

# 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 2018-19 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 2018-19 include: public inquiries into *Compensation and Rehabilitation for Veterans*; *Murray-Darling Basin Plan: Five-year assessment*, and *Superannuation: Assessing Efficiency and Competitiveness*.

The Commission will 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 disadvantage; 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 *Trends in Inequality*. 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 2018-19 as at Budget May 2018**

	<i>2017-18 Estimated actual \$'000</i>	2018-19 Estimate \$'000
<b>Departmental</b>		
Annual appropriations - ordinary annual services (a)		
Prior year appropriations available (b)	29,562	29,663
Departmental appropriation (c)	34,304	33,541
s74 Retained revenue receipts (d)	370	9
Departmental capital budget (e)	830	826
Total departmental annual appropriations	<u>65,066</u>	<u>64,039</u>
<b>Total departmental resourcing</b>	<b>65,066</b>	<b>64,039</b>
<b>Total resourcing for the Productivity Commission</b>	<b>65,066</b>	<b>64,039</b>
	<i>2017-18</i>	2018-19
<b>Average staffing level (number)</b>	<u>174</u>	<u>176</u>

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

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

(a) Appropriation Bill (No.1) 2018-19.

(b) Excludes \$0.008m subject to quarantine by Finance or withheld under section 51 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

(c) Excludes departmental capital budget (DCB).

(d) Estimated retained revenue receipts under section 74 of the PGPA Act.

(e) 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'.

## 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 programs. 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 in the latest Annual Report at: <http://www.pc.gov.au/about/governance/annual-reports/2016-17>

## 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**

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
<b>Program 1.1: Productivity Commission</b>					
Departmental expenses					
Departmental appropriations	34,304	33,541	33,517	33,691	33,892
74 Retained revenue receipts (a)	370	9	10	10	10
Expenses not requiring appropriation in the Budget year (b)	1,043	1,040	1,040	1,040	1,040
<b>Departmental total</b>	<b>35,717</b>	<b>34,590</b>	<b>34,567</b>	<b>34,741</b>	<b>34,942</b>
<b>Total expenses for program 1.1</b>	<b>35,717</b>	<b>34,590</b>	<b>34,567</b>	<b>34,741</b>	<b>34,942</b>
<b>Total expenses for Outcome 1</b>	<b>35,717</b>	<b>34,590</b>	<b>34,567</b>	<b>34,741</b>	<b>34,942</b>
	2017-18	2018-19			
<b>Average staffing level (number)</b>	174	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.

<b>Outcome 1</b> – 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	
<b>Program 1.1</b> – The Commission provides governments and the Australian community with information and advice that better informs policy decisions to improve Australians’ wellbeing.	
<b>Delivery</b>	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.
<b>Performance information</b>	
<b>Performance criteria</b>	<b>2017-18 and forward years</b>
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.	A range of indicators inform the Commission’s performance assessment, including: the Commission’s work being widely referenced in public debate; opportunities for public participation; open and transparent processes being followed; and reports being delivered within agreed timeframes.
<b>Purposes</b>	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.



## Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2018-19 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 2018-19 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**

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
<b>EXPENSES</b>					
Employee benefits	27,848	27,220	27,224	27,375	27,606
Suppliers	6,864	6,369	6,342	6,365	6,346
Depreciation and amortisation	993	990	990	990	990
Finance costs	12	11	11	11	-
<b>Total expenses</b>	<b>35,717</b>	<b>34,590</b>	<b>34,567</b>	<b>34,741</b>	<b>34,942</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	370	9	10	10	10
Other	50	50	50	50	50
<b>Total own-source revenue</b>	<b>420</b>	<b>59</b>	<b>60</b>	<b>60</b>	<b>60</b>
<b>Total own-source income</b>	<b>420</b>	<b>59</b>	<b>60</b>	<b>60</b>	<b>60</b>
<b>Net (cost of)/contribution by services</b>	<b>(35,297)</b>	<b>(34,531)</b>	<b>(34,507)</b>	<b>(34,681)</b>	<b>(34,882)</b>
Revenue from Government	34,304	33,541	33,517	33,691	33,892
<b>Surplus/(deficit) attributable to the Australian Government</b>	<b>(993)</b>	<b>(990)</b>	<b>(990)</b>	<b>(990)</b>	<b>(990)</b>

