PRODUCTIVITY COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Productivity Commission (the Commission) is the Commonwealth Government's principal review and advisory body on microeconomic policy and regulation. The Commission'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 Commission 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 Commission 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 AND RESOURCING

The total appropriation for the Commission in the 2003-04 Budget is $24.2 million. Table 1.1 on the following page provides this detail.

Table 1.2 details funding provided for new budget measures in 2003-04.

Productivity Commission — appropriations 2003-04

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) $'000					Administered $'000				$'000
	Revenues from government (appropriations)			Revenue from other sources[3]	Price of outputs[2]	Annual appropriations		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)	(D)	(E = C+D)	(F)	(G)	(H)	(I = F+G+H)	(J = C+I)
			(C1)[1]		(E1)[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	24,203	-	24,203	315	24,518	-	-	-	-	24,203
			99%	1%	100%					
Total	24,203		(K1)[1] 24,203	315	24,518	-	-	-	-	24,203
						Agency capital (equity injections and loans)				-
						Administered capital				-
						Total appropriations				24,203

(1) C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance.
(2) Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.
(3) Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.
Note: Percentage figures indicate the percentage contribution of revenues from government (agency appropriations) to the total price of outputs, by outcome.

MEASURES — PRODUCTIVITY COMMISSION SUMMARY

Table 1.2: Summary of measures disclosed in the 2003-04 Budget

Measure	Outcome	Output Groups affected	Appropriations budget 2003-04 $'000			Appropriations forward estimate 2004-05 $'000			Appropriations forward estimate 2005-06 $'000			Appropriations forward estimate 2006-07 $'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
Productivity Commission - reporting on key indicators of Indigenous disadvantage	1	1.1	-	558	558	-	565	565	-	578	578	-	590	590

AGENCY REVENUES

Table 1.3: Agency revenues

	Estimated revenue 2002-03 $'000	Estimated revenue 2003-04 $'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	220	280
Interest	135	-
Other	35	35
Total estimated agency revenues	390	315

Revenues from goods and services include rent from the sub-lease of accommodation, sales of publications, sales of surplus equipment and external use of the Commission's library (of which some $10,000 is due to cost recovery arrangements). Interest will not be received from 2003-04 due to the cessation of the Agency Banking Incentive Scheme.

EQUITY INJECTIONS AND LOANS

The Commission does not have an appropriation for an equity injection or loan in the 2003-04 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 (the Commission). 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: $24.5 million
Agency outcome appropriation: $24.2 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

Output cost attribution

Overheads and other indirect expenses that cannot be attributed directly to outputs are allocated to outputs in proportion to the direct costs (principally salaries) of the activities undertaken within each output.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

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

Productivity Commission — reporting on key indicators of Indigenous disadvantage

The Government will provide the Productivity Commission with additional funding of $2.4 million over four years, with ongoing funding subject to a review by October 2005, to prepare an annual report on key indicators of Indigenous disadvantage.

As part of the Council of Australian Governments' reconciliation agenda, the objective is to identify key indicators that are of relevance to all Governments and Indigenous stakeholders and that can demonstrate the impact of programme and policy intervention on addressing Indigenous disadvantage.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2003-04 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000
Agency appropriations			
Output Group 1.1 - Productivity Commission			
Output 1.1.1 - Government commissioned projects	9,200		9,600
Output 1.1.2 - Performance reporting and other services to government bodies	3,300		3,900
Output 1.1.3 - Regulation review activities	2,200		2,300
Output 1.1.4 - Competitive neutrality complaints activities	300		400
Output 1.1.5 - Supporting research and activities and statutory annual reporting	8,014		8,003
Total revenues from government (appropriations)	23,014	(C1)[1]	24,203
Contributing to price of agency outputs	98%		99%
Revenue from other sources			
Goods and services	220		280
Interest	135		-
Other	35		35
Total revenue from other sources	390		315
Total price from agency outputs (Total revenues from government and from other sources)	23,404	(E1)[1]	24,518
Total estimated resourcing for Outcome 1 (Total price of outputs and administered appropriations)	23,404		24,518

	2002-03	2003-04
Average staffing level (number)	200	195

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

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The Commission'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 Commission requires the flexibility to vary resources amongst its various outputs.

The effectiveness with which the Commission's outputs contribute to achievement of the outcome is difficult to assess. The Commission 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 Commission 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, review of the *Disability Discrimination Act 1992*, post-2005 textile, clothing and footwear assistance arrangements and review of impacts of native vegetation and biodiversity regulations), case studies and other commissioned work (such as review of mutual recognition).

Output 2: Performance reporting and other services to government bodies

Government services performance reports including new work on key indicators of Indigenous disadvantage, performance monitoring and related research on government trading enterprises.

