

PRODUCTIVITY COMMISSION

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PRODUCTIVITY COMMISSION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

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 encompasses all sectors of the economy as well as social and environmental issues. Its activities cover all levels of government responsibility – federal, state and territory and local.

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 economic performance and community wellbeing, based on independent and transparent analysis that takes a broad view encompassing the interests of the community as a whole, rather than just 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
- self-initiated research and statutory annual reporting.

In 2019-20 and the forward years, the Commission will continue to examine a variety of economic, social and environmental issues through its public inquiry and commissioned research. Commissioned projects underway and carrying over into 2019-20 include: a public inquiry into the role of *Mental Health* in supporting economic participation, enhancing productivity and economic growth; and a study into the *Zone Tax Offset and Related Remote Area Tax Concessions and Payments*.

The Commission will continue to be responsible for developing a whole-of-government approach to evaluating policies and programs affecting Indigenous Australians. The Commission will also operate the COAG performance dashboard, and undertake reviews of nationally significant sector-wide Commonwealth-State agreements.

The Commission will continue to provide cross-jurisdictional reporting to the Council of Australian Governments (COAG) on performance of government services; indicators of Indigenous wellbeing; and expenditure on services to Indigenous Australians.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) is an autonomous office located within the Commission. It receives and investigates complaints, and advises the 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 mandate to undertake research to complement its other activities. This self-initiated research currently includes work on *The Housing Needs of Australian Renters*. A full list of the Commission's research reports and supporting research is provided on the Commission's website.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to the Commission.

The table summarises how resources will be applied by outcome (government strategic policy objectives) and by administered (on behalf of the Government or the public) and departmental (for the entity's operations) classification.

Information in this table is presented on a resourcing (that is, appropriations/cash available) basis, whilst the 'Budgeted expenses by Outcome 1' tables in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: Productivity Commission resource statement — Budget estimates for 2019-20 as at Budget April 2019

	2018-19 (a) Estimated actual \$'000	2019-20 Estimate \$'000
Departmental		
Annual appropriations - ordinary annual services (b)		
Prior year appropriations available (c)	32,072	32,502
Departmental appropriation (d)	33,541	33,517
s74 External Revenue (e)	431	145
Departmental capital budget (f)	826	824
Total departmental annual appropriations	66,870	66,988
Total departmental resourcing	66,870	66,988
Total resourcing for the Productivity Commission	66,870	66,988
	2018-19	2019-20
Average staffing level (number)	162	176

(a) Annual appropriation amounts appearing for 2018-19 do not include the Appropriation Bills (No. 3) and (No. 4) 2018-2019, as they had not been enacted at the time of publication.

(b) Appropriation Bill (No. 1) 2019-20.

(c) Excludes \$0.15m subject to administrative quarantine by Finance or withheld under section 51 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

(d) Excludes departmental capital budget (DCB).

(e) Estimated External Revenue receipts under section 74 of the PGPA Act.

(f) Departmental capital budgets are not separately identified in Appropriation Bill (No.1) and form part of ordinary annual services items. Please refer to Table 3.5 for further details. For accounting purposes, this amount has been designated as a 'contribution by owner'.

All figures shown above are GST exclusive - these may not match figures in the cash flow statement.

Prepared on a resourcing (that is, appropriations available) basis.

1.3 BUDGET MEASURES

The Commission has no new budget measures.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

The Commission's outcome is described below together with its related program. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements – included in Annual Reports – to provide an entity's complete performance story.

The most recent corporate plan for the Commission can be found at:
<http://www.pc.gov.au/about/governance/corporate-plan>

The most recent annual performance statement can be found at:
<http://www.pc.gov.au/about/governance/annual-reports/2017-18>

2.1 BUDGETED EXPENSES AND PERFORMANCE 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.

Budgeted expenses for Outcome 1

This table shows how much the Commission intends to spend (on an accrual basis) on achieving the outcome.

