



Australian Government
Productivity Commission

Productivity Commission

Annual Report

2015-16



© Commonwealth of Australia 2016

ISSN 2205-5673 (Print)

ISSN 2205-5681 (Online)



Except for the Commonwealth Coat of Arms and content supplied by third parties, this copyright work is licensed under a Creative Commons Attribution 3.0 Australia licence. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/3.0/au>. In essence, you are free to copy, communicate and adapt the work, as long as you attribute the work to the Productivity Commission (but not in any way that suggests the Commission endorses you or your use) and abide by the other licence terms.

Use of the Commonwealth Coat of Arms

For terms of use of the Coat of Arms visit the 'It's an Honour' website: <http://www.itsanhonour.gov.au>

Third party copyright

Wherever a third party holds copyright in this material, the copyright remains with that party. Their permission may be required to use the material, please contact them directly.

Attribution

This work should be attributed as follows, *Source: Productivity Commission, Annual Report 2015-16*

If you have adapted, modified or transformed this work in anyway, please use the following, *Source: based on Productivity Commission data, Annual Report 2015-16.*

An appropriate reference for this publication is:

Productivity Commission 2016, *Annual Report 2015-16*, Annual Report Series, Canberra.

Publications enquiries

Media and Publications, phone: (03) 9653 2244 or email: maps@pc.gov.au

The Productivity Commission

The Productivity 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. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au).



8th September 2016

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

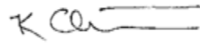
Dear Treasurer

We submit to you the Productivity Commission's annual report for 2015-16. The report is prepared in accordance with section 10 of the *Productivity Commission Act 1998*. The Commission's Act requires that a copy of this report be tabled within 15 sitting days of each House of Parliament after the day of receipt of the report.

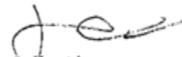
Yours sincerely



Peter Harris
Chair



Karen Chester
Deputy Chair



Julie Abramson
Commissioner



Ken Baxter
Commissioner



Melinda Cilento
Commissioner



Jonathan Coppel
Commissioner



Stephen King
Commissioner



Paul Lindwall
Commissioner



Angela MacRae
Commissioner



Peter Harris AO
Chair



Karen Chester
Deputy Chair



Julie Abrahamson
Commissioner



Ken Baxter
Commissioner



Melinda Cilento
Commissioner



Jonathan Coppel
Commissioner



Stephen King
Commissioner



Paul Lindwall
Commissioner



Angela MacRae
Commissioner

Acknowledgments

In memory of former long-term senior Commission official Garth Pitkethly (1946-2015).

The Commission wishes to thank its staff for their continued efforts, commitment and support during the past year.



Foreword

In 2015-16, the Productivity Commission completed six inquiries or commissioned studies for the Government; and produced the third in a series of Flagship research projects on matters of medium-term policy interest, addressing Housing Decisions of Older Australians.

In addition, work commenced on ten other inquiries or commissioned studies, historically high for new inquiry work.

And the twenty-first edition of the Review of Government Services, with more than 10 000 data points covering 16 service areas, was produced.

In a time of reduced resources, the Commission's staff and Commissioners have done an exceptional job this year to maintain quality of work and on-time delivery.

In recent years, Government responses to our reports have been provided in some cases only after substantial delay. While it takes time for Commission reports to be absorbed, and it is not always the case that matters are given to the Commission with the expectation of immediate action, it would be preferable for public policy development to take place in a relatively timely fashion. It should not become the practice that an inquiry, having been commissioned, is allowed to languish for many years.

With the arrival of a high workload for the coming twelve months, 2015-16's relatively high volume of own-motion research – on Anti-Dumping, Digital Disruption, Housing Decisions, Tax and Transfer Incidence and Indigenous Primary School Achievement – will not be repeated.

These reports have, however, been useful in highlighting particular aspects of public policy that may otherwise have remained unrecognised. Like our inquiry work, they too are designed to be drawn on in future debates, if not today.

Peter Harris
Chair

Contents

Acknowledgments	vi
Foreword	vii
Abbreviations	xi
Annual Performance Statement	1
1 Review of Commission activities and performance	5
Overview	6
Year in review	8
Transparency and public consultation	13
Feedback on the Commission's work	16
Policy and wider impacts	16
Trends in inquiries and studies	20
Commission Capabilities	21
2 Management and accountability	23
Overview	23
Governance	25
External and internal scrutiny	28
Management of human resources	29
Financial performance	33
Annual reporting requirements and aids to access	36
Annex B	41
Annex C	42
Annex D	43
A Financial statements	45
Index	77



Abbreviations

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AGCNCO	Australian Government Competitive Neutrality Complaints Office
AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
APEC	Asia-Pacific Economic Cooperation
APS	Australian Public Service
COAG	Council of Australian Governments
IMF	International Monetary Fund
NCP	National Competition Policy
OECD	Organisation for Economic Cooperation and Development
OHS	Occupation health and safety
PGPA Act	Public Governance, Performance and Accountability Act 2013
ROGS	Report on Government Services
SES	Senior Executive Service
VECCI	Victorian Employers' Chamber of Commerce and Industry
WHS	Work Health and Safety



Annual Performance Statement

Introductory statement

This annual performance statement is for s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for the 2015-16 financial year and accurately reflects the entity's performance in accordance with s39(2) of the PGPA Act.

Entity purpose

The Commission's purpose, as embodied in the *Productivity Commission Act 1998*, is to provide governments and the Australian community with information and advice that better inform policy decisions to improve Australians' wellbeing. The Commission applies robust, transparent analysis, and adopts a community-wide perspective.


Results

In 2015-16, the Commission completed six government-commissioned inquiries and studies, as well as six self-initiated research projects, on a diverse set of topics. The Commission also received references from the Government for ten new projects, historically high for inquiries referred to Productivity Commission. The Commission also continued to provide secretariat, research and report preparation services to the Steering Committee for the Review of Government Service Provision.

In undertaking this work, the Commission persistently sought to complete projects and publish reports that are high quality, useful to stakeholders and timely. As outlined in the 2015-16 Portfolio Budget Statements, and the Commission's 2015-19 Corporate Plan, indicators of performance are: independent and transparent processes being followed; the Commission's work being widely referenced in public policy forums; and projects and reports being completed in accordance with commissioned timelines.

A summary of the Commission's performance against its purpose is below, with analysis presented in more detail in the chapter 'Review of Commission activities and performance'.

Assessment of the Commission's performance, if referenced to implementation of recommendations, is complicated by it being one contributor among many to any policy outcomes, and that the nature, scope and timing of commissioned projects vary from year



to year. Also, as its inquiry and research outputs contribute, over periods of years, to public debate and policy development across a range of complex and often contentious issues, the Commission's contribution is best considered over the medium term. Given the nature of its work, the Commission relies mainly on qualitative indicators of performance with quantitative indicators helping to inform the assessment in some areas.

The Productivity Commission follows independent and transparent processes.

The Commission operates under the powers, protection and guidance of its own legislation. Its independence is formally exercised under the *Productivity Commission Act 1998* through the Chairman, Deputy Chair and Commissioners, who are appointed by the Governor-General for fixed periods.

It has its own budgetary allocation and small permanent staff, operating at arm's length from other government agencies. While the Government initiates the Commission's major tasks, the Commission's findings and recommendations are based on its own analysis and judgments.

The Commission's open and transparent processes are one of its crucial differentiating factors from other inquiry processes. The Commission is known as generally being critical to delivering high-quality advice by ensuring its analysis and judgements are scrutinised and drawing on public input.

In 2015-16, the Commission's processes provided for extensive public input and feedback through hearings, workshops and other consultative forums, and through the release of draft reports and preliminary findings. In addition, key data sets and modelling were made publicly available following the release of reports.

The Commission conducted public hearings, and/or roundtable discussions with parties of interest, for each of the major projects commissioned by government. For each project an issues paper was published, calling for public submissions, shortly after the reference was received. For public inquiries, there was an opportunity for interested parties to make submissions in advance of public hearings, and following the release of a draft report.

The Productivity Commission's work is widely referenced in public policy forums.

In 2015-16, the Commission's work was widely referenced in public debate. Contributions to parliamentary debate and the extent of media coverage indicate public interest in the Commission's work and its potential influence.

Around 100 members and senators referred to around 40 different Commission reports or inquiries, or to the Commission's role in policy processes. And during the 2015-16 sittings of state and territory parliaments, around 140 members referred to 30 different Commission publications or inquiries, the Report on Government Services, or to the Commission's role.

The Commission rated an average of 320 mentions a month in national print media. In particular, the Commission's work on the Workplace Relations Framework generated a significant degree of debate in the parliament and media.

The Commission made increasing use of social media during 2015-16 to raise awareness of, and promote participation in, its work. There was an increase in the number of people following the Commission's work on Twitter, with a corresponding increase in social media comment.

The OECD has set up a productivity-focused forum in 2015-16, and drew on the Productivity Commission's international reputation in doing so.

Productivity Commission projects and reports are completed in accordance with commissioned timeframes.

All of the major projects completed in 2015-16 were done so within the timeframes commissioned by Government.

In developing its 2016-17 Corporate Plan, the Commission reviewed its performance framework to include both impact and delivery criteria. The new criteria are consistent with, but expand on, the performance criteria above. They will be reported against in the 2016-17 Annual Report. The lengthy 2016 election process created deferrals in some commissioned work to be completed in 2016-17.

1 Review of Commission activities and performance

Some highlights from 2015-16

- published government-commissioned reports on:
 - ... Business Set-up, Transfer and Closure
 - ... Public Safety Mobile Broadband
 - ... Migrant Intake Into Australia (draft report)
 - ... Service Exports
 - ... Workplace Relations Framework
 - ... Mutual Recognition Schemes
 - ... Intellectual Property Arrangements (draft report)
- published a flagship research paper on the Housing Decisions of Older Australians
- released own-initiated research papers on Tax and Transfer Incidence, Anti-Dumping Arrangements, Superannuation Policy, Indigenous Primary School Achievement, and Digital Disruption.
- published the twenty first edition of the annual Report on Government Services (RoGS)
- released other supporting research, including papers on effective marginal tax rates on savings, and productivity in financial and insurance services.

Some areas of focus for 2016-17

- current inquiries and government-commissioned research:
 - ... Human Services
 - ... Consumer Law Enforcement and Administration
 - ... Telecommunications Universal Service Obligation
 - ... Data Availability and Use
 - ... Education Evidence Base
 - ... Superannuation
 - ... Marine Fisheries and Aquaculture
 - ... Regulation of Agriculture
 - ... Productivity Review
- the first inquiry under new water reporting functions
- annual RoGS and the 2016 Overcoming Indigenous Disadvantage report
- developing a reporting framework on what works to improve service outcomes (complementary to the RoGS).



Overview

The Productivity 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. Its remit covers all sectors of the economy, with a view to better informing policy making to raise national productivity and living standards.