**Note: Impact of net cash appropriation arrangements**

	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000
<b>Total comprehensive income/(loss) excluding depreciation/ amortisation expenses previously funded through revenue appropriations</b>					
	-	-	-	-	-
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	993	990	990	990	990
<b>Total comprehensive income/(loss) - as per the statement of comprehensive income</b>	<b>(993)</b>	<b>(990)</b>	<b>(990)</b>	<b>(990)</b>	<b>(990)</b>

(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)**

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	428	428	428	428	428
Trade and other receivables	29,361	29,997	30,092	27,724	28,504
<b>Total financial assets</b>	<b>29,789</b>	<b>30,425</b>	<b>30,520</b>	<b>28,152</b>	<b>28,932</b>
<b>Non-financial assets</b>					
Land and buildings	3,225	2,575	1,925	3,027	2,377
Property, plant and equipment	1,173	1,074	1,404	1,784	1,644
Intangibles	109	79	69	59	49
Other non-financial assets	541	541	541	541	541
<b>Total non-financial assets</b>	<b>5,048</b>	<b>4,269</b>	<b>3,939</b>	<b>5,411</b>	<b>4,611</b>
<b>Total assets</b>	<b>34,837</b>	<b>34,694</b>	<b>34,459</b>	<b>33,563</b>	<b>33,543</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	229	229	229	229	229
Other payables	1,616	1,406	1,106	755	773
<b>Total payables</b>	<b>1,845</b>	<b>1,635</b>	<b>1,335</b>	<b>984</b>	<b>1,002</b>
<b>Provisions</b>					
Employee provisions	11,668	11,888	12,108	12,328	12,448
Other provisions	581	592	603	-	-
<b>Total provisions</b>	<b>12,249</b>	<b>12,480</b>	<b>12,711</b>	<b>12,328</b>	<b>12,448</b>
<b>Total liabilities</b>	<b>14,094</b>	<b>14,115</b>	<b>14,046</b>	<b>13,312</b>	<b>13,450</b>
<b>Net assets</b>	<b>20,743</b>	<b>20,579</b>	<b>20,413</b>	<b>20,251</b>	<b>20,093</b>
<b>EQUITY*</b>					
<b>Parent entity interest</b>					
Contributed equity	7,630	8,456	9,280	10,108	10,940
Reserves	1,593	1,593	1,593	1,593	1,593
Retained surplus (accumulated deficit)	11,520	10,530	9,540	8,550	7,560
<b>Total equity</b>	<b>20,743</b>	<b>20,579</b>	<b>20,413</b>	<b>20,251</b>	<b>20,093</b>

\*'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 2018-19)**

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2018</b>				
Balance carried forward from previous period	11,520	1,593	7,630	20,743
<b>Adjusted opening balance</b>	<b>11,520</b>	<b>1,593</b>	<b>7,630</b>	<b>20,743</b>
<b>Comprehensive income</b>				
Surplus/(deficit) for the period	(990)	-	-	(990)
<b>Total comprehensive income</b>	<b>(990)</b>	<b>-</b>	<b>-</b>	<b>(990)</b>
<b>Transactions with owners</b>				
<b>Contributions by owners</b>				
Departmental Capital Budget (DCB)	-	-	826	826
<b>Sub-total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>826</b>	<b>826</b>
<b>Estimated closing balance as at 30 June 2019</b>	<b>10,530</b>	<b>1,593</b>	<b>826</b>	<b>826</b>
<b>Closing balance attributable to the Australian Government</b>	<b>10,530</b>	<b>1,593</b>	<b>826</b>	<b>826</b>

Prepared on Australian Accounting Standards basis.