Output 3: Regulation review activities

Assessments of regulation impact statements, and 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.

PERFORMANCE INFORMATION FOR OUTCOME 1

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 $9.6 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 $3.9 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 $2.3 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 $0.4 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 $8.0 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 Commission's 2003-04 Annual Report. The framework for evaluation is described in the 2002-03 Annual Report, and will be updated in the 2003-04 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's (the Commission) 2003-04 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 Commission by identifying full accrual expenses and revenues, which highlights whether the Commission is operating at a sustainable level.

Budgeted agency statement of financial position

This statement shows the financial position of the Commission. It enables decision makers to track the management of the Commission'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 Commission's non-financial assets over the budget year 2003-04.

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

	Estimated actual 2002-03 $'000		Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
REVENUES						
Revenues from ordinary activities						
Revenues from government	23,014	(K1)(1)	24,203	24,441	24,557	24,815
Goods and services	220		280	280	291	303
Interest	135		-	-	-	-
Other	35		35	35	35	35
Total revenues from ordinary activities	23,404		24,518	24,756	24,883	25,153
EXPENSES						
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	17,772		17,670	17,948	18,254	18,556
Suppliers	5,443		5,998	5,974	5,950	5,918
Depreciation and amortisation	923		850	834	679	679
Total expenses from ordinary activities (excluding borrowing costs expense)	24,138		24,518	24,756	24,883	25,153
Borrowing costs expense	-		-	-	-	-
Operating surplus or deficit from ordinary activities	(734)		-	-	-	-
Gain or loss on extraordinary items	-		-	-	-	
Net surplus or deficit	(734)		-	-	-	-

(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 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
ASSETS					
Financial assets					
Cash	101	112	109	159	132
Receivables	70	70	70	70	70
Investments	4,300	4,900	2,500	2,900	3,400
Other	170	170	170	170	170
Total financial assets	4,641	5,252	2,849	3,299	3,772
Non-financial assets					
Infrastructure, plant and equipment	1,476	916	3,361	2,966	2,571
Intangibles	53	53	69	95	121
Total non-financial assets	1,529	969	3,430	3,061	2,692
Total assets	6,170	6,221	6,279	6,360	6,464
LIABILITIES					
Provisions					
Employees	6,904	6,955	7,013	7,094	7,198
Total provisions	6,904	6,955	7,013	7,094	7,198
Payables					
Suppliers	190	190	190	190	190
Total payables	190	190	190	190	190
Total liabilities	7,094	7,145	7,203	7,284	7,388
EQUITY					
Parent entity interest					
Contributed equity	1,686	1,686	1,686	1,686	1,686
Reserves	96	96	96	96	96
Retained surpluses or accumulated deficits	(2,706)	(2,706)	(2,706)	(2,706)	(2,706)
Total parent equity interest	(924)	(924)	(924)	(924)	(924)
Total equity	(924)	(924)	(924)	(924)	(924)
Total assets and liabilities by maturity					
Current assets	4,641	5,252	2,849	3,299	3,772
Non-current assets	1,529	969	3,430	3,061	2,692
Current liabilities	3,598	3,758	3,420	3,089	2,764
Non-current liabilities	3,496	3,387	3,783	4,195	4,624

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

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	23,014	24,203	24,441	24,557	24,815
Goods and services	220	280	280	291	303
Interest	135	-	-	-	-
Total cash received	23,369	24,483	24,721	24,848	25,118
Cash used					
Employees	17,236	17,119	17,390	17,673	17,952
Suppliers	5,553	6,473	6,449	6,425	6,393
Total cash used	22,789	23,592	23,839	24,098	24,345
Net cash from operating activities	580	891	882	750	773
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	353	290	3,295	310	310
Purchases of investments	200	600	(2,400)	400	500
Total cash used	553	890	895	710	810
Net cash from investing activities	(543)	(880)	(885)	(700)	(800)
Net increase/(decrease) in cash held	37	11	(3)	50	(27)
Cash at the beginning of the reporting period	64	101	112	109	159
Cash at the end of the reporting period	101	112	109	159	132

Table 3.4: Agency Capital Budget Statement

	Estimated actual 2002-03 $'000	Budget estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000	Forward estimate 2006-07 $'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	353	290	3,295	310	310
Total	353	290	3,295	310	310

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2003-04)

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	-	-	1,476	-	53	-	1,529
Additions	-	-	-	265	-	25	-	290
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(825)	-	(25)	-	(850)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	916	-	53	-	969
Total additions								
Self funded	-	-	-	265	-	25	-	290
Appropriations	-	-	-	-	-	-	-	-
Total	-	-	-	265	-	25	-	290

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.