The outcome objective designated for the Productivity Commission is:

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 pursues this in four broad work streams:

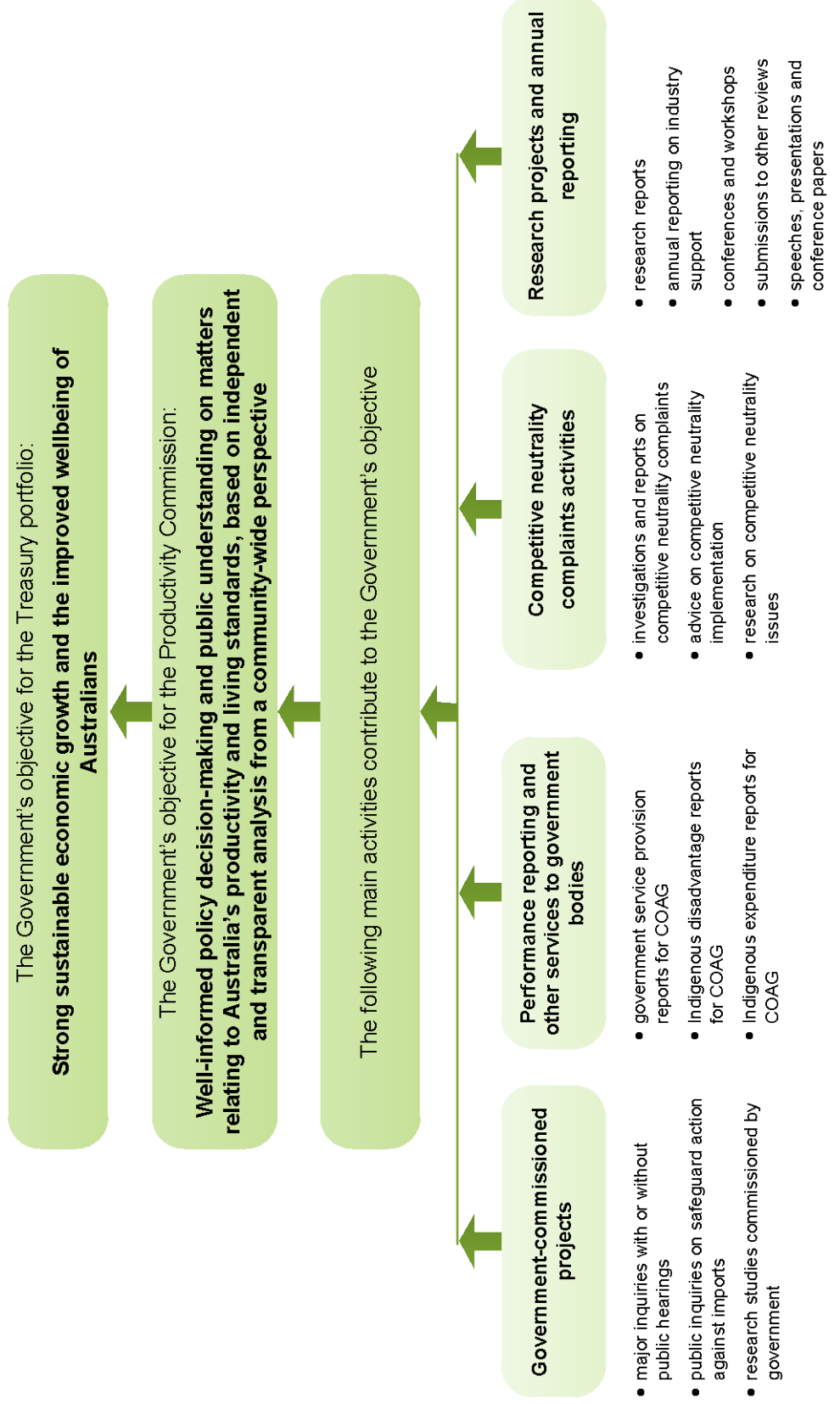
- government-commissioned inquiries or studies
- other research projects and a statutory analysis of industry support
- performance reporting and related analysis of Commonwealth and State service provision
- competitive neutrality complaints (figure 1.1).

Over the year, the Commission completed a number of government-commissioned inquiries and studies, and research projects, on a diverse set of topics. These include inquiries and studies on Business Set-up, Transfer and Closure, Mutual Recognition Schemes, Australia's Workplace Relations Framework, Public Safety Mobile Broadband, Migrant Intake into Australia, and Services Exports. Research reports were released on Superannuation Policy, Tax and Transfer Incidence in Australia, Housing Decisions of Older Australians, Developments in Anti-Dumping Arrangements, Indigenous Primary School Achievement, and Digital Disruption.

The Commission assists all Australian governments and COAG through a mix of standing reporting responsibilities and specific projects. In 2015-16, it continued to provide secretariat, research and report preparation services to the Steering Committee for the Review of Government Service Provision.

In the forthcoming year, the Commission will also commence the first review under its new water functions at the request of the Australian Government. This will be the first of a series of periodic inquiries on progress towards achieving the objectives and outcomes of the National Water Initiative. The Commission is also responsible for conducting periodic inquiries on the Murray-Darling Basin Plan and water resource plans, the first of which is expected to commence in 2017-18.

Figure 1.1 Productivity Commission main activities 2015-16



Year in review

Public inquiries and commissioned studies

There were 10 public inquiries and five research studies underway at some point during 2015-16 (table 1.1 and figure 1.2).

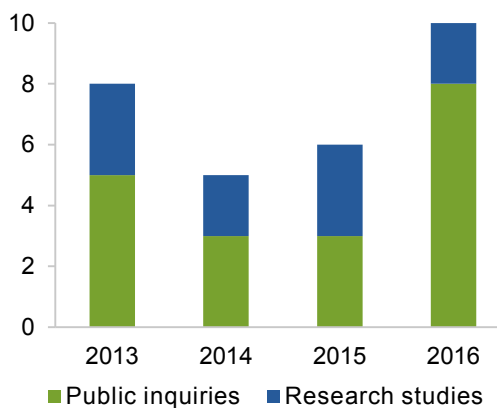
The Commission completed six inquiries or studies on Business Set-up, Transfer and Closure, Mutual Recognition Schemes, Workplace Relations Framework, Public Safety Mobile Broadband, Service Exports and Migrant Intake into Australia.

In addition, references were received from the Australian Government for 10 new projects, the largest array of inquiry work on hand in the Commission's history.

- In August 2015, the Government asked the Commission to undertake an inquiry into Intellectual Property Arrangements. The inquiry is to consider whether current arrangements provide an appropriate balance between access to ideas and products, and encouraging innovation, investment and the production of creative works. The final report was handed to the Government in September 2016.
- An inquiry on the Regulation of Agriculture commenced in November 2015. The inquiry will focus on regulations that have a material impact on the competitiveness and productivity of Australian agriculture. A final report will be provided to the Government in November 2016.
- In December 2015, the Commission was asked to undertake a 12 month inquiry into the Regulation of the Australian Marine Fisheries and Aquaculture sectors to consider whether there are opportunities to improve fisheries regulations without compromising fishery policy and environmental objectives.
- In February 2016, the Commission received a joint study and inquiry reference into Superannuation. The 9 month study requires the Commission to develop criteria to assess the efficiency and competitiveness of the superannuation system. The inquiry will examine alternative models for a formal competitive process for allocating default fund members to products. The inquiry report is expected to be handed to the Government in August 2017. Both tasks will inform a review of the efficiency and competitiveness of the superannuation system, which the Commission will be asked to do following the full implementation of the MySuper reforms (after 1 July 2017).

Figure 1.2 **Projects on hand**

Number as at 30 June



- The Commission received a reference for a 12 month inquiry into Data Availability and Use in March 2016. It is required to look at the benefits and costs of making public and private datasets more available, examine options for collection, sharing and release of data, identify ways consumers can use and benefit from access to data, and consider how to preserve individual privacy and control over data use.
- In March 2016, the Commission also commenced an inquiry into the National Education Evidence Base for school and early childhood. The Commission will provide advice on the national approach to collecting and using data for early childhood education and schools to improve Australia's educational outcomes. A final report is to be provided to the Government in December 2016.
- The Commission received a reference for a 12 month inquiry into the Telecommunications Universal Service Obligation in April 2016. The primary policy question to be addressed is to what extent, in the evolving Australian telecommunications market, government policies may be required to support universal access to a minimum level of retail telecommunications services.
- In April 2016, the Commission was asked to undertake a research study of the enforcement and administration arrangements underpinning the Australian Consumer Law. This study is to examine the effectiveness of the 'multiple regulator' model in supporting a single national consumer policy framework and make findings on how this model can be strengthened. A final report will be provided to the Government in March 2017.
- An 18 month inquiry into the increased application of competition, contestability and informed user choice to Human Services commenced in April 2016. The Commission was asked to undertake the inquiry in two stages.
 - The first stage will identify services that are best suited to the introduction of greater competition, contestability and user choice. An initial study report will be published in November 2016.
 - In the second stage, the Commission will undertake a more extensive examination and provide an inquiry report making recommendations on how to introduce greater competition, contestability and user choice to the services that were identified in the first stage. A final report will be provided in October 2017.

Further information on public inquiries and commissioned studies undertaken during 2015-16 are available on the Commission's website.

With staffing levels at historically low levels, exceptional efforts are being made by the Commission's permanent staff, assisted by seconded staff from other agencies, to sustain the Commission's high quality work.

Table 1.1 **Program of public inquiries and other government-commissioned projects^a**

	2014-15					2015-16					2016-17														
	Month	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Public inquiries:																									
Business Set-up, Transfer and Closure																									
Workplace Relations Framework																									
Migrant Intake into Australia																									
Intellectual Property Arrangements																									
Regulation of Agriculture																									
Regulation of Marine Fisheries and Aquaculture																									
Data Availability and Use																									
Education Evidence Base																									
Telecommunications Universal Service Obligation																									
Human Services																									
Superannuation – Alternative Default Fund Models ^b																									
Commissioned research studies:																									
Mutual Recognition Schemes																									
Public Safety Mobile Broadband																									
Service Exports																									
Superannuation – Competitiveness and Efficiency																									
Consumer Law Enforcement and Administration																									

^a Shaded area indicates the approximate duration of the project in the period covered by the table. This reflects revised delivery dates approved by the Australian Government for the final reports from the inquiries into Intellectual Property Arrangements and Regulation of Agriculture as the timetables were impacted by the caretaker period associated with the federal election. The delivery date for the Human Services study report was also revised. ^b The Commission received a joint study and inquiry reference into superannuation in February 2016; the inquiry component commenced in September 2016.

Performance reporting and other services to government bodies

The Commission provides secretariat services to the Steering Committee for the Review of Government Service Provision, and has done so since the Review’s commencement in 1993. The collaborative efforts of more than 80 Commonwealth, State and Territory government agencies contribute to the Steering Committee’s major outputs: the Report on Government Services; the Overcoming Indigenous Disadvantage: Key Indicators report; and the Indigenous Expenditure Report.

Report on Government Services

The *Report on Government Services 2016* was the twenty-first in this series. The Report provides comparative performance information on 16 government service delivery areas that contribute to the wellbeing of Australians — spanning child care, education and training, health, justice, community services, emergency management, housing and homelessness. The services covered in the 2016 Report collectively account for \$192 billion of government recurrent expenditure, equivalent to about 12 per cent of GDP.

Complementary to the national performance reporting on government services, work commenced on a reporting framework on what works to improve service outcomes.

Overcoming Indigenous Disadvantage: Key Indicators

The *Overcoming Indigenous Disadvantage: Key Indicators* report, commissioned by COAG in 2002, measures the wellbeing of Aboriginal and Torres Strait Islander Australians. The latest report was the sixth edition and released in November 2014.

Work was underway in 2015-16 to finalise the next edition — anticipated to be released in November 2016. Development of the 2016 report involved consultation with both governments and Aboriginal and Torres Strait Islander people, through representation on the advisory group for the report and engagement of Aboriginal and Torres Strait Islander people to review sections of the report.

Indigenous Expenditure Report


COAG agreed to the reporting of Indigenous expenditure in 2007, and the Productivity Commission assumed secretariat responsibilities from November 2008.

The Indigenous Expenditure Report contributes to governments' understanding of the levels and patterns of expenditure on services that relate to Aboriginal and Torres Strait Islander Australians. The report itself does not attempt to assess the adequacy, effectiveness or efficiency of government expenditure.

The latest Indigenous Expenditure Report was published in December 2014, and was the third in a series following publication in 2010 and 2012. A review of the report was undertaken from December 2015 to March 2016. It highlighted the gap nationally in evaluation of expenditures on outcomes for Aboriginal and Torres Strait Islander people. The next edition of this report is scheduled for late 2017.

