PRODUCTIVITY COMMISSION

PRODUCTIVITY COMMISSION

Section 1: 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 Australian Government 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.

1.1 SUMMARY OF AGENCY CONTRIBUTIONS TO OUTCOMES

The products and services delivered by the Commission which contribute to the achievement of its outcome are summarised in Table 1.1 and Figure 2 on page 294.

Table 1.1: Contribution to outcomes

Outcome	Description	Output group
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	To enhance understanding and community awareness of how Australia's productivity and living standards can be improved.	Output Group 1.1 Productivity Commission

Section 2: Resources for 2007-08

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriation (including capital appropriation) and other resources for the Productivity Commission (the Commission) in the 2007-08 Budget is $35.0 million.

Table 2.1 shows the total resources from all origins for 2007-08, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2007-08

	Departmental				Administered					
Productivity Commission	Appropriation Bill No. 1 $'000	Appropriation Bill No. 2 $'000	Special Appropriation $'000	Other resources $'000	Appropriation Bill No. 1 $'000	Appropriation Bill No. 2 SPPs $'000	Appropriation Bill No. 2 Other $'000	Special Appropriation $'000	Other resources $'000	Total $'000
Outcome 1										
Well-informed policy decision-making and public understanding on matters relating to Australia's productivity based on independent and transparent analysis from a community-wide perspective	34,443	-	-	85	-	-	-	-	-	34,528
Equity injections	-	462	-	-	-	-	-	-	-	462
Total	34,443	462	-	85	-	-	-	-	-	34,990

2.2 2007-08 BUDGET MEASURES

The following table summarises the Commission's Budget measure as explained in Budget Paper No. 2, *Budget Measures 2007-08*.

Table 2.2: Productivity Commission measure

Measure	Output groups affected	Budget Estimate 2007-08 $'000			Forward Estimate 2008-09 $'000			Forward Estimate 2009-10 $'000			Forward Estimate 2010-11 $'000		
		Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Expense measure													
COAG - performance benchmarking for Australian business regulation	1.1	-	2,385	2,385	-	3,091	3,091	-	3,170	3,170	-	3,238	3,238
Related capital													
COAG - performance benchmarking for Australian business regulation	1.1	-	462	462	-	-	-	-	-	-	-	-	-

2.3 OTHER RESOURCES AVAILABLE TO BE USED

The following table provides details of resources obtained by the Commission for the provision of goods or services as well as resources received free of charge. These resources are approved for use by the Commission and are also included in Table 2.1.

Table 2.3: Other resources available to be used

	Estimated actual 2006-07 $'000	Budget estimate 2007-08 $'000
Departmental other resources		
Goods and services	50	50
Other - resources received free of charge	35	35
Total departmental other resources available to be used	85	85

Note: Departmental resources are collected under section 31 of the *Financial Management and Accountability Act 1997*.

Receipts from goods and services include the sale of publications, sale of surplus equipment and external use of the Commission's library (of which some $7,000 is due to cost recovery arrangements).

2.4 MOVEMENT OF ADMINISTERED FUNDS

Table 2.4: Movement of administered funds between years

The Commission does not have any administered funds.

2.5 SPECIAL APPROPRIATIONS

Table 2.5: Estimates of expenses from special appropriations

The Commission does not have any special appropriations.

2.6 MOVEMENTS IN SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. The following table shows the expected additions (credits) and reductions (debits) for each account used by the Commission.

Table 2.6: Estimates of special account cash flows and balances

	Opening Balance	Credits	Debits	Adjustments	Closing Balance
	2007-08	**2007-08**	**2007-08**	**2007-08**	**2007-08**
	2006-07	*2006-07*	*2006-07*	*2006-07*	*2006-07*
	$'000	$'000	$'000	$'000	$'000
Other Trust Moneys Account	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-
Services for Other Government	**-**	**-**	**-**	**-**	**-**
and Non-Agency Bodies Account	-	-	-	-	-
Total special accounts					
2007-08 Budget estimate	**-**	**-**	**-**	**-**	**-**
Total special accounts					
2006-07 estimated actual	-	-	-	-	-

Section 3: Outcomes

General government sector (GGS) agencies are required to plan, budget and report under an outcomes structure. GGS agencies produce outputs (departmental items) and also administer items on behalf of the Government (administered items).

This section summarises how the resources identified in Section 2 will be used to contribute to the outcome for the Productivity Commission (the Commission). Key performance measures and performance evaluation activities are specified for the outcome.

3.1 SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The Commission has one outcome:

> 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.

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.

