilities	3,697	4,277	4,857	5,437	6,017
Non-current liabilities	3,267	3,267	3,267	3,267	3,267
Current assets	5,086	6,278	7,456	5,397	6,347
Non-current assets	2,236	1,624	1,026	3,665	3,295

Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	22,605	23,014	23,151	23,175	23,339
Sales of goods and services	210	220	230	240	250
Interest	190	240	290	290	250
Total cash received	23,005	23,474	23,671	23,705	23,839
Cash used					
Employees	16,327	16,703	16,501	16,806	17,048
Suppliers	5,153	5,232	5,688	5,619	5,477
Total cash used	21,480	21,935	22,189	22,425	22,525
Net cash from operating activities	1,525	1,539	1,482	1,280	1,314
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	10	10	10	10	10
Total cash received	10	10	10	10	10
Cash used					
Purchases of property, plant and equipment	393	370	290	3,295	310
Investments	1,100	1,100	1,200	(2,050)	950
Total cash used	1,493	1,470	1,490	1,245	1,260
Net cash from investing activities	(1,483)	(1,460)	(1,480)	(1,235)	(1,250)
FINANCING ACTIVITIES					
Cash used					
Capital use and dividends paid	49	39	39	39	39
Total cash used	49	39	39	39	39
Net cash from financing activities	(49)	(39)	(39)	(39)	(39)
Net increase (decrease) in cash held	(7)	40	(37)	6	25
Cash at the beginning of the reporting period	80	73	113	76	82
Cash at the end of the reporting period	73	113	76	82	107

Table 3.4: Agency Capital Budget Statement

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
PURCHASE OF NON CURRENT ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by agency resources	393	370	290	3,295	310
Total	393	370	290	3,295	310

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2002-03)

	Land	Buildings	Total land and buidings	Specialist military equipment	Other infrastructure plant and equipment	Total infrastructure plant and equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	-	-	-	1,962	1,962	137	2,099
Additions	-	-	-	-	325	325	45	370
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	(833)	(833)	(97)	(930)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	-	1,454	1,454	85	1,539
Total additions								
Self funded	-	-	-	-	325	325	45	370
Appropriations	-	-	-	-	-	-	-	-
Total	-	-	-	-	325	325	45	370

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention, except for certain assets which are at valuation.

APPENDIX 1: RECEIPTS FROM INDEPENDENT SOURCES

Receipts from independent sources

	Estimated revenue 2001-02 $'000	Estimated revenue 2002-03 $'000
AGENCY REVENUE		
Non-appropriation agency revenue		
Sales of goods and services	210	220
Interest	190	240
Total non-appropriation agency revenue	400	460