National Agreement reporting

The Productivity Commission supports the provision of information to assess performance against the six National Agreements agreed by COAG under the Intergovernmental Agreement on Federal Financial Relations. During 2015-16, the Steering Committee



collated performance information for the National Indigenous Reform Agreement, and incorporated applicable indicators and data relating to the other five National Agreements in its Report on Government Services.

Competitive neutrality complaints activities

Competitive neutrality policy seeks to ensure that government businesses do not have advantages (or disadvantages) over private sector counterparts simply by virtue of their public ownership.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) operates as a separate unit within the Commission. Its function is to receive and investigate complaints and provide advice to the Treasurer on the application of competitive neutrality arrangements. The Office received one formal written complaint in 2015-16, which was subsequently withdrawn by the complainant prior to investigation.


The Office also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2015-16, the Office provided advice twice a week, on average, to government agencies or in response to private sector queries.

Other research activities and annual reporting

The Commission is required under its Act to undertake research to complement its other activities. It undertakes research to support its role in promoting public understanding of the trade-offs involved in different policy approaches, and how productivity and the living standards of Australians can be enhanced. It must also report annually on matters such as the effects of assistance and regulation.

The Commission's research program is guided by government statements on policy priorities, including potential commissioned work; parliamentary debate and committee work; and informal and formal consultations with Australian Government departments, business, community and environmental groups, union bodies and academics.

The Commission undertook a number of research projects during the year. In December 2015, the Commission released its third flagship research paper on the Housing Decisions of Older Australians. Research was also published during the year on Tax and Transfer Incidence, Anti-Dumping Arrangements, Superannuation Policy, Indigenous Primary School Achievement, and Digital Disruption. And reports on productivity were published: a Productivity Update, and a staff research note on Productivity in Financial and Insurance Services. Work was also substantially completed on the Trade and Assistance Review 2014-15, which was published in July 2016.



December 2015 also saw the release of the *National Indigenous Reform Agreement: Performance Assessment 2013-14*. It was the first such assessment done by the Commission and the sixth in the series, previously prepared by the COAG Reform Council, of performance assessments against the ‘Closing the Gap’ targets. As well as assessing progress against the targets, the Commission looked at how the broader Indigenous reporting framework could be improved and strongly advocated that policy evaluation effort was needed.

Transparency and public consultation

A central feature of the Commission is the scope its processes provide for people to participate in and scrutinise its work. These open and consultative processes are integral to its operation. They ensure that the Commission’s research and policy advice draw on public input and are tested publicly.

Open inquiry procedures

The Commission conducts public hearings, allows public access to the submissions made to its inquiries, and publishes draft and final inquiry reports. During its inquiry activities in 2015-16, the Commission met with approximately 600 organisations or groups, held 19 days of public hearings, and received around 950 submissions.

The Commission has adapted its processes to suit the variety of studies commissioned by the Government and provides a range of opportunities for participants and experts to comment on its analytic frameworks, preliminary findings and, where relevant, draft recommendations. For example, the Commission received around 70 submissions to these studies in 2015-16, with visit programs and targeted roundtable discussions to engage with interested parties.

Examples of consultative processes in the past year are illustrated in box 1.1, with some innovations to ensure that a diverse range of views and experiences could be taken into account.

Box 1.1 Participative and transparent processes

The Commission seeks to maximise public participation in, and transparency of, its inquiries and commissioned research studies.

Innovative approaches to consultation were apparent, mixing old and new formats, in the Commission's inquiry into Business Set-up, Transfer and Closure. For example, targeted roundtables were held on: Access to Finance; Insolvency Arrangements; and New Business Models and the Digital Economy to identify and engage with the relevant participants, and a total of 75 public submissions were received. Insolvency and legal practitioners closely engaged with the recommendations around corporate insolvency.

Following the draft report, further Australian and some overseas visits (to the United Kingdom and the United States) and phone meetings (to agencies in the United States, Israel and New Zealand) were conducted to gain a better understanding of what underpins entrepreneurial ecosystems in particular overseas locations that gave rise to the emergence of innovative and high growth potential start-ups .

The Commission also experimented with other forms of engagement during its study into mutual recognition schemes. It conducted a survey of over 100 occupation-registration bodies in Australia and New Zealand. The design allowed for a custom path through the survey that varied based on the participants' responses, allowing irrelevant questions to be skipped.

The Commission also makes key data sets and modelling available. For example, it released technical supplements on the data and modelling approaches used in the workplace relations inquiry and released the survey data used in its research on the housing decisions of older Australians.

Enhancing its own research capabilities

The Commission continues to involve outside policy advisers and researchers in its work. Roundtables, workshops and other forums provide valuable opportunities to access wider sources of expertise in its inquiries and research. From time to time, the Commission also uses specialist external expertise.

There is an active seminar program involving external experts on a range of policy issues relevant to the Commission's work. These seminars are intended to bring new ideas and stimulate debate within the Commission, as well as to foster networks with academic and other experts of relevance to the Commission's work. During the year, there were seminars on a range of topics, including knowledge spillovers, unfair dismissal regulations, innovation policy, intergenerational equity and environmental water management.

There was also a Visiting Researcher Program which seeks to attract established researchers with an outstanding research record in areas related to the Commission's priority research themes and activities. In 2015-16, Dr Larry Cook was a Visiting Researcher.

Research networks and linkages

The Commission has linkages, domestically and internationally, to research and other organisations through the involvement of Commissioners and staff in research alliances and participation in working groups and forums. For example, in 2015-16:

- A number of Commissioners were members of various boards, committees and non-profit organisations, including the Melbourne Institute, Brotherhood of St Laurence and Reconciliation Australia.
- Members of staff served on a number of ABS consultative forums including the Productivity Measurement Reference Group, the Labour Statistics Advisory Group and the Health Statistics Advisory Group.
- The Commission also received funding from the Australian Government to undertake a visit program for government officials in APEC, ASEAN and East Asia Summit economies. As part of the program, visits to Australia were conducted during the year by officials from Myanmar, Chile, Peru and India, and members of the Commission's staff participated in capacity building activities that assist developing economies in furthering their structural reform plans.
- The Commission, in partnership with The Treasury, became a member of the OECD Global Forum on Productivity which aims to foster international co-operation between public bodies promoting productivity-enhancing policies.


e Government and the Commission's communications approach

As a significant research and advisory body with statutory responsibilities related to communicating the results of its work, the Commission uses web-based tools to provide access to our information.

An email alert service currently notifies more than 1500 recipients of significant events, including report releases and the commencement and completion of inquiries. Additional email alerts are also sent to Commonwealth parliamentarians, the media, government departments and contacts in the states and territories.

The Commission has a Twitter account (<https://twitter.com/ozprodcom>) to advise of report releases and forthcoming activities, with around 3000 followers. The Twitter account is also a source of public feedback for the Commission.

The Commission's website continued to receive a very large number of file requests from external users in 2015-16. There were more than 126 000 external requests for the index pages of inquiries and government-commissioned research studies current in 2015-16. The projects of most interest were Australia's Workplace Relations Framework (23 169), Intellectual Property Arrangements (19 744) and Migrant Intake into Australia (9 229).



Other heavily accessed web pages were for the *Report on Government Services 2015* (16 424 requests) and *Report on Government Services 2016* (22 075 requests). Speeches by the Commission's Chair attracted around 5600 requests over the year.

Feedback on the Commission's work

The Commission monitors reaction to, and seeks feedback on, its work in order to improve its performance and its contribution to public understanding and policy making.

The Commission offers recipients of its reports and users of its website the opportunity to provide feedback. Website users can send comments via email or use an online survey form. The Commission also provides a publication feedback card in reports that can be returned by post.

The Commission also monitors other sources of public feedback, such as in media, recognising that views expressed about the value of the Commission's processes and the quality of its outputs can reflect agreement with, or opposition to, specific pieces of Commission analysis or advice.

In further developing its future performance reporting framework, the Commission intends to conduct a major qualitative survey every three years to help gauge the relevance, analytical rigour and clarity of its work, as well as the effectiveness of its participatory processes, openness and transparency. The first survey will be undertaken in 2017-18.

Policy and wider impacts


The outcome objective against which the Commission's overall performance is assessed is:

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.

Assessment of the Commission's performance can be complicated by it being one contributor among many to any policy outcome, although there are obvious exceptions. Its contribution is best considered over the medium term. Even when its specific recommendations are not supported by government, the Commission can play a significant role in helping governments, parliaments and the community understand the trade-offs in different policy choices; and in providing data that is a source of reference for future policy makers.

Influence on government policy-making

Government decisions in response to the Commission's inquiry reports and commissioned research studies provide a tangible indication of their usefulness to the Government, Parliament and the broader community.



During the year, the Australian Government announced the following decisions on Commission reports.

- On 24 November 2015, the Australian Government released its response to the Commission's 2013 National Access Regime report. The Australian Government announced that it will largely implement the Commission's recommendations on declaration criteria and other aspects of the regime to ensure its efficient operation.
- The Australian Government released a response to the Commission's report into Access to Justice Arrangements on 29 April 2016. The response, which addressed 18 of 83 inquiry recommendations, detailed measures implemented by the Australian Government in relation to issues highlighted by the Commission. Change effected by the inquiry report included new funding and measures to improve the consistency of data collection from courts and legal providers in order to build a better evidence base for the justice sector.
- In the Australian Government Innovation Statement (released in December 2015), the Government adopted three insolvency law recommendations from the Business Set-up, Closure and Transfer inquiry. The Government announced it would reduce personal bankruptcy to one year, introduce a safe harbor for directors during restructuring, and amend *ipso facto clauses* that allow termination of contracts solely due to an insolvency event.

Contribution to parliamentary debate

Commission inquiry and research reports continue to be used frequently by parliamentarians in debates and questions. During the 2015-16 *sittings of the Federal Parliament*:

- just over 100 Members and Senators referred to around 40 different Commission reports or inquiries, or to the Commission's role in policy processes
- in around 60 per cent of the mentions in debates and questions, federal parliamentarians cited the Commission as an authoritative source
- Commission reports on Workplace Relations and Trade Agreements featured most prominently.

In addition, there were about 140 mentions of the Commission and its work in the Hansard proceedings of *Federal Parliamentary Committees* in 2015-16. The Commission was mentioned in the proceedings of over 20 different committees, most prominently in proceedings of the Senate Standing Committee on Economics and the Senate Standing Committees on Education and Employment. The most frequent mentions were of reports on Public Infrastructure, Business Set-up, Transfer and Closure, Trade Agreements and Workplace Relations.

Parliamentary committees and the Parliamentary Library drew on a range of Commission inquiry and research outputs in their own reports and briefing materials during the year.



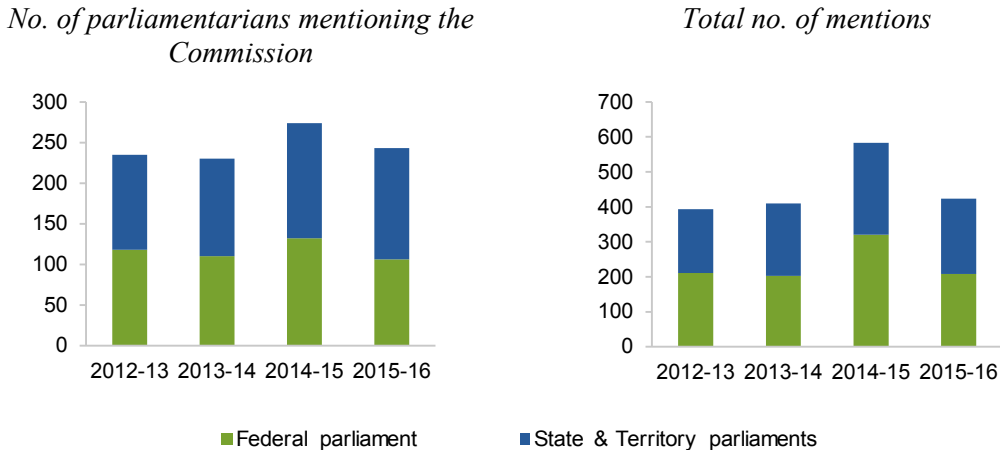
Continued use of Commission outputs by the Australian National Audit Office was also apparent during the year.

