

PRODUCTIVITY COMMISSION

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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.

Table 1.1: Agency outcomes and output groups

Outcome	Description	Output groups
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 2006-07

2.1 APPROPRIATIONS AND OTHER RESOURCES

The total appropriations and other resources for the Productivity Commission (the Commission) in the 2006-07 Budget is \$28.6 million.

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how resources will be applied by outcome and departmental classification.

Table 2.1: Appropriations and other resources 2006-07

Productivity Commission	Departmental				Administered				Total \$'000
	Appropriation Bill No. 1 \$'000	Appropriation Bill No. 2 \$'000	Special Appropriation \$'000	Other resources \$'000	Appropriation Bill No. 2 SPPs \$'000	Other Appropriation \$'000	Special Appropriation \$'000	Other resources \$'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	28,471	-	-	85	-	-	-	-	28,556
Total	28,471	-	-	85	-	-	-	-	28,556

2.2 2006-07 BUDGET MEASURES

Table 2.2 Productivity Commission measures

The Commission does not have any 2006-07 Budget measures.

2.3 OTHER RESOURCES AVAILABLE TO BE USED

Table 2.3 provides details of resources obtained by the Commission for provision of goods or services. 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 receipts 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental resources		
Goods and services	50	50
Other	35	35
Total departmental resources available to be used	85	85

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

Receipts from goods and services include sale of publications, sale of surplus equipment and external use of the Commission's library (of which some \$9,000 is due to cost recovery arrangements).

2.4 MOVEMENT OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

Table 2.4: Movement of administered funds from 2005-06 to 2006-07

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 SPECIAL ACCOUNTS

Special accounts provide a means to set aside and record amounts used for specified purposes. Table 2.6 shows the expected additions (credits) and reductions (debits) for each account used by the Commission.

Table 2.6: Estimates of special account flows and balances

	Opening balance	Credits	Debits	Adjustments	Closing balance
	2006-07	2006-07	2006-07	2006-07	2006-07
	2005-06	2005-06	2005-06	2005-06	2005-06
	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Monies	-	-	-	-	-
	-	-	-	-	-
Services for Other Government and Non-Agency Bodies	-	-	-	-	-
	-	-	-	-	-
Total special accounts					
2006-07 Budget estimate	-	-	-	-	-
Total special accounts 2005-06 estimated actual	-	-	-	-	-

2.7 ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The Commission does not have an appropriation for administered capital, departmental equity injection or loans in the 2006-07 Budget.

Section 3: Outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items to contribute to the outcome for the Productivity Commission (the Commission).

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, and competitive neutrality complaints investigations). In view of this, the Commission requires the flexibility to vary resources amongst its various outputs.

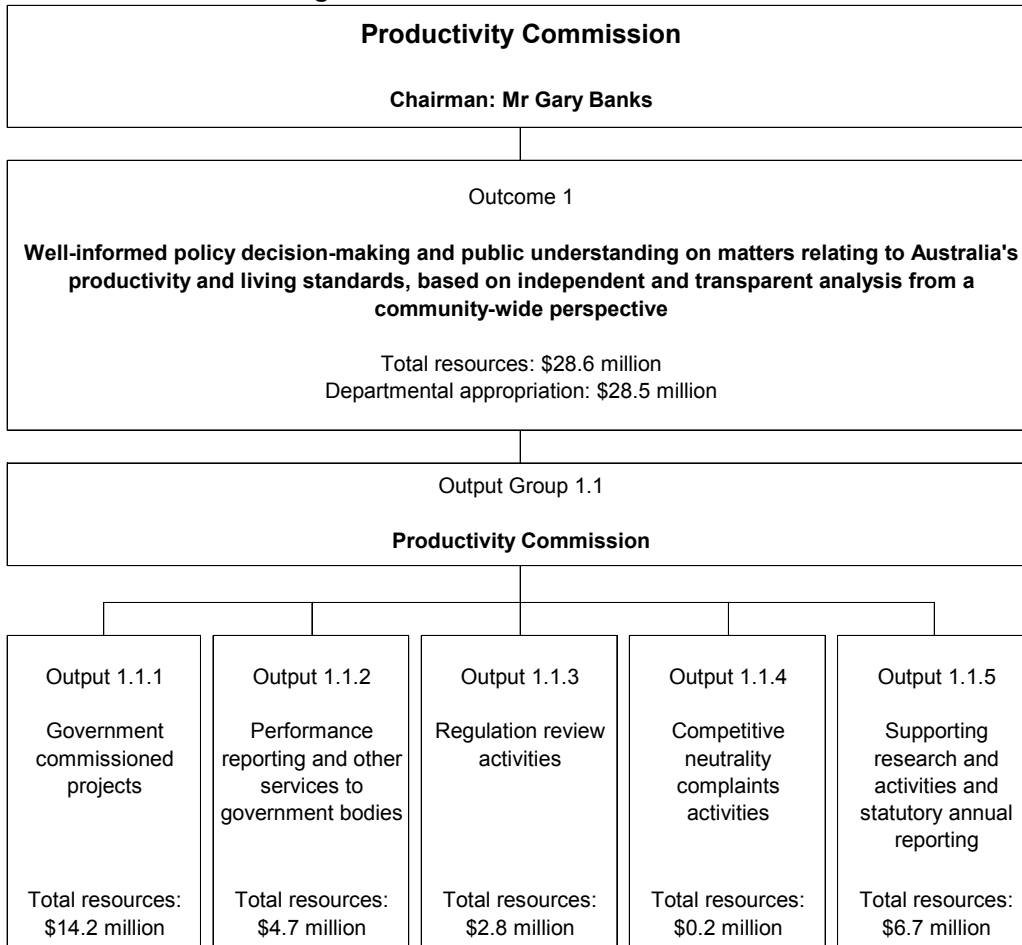
The effectiveness with which the Commission’s outputs contribute to achievement of the outcome is difficult to assess. The Commission is but one source of policy advice on matters relating to Australia’s productivity and living standards and many issues are complex and long term. The Commission aims 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 ‘Contribution to achievement of Outcome 1’.