Table 2.1: Budgeted expenses for Outcome 1

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
Program 1.1: Productivity Commission					
Departmental expenses					
Departmental appropriation	33,541	33,517	33,724	33,958	34,163
s74 External Revenue (a)	425	145	10	10	10
Expenses not requiring appropriation in the Budget year (b)	1,105	1,110	1,100	1,100	1,100
Departmental total	35,071	34,772	34,834	35,068	35,273
Total expenses for Program 1.1	35,071	34,772	34,834	35,068	35,273
Total expenses for Outcome 1	35,071	34,772	34,834	35,068	35,273

	2018-19	2019-20
Average staffing level (number)	162	176

(a) Estimated expenses incurred in relation to receipts retained under section 74 of the PGPA Act.

(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses, and audit fees.

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

Table 2.2: Performance criteria for Outcome 1

Table 2.2 below details the performance criteria for the program associated with Outcome 1, and summarises how that program is delivered.

<p>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.</p>	
<p>Program 1.1 – Productivity Commission The Commission provides governments and the Australian community with information and advice that better informs policy decisions to improve Australians’ wellbeing.</p>	
<p>Delivery</p>	<p>The Commission undertakes inquiries, research, and performance reporting and analysis. It provides robust analysis and advice on a range of economic, social and environmental issues, taking a community-wide perspective. The Commission engages widely, including through hearings, release of draft reports, roundtables, seminars and submissions, to seek informed input to its reports.</p>
<p>Performance information</p>	
<p>Performance criteria</p>	<p>2018-19 and forward years</p>
<p>The Commission aims to be a valuable source of robust evidence-based analysis to inform public policy; to generate effective public debate; and have recognition that our approach to evidence-based policy analysis is worthy of consideration by other governments. In doing so, it seeks to engage effectively with the community, have open and transparent processes, and provide timely reporting.</p>	<p>A range of indicators inform the Commission’s performance assessment, including: the Commission’s work being widely referenced in public policy forums; projects and reports meeting commissioned timelines; and open and transparent processes being followed.</p>
<p>Purposes</p>	<p>The Commission’s purpose, as embodied in the <i>Productivity Commission Act 1998</i>, is to provide governments and the Australian community with information and advice that better inform policy decisions to improve Australians’ wellbeing.</p>

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2019-20 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

There are no material differences between entity resourcing and financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

The Commission is budgeting for a break-even result in 2019-20 and the forward years.

3.2. BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
EXPENSES					
Employee benefits	27,220	27,359	27,408	27,672	27,835
Suppliers	6,784	6,342	6,365	6,346	6,388
Depreciation and amortisation	1,055	1,060	1,050	1,050	1,050
Finance costs	12	11	11	-	-
Total expenses	35,071	34,772	34,834	35,068	35,273
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	425	145	10	10	10
Other	50	50	50	50	50
Total own-source revenue	475	195	60	60	60
Total own-source income	475	195	60	60	60
Net (cost of)/contribution by services	(34,596)	(34,577)	(34,774)	(35,008)	(35,213)
Revenue from Government	33,541	33,517	33,724	33,958	34,163
Surplus/(deficit) attributable to the Australian Government	(1,055)	(1,060)	(1,050)	(1,050)	(1,050)

Note: Impact of net cash appropriation arrangements

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	1,055	1,060	1,050	1,050	1,050
Total comprehensive income/(loss) - as per the statement of comprehensive income	(1,055)	(1,060)	(1,050)	(1,050)	(1,050)

(a) From 2010-11, the Government introduced net cash appropriation arrangements where Bill 1 revenue appropriations for the depreciation/amortisation expenses of non-corporate Commonwealth entities (and select corporate Commonwealth entities) were replaced with a separate capital budget (the Departmental Capital Budget, or DCB) provided through Bill 1 equity appropriations. For information regarding DCBs, please refer to Table 3.5 Departmental Capital Budget Statement.