Commission inquiry and research reports, from this and previous years, were also used extensively in debate and questions by *state and territory parliamentarians*. During the 2015-16 sittings of the eight state and territory parliaments:

- almost 140 members referred to around 30 different Commission publications or inquiries, the Report on Government Services, or to the Commission’s role in policy processes
- in about 55 per cent of the 215 mentions in debates and questions, State and Territory parliamentarians cited the Commission as an authoritative source, while 7 per cent of mentions were critical of a particular finding, report or Commission attribute
- the most frequent mentions were to the Report on Government Services, with the Commission’s reports on Workplace Relations and the National Disability Insurance Scheme also featuring prominently.

Recent trends in mentions of the Commission in federal, state and territory parliamentary proceedings are shown in figure 1.3.

Figure 1.3 Mentions of the Commission in Australian parliaments, 2012-13 to 2015-16



Senate Committee appearances

The Commission is invited to appear regularly before Senate Committees to assist the work of Federal Parliament and facilitate scrutiny of its work. It was requested to attend Senate Estimates hearings on two occasions in 2015-16. Appearances by the Chair, Deputy Chair and senior staff before the Senate Standing Committee on Economics occurred on 11 February 2016 and 22 October 2015. Hansard of the appearances is available on the Parliament of Australia website.

Other indicators of impact

Recognition of the contribution of the Commission's work to policy formulation and debate is also demonstrated by the following examples:

- use of Commission analysis during the year by the Prime Minister, Treasurer and other Ministers, the Leader of the Opposition and Shadow Ministers, including use of Commission reports on Workplace Relations, Tax and Transfer Incidence, Childcare and Early Childhood Learning, Digital Disruption and Trade and Assistance
- widespread use of the Report on Government Services and the Overcoming Indigenous Disadvantage report by central and line government agencies, state Ministers, parliamentarians, parliamentary committees, Auditors-General, and community and industry groups
- use by the Commonwealth Treasury, COAG, the Reserve Bank of Australia, the ACCC, state governments, federal parliamentary committees, the Parliamentary Library, the ABS, the AIHW and others of a diverse range of Commission research outputs
- use of Commission outputs by key international agencies, including the OECD and the IMF.

One continuing indicator of the degree of interest in the Commission's inquiry and other work is the many invitations to give briefings and present papers to parliamentary, business and community groups and to conferences. There were 75 presentations given by the Chair, Commissioners and staff during the year to ministerial councils, industry and community groups, and conferences, which covered the gamut of the Commission's inquiry, research and performance reporting work.

The Commission also responded during the year to requests for briefings to visiting officials and delegations from Indonesia, China, Korea, Chile, the OECD and IMF. The Commission briefed around 20 international delegations and visitors during 2015-16, with a focus on the Commission's role and activities and related policy matters. The Commission will continue to maintain linkages with policy agencies in other countries in 2016-17, with a focus on APEC, ASEAN and East Asia Summit member economies.

A further indicator of public interest in the Commission's work, and its potential influence, is the extent of media coverage. During 2015-16, for example, the Commission rated an average of 320 mentions a month in national print media.

Trends in inquiries and studies

Trends in public inquiry activity and participation over the past five years are shown in table 1.2.

Table 1.2 Public inquiry and other commissioned project activity, 2011-12 to 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
Public inquiries					
Inquiry references received ^a	5	5	5	3	8
Issues papers released	4	3	8	3	6
Public hearings (sitting days) ^b	16	11	35	14	19
Organisations/people visited	152	205	441	205	594
Submissions received	566	258	1674	941	955
Draft reports ^c	5	4	6	3	3
Inquiry reports completed	5	4	7	3	3
Inquiries on hand (at 30 June) ^a	4	5	3	3	8
Research studies					
References received	5	3	2	3	2
Submissions received	590	180	154	131	72
Draft reports ^c	4	2	3	1	2
Research reports completed	4	3	3	3	3
Studies on hand (at 30 June)	3	3	2	3	2
Total references^d					
Total references received	10	8	7	6	10
Total references completed	8	7	10	6	6
Total references on hand (at 30 June) ^a	7	8	5	6	10

^a Includes superannuation inquiry reference received in February 2016 that will commence in September 2016. ^b Excludes forums and roundtable discussions. ^c Includes all types of draft reports.

^d Includes the superannuation study and superannuation inquiry as separate references.

The Commission endeavours to conduct projects efficiently, while ensuring rigorous analysis and maximising the opportunity for participation. Total estimated costs (covering salaries, direct administrative expenses and an allocation for corporate overheads) for inquiries and government-commissioned research studies completed in 2015-16 are shown in table 1.3.

Table 1.3 Cost of public inquiries and other government commissioned projects completed in 2015-16^a

<i>Government-commissioned project</i>	<i>Total cost</i>
	\$'000
Business Set-up, Transfer and Closure	1 400
Mutual Recognition Schemes	762
Workplace Relations Framework	2 168
Public Safety Mobile Broadband	796
Migrant Intake into Australia	2 072
Services Exports	953

^a Includes estimated overheads and staffing.

The major administrative (non-salary) costs associated with public inquiries and other government-commissioned projects relate to the Commission's extensive consultative processes and the wide dissemination of its draft and final reports.

Commission Capabilities

The Commission seeks to maintain a capability that provides rigour of analysis, transparency of process, and independence and balance in its conclusions. Particular attention is paid to the quality of recruitment, in-house and external training and diversity in work experience.

2 Management and accountability

Overview

Role and structure

The Commission comprises its Chairman and between four and 11 other Commissioners, appointed by the Governor-General for periods of up to five years. Associate Commissioners can be appointed by the Treasurer for terms of up to five years or for the duration of specific inquiries. The work of the Commission is assisted by employees who are employed under the *Public Service Act 1999*.

The Commission's structure and senior staff at 30 June 2016 are shown in figure 2.1. The structure changed during 2015-16, with the Commission's specialist modelling capability housed in Modelling Group and the Commission's modelling work overseen by the Head of Modelling.

Commissioners

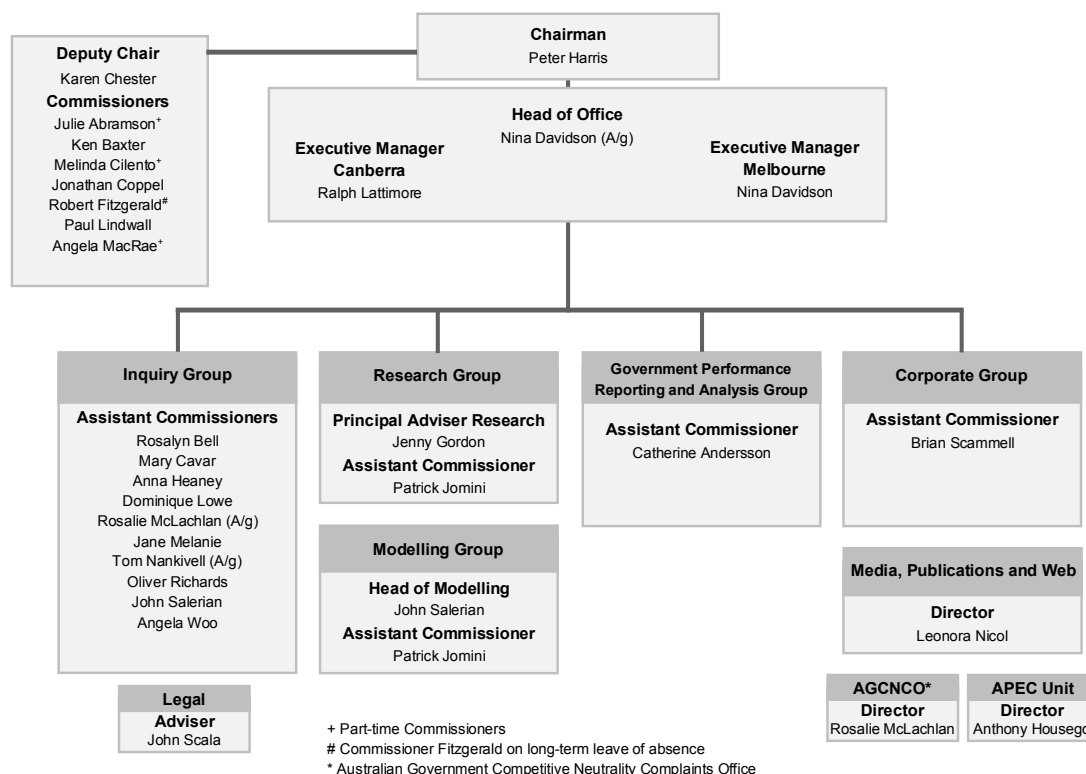
At 30 June 2016 there were nine members of the Commission, including the Chairman, with an additional member, Dr Stephen King, commencing on 1 July 2016. Three Commissioners held part-time appointments. One Commissioner, Mr Robert Fitzgerald AM, was on long-term leave of absence, pending the completion of his appointment as a Commissioner on the Royal Commission into Institutional Responses to Child Sexual Abuse.

Ms Patricia Scott resigned as a Commissioner and Deputy Chair with effect from 8 April 2016. Commissioner Karen Chester was appointed Deputy Chair from 9 April 2016 until 11 December 2018.

The terms of appointment for Commissioners Warren Mundy and Alison McClelland expired on 7 December 2015 and 31 March 2016 respectively.

Ms Angela MacRae was re-appointed as a part-time Commissioner for a five year period from 10 December 2015. Mr Jonathan Coppel has been re-appointed for a period of five years with effect from 28 July 2016.

Figure 2.1 Commission structure and senior staff, 30 June 2016



Note: Dr Stephen King was appointed as a full-time Commissioner from 1 July 2016.

Ms Julie Abramson was appointed as a part-time Commissioner on 10 December 2015 for a period of five years. Ms Abramson is a lawyer with over 20 years regulatory experience at both State and Federal levels. Her career in public policy includes working with Government, industry bodies (VECCI, Civil Contractors Federation), the private sector (National Australia Bank) and a regulatory agency (Australian Securities and Investments Commission). She has particular expertise in economic related regulatory matters such as financial services and competition policy. She was also a part-time Commissioner with the Victorian Essential Services Commission.

Dr Stephen King was appointed as a full-time Commissioner with effect from 1 July 2016 for a five year period. He was recently a Professor of Economics at Monash University where he also held the position of Dean of the Faculty of Business and Economics from 2009-2011. Prior to joining Monash, Stephen was a Member of the Australian Competition and Consumer Commission (ACCC), where he chaired the Mergers Review Committee. Previous roles include Professor of Economics at the University of Melbourne and Professor of Management (Economics) at the Melbourne Business School.

Biographical information on all Commissioners is available on the Commission’s website and their terms of appointment are listed in table 1 of Annex A.

Associate Commissioners

No Associate Commissioner appointments were made during 2015-16.

Staff

The average staffing level during 2015-16 was 164 compared to 163 in 2014-15.

The Commission recruited 31 staff during the year, including seven through its graduate recruitment program. Staff turnover was approximately 12 per cent.

Statistical information on staffing is provided in tables 2 to 5 of Annex A.

Outcome objective and resources

The financial and staffing resources devoted achieving the Government's outcome objective for the Commission are summarised in table 2.1. An agency resource statement for 2015-16 is included at Annex B.