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 the outcome is summarised in Figure 4.

Figure 4: Contributions to outcomes



3.2 OUTCOMES — DEPARTMENTAL AND ADMINISTERED

Figure 5: Departmental appropriations by outcome, 2006-07

As the Commission has one outcome with a total departmental appropriation of \$28.5 million, this figure is not applicable.

Figure 6: Administered appropriations by outcome, 2006-07

The Commission does not have any administered appropriations.

3.3 OUTCOMES AND PERFORMANCE

Outcome 1 description

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 resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for Outcome 1, including departmental appropriations and revenue from other sources.

Table 3.1: Total resources for Outcome 1

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
Departmental appropriations		
Output Group 1.1 - Productivity Commission		
Output 1.1.1 - Government commissioned projects	14,200	14,100
Output 1.1.2 - Performance reporting and other services to government bodies	4,700	4,700
Output 1.1.3 - Regulation review activities	2,800	2,800
Output 1.1.4 - Competitive neutrality complaints activities	200	200
Output 1.1.5 - Supporting research and activities and statutory annual reporting	6,549	6,671
Total departmental appropriations	28,449	28,471
Revenue from other sources		
Goods and services	50	50
Other	35	35
Total revenue from other sources	85	85
Total resources	28,534	28,556
	2005-06	2006-07
Average staffing level (number)	200	200

Contributions to achievement of Outcome 1

Output 1: Government commissioned projects

Public inquiries (for example, reviews of waste generation and resource efficiency, conservation of historic heritage places and road and rail freight infrastructure pricing), case studies and other commissioned work (such as the economic impacts of migration and population growth, standards and accreditation and science and innovation).

Output 2: Performance reporting and other services to government bodies

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

Output 3: Regulation review activities

Assessments of regulation impact statements, 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.

Performance information for Outcome 1

Performance information for individual outputs and output groups relating to the Commission are summarised in Table 3.2.

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	<p>Quality: Projects of a high standard, useful to government, undertaken in accordance with required processes and on time.</p> <p>Quantity: Capacity to undertake projects to the total price of outputs.</p> <p>Price: \$14.1 million</p>
Output 1.1.2 - Performance reporting and other services to government bodies	<p>Quality: Reports of a high standard, useful to government, and completed on time.</p> <p>Quantity: Capacity to provide reports and services to the total price of outputs.</p> <p>Price: \$4.7 million</p>
Output 1.1.3 - Regulation review activities	<p>Quality: Regulation Impact Statement (RIS) assessments and associated activities of a high standard, advice useful to government and on time.</p> <p>Quantity: Capacity to undertake RIS assessments and associated activities to the total price of outputs.</p> <p>Price: \$2.8 million</p>
Output 1.1.4 - Competitive neutrality complaints activities	<p>Quality: Competitive neutrality complaints successfully resolves within 90 days; associated activities of a high standard and useful to government.</p> <p>Quantity: Capacity to undertake activities to the total price of outputs.</p> <p>Price: \$0.2 million</p>
Output 1.1.5 - Supporting research and activities and statutory annual reporting	<p>Quality: Reports, projects and associated activities of a high standard, useful to government, raising community awareness and on time.</p> <p>Quantity: Capacity to undertake research that supports the government's current and emerging policy agenda to the total price of outputs.</p> <p>Price: \$6.7 million</p>

Evaluations for Outcome 1

Evaluation of actual levels of achievement will be shown in the Commission's 2006-07 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 \$9,000 in 2006-07.

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.

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 8.