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

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	34,646	33,520	33,586	34,425	33,754
Sale of goods and rendering of services	370	9	10	10	10
<b>Total cash received</b>	<b>35,016</b>	<b>33,529</b>	<b>33,596</b>	<b>34,435</b>	<b>33,764</b>
<b>Cash used</b>					
Employees	27,780	27,000	27,004	27,155	27,486
Suppliers	7,236	6,529	6,592	7,280	6,278
<b>Total cash used</b>	<b>35,016</b>	<b>33,529</b>	<b>33,596</b>	<b>34,435</b>	<b>33,764</b>
<b>Net cash from/(used by) operating activities</b>	-	-	-	-	-
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment and intangibles	387	211	660	2,462	190
<b>Total cash used</b>	<b>387</b>	<b>211</b>	<b>660</b>	<b>2,462</b>	<b>190</b>
<b>Net cash from/(used by) investing activities</b>	<b>(387)</b>	<b>(211)</b>	<b>(660)</b>	<b>(2,462)</b>	<b>(190)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity	387	211	660	2,462	190
<b>Total cash received</b>	<b>387</b>	<b>211</b>	<b>660</b>	<b>2,462</b>	<b>190</b>
<b>Net cash from/(used by) financing activities</b>	<b>387</b>	<b>211</b>	<b>660</b>	<b>2,462</b>	<b>190</b>
<b>Net increase/(decrease) in cash held</b>	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	428	428	428	428	428
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>428</b>	<b>428</b>	<b>428</b>	<b>428</b>	<b>428</b>

Prepared on Australian Accounting Standards basis.

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

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
<b>NEW CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 (DCB)	830	826	824	828	832
<b>Total new capital appropriations</b>	<b>830</b>	<b>826</b>	<b>824</b>	<b>828</b>	<b>832</b>
<b>Provided for:</b>					
<i>Purchase of non-financial assets</i>	387	211	660	828	190
<i>Other items</i>	443	615	164	-	642
<b>Total items</b>	<b>830</b>	<b>826</b>	<b>824</b>	<b>828</b>	<b>832</b>
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation - DCB (a)	387	211	660	2,462	190
<b>TOTAL</b>	<b>387</b>	<b>211</b>	<b>660</b>	<b>2,462</b>	<b>190</b>
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	387	211	660	2,462	190
<b>Total cash used to acquire assets</b>	<b>387</b>	<b>211</b>	<b>660</b>	<b>2,462</b>	<b>190</b>

(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 asset movements (Budget year 2018-19)**

	Buildings	Other property, plant and equipment	Computer software and intangibles	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2018</b>				
Gross book value	3,875	1,463	921	6,259
Accumulated depreciation/ amortisation and impairment	(650)	(290)	(812)	(1,752)
<b>Opening net book balance</b>	<b>3,225</b>	<b>1,173</b>	<b>109</b>	<b>4,507</b>
<b>Capital asset additions</b>				
<b>Estimated expenditure on new or replacement assets</b>				
By purchase - appropriation equity (a)	-	191	20	211
<b>Total additions</b>	<b>-</b>	<b>191</b>	<b>20</b>	<b>211</b>
<b>Other movements</b>				
Depreciation/amortisation expense	(650)	(290)	(50)	(990)
<b>Total other movements</b>	<b>(650)</b>	<b>(290)</b>	<b>(50)</b>	<b>(990)</b>
<b>As at 30 June 2019</b>				
Gross book value	3,875	1,654	941	6,470
Accumulated depreciation/ amortisation and impairment	(1,300)	(580)	(862)	(2,742)
<b>Closing net book balance</b>	<b>2,575</b>	<b>1,074</b>	<b>79</b>	<b>3,728</b>

(a) 'Appropriation equity' refers to equity injections appropriations provided through Appropriation Bill (No. 2) 2018-19.

Prepared on Australian Accounting Standards basis.

