

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 2010-11 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 2010-11 include: inquiries into *Rural Research and Development Corporations*, *Disability Care and Support*, *Caring for Older Australians* and *Wheat Export Marketing Arrangements*; studies of *Bilateral and Regional Trade Agreements*, the *Education and Training Workforce*; a continuation of the *Performance Benchmarking of Australian Business Regulation* study currently looking at land development approvals and planning and zoning regulation; and an ongoing *Review of Regulatory Burdens on Business* that is currently focused on business and consumer services.

Productivity Commission Budget Statements

Several of the above 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; indicators of Indigenous disadvantage; and expenditure on services to Indigenous Australians. The Commission prepares and reports performance information to the COAG Reform Council in respect of the *Intergovernmental Agreement on Federal Financial Relations*. The Commission is also undertaking data development, modelling and analysis to report on the economic impacts and benefits of COAG's agreed reform agenda.

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 Assistant Treasurer 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 reports and staff working papers released in 2009-10 include *Developing a Partial Equilibrium Model of an Urban Water System*; *The Effects of Education and Health on Wages and Productivity*; *Work Choices of Married Women – drivers of change*; and *Modelling the Effects of the EU Common Agricultural Policy*. A full list of the Commission's research reports and Staff Working Papers is provided on the Commission's website.

The Commission has received \$4.0 million over four years as part of measures announced by the Government in the 2010-11 Budget, for industry reviews associated with the Renewable Energy Target.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Productivity Commission resource statement — Budget estimates for 2010-11 as at Budget May 2010

	Estimate of prior year amounts available in 2010-11 \$'000	Proposed at Budget = 2010-11 \$'000	Total estimate 2010-11 \$'000	Actual available appropriation 2009-10 \$'000
Ordinary annual services				
Departmental				
Prior year departmental appropriation carried forward	7,529 ⁴	-	7,529	-
Departmental appropriation ³	-	38,781 ¹	38,781	34,388
Receipts from other sources (s31)	-	10 ²	10	10
Total ordinary annual services	A 7,529	38,791	46,320	34,398
Other services				
Departmental non-operating				
Previous years' outputs	-	-	-	868
Total other services	B -	-	-	868
Total net resourcing for Productivity				
Commission (A+B)	7,529	38,791	46,320	35,266

1. Appropriation Bill (No. 1) 2010-11.

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

3. Includes \$4.15 million in 2010-11 for the Departmental Capital Budget (also refer to Table 3.2.5).

4. Estimated adjusted balance carried from previous year for annual appropriations.

1.3 BUDGET MEASURES

Budget measures relating to the Commission are detailed in Budget Paper No. 2, *Budget Measures 2010-11* and are summarised below.

Table 1.2: Productivity Commission 2010-11 Budget measures

Program	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000
Expense measures					
Renewable Energy Target - industry reviews	1.1	-	999	1,005	1,010
Total expense measures	-	999	1,005	1,010	1,016

Prepared on a Government Financial Statistics (fiscal) basis.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Agencies deliver programs which are the Government actions taken to deliver the stated outcomes. Agencies are required to identify the programs which contribute to government outcomes over the budget and forward years.

The Commission's outcome is described below specifying the strategy, program, objective, deliverables and key performance indicators used to assess and monitor the performance of the Commission.

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 activities derive from its statutory functions outlined in *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 activities.

Outcome 1 Budgeted expenses and resources

Table 2.1 provides an overview of the total expenses for Outcome 1 by program.

Table 2.1: Budgeted expenses and 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	2009-10 Estimated actual expenses \$'000	2010-11 Estimated expenses \$'000
Program 1: Productivity Commission		
Departmental expenses		
Ordinary annual services (Appropriation Bill No. 1)	34,388	34,636
Revenues from independent sources (s31)	10	10
Expenses not requiring appropriation in the Budget year	33	968
Total expenses for Outcome 1	34,431	35,614
	2009-10	2010-11
Average staffing level (number)	190	188

Contributions to Outcome 1

Program 1.1: Productivity Commission

Program objective

The Commission's objective is to contribute 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.

Program expenses

The increase in expenses from 2010-11 is primarily due to the effect of the Commission's 2010-11 Budget measure.