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) 2006-07 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 2006-07 and the forward estimate years. The Commission has a sound financial position and currently has sufficient financial assets to fund ongoing provisions and payables, and asset replacement, as they fall due.

5.2 BUDGETED FINANCIAL STATEMENTS TABLES

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	28,449	28,471	28,653	28,830	29,061
Goods and services	50	50	50	50	50
Other	35	35	35	35	35
Total revenue	28,534	28,556	28,738	28,915	29,146
Total income	28,534	28,556	28,738	28,915	29,146
EXPENSE					
Employees	21,944	21,780	21,919	22,114	22,325
Suppliers	5,841	6,027	6,070	6,118	6,138
Depreciation and amortisation	749	749	749	683	683
Write-down of assets and impairment of assets	-	-	-	-	-
Total expenses	28,534	28,556	28,738	28,915	29,146
Operating result from continuing operations	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	-	-	-	-	-

**Table 5.2: Budgeted departmental balance sheet
as at 30 June**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash	296	262	257	273	241
Receivables	6,800	7,300	7,900	8,300	8,900
Other	235	211	215	241	230
Total financial assets	7,331	7,773	8,372	8,814	9,371
Non-financial assets					
Infrastructure, plant and equipment	1,962	1,818	1,419	1,201	924
Intangibles	24	19	14	9	4
Total non-financial assets	1,986	1,837	1,433	1,210	928
Total assets	9,317	9,610	9,805	10,024	10,299
LIABILITIES					
Provisions					
Employees	7,238	7,493	7,646	7,825	8,060
Leasehold make-good	720	758	800	840	880
Total provisions	7,958	8,251	8,446	8,665	8,940
Payables					
Suppliers	120	120	120	120	120
Total payables	120	120	120	120	120
Total liabilities	8,078	8,371	8,566	8,785	9,060
EQUITY					
Contributed equity	1,711	1,711	1,711	1,711	1,711
Reserves	1,172	1,172	1,172	1,172	1,172
Accumulated deficits	(1,644)	(1,644)	(1,644)	(1,644)	(1,644)
Total equity	1,239	1,239	1,239	1,239	1,239
Current assets	7,331	7,773	8,372	8,814	9,371
Non-current assets	1,986	1,837	1,433	1,210	928
Current liabilities	620	620	620	620	620
Non-current liabilities	7,458	7,751	7,946	8,165	8,440

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

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	50	50	50	50	50
Appropriations	28,449	28,471	28,653	28,830	29,061
Total cash received	28,499	28,521	28,703	28,880	29,111
Cash used					
Employees	21,846	21,617	21,776	21,944	22,011
Suppliers	5,851	6,048	6,097	6,070	6,127
Cash to Official Public Account	300	300	500	400	600
Total cash used	27,997	27,965	28,373	28,414	28,738
Net cash from or (used by) operating activities	502	556	330	466	373
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	426	600	345	460	415
Total cash used	426	600	345	460	415
Net cash from or (used by) investing activities	(416)	(590)	(335)	(450)	(405)
Net increase or (decrease) in cash held					
	86	(34)	(5)	16	(32)
Cash at the beginning of the reporting period	210	296	262	257	273
Cash at the end of the reporting period	296	262	257	273	241

Table 5.4: Departmental statement of changes in equity — summary of movement (Budget 2006-07)

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2006					
Balance carried forward from previous period	(1,644)	1,172	-	1,711	1,239
Adjustment for changes in accounting policies	-	-	-	-	-
Adjusted opening balance	(1,644)	1,172	-	1,711	1,239
Net operating result	-	-	-	-	-
Estimated closing balance as at 30 June 2007	(1,644)	1,172	-	1,711	1,239

Table 5.5: Departmental capital budget statement

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	-	-	-	-
Funded internally by departmental resources	426	600	345	460	415
Total	426	600	345	460	415

Table 5.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)

	Land	Investment	Buildings	Specialist	Other	Heritage	Computer	Other	Total
	property	property	equipment	infrastructure	and cultural	software	intangibles		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2006									
Gross book value	-	-	-	-	4,658	-	574	-	5,232
Accumulated depreciation	-	-	-	-	(2,696)	-	(550)	-	(3,246)
Opening net book value	-	-	-	-	1,962	-	24	-	1,986
Additions:									
by purchase	-	-	-	-	585	-	15	-	600
Depreciation/amortisation expense	-	-	-	-	(729)	-	(20)	-	(749)
Disposals:									
other disposals	-	-	-	-	-	-	-	-	-
As at 30 June 2007									
Gross book value	-	-	-	-	5,243	-	589	-	5,832
Accumulated depreciation	-	-	-	-	(3,425)	-	(570)	-	(3,995)
Estimated closing net book value	-	-	-	-	1,818	-	19	-	1,837

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 2006-07)

The Commission does not have any administered items.

5.3 NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