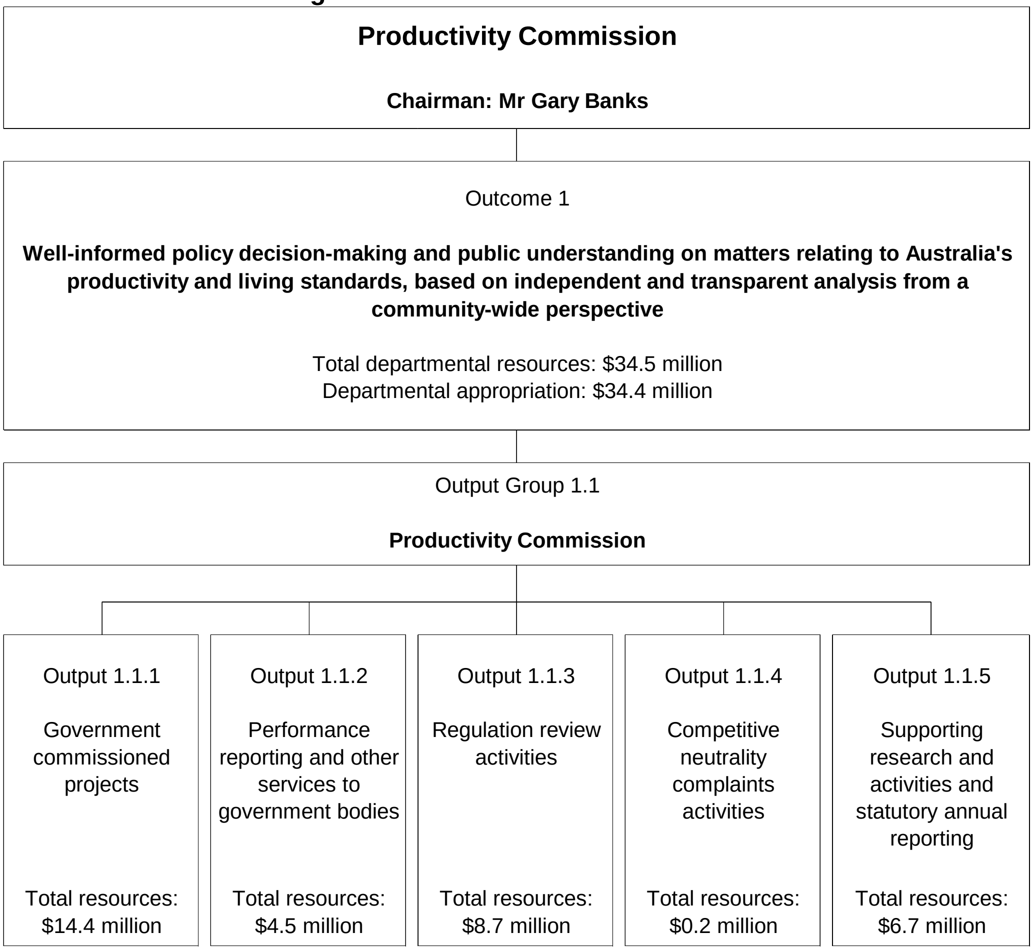
The effectiveness with which the Commission's outputs contribute to the achievement of the outcome is difficult to assess. The Commission is but one source of policy advice on matters relating to Australia's productivity and living standards and many issues are complex and long term. The Commission aims 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 included under 'Contributions to achievement of Outcome 1' in section 3.2.3.

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.

The relationship between activities of the Commission and its outcome is summarised in Figure 2.

Figure 2: Contributions to outcomes



There have been no changes to the number, wording or structure of outcomes or outputs, from the *Portfolio Budget Statements 2006-07*.

3.2 OUTCOME RESOURCES AND PERFORMANCE INFORMATION

3.2.1 Outcome 1 resourcing

The following table shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 1, including departmental appropriation and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2006-07 $'000	Budget estimate 2007-08 $'000
Departmental appropriation		
Output Group 1.1 - Productivity Commission		
Output 1.1.1 - Government commissioned projects	14,100	14,300
Output 1.1.2 - Performance reporting and other services to government bodies	4,700	4,500
Output 1.1.3 - Regulation review activitites	6,600	8,700
Output 1.1.4 - Competitive neutrality complaints activities	200	200
Output 1.1.5 - Supporting research and activities and statutory annual reporting	6,651	6,743
Total departmental appropriation	32,251	34,443
Departmental revenue from other sources		
Goods and services	50	50
Other	35	35
Total departmental revenue from other sources	85	85
Total resources	32,336	34,528

	2006-07	2007-08
Average staffing level (number)	204	218

3.2.2 Measures affecting Outcome 1

The Budget measure for the Commission appears in Table 2.2. Detail of this measure is included in Budget Paper No. 2, *Budget Measures 2007-08.*

3.2.3 Contributions to achievement of Outcome 1

Departmental outputs

Output 1: Government commissioned projects

Public inquiries (for example, the review of Australia's consumer policy framework), case studies and other commissioned work (such as the review of regulatory burdens on business and the study into local government revenue raising capacity).