Table 2.1 Financial and staffing resources summary

	Budget * 2015-16	Actual 2015-16	Variation
	\$'000	\$'000	\$'000
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	(a)	(b)	(a-b)
Program 1.1			
Departmental Expenses			
Ordinary annual services (Appropriation Bill No. 1)	32 890	29 008	1 412
Revenues from independent sources (Section 74)	841	817	24
Expenses not requiring appropriation in the Budget year	1 123	1 181	(58)
Total for Outcome 1	34 854	33 476	1 378
	2014-15	2015-16	
Average Staffing Level (number)	163	164	

* Full-year budget, including any subsequent adjustment made to the 2015-16 Budget.

Governance

The Commission's governance arrangements are designed to achieve efficient, effective and ethical use of resources in delivering the Commission's mandated outcome objective.



The arrangements are also designed to ensure compliance with legislative and other external requirements in regard to administrative and financial management practices.

In keeping with good governance principles, the Commission's governance arrangements encompass:

- establishing clear responsibilities for decision-making and the undertaking of mandated activities
- ensuring accountability through the monitoring of progress, and compliance with legislative and other requirements, of mandated activities
- underpinning these arrangements through the promotion of a risk management and ethical behaviour culture.

Key responsibilities

The Commission's Chairman is responsible for the overall management and governance of the Commission.

He is assisted in these tasks by the Head of Office and a Management Committee which addresses matters of strategic direction, organisational development, policies and practices, monitoring of performance and resource allocation. Management Committee comprises the Chairman (as chair), the Deputy Chair, the Head of Office, the Executive Managers of the Melbourne and Canberra offices, the Principal Adviser Research, the Head of Modelling and the Assistant Commissioner responsible for Corporate Group. It meets monthly, or more frequently as needed.

The Research Committee oversees the Commission's self-initiated research program to ensure delivery of high-quality, policy-relevant research in a timely way. It also oversees data analysis, and modelling capability and development to promote fit-for-purpose model use that is quality assured. It meets monthly and comprises the Chairman (as chair), the Deputy Chair, a Commissioner, the Head of Office, the Principal Adviser Research, the Executive Managers, the Head of the Modelling and one Assistant Commissioner.

Commissioners have a role in strategic coordination of the Commission's work and are responsible for the conduct and quality of the individual inquiries, studies or other activities to which they are assigned by the Chairman.

Accountability

Management Committee's monitoring of the Commission is aided through the provision of regular reports covering staffing, expenditure, staff development and other operational matters.

Monthly Commission meetings — also attended by senior staff — are used to discuss and monitor progress across the Commission's four mandated outputs. Specifically:

- responsible Commissioners on government-commissioned projects report monthly on significant issues and progress against key milestones
- monthly reports are provided on the status and future directions of the research program
- the activities of the Steering Committee for the Review of Government Service Provision, chaired by the Chairman of the Commission, are reported on a quarterly basis
- a Commissioner designated with responsibility for competitive neutrality issues reports to the Commission biannually
- the Head of Office provides monthly updates on key management issues.

The Audit Committee is a further source of accountability through its periodic review of particular aspects of the Commission's operations. Its membership comprises a chairperson (currently a Commissioner) and two external members. The Commission's contracted internal auditors generally attend meetings, as does a representative of the Australian National Audit Office on an 'as required' basis. The Audit Committee meets at least four times a year.

Risk management and fraud control

Risk assessments are undertaken within a formal risk management model specified in the Commission's risk management plan. The plan is reviewed annually by senior management and the Audit Committee.


The Commission has prepared a fraud risk assessment and fraud control plan and has in place appropriate fraud prevention, detection, investigation reporting and data collection procedures and processes that meet the specific needs of the Commission and comply with the Commonwealth Fraud Control Framework. No instances of fraud were reported during 2015-16. The Chair's certification in respect of fraud control is at Annex C.

Information about the Commission's risk management procedures is available to all employees. It is brought to the attention of new employees on commencement, and awareness raising for existing employees is undertaken periodically.

Ethical standards

The Commission has adopted a range of measures to promote ethical standards.

- It has embraced the Australian Public Service (APS) Values, Employment Principles and Code of Conduct with all employees having a copy of the Values and Code, and new employees receiving a copy as part of their induction.
- Senior managers in particular are encouraged to set an example through the ethical and prudent use of Commonwealth resources.



The Commission has developed a number of specific policies relating to ethical standards which have regard to its own operational context. These deal with matters such as email and internet use, harassment and bullying, discrimination, fraud, disclosure of information, and managing conflicts of interest. The policies are readily available to all employees. Staff awareness and training sessions are offered periodically on these topics.

External and internal scrutiny

The Commission's processes, which provide for transparency and community participation in its work, are a key means of promoting external scrutiny. These processes are outlined in some detail in Chapter 1.

External scrutiny is also promoted through the Commission's extensive reporting, in various publications, of different aspects of its work.

Both the Commission and the Australian Government Competitive Neutrality Complaints Office (which has separate functions although located within the Commission) have service charters.

Performance against the charters is monitored on an exceptions basis — that is, by complaints to designated senior managers. No complaints were received during 2015-16 in respect of either charter.


The Auditor-General issued an unqualified independent audit report on the Commission's 2015-16 financial statements.

References to particular reports of the Commission made by federal parliamentary committees during the year are outlined in Chapter 1, as are details of the Commission's appearances at Senate Estimates hearings in 2015-16.

Internal scrutiny occurs through an ongoing review program of policies, procedures and activities for effectiveness, efficiency and public accountability. Particular matters addressed during the year included the following.

Media, publications and web: The Commission's website continues to provide a valuable source of information about the current work of the Commission, its publications and other activities. During 2015-16, the Commission increased its use of social media to raise awareness of its work and promote participation in its public inquiries. Increased use was also made of infographics to highlight and promote aspects of the Commission's work.

Information technology: Maintenance, review and upgrade of Commission ICT infrastructure has continued. In 2015-16, this included maintenance and upgrade to the storage area network and the phone system, and improvements to the capacity for employees to connect from out-of-office locations. Electronic workflow was implemented for the



finance system, and SharePoint is being implemented across the organisation to assist work collaboration and maintenance of digital records.

Human Resources: During 2015-16, the Commission continued a system of performance appraisal for staff and senior executives, intended to enhance individual development and improve organisational performance. The program of internal seminars on a range of topical economic, social and environmental issues continued, as did a mentoring program for Executive Level staff.

Shared services: During 2015-16, the Commission provided ICT infrastructure and support, and payroll system and services, to another small co-located Commonwealth agency in Melbourne, the Tertiary Education Quality Standards Agency, on a cost recovery basis.

Internal Audit: The Commission engages an accounting firm to undertake a program of internal audit reviews. Internal audit reviews conducted in 2015-16 focused on accounts payable and key financial controls.

Audit Committee: The Audit Committee also plays an important internal scrutiny role. The Committee's efforts during the year related mainly to:

- oversight of the Commission's internal audit program
- consideration of the annual financial statements
- scrutiny of the Commission's risk management assessment and plan
- reviews of relevant ANAO reports.


Management of human resources

The Commission's human resources management operates within the context of relevant legislation, government policy and Commission-developed policy. Day-to-day management is devolved to senior managers within a broad framework agreed by Management Committee. The Committee routinely monitors the performance of people management functions, including through standing reports to its monthly meetings.

Workforce planning

Management Committee plays the key role in ensuring alignment between the Commission's resources and its future capability requirements.

The Commission regularly considers a range of workforce planning issues associated with the attraction, retention and development of staff. The Commission also reviews its graduate recruitment process annually with a view to increasing the awareness of graduating university students of the Commission as a potential employer. Seven new



employees were engaged during 2015-16 through the graduate recruitment program, and recommendations from a review of the program were implemented for the recruitment of graduates commencing in 2017.

An important input to workforce planning is the information obtained from departing employees through exit questionnaires and, in many cases, personal interviews on exit. Such information is considered regularly by Management Committee and applied to a variety of initiatives including conditions of service, developing employment agreements, and employee retention strategies.

Remuneration and employment conditions

Remuneration for the Chairman and Commissioners is set directly by the Remuneration Tribunal in determinations that are publicly available on the Tribunal's website.

The Commission's Senior Executive Service (SES) employees are employed under individual determinations under the *Public Service Act 1999*. SES remuneration is set in the context of public and private sector benchmarks, including those contained in the APS Remuneration Report published by the Australian Public Service Commission.

Information on Commissioners and SES employees total remuneration is set out in Note 1(c) to the Financial Statements (appendix A).

APS salary ranges for non-SES staff which correspond to the Commission's broadbanded classifications are shown in the enterprise agreement which is available on the Commission's website.

Table 4 provides details of salary ranges at 30 June 2016.


The remuneration and terms and conditions of the Commission's non-SES employees are covered by an enterprise agreement. The agreement includes a number of provisions aimed at providing work-life balance and a satisfying and rewarding environment for employees. Eight individual flexibility agreements are also in place, mainly addressing allowances and working hour arrangements.

The enterprise agreement had a nominal expiry date of 30 June 2014. Bargaining was undertaken during 2015-16 for a replacement agreement.

Performance management and pay

All employees participate in the Commission's performance management scheme. The scheme seeks to:

- clarify the understanding by individual employees of their work tasks, their responsibilities and the performance standards expected (through performance agreements)

- 
- provide feedback on performance and improve communication between supervisors and their staff (through performance appraisals)
 - provide a basis for determining salary advancement
 - identify learning and development needs
 - assist in identifying and managing underperformance.

Ahead of each appraisal round — which occur at six-monthly intervals — training is conducted for new employees and new managers to ensure employee readiness for the appraisal round.

Under the Commission's enterprise agreement, all salary increases are conditional upon employees being rated fully effective in their performance appraisal. Performance bonuses are not a feature of remuneration for Commission employees.

Consultative arrangements

The formal employee consultative mechanism is the Productivity Commission Consultative Committee (PCCC). The PCCC comprises elected employee representatives, a CPSU representative, and management representatives.

In addition, there is direct consultation between management and employees, including through regular team and branch meetings.

Learning and development


The Commission encourages employees to undertake learning and development in an appropriate mix of four core competencies:

- management and leadership
- conceptual and analytical skills
- time and work management
- oral and written communication.

The need for learning and development can be employee identified (including through individual development plans settled with supervisors as part of performance appraisals), be supervisor-encouraged or directed, or reflect organisation-wide initiatives.

In 2015-16, 73 employees undertook a total of 170 days of specific training and development, and 8 employees received studies assistance in the form of paid leave and assistance with fees in the pursuit of tertiary qualifications.

The above activities are in addition to one-on-one coaching to address particular development needs and extensive on-the-job training within the Commission. A program



of internal seminars on a range of topical economic, social and environmental issues also contributes to staff development.

Work health & safety

A Work Health and Safety (WHS) Committee oversees the Commission's workplace health and safety program. Committee membership includes health and safety representatives and staff observers from both offices. The Committee met three times during 2015-16.

No formal WHS investigations were conducted during the year and there were no notifiable incidents. No notices under Part 10 of the *Work Health Safety Act 2011* were given to the Commission during 2015-16.

Training is provided for employees who have specific WHS related responsibilities.

WHS activities during the year included:

- Commission-funded flu vaccinations (take up rate was around 57 per cent)
- ergonomic work station assessments (40 were completed, including 32 as part of the induction program).
- regular workplace hazard inspections conducted by members of the WHS Committee
- workplace health-related promotions.


An indicator of the effectiveness of the Commission's WHS programs is Comcare's workers' compensation rate. The Commission's rate for 2015-16 was 0.34 per cent of payroll, compared to an overall scheme premium rate of 1.85 per cent. There were no claims for injury in 2015-16.

