

PRODUCTIVITY COMMISSION

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PRODUCTIVITY COMMISSION

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

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 extends to the public and private sectors, including areas of State, Territory and local government, as well as federal responsibility.

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 productivity and living standards, based on independent and transparent analysis that takes a community-wide perspective rather than just the interest of 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
- supporting research and activities and statutory annual reporting.

It is anticipated the Commission's work in 2008-09 and the forward years will be integral to the national reform agenda. The Commission will continue to examine a variety of economic, social and environmental issues through its public inquiry and commissioned research program. Commissioned projects currently underway and carrying over into 2008-09 include inquiries into *Paid Maternity, Paternity and Parental Leave*, and the *Consumer Policy Framework* as well as studies of the *Regulatory Burden on the Upstream Petroleum Sector*, *Business Regulation Benchmarking*, *Chemicals and Plastics Regulation*, the *Mutual Recognition Agreement* and the *Trans-Tasman Mutual Recognition Arrangement* and an ongoing *Review of Regulatory Burdens on Business* that is currently focused on the manufacturing sector and distributive trades. In addition, the Government has asked the Commission to undertake economy-wide modeling of

future assistance options for the automotive industry and announced that it will be seeking similar advice in relation to the textiles, clothing and footwear industries.

Several of the abovementioned commissioned projects have been initiated by the Council of Australian Governments (COAG). The Commission is also working with Australia's jurisdictions in respect of standing research responsibilities and specific projects. In particular, the Commission is providing cross-jurisdictional reporting to COAG on performance of government services and indicators of Indigenous disadvantage and preparing an annual publication focussing on the performance of government trading enterprises.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is an autonomous office located within the Commission. Its function is to receive and investigate complaints and provide advice to the Minister 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 statutory mandate to undertake research to complement its other activities. The supporting research program includes work on productivity performance and its determinants, environmental and resources management, labour markets (including social dimensions) and development of economic models and frameworks. The Commission's most recent research report released in March 2008 is *Towards Urban Water Reform A Discussion Paper*. A full list of the Commission's research reports and Staff Working Papers is provided on the Commission's website.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied to the Commission.

Table 1.1: Productivity Commission resource statement — Budget estimates for 2008-09 as at Budget May 2008

	Estimate of prior ⁺ year amounts available in 2008-09 \$'000	Proposed at Budget ⁼ 2008-09 \$'000	Total estimate 2008-09 \$'000	Estimated appropriation available 2007-08 \$'000
Ordinary annual services				
Departmental outputs				
Departmental outputs	9,109 ³	30,753 ¹	39,862	32,389
Receipts from other sources (s31)	-	265 ²	265	258
Total ordinary annual services A	9,109	31,018	40,127	32,647
Other services				
Departmental non-operating				
Equity injections	-	-	-	462
Total other services B	-	-	-	462
Total net resourcing for the Commission (A+B)	9,109	31,018	40,127	33,109

1. Appropriation Bill (No. 1) 2008-09.

2. Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

3. Estimated adjusted balance carried forward from previous year for annual appropriations.

1.3 BUDGET MEASURES

Table 1.2: Productivity Commission 2008-09 Budget measures

The Commission does not have any Budget measures for 2008-09.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the Government on the Australian community.

The Commission's outcome and outputs are described below, specifying the performance indicators and targets used to assess and monitor the performance of the Commission in achieving government outcomes.

2.1.1 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

Outcome 1 strategy

The Commission's outputs have been revised to reflect the transfer of the Office of Best Practice Regulation to the Department of Finance and Deregulation as part of the revised administrative arrangements implemented following the 2007 Federal Election. Commissioned projects of an inquiry and research nature relating to regulatory issues are included in output 1.1.1 – Government commissioned projects.

The Commission's four outputs derive from its statutory functions outlined in the *Productivity Commission Act 1998* and reported in detail in the Annual Report. The Commission aims to demonstrate its effectiveness by reporting annually on the relevance, quality, timeliness and cost-effectiveness of its outputs.

Overheads and other direct 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.

Outcome 1 resource statement

Table 2.1 provides additional detail of Budget appropriations and the total resourcing for outcome 1.