Output 2: Performance reporting and other services to government bodies

Government services performance reports including Australian Government/State/Territory service provision, key indicators of indigenous disadvantage, performance monitoring and related research on government trading enterprises.

Output 3: Regulation review activities

Assessments of regulation impact statements, compliance costings, consultations 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.

3.2.4 Performance information for Outcome 1

The following table summarises the performance information for individual outputs and output groups relating to the Commission.

Table 3.2: Performance information for Outcome 1

Performance indicators for individual outputs	
Output group 1.1: Productivity Commission	
Output 1.1.1 - Government commissioned projects	**Quality:** Projects of a high standard, useful to government, undertaken in accordance with required processes and on time. **Quantity:** Capacity to undertake projects to the total price of outputs. **Price: $14.4 million**
Output 1.1.2 - Peformance reporting and other services to government bodies	**Quality:** Reports of a high standard, useful to government, and completed on time. **Quantity:** Capacity to provide reports and services to the total price of outputs. **Price: $4.5 million**
Output 1.1.3 - Regulation review activities	**Quality:** Regulation Impact Statement (RIS) and compliance cost assessments, consultation and associated activities of a high standard, advice useful to government and on time. **Quantity:** Capacity to undertake RIS assessments and asociated activities to the total price of outputs. **Price: $8.7 million**
Output 1.1.4 - Competitive neutrality complaints activities	**Quality:** Competitive neutrality complaints successfully resolved within 90 days; associated activities of a high standard and useful to government. **Quantity:** Capacity to undertake activities to the total price of outputs. **Price: $0.2 million**
Output 1.1.5 - Supporting research and activities and statutory annual reporting	**Quality:** Reports, projects and associated activities of a high standard, useful to government, raising community awareness and on time. **Quantity:** Capacity to undertake research that supports the government's current and emerging policy agenda to the total price of outputs. **Price: $6.7 million**

3.2.5 Evaluations for Outcome 1

Evaluation of actual levels of achievement will be shown in the Commission's 2007-08 Annual Report.

Section 4: Other reporting requirements

4.1 PURCHASER-PROVIDER ARRANGEMENTS

The Productivity Commission (the Commission) has no purchaser-provider arrangements with any other Government agencies.

4.2 COST RECOVERY ARRANGEMENTS

As disclosed in the comments for Table 2.3: Other resources available to be used, the Commission has a single cost recovery arrangement for the external use of its library and expects to receive approximately $7,000 in 2007-08.

4.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

In the 2003-04 Budget, the Government provided the Commission with additional funding of $2.4 million over four years to prepare a report annually on key indicators of indigenous disadvantage. This funding is now provided on an ongoing basis.

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 interventions on addressing indigenous disadvantage.

Table 4.1: Australian Government Indigenous Expenditure

For information on the Commission's Australian Government indigenous expenditure refer to the Portfolio table on page 7.

Section 5: Budgeted financial statements

5.1 ANALYSIS OF 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) 2007-08 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.

Budgeted departmental financial statements

The Commission is budgeting for a break even operating result in 2007-08 and the forward estimate years. The increase in revenue in 2007-08 is primarily a consequence of the 2007-08 Budget measure – refer Table 2.2. There is a corresponding increase in operating expenses.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

Table 5.1: Budgeted departmental income statement (for the period ended 30 June)

	Estimated actual 2006-07 $'000	Budget estimate 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
INCOME					
Revenue					
Revenues from Government	32,251	34,443	35,556	35,929	36,625
Goods and services	50	50	50	50	50
Other	35	35	35	35	35
Total revenue	32,336	34,528	35,641	36,014	36,710
Gains					
Net gains from sale of assets	-	-	-	-	-
Total gains	-	-	-	-	-
Total income	32,336	34,528	35,641	36,014	36,710
EXPENSE					
Employees	24,182	25,575	25,879	26,139	26,634
Suppliers	7,235	7,989	8,802	8,915	9,116
Depreciation and amortisation	894	939	935	935	935
Finance costs	25	25	25	25	25
Write-down of assets and impairment of assets	-	-	-	-	-
Total expenses	32,336	34,528	35,641	36,014	36,710
Surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