Employee Assistance Program

The Commission offers its employees independent, confidential and professional counselling, consultation and training assistance for work-related or personal issues. Seven employees or their families utilised the service in 2015-16.

Workplace diversity

The Commission is committed to building and maintaining a workplace culture that values and serves people with different backgrounds, experiences and perspectives. The Commission continues to foster a culture that is supportive of employees achieving their potential and which values employee diversity.



In 2015-16, the Commission supported one employee to participate in a project in an Indigenous community under the Jawun program.

As at 30 June 2016, one ongoing employee identified as Indigenous.

National Disability Strategy

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010-11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010-2020, which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at www.dss.gov.au.

Financial performance

The Productivity Commission is a listed entity under the *Public Governance, Performance and Accountability Act 2013*.

Revenue from government decreased in 2015-16 to \$32.9 million (\$33.3 million in 2014-15). Revenue from other sources remained stable at \$0.9 million (\$0.9 million in 2014-15).

Operating expenses increased in 2015-16 to \$33.5 million (\$31.0 million in 2014-15). The major expenses in 2015-16 were \$25.1 million in respect of employee expenses, \$7.2 million relating to supplier payments, and \$1.2 million in asset depreciation, amortisation and related expenses.

Under the Australian Government's net cash appropriation arrangements, individual agencies are not funded for depreciation or amortisation expenses through appropriation revenue. The operating result for 2015-16 was a \$1.4 million surplus, after excluding those depreciation and amortisation expenses.

Table 2.1 (above) provides a summary of financial and staffing resources. The agency resource statement is provided at Annex B. The audited financial statements for 2015-16 are shown in appendix A, and include commentary on major budget variances.

Purchasing

The Commission applies the Commonwealth Procurement Rules. The Commission's purchases of goods and services during 2015-16 were consistent with the 'value-for-money' principle underpinning those rules.

The Commission did not enter into any contracts or standing offers that were exempt from being published on AusTender. Contracts of \$100 000 or more (inclusive of GST) let during 2015-16 included a provision for the ANAO to have access to the contractor's premises if required.

The Commission supports small business participation in the Commonwealth Government procurement market by, for example, use of the Commonwealth Contracting suite for low-risk procurements valued under \$200 000 and communication in clear, simple language in accordance with the Small Business Engagement Principles. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.

Consultancies

The Commission continued to utilise the services of a range of consultants during the year where it was cost-effective to do so. Many of the consultancies are for the purpose of refereeing particular pieces of work and are generally of relatively low cost.

During 2015-16, ten new consultancy contracts were entered into involving total actual expenditure of \$0.093 million. There was one ongoing consultancy contracts active during the 2015-16 year involving actual expenditure of \$0.002 million.

Table 2.2 provides information on expenditure on consultants in the five years to 2015-16.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website www.tenders.gov.au.

Table 2.2 Expenditure on consultancies, 2011-12 to 2015-16

	2011-12	2012-13	2013-14	2014-15	2015-16
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenditure	153	40	29	42	95

Ecologically sustainable development (ESD)

Under the *Environment Protection and Biodiversity Conservation Act 1999*, agencies are required — through their annual reports — to report on ESD and environmental matters. This requirement is part of the Government's program to improve progress in implementing ESD.

The Commission operates under statutory guidelines, one of which is to have regard to the need 'to ensure that industry develops in a way that is ecologically sustainable' (section 8(1)(i) of the *Productivity Commission Act 1998*). This legislation also prescribes that at least one member of the Commission 'must have extensive skills and experience in matters relating to the principles of ecologically sustainable development and environmental conservation' (section 26(3)).

There are five aspects against which agencies are required to report.


The first relates to how an agency's actions during the reporting period accorded with the principles of ESD. Reflecting its statutory guidelines, ESD principles are integral to the Commission's analytical frameworks, their weighting depending on the particular inquiry or research topic. Previous Commission reports on: *Barriers to Effective Climate Change adaptation*; *Mineral and Energy Resource Exploration*; and *Natural Disaster Funding* are examples of work undertaken requiring integration of complex economic, social and environmental considerations. Aspects of ESD will also be considered as part of the public inquiries commenced in 2015-16 into the regulation of agriculture, and marine fisheries and aquaculture.

The second reporting requirement asks how the Government's outcome for the Commission contributes to ESD. As stated elsewhere in this report, the outcome nominated for the Commission is:

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.

In pursuing this outcome, the Commission is required to take into account impacts on the community as a whole — these may be economic, social and/or environmental. The transparency of its processes provides the opportunity for anyone with an interest in an inquiry to make their views known and to have these considered. Consequently, a broad range of views and circumstances are taken into account, in keeping with the ESD principle that 'decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equity considerations'.

The third to fifth reporting requirements relate to the impact of the Commission's internal operations on the environment. The Commission is a relatively small, largely office-based, organisation in rented accommodation, and it adopts measures aimed at the efficient management of waste and minimising energy consumption.



In order to manage its impacts on the environment in a systematic and ongoing way, the Commission maintains an Environmental Management System. The Environmental Management System contains the Commission's environmental policy, an environmental management program to address identified impacts, and provision for monitoring and reporting on performance.

During 2015-16, the Commission recorded energy usage of 8 674 MJ/person/annum (2014-15: 8 669 MJ/person/annum) against the Government's energy target of 7 500 MJ/person/annum for tenant light and power usage in office buildings. The building in which the Commission has its Melbourne office has a 4.5 star NABERS Energy rating. In Canberra, the Commission's lease contains a Green Lease Schedule targeting a 4.5 star NABERS Energy tenancy rating. The Commission provides a small number of vehicles under the Executive Vehicle Scheme. The average Green Vehicle Guide rating for these vehicles is 12.5.

Freedom of information

Entities subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

Advertising and market research


The Commission does not undertake 'advertising campaigns'. But it does publicise its government-commissioned inquiries and studies so that any individual, firm or organisation with an interest has an opportunity to present their views. Publicity takes the form of newspaper advertisements, regular distribution of *PC News*, press releases, a Twitter and email alert service, notification on the Commission's website and distribution of Commission circulars.

A total of \$40 591 was paid for advertising (including recruitment advertising) in 2015-16 to Dentsu Mitchell Media Australia Pty Ltd.

Annual reporting requirements and aids to access

Information contained in this annual report is provided in accordance with Schedule 2 Part 4 of the *Work Health and Safety Act 2011*, section 46 of the *Public Governance, Performance and Accountability Act 2013* and Part II of the *Freedom of Information Act 1982*.

The entire report is provided in accordance with section 10 of the *Productivity Commission Act 1998*.



The annual report has also been prepared in accordance with parliamentary requirements for departmental annual reports issued by the Department of the Prime Minister and Cabinet. A compliance index is provided in Annex D.

The contact officer for inquiries or comments concerning this report is:

Assistant Commissioner
Corporate Services Branch
Productivity Commission
Locked Bag 2
Collins Street East Post Office
MELBOURNE VIC 8003
Telephone: (03) 9653 2251
Facsimile: (03) 9653 2304

The Commission's internet home page is <http://www.pc.gov.au>

This annual report can be found at <http://www.pc.gov.au/about/governance/annual-reports>.
Inquiries about any Commission publication can be made to:

Director
Media, Publications and Web
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601
Telephone: (02) 6240 3239
Email: maps@pc.gov.au

Annex A

Commissioner and employee statistics

Table 1 Chair and Commissioners, 30 June 2016

	Current period of appointment	
	From	To
Mr P Harris AO (Chairman) (M)	11 Mar 2013	10 Mar 2018
Ms K Chester (Deputy Chair) (S)	12 Dec 2013	11 Dec 2018
Mr K Baxter (S) (p/t)	30 Apr 2015	29 Apr 2020
Ms M Cilento (M) (p/t)	27 Nov 2014	26 Nov 2019
Mr J Coppel (M)	28 Jul 2011	27 Jul 2021
Mr R Fitzgerald AM (C)	27 Jan 2014	26 Jan 2019
Mr P Lindwall (C)	1 Jan 2015	31 Dec 2019
Ms A MacRae (M) (p/t)	10 Dec 2015	9 Dec 2020
Ms J Abramson (M) (p/t)	10 Dec 2015	9 Dec 2020

(C) denotes Canberra based, (M) denotes Melbourne based, (S) denotes Sydney based and (p/t) denotes part-time. Dr Stephen King was appointed as a full-time Commissioner based in Melbourne with effect from 1 July 2016 for a five year period.

Table 2 Employees by location and gender, 30 June 2016

Level	Melbourne			Canberra			Total		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
SES Band 3	1	0	1	0	0	0	1	0	1
SES Band 2	0	0	0	1	1	2	1	1	2
SES Band 1	3	3	6	5	2	7	8	5	13
Staff Level 4	7	13	20	4	10	14	11	23	34
Staff Level 3	17	11	28	7	12	19	24	23	47
Staff Level 2	17	16	33	6	9	15	23	25	48
Staff Level 1	10	3	13	6	1	7	16	4	20
Total^b	55	46	101	29	35	64	84	81	165
Corresponding totals at 30 June 2015 ^a	48	51	99	28	31	59	76	82	158

^a Totals exclude 9 inoperative employees at 30 June 2015. ^b Totals exclude 6 inoperative employees at 30 June 2016; 2016 totals include one acting SES Band 3, two SES Band 1's, four Staff Level 4's, one Staff Level 3, and one Staff Level 2.

Table 3 Employees by employment status and gender, 30 June 2016

Level	Melbourne			Canberra			Total		
	F/t	P/t	Total	F/t	P/t	Total	F/t	P/t	Total
SES Band 3	1	0	1	0	0	0	1	0	1
SES Band 2	1	0	1	1	0	1	2	0	2
SES Band 1	7	1	8	5	0	5	12	1	13
Staff Level 4	10	1	11	23	0	23	33	1	34
Staff Level 3	13	11	24	21	2	23	34	13	47
Staff Level 2	16	7	23	24	1	25	40	8	48
Staff Level 1	9	7	16	4	0	4	13	7	20
Total^b	57	27	84	78	3	81	135	30	165
Corresponding totals at 30 June 2015 ^a	51	25	76	77	5	82	128	30	158

^a Totals exclude 9 inoperative employees at 30 June 2015. ^b Totals exclude 6 inoperative employees at 30 June 2016; 2016 totals include one acting SES Band 3, two SES Band 1's, four Staff Level 4's, one Staff Level 3, and one Staff Level 2.

Table 4 Salary ranges, 30 June 2016^a

Level	Minimum (\$)	Maximum(\$) ^b
SES Band 2	232 261	255 886
SES Band 1	184 251	230,261
Staff Level 4 ^c	113 936	142 929
Staff Level 3	93 968	118 999
Staff Level 2	68 089	90 515
Staff Level 1	47 094	74 185

^a The major non-salary benefit is superannuation, which is not included in the table. During 2015-16 the Commission employed one SES Band 3 employee not included in this table. ^b The maximum shown above in respect of SES employees includes a vehicle allowance. The above salary ranges for SL1 to SL4 are those available under the Commission's current Enterprise Agreement. Due to 'grandfathering' of provisions from a previous agreement, some employees continue to receive a higher salary – the maximum salaries actually paid at each level are: SL1 \$74 185; SL2 \$98 807; SL3 \$125 413; SL4 \$167 085. ^c Under the Commission's Enterprise Agreement, progression to a maximum of \$150 648 is available at the SL4 level in limited circumstances (not through incremental advancement).

Table 5 Employees by level and reason for separation, 2015-16

<i>Level</i>	<i>Promotion</i>	<i>Transfer</i>	<i>Resignation</i>	<i>Invalidity Retirement</i>	<i>RP^a</i>	<i>Other</i>	<i>Total</i>
SES	0	0	3	0	0	0	3
Staff Level 4	0	2	0	0	0	0	2
Staff Level 3	0	3	3	0	1	0	7
Staff Level 2	1	2	5	0	1	0	9
Staff Level 1	0	0	0	0	0	0	0
Total	1	7	11	0	2	0	21
Corresponding totals at 30 June 2015	1	2	8	0	4	0	15

^a Redundancy Package.