Table 2.2: Program expenses

	2009-10 Revised budget \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	34,431	35,614	35,215	35,418	35,614
Total departmental expenses	34,431	35,614	35,215	35,418	35,614

Program Deliverables

The Commission will deliver:

- public inquiry reports (for example, the inquiry report on *Rural Research and Development Corporations*), and reports concerning other commissioned work (such as the continuation of the *Performance Benchmarking of Australian Business Regulation* study);
- government services performance reports including Australian Government/State/Territory service provision, key indicators of Indigenous disadvantage and the, Indigenous expenditure report;
- investigation of competitive neutrality complaints and associated activities such as research, advice and education; and
- statutory annual reporting including the *Trade and Assistance Review*; Commission research and staff working papers prepared in support of the Commission's inquiry program and to contribute to better understanding of public policy issues; and associated activities such as submissions, conference reports and speeches delivered by the Chairman, Commissioners and Commission staff.

Productivity Commission Budget Statements

Program key performance indicators

The Commission aims to complete projects, reports and associated activities that are:

- high quality;
- useful to stakeholders; and
- timely.

Indicators of performance include:

- the Commission's work being widely referenced in public policy forums;
- projects and reports are completed in accordance with commissioned timelines; and
- independent and transparent processes are followed.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2010-11. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations, program expenses, movements in administered funds, special accounts and government indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

The Commission does not have any administered funds.

3.1.2 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 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the Commission.

The Productivity Commission's Services for other Governments and Non-agency Bodies Account was abolished with effect from 11 September 2009.

Table 3.1.2: Estimates of special account cash flows and balances

	Opening balance 2010-11 2009-10	Receipts 2010-11 2009-10	Payments 2010-11 2009-10	Adjustments 2010-11 2009-10	Closing balance 2010-11 2009-10
Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Moneys Account	1	-	-	-	-
	-	-	-	-	-
Total special accounts 2010-11 Budget estimate	-	-	-	-	-
Total special accounts 2009-10 estimate actual	-	-	-	-	-

3.1.3 Australian Government Indigenous Expenditure

Table 3.1.3: Australian Government Indigenous Expenditure

	Appropriations				Other \$'000	Total \$'000	Program
	Bill No. 1 \$'000	Bill No. 2 \$'000	Special approp \$'000	Total approp \$'000			
	Productivity Commission Outcome 1						
Departmental 2010-11	1,647	-	-	1,647	-	1,647	1.1
<i>Departmental 2009-10</i>	<i>1,208</i>	-	-	<i>1,208</i>	-	<i>1,208</i>	<i>1.1</i>

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 2010-11 and the forward estimate years. The increase in revenue in 2010-11 is primarily a consequence of the effect of the 2010-11 Budget measure. There is a corresponding increase in operating expenses.

