

PRODUCTIVITY COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Productivity Commission (the Commission) is the Australian 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 2004-05 Budget is \$24.6 million. Table 1.1 on the following page provides this detail.

Productivity Commission — appropriations 2004-05

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	Total		Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) (G)	(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	(A)	(B) (C = A+B) (C1) ⁽¹⁾	(D) (E = C+D) (E1) ⁽¹⁾			(H)	
	24,588	- 24,588	285 24,873	-	-	-	24,588
		99%	1%				
Total	24,588	- (K1)⁽¹⁾ 24,588	285 24,873	-	-	-	24,588
Agency capital (equity injections and loans)							-
Administered capital							-
Total appropriations							24,588

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.

AGENCY REVENUES

Table 1.3: Agency revenues

	2003-04 estimated revenue \$'000	2004-05 estimated revenue \$'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	250	250
Other	35	35
Total non-appropriation agency revenues	285	285

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).

AGENCY EQUITY INJECTIONS AND LOANS

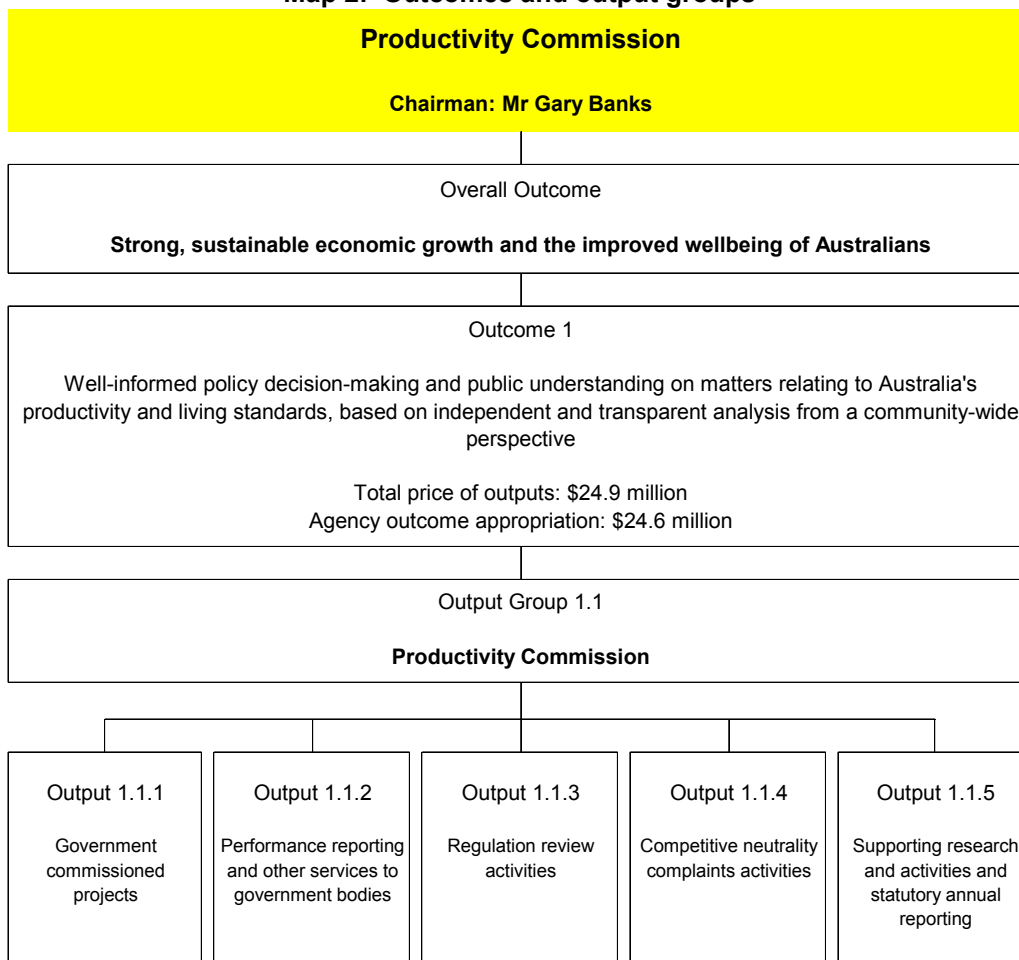
The Commission does not have an appropriation for an equity injection or loan in the 2004-05 Budget.