Annex B

Agency Resource Statement — 2015-16

	<i>Actual Available Appropriation 2015-16</i>	<i>Payments Made 2015-16</i>	<i>Balance Remaining</i>
	\$'000	\$'000	\$'000
	(a)	(b)	(a-b)
Ordinary Annual Services			
Departmental appropriation¹			
Prior year Departmental appropriation	27 263		
Departmental appropriation 2015-16	33 736	32 494	
S.74 Relevant agency receipts²	1 715	1 715	
Total ordinary annual services	62 714	34 209	28 505
Total Resourcing and Payments	62 714	34 209	28 505

¹ Appropriation Bill (No.1) 2015-16.

² Receipts received under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

Annex C



Australian Government
Productivity Commission

Locked Bag 2
Collins Street East
Melbourne VIC 8003
Telephone 03 9653 2100
Facsimile 03 9653 2199
www.pc.gov.au

*From the Chairman's
Office*

23 August 2016

Annual Report 2015-16 – Fraud Control Certification

In accordance with the subsection 17AG(2)(b) of the *Public Governance, Performance and Accountability Rule 2014* and the *Commonwealth Fraud Control Framework 2014*, I hereby certify that I am satisfied that the Productivity Commission has:

- prepared fraud risk assessments and fraud control plans;
- in place appropriate fraud prevention, detection, investigation, reporting mechanisms that meet the specific needs of the Commission; and
- taken all reasonable measures to appropriately deal with fraud relating to the Commission.

Peter Harris AO

Annex D

Compliance index

This table is included as an aid of access, as required by the PGPA Rule.

Part of Report	Description	Page location
	Letter of transmittal	iii
	Aids to access	
	Table of contents	ix
	Index	77
	Glossary	x
	List of requirements	
	Contact officer	37
	Internet addresses	37
	Review by accountable authority	
	Review by the accountable authority	
	Overview of the entity	
	Role and functions of the Commission	23
	Organisational structure	24
	Outcomes and programmes	7
	Purpose of the Commission as included in corporate plan	
	Outline of the structure of the portfolio of the entity	Not applicable
	Changes in outcomes or programs administered by the Commission	Not applicable
	Report on the Performance of the entity	
	Annual performance Statements	
	Annual performance statement	43
	Report on Financial Performance	
	Discussion and analysis of financial performance	33
	Table summarising total resources and total payments	
	Significant changes in the financial results	Not applicable
	Management and Accountability	
	Corporate Governance	
	Information on fraud control	27
	Fraud control certification	42
	Governance structures	25
	Non compliance with Finance law	Not applicable

Part of Report	Description	Page location
External Scrutiny		
	Significant developments in external scrutiny	
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner .	Not applicable
	Reports on operations of the Commission by the Auditor-General), a Parliamentary Committee, or the Commonwealth Ombudsman.	28-29
	Information on any capability reviews on the entity that were released during the period.	Not applicable
Management of Human Resources		
	Effectiveness in managing and developing employees	29-33
	Statistics on staffing	33
	employees who identify as Indigenous	
	Information on workplace agreements	30
	Salary ranges available by classification level	39
	Description of non-salary benefits	30
	Performance pay	Not applicable
Assets Management		
	Effectiveness where asset management is a significant part of the entity's activities	Not applicable
Purchasing		
	An assessment of performance against the <i>Commonwealth Procurement Rules</i>	34
Consultants		
	New and ongoing consultancies	34
Australian National Audit Office (ANAO) Access Clauses		
	Contracts > \$100 000 excluding ANAO access	Not applicable
Exempt contracts		
	Contracts > \$10 000 exempted from being published in AusTender	Not applicable
Small business		
	Procurement initiatives in support of small business	Not applicable
Financial Statements		
	Financial statements	Appendix A
Other Mandatory Information		
	Advertising	36
	Grants	Not applicable
	Disability reporting	33
	Information Publication scheme statement	36
	Correction of material errors in previous annual report	Not applicable

Compliance with the Productivity Commission Act

The annual report is also prepared in accordance with the general provisions of s.10 of the Productivity Commission Act, as well as the following specific requirements:

s.10(1) Commission operations	Chapter 1
s.10(2) matters referred to the Commission	Chapter 2
s.10(4) competitive neutrality complaints	12



A Financial statements

Contents

Independent Audit Report	46
Certification	48
Statement of Comprehensive Income	49
Statement of Financial Position	50
Statement of Changes in Equity	51
Cash Flow Statement	53
Overview	54
Notes to the Financial Statements	57



INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying annual financial statements of the Productivity Commission for the year ended 30 June 2016, which comprise:

- Statement by the Chairman and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the Financial Statements.

Opinion

In my opinion, the financial statements of the Productivity Commission:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Productivity Commission as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Chairman's Responsibility for the Financial Statements

The Chairman of the Productivity Commission is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Chairman determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

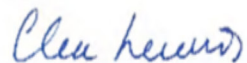
entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Australian National Audit Office



Clea Lewis
Executive Director
Delegate of the Auditor-General
Canberra
25 August 2016



Australian Government
Productivity Commission

Locked Bag 2
Collins Street East
Melbourne VIC 8003
Telephone 03 9653 2100
Facsimile 03 9653 2199
www.pc.gov.au

From the Chairman's Office

Statement by the Chairman and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Productivity Commission will be able to pay its debts as and when they fall due.

Peter Harris AO
Chairman

August 2016

Brian Scammell
Chief Finance Officer

August 2016

Statement of Comprehensive Income

for the period ended 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1A	25,139	23,902	27,151
Suppliers	2A	7,188	5,995	6,815
Depreciation and amortisation	4A	1,131	1,054	1,050
Finance costs		<u>18</u>	<u>17</u>	<u>18</u>
Total Expenses		<u>33,476</u>	<u>30,968</u>	<u>35,034</u>
Own-Source Income				
Sale of goods and rendering of services	5B	817	856	1,036
Resources received free of charge	5C	<u>50</u>	<u>50</u>	<u>50</u>
Total own-source income		<u>867</u>	<u>906</u>	<u>1,086</u>
Net contribution by services		<u>32,609</u>	<u>30,062</u>	<u>33,948</u>
Revenue from Government		<u>32,890</u>	<u>33,263</u>	<u>32,898</u>
Surplus / (Deficit)		<u>281</u>	<u>3,201</u>	<u>(1,050)</u>
Other Comprehensive Income				
Changes in asset revaluation reserves	4A	(183)	-	-
Total comprehensive income		<u>98</u>	<u>3,201</u>	<u>(1,050)</u>

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

The main budget variance is in expenses, which were lower than the original budget mainly due to lower than forecast employee related expenses. This was primarily a consequence of lower than anticipated staff levels and, to a lesser extent, lower than forecast wage growth. The lower staff levels are predominantly due to: higher than anticipated staff turnover; the time taken to subsequently fill vacant positions; unanticipated secondments of staff to other agencies; and higher than anticipated use of leave without pay or leave for which provision had been made in prior years. Wages growth has been affected by continuing enterprise bargaining negotiations.

Statement of Financial Position

as at 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial Assets				
Cash and cash equivalents		364	346	335
Trade and other receivables	5A	334	291	291
Appropriation receivables	3B	<u>28,142</u>	<u>26,917</u>	<u>24,286</u>
Total financial assets		<u>28,840</u>	<u>27,554</u>	<u>24,912</u>
Non-Financial Assets				
Leasehold improvements	4A	2,323	3,324	2,506
Property, plant and equipment	4A	1,045	600	825
Intangibles	4A	210	198	97
Other non-financial assets		<u>606</u>	<u>562</u>	<u>275</u>
Total non-financial assets		<u>4,184</u>	<u>4,684</u>	<u>3,703</u>
Total Assets		<u>33,024</u>	<u>32,238</u>	<u>28,615</u>
LIABILITIES				
Payables				
Suppliers	2B	532	386	415
Other payables	2C	<u>2,914</u>	<u>3,632</u>	<u>2,300</u>
Total payables		<u>3,446</u>	<u>4,018</u>	<u>2,715</u>
Provisions				
Employee provisions	1B	11,375	10,979	12,535
Other provisions	2D	<u>532</u>	<u>514</u>	<u>532</u>
Total provisions		<u>11,907</u>	<u>11,493</u>	<u>13,067</u>
Total Liabilities		<u>15,353</u>	<u>15,511</u>	<u>15,782</u>
Net Assets		<u>17,671</u>	<u>16,727</u>	<u>12,833</u>
EQUITY				
Contributed equity		3,854	3,569	4,415
Reserves		2,588	2,771	2,771
Retained surplus		<u>11,229</u>	<u>10,387</u>	<u>5,647</u>
Total Equity		<u>17,671</u>	<u>16,727</u>	<u>12,833</u>

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

The main budget variation in respect of the financial position is a higher level of appropriation receivables (Revenue from Government) as a consequence of lower expenses in 2015-16 (refer to the commentary under the Statement of Comprehensive Income) and a higher than forecast opening balance.

Statement of Changes in Equity

for the period ended 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		3,008	2,714	3,569
Transactions with owners				
Distributions to Owners				
Returns of Capital - Reductions not formally recognised		-	(561)	-
Contributions by Owners				
Departmental capital budget	3A	846	855	846
Total transactions with owners		846	294	846
Closing balance as at 30 June		3,854	3,008	4,415
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		10,948	7,747	6,697
Comprehensive Income				
Surplus/(Deficit) for the period		281	3,201	(1,050)
Total comprehensive income		281	3,201	(1,050)
Closing balance as at 30 June		11,229	10,948	5,647
ASSET REVALUATION RESERVE				
Opening balance				
Balance carried forward from previous period		2,771	2,771	2,771
Comprehensive Income				
Other comprehensive income		(183)	-	-
Total comprehensive income		(183)	-	-
Closing balance as at 30 June		2,588	2,771	2,771

		2016	2015	<i>Original Budget</i>
	Notes	\$'000	\$'000	\$'000
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period		16,727	13,232	13,037
Comprehensive Income				
Other comprehensive income		(183)	-	-
Surplus/(Deficit) for the period		281	3,201	(1,050)
Total comprehensive income		98	3,201	(1,050)
Transactions with owners				
<i>Distributions to Owners</i>				
Returns of Capital - Reductions not formally recognised		-	(561)	-
<i>Contributions by Owners</i>				
Departmental capital budget		846	855	846
Sub-total transactions with owners		846	294	846
Closing balance as at 30 June		17,671	16,727	12,833

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

The variation against budget in respect of retained earnings mainly reflects the higher operating surpluses in the current and prior year (refer to the commentary under the Statement of Comprehensive Income).