Table 2.1: Total resources 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	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Output group 1.1 - Productivity Commission		
Departmental outputs		
Output 1.1.1 - Government commissioned projects	19,960	22,191
Output 1.1.2 - Performance reporting and other services to government bodies	3,796	3,289
Output 1.1.3 - Competitive neutrality complaints activities	200	200
Output 1.1.4 - Supporting research and activities and annual reporting	6,797	6,709
Receipts from other sources (s31)	265	258
Total resources for outcome 1	31,018	32,647

	2008-09	2007-08
Average staffing level (number)	178	202

Note: Departmental splits by output, are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to outcome 1

Output group 1.1 — Productivity Commission
Components of Output Group 1.1 are:
Output 1.1.1 — Government commissioned projects
Public inquiries (for example, the review into paid maternity, paternity and parental leave), and other commissioned work (such as the study of upstream petroleum regulation).
Output 1.1.2 — 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 research on government trading enterprises.
Output 1.1.3 — Competitive neutrality complaints activities
Investigation of competitive neutrality complaints and associated activities such as research, advice and education.
Output 1.1.4 — Supporting research and activities and statutory annual reporting
Statutory annual reporting including the Trade and Assistance Review; review research and working papers prepared in support of the Commission's inquiry program and to contribute to public policy issues; and associated activities such as submissions, conferences and speeches.

Contributions to outcome 1 (continued)

Output group 1.1 — Productivity Commission (continued)	
Key performance indicators	2008-09 target
Projects, reports and associated activities are: • high quality; • useful to stakeholders; and • timely.	The Commission's work is widely referenced in public policy forums. Projects and reports completed in accordance with commissioned timelines. Independent and transparent processes followed.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2008-09. It explains how budget plans are incorporated into the financial statements and provides further details of movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Reconciliation of total available appropriation and outcomes

The Agency Resource Statement (Table 1.1) details the total available appropriation to the Commission from all sources. For departmental operating appropriations (outputs) this includes carry-forward amounts as well as amounts appropriated at budget. As the Commission incurs and is funded for future liabilities, generally depreciation and employee entitlements, the total amount of departmental operating appropriation available to the Commission is unlikely to be fully utilised in the budget year. The difference between the agency resource statements and the sum of all payments made at the departmental outputs level is the expected carry-forward amount of resources for the 2009-10 budget year, including amounts related to meeting future obligations to maintain the Commission's asset base and to meet employee entitlement liabilities.

Table 3.1.1: Reconciliation of total available appropriation and outcomes

	\$'000
Total available departmental operating appropriation (outputs)	40,127
Less estimated payments in 2008-09	30,684
Estimated departmental outputs carried forward and available for 2009-10	9,443

3.1.2 Movement of administered funds between years

Table 3.1.2: Movement of administered funds between years

The Commission does not have any administered funds.

3.1.3 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* or under separate enabling legislation. Table 3.1.3 shows the expected additions (receipts) and reductions (payments) for each account used by the Commission.

Table 3.1.3: Estimates of special account cash flows and balances

		Opening balance 2008-09 2007-08	Receipts 2008-09 2007-08	Payments 2008-09 2007-08	Adjustments 2008-09 2007-08	Closing balance 2008-09 2007-08
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Moneys Account	1	-	-	-	-	-
Services for other Governments and Non-Agency Bodies Account	1	-	-	-	-	-
Total special accounts 2008-09 Budget estimate		-	-	-	-	-
Total special accounts 2007-08 estimate actual		-	-	-	-	-

3.1.4 Australian Government Indigenous Expenditure

Table 3.1.4: Australian Government Indigenous Expenditure

	Appropriations				Other	Total	Output Group
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special Approp \$'000	Total Approp \$'000	\$'000	\$'000	
Productivity Commission Outcome 1							
Departmental 2008-09	1,148	-	-	1,148	-	1,148	1.1
Departmental 2007-08	641	-	-	641	-	641	1.1

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There is no difference between agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

The Commission is budgeting for a break-even result in 2008-09 and the forward estimate years. The decrease in revenue in 2008-09 is primarily a consequence of the transfer of the Office of Best Practice Regulation to the Department of Finance and Deregulation as part of the revised administrative arrangements implemented following the 2007 Federal Election. There is a corresponding decrease in operating expenses.