3.2.3 Budgeted financial statements tables

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

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
EXPENSES					
Employee benefits	24,856	25,918	25,304	25,287	25,258
Supplier expenses	8,610	8,729	8,976	9,196	9,421
Depreciation and amortisation	935	935	935	935	935
Finance costs	30	32	-	-	-
Total expenses	34,431	35,614	35,215	35,418	35,614
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	10	10	10	10	10
Total revenue	10	10	10	10	10
Gains					
Other	33	33	33	33	33
Total gains	33	33	33	33	33
Total own-source income	43	43	43	43	43
Net cost of (contribution by) services	34,388	35,571	35,172	35,375	35,571
Appropriation revenue	34,388	34,636	34,237	34,440	34,636
Surplus (deficit) attributable to the Australian Government	-	(935)	(935)	(935)	(935)
Note: Reconciliation of operating result attributable to the agency					
	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2012-13 \$'000
Operating result attributable to the Australian Government	-	(935)	(935)	(935)	(935)
Plus non-appropriated expenses depreciation and amortisation expenses	-	935	935	935	935
Operating result attributable to the Productivity Commission	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS					
Financial assets					
Cash and equivalents	239	244	244	244	244
Trade and other receivables	7,504	7,115	7,265	7,415	7,415
Total financial assets	7,743	7,359	7,509	7,659	7,659
Non-financial assets					
Land and buildings	2,599	5,942	5,692	5,100	4,413
Infrastructure, plant and equipment	787	665	346	343	446
Intangibles	89	78	62	72	71
Other	516	516	516	516	516
Total non-financial assets	3,991	7,201	6,616	6,031	5,446
Total assets	11,734	14,560	14,125	13,690	13,105
LIABILITIES					
Provisions					
Employees	8,274	8,427	8,577	8,727	8,727
Other	537	-	-	-	-
Total provisions	8,811	8,427	8,577	8,727	8,727
Payables					
Suppliers	463	463	463	463	463
Total payables	463	463	463	463	463
Total liabilities	9,274	8,890	9,040	9,190	9,190
Net assets	2,460	5,670	5,085	4,500	3,915
EQUITY					
Contributed equity	(2,341)	1,804	2,154	2,504	2,854
Reserves	1,725	1,725	1,725	1,725	1,725
Retained surpluses or accumulated deficits	3,076	2,141	1,206	271	(664)
Total equity	2,460	5,670	5,085	4,500	3,915
Current assets	8,259	7,875	8,025	8,175	8,175
Non-current assets	3,475	6,685	6,100	5,515	4,930
Current liabilities	8,571	8,174	8,311	8,448	8,448
Non-current liabilities	703	716	729	742	742

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	10	10	10	10	10
Appropriations	38,668	35,025	34,087	34,290	34,636
Total cash received	38,678	35,035	34,097	34,300	34,646
Cash used					
Employees	24,721	25,765	25,154	25,137	25,258
Suppliers	8,577	9,265	8,943	9,163	9,388
Total cash used	33,298	35,030	34,097	34,300	34,646
Net cash from or (used by) operating activities	5,380	5	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	166	4,145	350	350	350
Total cash used	166	4,145	350	350	350
Net cash from or (used by) investing activities	(166)	(4,145)	(350)	(350)	(350)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	(5,199)	4,145	350	350	350
Total cash received	(5,199)	4,145	350	350	350
Net cash from (used by) financing activities	(5,199)	4,145	350	350	350
Net increase or (decrease) in cash held	15	5	-	-	-
Cash at the beginning of the reporting period	224	239	244	244	244
Cash at the end of the reporting period	239	244	244	244	244

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2010					
Balance carried forward from previous period	3,076	1,725	-	(2,341)	2,460
Adjusted opening balance	3,076	1,725	-	(2,341)	2,460
Comprehensive income					
Surplus (deficit) for the period	(935)	-	-	-	(935)
Total comprehensive income recognised directly in equity	(935)	-	-	-	(935)
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	4,145	4,145
Total transactions with owners	-	-	-	4,145	4,145
Estimated closing balance as at 30 June 2011	2,141	1,725	-	1,804	5,670

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	-	4,145	350	350	350
Previous years' outputs	868	-	-	-	-
Total capital appropriations	868	4,145	350	350	350
Represented by:					
Purchase of non-financial assets	-	4,145	350	350	350
Other	868	-	-	-	-
Total represented by	868	4,145	350	350	350
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	-	4,145	350	350	350
Funded internally from departmental resources	166	-	-	-	-
TOTAL	166	4,145	350	350	350

Note: Under the net cash appropriation arrangements implemented as part of Operation Sunlight, agencies are no longer funded for depreciation, amortisation or makegood expenses. Funding for these expenses have been replaced with a Departmental Capital Budget (DCB).

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements — departmental

	Buildings	Other infrastructure, plant & equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2010				
Gross book value	4,797	1,927	529	7,253
/less Accumulated depreciation/amortisation	2,198	1,140	440	3,778
Opening net book balance	2,599	787	89	3,475
Asset movements				
Additions	3,935	205	5	4,145
/less Depreciation/amortisation expense	592	327	16	935
Total asset movements	3,343	(122)	(11)	3,210
As at 30 June 2011				
Gross book value	8,732	2,132	534	11,398
/less Accumulated depreciation/amortisation	2,790	1,467	456	4,713
Closing net book balance	5,942	665	78	6,685

Prepared on Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

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