Section 2: Outcomes and outputs information Outcomes, Outputs, Structures

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



Output cost attribution

Overheads and other indirect expenses that cannot be directly attributed 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

There are no measures for the Commission in the 2004-05 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000
Agency appropriations		
Output Group 1.1 - Productivity Commission		
Output 1.1.1 - Government commissioned projects	10,700	10,800
Output 1.1.2 - Performance reporting and other services to government bodies	3,900	3,900
Output 1.1.3 - Regulation review activities	2,500	2,500
Output 1.1.4 - Competitive neutrality complaints activities	200	300
Output 1.1.5 - Supporting research and activities and statutory annual reporting	7,046	7,088
Total revenues from government (appropriations)	24,346	(C1) ⁽¹⁾ 24,588
Contributing to price of agency outputs	99%	99%
Revenue from other sources		
Goods and services	250	250
Other	35	35
Total revenue from other sources	285	285
Total price from agency outputs		
(Total revenues from government and from other sources)	24,631	(E1) ⁽¹⁾ 24,873
Total estimated resourcing for Outcome 1		
(Total price of outputs appropriations)	24,631	24,873
	2003-04	2004-05
Average staffing level (number)⁽²⁾	195	172

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

2. To deliver its mandated outputs in 2003-04, the Commission has maintained a staffing level of 195 thereby incurring an estimated loss of \$1.5 million which is being funded by drawing down on its reserves achieved in previous years.

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, reviews of first home ownership, the *Disability Discrimination Act 1992*, the gas access regime and native vegetation regulation), case studies and other commissioned work (such as reform of building regulation and rules of origin under the Australia-New Zealand closer economic relations trade agreement).

Output 2: Performance reporting and other services to government bodies

Government services performance reports including Commonwealth/State/Territory Service provision, 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 in support of the Commission's varying inquiry programme and to contribute to public policy issues; 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 \$10.8 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 \$2.5 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 \$7.1 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 2004-05 Annual Report. The framework for evaluation is described in the 2002-03 Annual Report, and will be updated in the 2004-05 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) 2004-05 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 budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

The Commission is budgeting for a breakeven result in 2004-05 compared to a \$1.5 million loss in 2003-04 which is being funded by drawing down reserves achieved in previous years.

The Commission has engaged the Departments of Finance and Administration and Treasury in discussions about its financial position and current funding levels.

Budgeted agency statement of financial position

In 2004-05 the Commission's total equity is expected to move to a positive position after being negative in the previous three years. This outcome should result from a projected revaluation of the Commission's leasehold improvements, should the Commission renew its current office accommodation leases which are due to expire in 2005.

The projected upward movement in receivables reflects an ongoing accumulation of accrual funds (mainly depreciation) in the absence of any significant capital outlay on leasehold improvements, the Commission's major non-financial asset. The funds are held in the Official Public Account on behalf of the Commission.

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 expected 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 expected movement in the Commission's non-financial assets over the budget year 2004-05.