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	337	337	337	337	337
Trade and other receivables	32,316	32,579	30,195	30,977	31,744
Total financial assets	32,653	32,916	30,532	31,314	32,081
Non-financial assets					
Land and buildings	2,575	1,925	3,075	2,425	1,775
Property, plant and equipment	1,076	1,168	1,447	1,237	1,029
Intangibles	59	49	49	49	49
Other non-financial assets	751	751	751	751	751
Total non-financial assets	4,461	3,893	5,322	4,462	3,604
Total assets	37,114	36,809	35,854	35,776	35,685
LIABILITIES					
Payables					
Suppliers	344	344	344	344	344
Other payables	1,398	1,098	747	765	765
Total payables	1,742	1,442	1,091	1,109	1,109
Provisions					
Employee provisions	10,915	11,135	11,355	11,475	11,595
Other provisions	592	603	-	-	-
Total provisions	11,507	11,738	11,355	11,475	11,595
Total liabilities	13,249	13,180	12,446	12,584	12,704
Net assets	23,865	23,629	23,408	23,192	22,981
EQUITY*					
Parent entity interest					
Contributed equity	8,456	9,280	10,109	10,943	11,782
Reserves	1,593	1,593	1,593	1,593	1,593
Retained surplus (accumulated deficit)	13,816	12,756	11,706	10,656	9,606
Total equity	23,865	23,629	23,408	23,192	22,981

*'Equity' is the residual interest in assets after deduction of liabilities.
Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2019-20)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2019				
Balance carried forward from previous period	13,816	1,593	8,456	23,865
Adjusted opening balance	13,816	1,593	8,456	23,865
Comprehensive income				
Surplus/(deficit) for the period	(1,060)	-	-	(1,060)
Total comprehensive income	(1,060)	-	-	(1,060)
Transactions with owners				
Contributions by owners				
Departmental Capital Budget (DCB)	-	-	824	824
Sub-total transactions with owners	-	-	824	824
Estimated closing balance as at 30 June 2020	12,756	1,593	9,280	23,629
Closing balance attributable to the Australian Government	12,756	1,593	9,280	23,629

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	33,513	33,586	34,458	33,820	34,043
Sale of goods and rendering of services	431	145	10	10	10
Total cash received	33,944	33,731	34,468	33,830	34,053
Cash used					
Employees	27,000	27,139	27,188	27,552	27,715
Suppliers	6,944	6,592	7,280	6,278	6,338
Total cash used	33,944	33,731	34,468	33,830	34,053
Net cash from/(used by) operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	424	492	2,479	190	192
Total cash used	424	492	2,479	190	192
Net cash from/(used by) investing activities	(424)	(492)	(2,479)	(190)	(192)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	424	492	2,479	190	192
Total cash received	424	492	2,479	190	192
Net cash from/(used by) financing activities	424	492	2,479	190	192
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	337	337	337	337	337
Cash and cash equivalents at the end of the reporting period	337	337	337	337	337

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement (for the period ended 30 June)

	2018-19 Estimated actual \$'000	2019-20 Budget \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000	2022-23 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	826	824	829	834	839
Total new capital appropriations	826	824	829	834	839
<i>Provided for:</i>					
Purchase of non-financial assets	424	492	829	190	192
Other items	402	332	-	644	647
Total items	826	824	829	834	839
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB (a)	424	492	2,479	190	192
TOTAL	424	492	2,479	190	192
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	424	492	2,479	190	192
Total cash used to acquire assets	424	492	2,479	190	192

(a) Does not include annual finance lease costs. Includes purchases from current and previous years' Departmental Capital Budgets (DCBs).

Prepared on Australian Accounting Standards basis.

Table 3.6: Statement of departmental asset movements (Budget year 2019-20)

	Buildings \$'000	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2019				
Gross book value	3,818	1,776	617	6,211
Accumulated depreciation/ amortisation and impairment	(1,243)	(700)	(558)	(2,501)
Opening net book balance	2,575	1,076	59	3,710
Capital asset additions				
Estimated expenditure on new or replacement assets				
By purchase - appropriation ordinary annual services (a)	-	472	20	492
Total additions	-	472	20	492
Other movements				
Depreciation/amortisation expense	(650)	(380)	(30)	(1,060)
Total other movements	(650)	(380)	(30)	(1,060)
As at 30 June 2020				
Gross book value	3,818	2,248	637	6,703
Accumulated depreciation/ amortisation and impairment	(1,893)	(1,080)	(588)	(3,561)
Closing net book balance	1,925	1,168	49	3,142

(a) 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No. 1) 2019-20 for depreciation/amortisation expenses, DCBs or other operational expenses.

Prepared on Australian Accounting Standards basis.