Table 5.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2006-07 $'000	Budget estimate 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
ASSETS					
Financial assets					
Cash and cash equivalents	204	276	237	252	257
Receivables	7,900	8,700	8,500	9,100	9,700
Other financial assets	320	330	340	350	360
Total financial assets	8,424	9,306	9,077	9,702	10,317
Non-financial assets					
Land and buildings	1,406	1,215	1,500	1,035	569
Infrastructure, plant and equipment	838	860	939	949	988
Intangibles	39	76	81	86	91
Total non-financial assets	2,283	2,151	2,520	2,070	1,648
Total assets	10,707	11,457	11,597	11,772	11,965
LIABILITIES					
Provisions					
Employees	7,333	7,579	7,679	7,814	7,967
Other provisions	758	800	840	880	920
Total provisions	8,091	8,379	8,519	8,694	8,887
Payables					
Suppliers	120	120	120	120	120
Total payables	120	120	120	120	120
Total liabilities	8,211	8,499	8,639	8,814	9,007
Net assets	2,496	2,958	2,958	2,958	2,958
EQUITY					
Contributed equity	2,396	2,858	2,858	2,858	2,858
Reserves	1,172	1,172	1,172	1,172	1,172
Accumulated deficits	(1,072)	(1,072)	(1,072)	(1,072)	(1,072)
Total equity	2,496	2,958	2,958	2,958	2,958
Current assets	8,424	9,306	9,077	9,702	10,317
Non-current assets	2,283	2,151	2,520	2,070	1,648
Current liabilities	6,853	7,099	7,199	7,334	7,487
Non-current liabilities	1,358	1,400	1,440	1,480	1,520

Table 5.3: Budgeted departmental statement of cash flows (for the period ended 30 June)

	Estimated actual 2006-07 $'000	Budget estimate 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	50	50	50	50	50
Appropriations	32,251	34,443	35,556	35,929	36,625
Total cash received	32,301	34,493	35,606	35,979	36,675
Cash used					
Employees	24,228	25,895	26,172	26,404	26,987
Suppliers	7,451	8,091	8,923	9,055	9,193
Cash to Official Public Account	-	100	100	100	100
Total cash used	31,679	34,086	35,195	35,559	36,280
Net cash from or (used by) operating activities	622	407	411	420	395
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	1,285	807	460	415	400
Total cash used	1,285	807	460	415	400
Net cash from or (used by) investing activities	(1,275)	(797)	(450)	(405)	(390)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	685	462	-	-	-
Total cash received	685	462	-	-	-
Net cash from or (used by) financing activities	685	462	-	-	-
Net increase or (decrease) in cash held	32	72	(39)	15	5
Cash at the beginning of the reporting period	172	204	276	237	252
Cash at the end of the reporting period	204	276	237	252	257

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget year 2007-08)

	Retained earnings $'000	Asset revaluation reserve $'000	Other reserves $'000	Contributed equity/ capital $'000	Total equity $'000
Estimated opening balance as at 1 July 2007					
Balance carried forward from previous period	(1,072)	1,172	-	2,396	2,496
Estimated opening balance	(1,072)	1,172	-	2,396	2,496
Income and expense					
Surplus (deficit) for the period	-	-	-	-	-
Total income and expenses recognised directly in equity	-	-	-	-	-
Transactions with owners					
Contribution by owners					
Appropriation (equity injection)	-	-	-	462	462
Sub-total transactions with owners	-	-	-	462	462
Estimated closing balance as at 30 June 2008	(1,072)	1,172	-	2,858	2,958

Table 5.5: Departmental capital budget statement

	Estimated actual 2006-07 $'000	Budget estimate 2007-08 $'000	Forward estimate 2008-09 $'000	Forward estimate 2009-10 $'000	Forward estimate 2010-11 $'000
CAPITAL APPROPRIATIONS					
Total equity injections	685	462	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	685	462	-	-	-
Represented by:					
Purchase of non-financial assets	685	462	-	-	-
Other	-	-	-	-	-
Total represented by	685	462	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	685	462	-	-	-
Funded internally by					
Departmental resources	600	345	460	415	400
Total	1,285	807	460	415	400

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

	Land	Investment property	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	$'000
As at 1 July 2007									
Gross book value	-	-	2,544	-	2,974	-	590	-	6,108
Accumulated depreciation	-	-	(1,138)	-	(2,136)	-	(551)	-	(3,825)
Estimated opening net book value	-	-	-	-	-	-	-	-	-
Additions:									
by purchase	-	-	342	-	402	-	63	-	807
Depreciation/amortisation expense	-	-	(533)	-	(380)	-	(26)	-	(939)
As at 30 June 2008									
Gross book value	-	-	2,886	-	3,376	-	653	-	6,915
Accumulated depreciation	-	-	(1,671)	-	(2,516)	-	(577)	-	(4,764)
Estimated closing net book value	-	-	1,215	-	860	-	76	-	2,151

Table 5.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)

The Commission does not have any administered items.

Table 5.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)

The Commission does not have any administered items.

Table 5.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

The Commission does not have any administered items.

Table 5.10: Schedule of administered capital budget

The Commission does not have any administered items.

Table 5.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2007-08)

The Commission does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

This agency section is dedicated to Mr Terry Carrigg.