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
REVENUES					
Revenues from ordinary activities					
Revenue from government	24,346	(K1) ⁽¹⁾ 24,588	24,755	24,967	25,205
Goods and services	250	250	50	50	50
Other	35	35	35	35	35
Total revenues from ordinary activities	24,631	24,873	24,840	25,052	25,290
EXPENSES					
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	19,122	17,959	18,136	18,301	18,494
Suppliers	6,166	5,986	5,789	5,836	5,881
Depreciation and amortisation	849	928	915	915	915
Total expenses from ordinary activities (excluding borrowing costs expense)	26,137	24,873	24,840	25,052	25,290
Borrowing costs expense	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	(1,506)	-	-	-	-

1. K1 shows the link back to Table 1.1.

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
ASSETS					
Financial assets					
Cash	203	252	267	272	263
Receivables	3,200	3,600	4,400	5,300	6,200
Accrued revenues	-	-	-	-	-
Other	300	300	300	300	300
Total financial assets	3,703	4,152	4,967	5,872	6,763
Non-financial assets					
Infrastructure, plant and equipment	918	3,456	2,846	2,256	1,626
Intangibles	33	45	70	95	120
Total non-financial assets	951	3,501	2,916	2,351	1,746
Total assets	4,654	7,653	7,883	8,223	8,509
LIABILITIES					
Provisions					
Employees	7,108	6,607	6,837	7,177	7,463
Total provisions	7,108	6,607	6,837	7,177	7,463
Payables					
Suppliers	250	250	250	250	250
Total payables	250	250	250	250	250
Total liabilities	7,358	6,857	7,087	7,427	7,713
EQUITY					
Parent entity interest					
Contributed equity	1,711	1,711	1,711	1,711	1,711
Reserves	96	3,596	3,596	3,596	3,596
Retained surpluses or accumulated deficits	(4,511)	(4,511)	(4,511)	(4,511)	(4,511)
Total parent entity interest	(2,704)	796	796	796	796
Total equity	(2,704)	796	796	796	796
Current assets	3,703	4,152	4,967	5,872	6,763
Non-current assets	951	3,501	2,916	2,351	1,746
Current liabilities	3,837	3,545	3,574	3,650	3,705
Non-current liabilities	3,521	3,312	3,513	3,777	4,008

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

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	24,346	24,588	24,755	24,967	25,205
Goods and services	250	250	50	50	50
Total cash received	24,596	24,838	24,805	25,017	25,255
Cash used					
Employees	18,588	18,460	17,906	17,961	18,208
Suppliers	6,150	5,609	5,764	5,831	5,836
Cash to Official Public Account	(200)	400	800	900	900
Total cash used	24,538	24,469	24,470	24,692	24,944
Net cash from or (used by) operating activities	58	369	335	325	311
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					
Purchase of property, plant and equipment	424	330	330	330	330
Total cash used	424	330	330	330	330
Net cash from or (used by) investing activities	(414)	(320)	(320)	(320)	(320)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	25	-	-	-	-
Total cash received	25	-	-	-	-
Net cash from or (used by) financing activities	25	-	-	-	-
Net increase/(decrease) in cash held	(331)	49	15	5	(9)
Cash at the beginning of the reporting period	534	203	252	267	272
Cash at the end of the reporting period	203	252	267	272	263

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual \$'000	2004-05 budget estimate \$'000	2005-06 forward estimate \$'000	2006-07 forward estimate \$'000	2007-08 forward estimate \$'000
PURCHASE OF NON-CURRENT ASSETS					
Funded by capital appropriations	25	-	-	-	-
Funded internally by agency resources	399	330	330	330	330
Total	424	330	330	330	330

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	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	-	-	-	918	-	33	-	951
Additions	-	-	-	300	-	30	-	330
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	3,148	-	-	-	3,148
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	(910)	-	(18)	-	(928)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	3,456	-	45	-	3,501
Represented by								
Self funded	-	-	-	300	-	30	-	330
Appropriations	-	-	-	-	-	-	-	-
Total represented by	-	-	-	300	-	30	-	330

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.

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Productivity Commission (the Commission) has no purchaser/provider arrangements in place.

COST RECOVERY ARRANGEMENTS

As disclosed in the comments for Table 1.3 – Agency Revenues, the Commission has a single cost recovery arrangement for the external use of its library and expects to receive about \$10,000 in 2004-05.