The Commission carried out major leasehold improvement works in 2007-08. Capital purchases in 2008-09 and forward estimate years will be part of the cyclical replacement program.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental income statement
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
INCOME					
Revenue					
Revenues from Government	32,389	30,753	31,033	31,603	31,943
Goods and services	258	265	30	30	30
Total revenue	32,647	31,018	31,063	31,633	31,973
Gains					
Other	33	33	33	33	33
Total gains	33	33	33	33	33
Total income	32,680	31,051	31,096	31,666	32,006
EXPENSE					
Employees	23,152	22,104	22,266	22,736	23,031
Suppliers	8,492	7,976	7,864	7,963	8,040
Depreciation and amortisation	1,001	935	935	935	935
Finance costs	35	36	31	32	-
Total expenses	32,680	31,051	31,096	31,666	32,006
Surplus (deficit) attributable to the Australian Government	-	-	-	-	-

Prepared on an Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet
(as at 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
ASSETS					
Financial assets					
Cash and equivalents	290	251	266	271	271
Trade and other receivables	9,139	9,512	10,220	10,429	11,064
Total financial assets	9,429	9,763	10,486	10,700	11,335
Non-financial assets					
Land and buildings	4,130	3,550	3,085	3,119	2,869
Infrastructure, plant and equipment	1,054	1,447	1,366	1,314	1,095
Intangibles	59	48	37	26	10
Other	310	310	310	310	310
Total non-financial assets	5,553	5,355	4,798	4,769	4,284
Total assets	14,982	15,118	15,284	15,469	15,619
LIABILITIES					
Provisions					
Employees	7,082	7,182	7,317	7,470	7,620
Other	608	644	675	707	707
Total provisions	7,690	7,826	7,992	8,177	8,327
Payables					
Suppliers	434	434	434	434	434
Total payables	434	434	434	434	434
Total liabilities	8,124	8,260	8,426	8,611	8,761
Net assets	6,858	6,858	6,858	6,858	6,858
EQUITY					
Contributed equity	2,858	2,858	2,858	2,858	2,858
Reserves	1,725	1,725	1,725	1,725	1,725
Retained surpluses or accumulated deficits	2,275	2,275	2,275	2,275	2,275
Total equity	6,858	6,858	6,858	6,858	6,858
Current assets	9,739	10,073	10,796	11,010	11,645
Non-current assets	5,243	5,045	4,488	4,459	3,974
Current liabilities	7,704	7,834	7,991	8,167	8,308
Non-current liabilities	420	426	435	444	453

Prepared on an Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2007-08 \$'000	Budget estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	258	265	30	30	30
Appropriations	34,495	30,380	30,325	31,394	31,308
Total cash received	34,753	30,645	30,355	31,424	31,338
Cash used					
Employees	23,565	22,004	22,131	22,583	22,881
Suppliers	8,459	7,943	7,831	7,930	8,007
Total cash used	32,024	29,947	29,962	30,513	30,888
Net cash from or (used by) operating activities	2,729	698	393	911	450
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	3,811	737	378	906	450
Total cash used	3,811	737	378	906	450
Net cash from or (used by) investing activities	(3,811)	(737)	(378)	(906)	(450)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	1,147	-	-	-	-
Net cash from or (used by) financing activities	1,147	-	-	-	-
Net increase or (decrease) in cash held	65	(39)	15	5	-
Cash at the beginning of the reporting period	225	290	251	266	271
Cash at the end of the reporting period	290	251	266	271	271

Prepared on an Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2008-09)

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2008					
Balance carried forward from previous period	2,275	1,725	-	2,858	6,858
Estimated closing balance as at 30 June 2009	2,275	1,725	-	2,858	6,858

Prepared on an Australian Accounting Standards basis.

Table 3.2.5: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

The Commission does not have any administered funds.

Table 3.2.6: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

The Commission does not have any administered funds.

Table 3.2.7: Schedule of budgeted administered cash flows (for the period ended 30 June)

The Commission does not have any administered funds.

3.2.4 Notes to the financial statements

Basis of Accounting

The financial statements have been prepared on an Australian Accounting Standards basis.