Cash Flow Statement

for the period ended 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		33,457	31,848	32,828
Sales of goods and rendering of services		515	1,023	1,036
Net GST received		<u>735</u>	<u>609</u>	<u>-</u>
Total cash received		<u>34,707</u>	<u>33,480</u>	<u>33,864</u>
Cash used				
Employees		25,423	24,831	27,151
Suppliers		7,551	7,228	7,159
Section 74 receipts transferred to OPA		<u>1,715</u>	<u>1,410</u>	<u>-</u>
Total cash used		<u>34,689</u>	<u>33,469</u>	<u>34,310</u>
Net cash from (used by) operating activities	3C	<u>18</u>	<u>11</u>	<u>(446)</u>
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		<u>770</u>	<u>328</u>	<u>400</u>
Total cash used		<u>770</u>	<u>328</u>	<u>400</u>
Net cash (used by) investing activities		<u>(770)</u>	<u>(328)</u>	<u>(400)</u>
FINANCING ACTIVITIES				
Cash received				
Contributed equity		<u>770</u>	<u>328</u>	<u>846</u>
Total cash received		<u>770</u>	<u>328</u>	<u>846</u>
Net cash from financing activities		<u>770</u>	<u>328</u>	<u>846</u>
Net increase (decrease) in cash held		18	11	-
Cash and cash equivalents at the beginning of the reporting period		<u>346</u>	<u>335</u>	<u>335</u>
Cash and cash equivalents at the end of the reporting period		<u>364</u>	<u>346</u>	<u>335</u>

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Total cash received and used is not materially different to the original budget forecasts. Variations in line items partly reflect: lower employee related expenses (refer to the commentary under the Statement of Comprehensive Income); a higher level of aggregation of line items in the Original Budget; and a variation to the asset replacement program.

Overview

Objectives of the Productivity Commission

The Productivity Commission (the Commission) is an Australian Government controlled entity. It is a not-for-profit entity. 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.

The Commission is structured to meet one outcome:

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.

Activities contributing toward this outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Commission in its own right.

The continued existence of the Commission in its present form and with its present program is dependent on Government policy and on continuing funding by Parliament for the Commission's administration and program.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

The amendment to AASB 13 *Fair Value Measurement* to exempt not-for-profit public sector entries from certain requirements has been adopted early.

No other accounting standard has been adopted earlier than the application date as stated in the standard.

Future Australian Accounting Standard Requirements

All other new standards, revised standards, amendments to standards or interpretations that were issued by the Australian Accounting Standards Board prior to the sign-off date and are applicable to the current reporting period or will be applicable to future reporting periods are not expected to have a future material impact on the Commission's financial statements.

Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Other Non-Financial Assets

Other non-financial assets consist of prepayments which are expected to be consumed in no more than 12 months.



Taxation

The Commission is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b) for receivables and payables.

Events after the Reporting Period

There was no subsequent event that had the potential to significantly affect the on-going structure and financial activities of the Commission.

Notes to and forming part of the Financial Statements

1 Employee Related

- 1A Employee Benefits (Expense)
- 1B Employee Provisions
- 1C Senior Management Personnel Remuneration

2 Supplier Related

- 2A Suppliers (Expense)
- 2B Suppliers (Liability)
- 2C Other Payables
- 2D Other Provisions

3 Funding from Government and Other Sources

- 3A Appropriations
- 3B Appropriations Receivable
- 3C Cash Flow Reconciliation

4 Property, Plant and Equipment

- 4A Analysis of Property, Plant and Equipment, and Intangibles
- 4B Fair Value Measurement

5 Other Financial Assets and Own Source Income

- 5A Trade and Other Receivables
- 5B Own-Source Income - Sale of Goods and Rendering of Services
- 5C Resources Received Free of Charge

6 Other Information

- 6A Contingent Assets and Liabilities
- 6B Financial Instruments
- 6C Reporting of Outcomes

Note 1: Employee Related

Note 1A: Employee Benefits (Expense)

	2016	2015
	\$'000	\$'000
Wages and salaries	18,906	18,147
Superannuation:		
Defined contribution plans	1,174	1,072
Defined benefit plans	2,274	2,389
Leave and other entitlements	2,729	2,022
Separation and redundancies	56	272
Total employee benefits	<u>25,139</u>	<u>23,902</u>

Note 1B: Employee Provisions

	2016	2015
	\$'000	\$'000
Leave	11,375	10,979
Total employee provisions	<u>11,375</u>	<u>10,979</u>
Employee provisions expected to be settled		
No more than 12 months	1,799	2,083
More than 12 months	9,576	8,896
Total employee provisions	<u>11,375</u>	<u>10,979</u>

Accounting Policy


Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the



average sick leave taken in future years by employees of the Commission is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Commission's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by use of the Australian Government Actuary's shorthand method using the Standard Commonwealth sector probability profile. The estimate of the present value of the liability takes into account staff turnover rates and expected pay increases. This method is impacted by fluctuations in the Commonwealth Government 10 year Treasury Bond rate.

Superannuation

The majority of staff at the Commission are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Commission makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Commission accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

Note 1C: Senior Management Personnel Remuneration

	2016	2015
	\$	\$
Short-term employee benefits:		
Salary	<u>5,206,083</u>	<u>5,187,688</u>
Total short-term employee benefits	<u>5,206,083</u>	<u>5,187,688</u>
Post-employment benefits:		
Superannuation	<u>919,179</u>	<u>979,267</u>
Total post-employment benefits	<u>919,179</u>	<u>979,267</u>
Other long-term employee benefits:		
Annual leave accrued	<u>434,834</u>	456,660
Long-service leave	<u>141,774</u>	<u>148,890</u>
Total other long-term employee benefits	<u>576,608</u>	<u>605,550</u>
Total senior executive remuneration expenses	<u>6,701,870</u>	<u>6,772,505</u>

Notes:

1. This note includes remuneration of members of the Commission and employees in the Senior Executive Service.
2. The total number of senior management personnel that are included in the table above are 28. (2015: 29)

Note 2: Supplier Related

Note 2A: Suppliers (Expense)

	2016	2015
	\$'000	\$'000
<i>Goods and services supplied or rendered</i>		
Consultants	88	39
Contractors	337	202
Travel	852	724
IT services	693	591
Other administration expenses *	<u>2,270</u>	<u>1,568</u>
<i>Total goods and services supplied or rendered</i>	<u>4,240</u>	<u>3,124</u>
Goods supplied	141	135
Services rendered	<u>4,099</u>	<u>2,989</u>
<i>Total goods and services supplied or rendered</i>	<u>4,240</u>	<u>3,124</u>
<i>Other supplier expenses</i>		
<i>Operating lease rentals in connection with</i>		
Minimum lease payments	2,875	2,810
Workers compensation expenses	<u>73</u>	<u>61</u>
<i>Total other supplier expenses</i>	<u>2,948</u>	<u>2,871</u>
<i>Total supplier expenses</i>	<u>7,188</u>	<u>5,995</u>

* includes recognition of onerous lease – refer Note 2C

Leasing commitments

Lease payments for office accommodation and carparking are subject to a fixed percentage annual increase in accordance with the lease agreement. The Commission may exercise option clauses in accordance with the terms of the lease.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Lease payments / agreements for the provision of motor vehicles to senior executive officers are fixed at the commencement of each vehicle lease. Vehicles are returned on lease expiry.

	2016	2015
	\$'000	\$'000
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within 1 year	3,235	3,433
Between 1 to 5 years	8,144	9,604
More than 5 years	<u>-</u>	<u>2,005</u>
<i>Total operating lease commitments</i>	<u>11,379</u>	<u>15,042</u>

Note: Commitments are GST inclusive where relevant.

Note 2B: Suppliers (Liability)

	2016	2015
	\$'000	\$'000
Trade creditors and accruals	532	386
Operating lease rentals	<u>-</u>	<u>-</u>
Total suppliers payables	<u>532</u>	<u>386</u>

All Supplier payables are expected to be settled within 12 months.

Settlement was usually made within 30 days.

Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Note 2C: Other Payables

	2016	2015
	\$'000	\$'000
Wages and salaries	75	660
Superannuation	13	117
Prepayments received/unearned income	45	305
Rent (lease) payable	1,673	1,216
Lease incentive	<u>1,108</u>	<u>1,334</u>
Total other payables	<u>2,914</u>	<u>3,632</u>
Other payables expected to be settled		
No more than 12 months	1,216	1,476
More than 12 months	<u>1,698</u>	<u>2,156</u>
Total other payables	<u>2,914</u>	<u>3,632</u>

After entering into a new leasing agreement, the Commission has recognised an onerous lease from the date of scheduled relocation of the Canberra office to new premises until the expiry of the lease on the existing premises.

Note 2D: Other Provisions

	Provision for restoration \$'000
Carrying amount 1 July 2015	514
Unwinding of discount or change in discount rate	<u>18</u>
Closing balance 2016	<u>532</u>

The Commission currently has agreements for the leasing of premises which have provisions requiring the Commission to restore the premises to its original condition at the conclusion of the lease. The Commission has made provision to reflect the present value of these obligations.

Note 3: Funding from Government and Other Sources

Note 3A: Appropriations

Note 3A-1: Appropriations – Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2016

	Appropriation Act		PGPA Act		Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
	Annual Appropriation ¹ \$'000	Advance to the Finance Minister \$'000	Section 74 Receipts \$'000				
Departmental							
Ordinary annual services	32,898	-	1,715		34,613	33,439	1,174
Capital Budget ³	846				846	770	76
Total departmental	33,744	-	1,715		35,459	34,209	1,250

Notes:

1. Departmental appropriations do not lapse at financial year-end. Appropriations were reduced by \$8,000 via a section 51 determination during 2015-16, however this reduction is not reflected in the total appropriation amount shown in the table above. The reduction is reflected in the Statement of Comprehensive Income, and in the Statement of Financial Position (Note 3B).
2. The variance shown above excludes the section 51 determination reduction.
3. The Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Note 3A-1: Appropriations – Annual Appropriations ('Recoverable GST exclusive') continued
Annual Appropriations for 2015

	Appropriation Act		PGPA Act		Total appropriation \$'000	Appropriation applied in 2015 (current and prior years) \$'000	Variance ² \$'000
	Annual Appropriation ¹ \$'000	Advance to the Finance Minister \$'000	Section 74 Receipts \$'000				
Departmental							
Ordinary annual services	33,552	-	1,410		34,962	31,837	3,125
Capital Budget ³	855				855	328	527
Total departmental	34,407	-	1,410		35,817	32,165	3,652

Notes:

1. Departmental appropriations do not lapse at financial year-end. Appropriations were reduced by \$289,000 via a section 51 determination during 2014-15, however this reduction is not reflected in the total appropriation amount shown in the table above. The reduction is reflected in the Statement of Comprehensive Income, and in the Statement of Financial Position (Note 3B).
2. The variance shown above excludes the section 51 determination reduction.
3. The Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Note 3A-2: Appropriations – Unspent Departmental Annual appropriations
(‘Recoverable GST exclusive’)

	2016	2015
	\$'000	\$'000
Authority		
Appropriation Act (No.1) 2013-14	561	792
Appropriation Act (No.1) 2014-15	605	27,231
Appropriation Act (No.1) 2015-16	<u>28,198</u>	-
Total as at 30 June	<u>29,364</u>	<u>28,113</u>

Accounting Policy

Revenue from Government – *Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Commission gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.*

Equity Injections – *Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.*

Note 3B: Appropriations Receivable

	2016	2015
	\$'000	\$'000
Appropriations receivable		
Appropriation receivable	<u>28,142</u>	<u>26,917</u>
Total appropriations receivable	<u>28,142</u>	<u>26,917</u>

Note 3C: Cash Flow Reconciliation

	2016	2015
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per		
Cash flow statement	364	346
Statement of financial position	<u>364</u>	<u>346</u>
Discrepancy	<u><u>=</u></u>	<u><u>=</u></u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(32,609)	(30,062)
Revenue from Government	32,890	33,263
Adjustments for non-cash items		
Depreciation / amortisation	1,131	1,054
Movements in assets / liabilities:		
Assets		
(Increase) / decrease in net receivables	(1,192)	(2,886)
(Increase) / decrease in other non-financial assets	(44)	(287)
Liabilities		
Increase / (decrease) in employee provisions	396	(935)
Increase / (decrease) in supplier payables	146	(29)
Increase / (decrease) in other payables	(718)	(124)
Increase / (decrease) in other provisions	<u>18</u>	<u>17</u>
Net cash from / (used by) operating activities	<u><u>18</u></u>	<u><u>11</u></u>

Note 4: Property, Plant and Equipment

Note 4A: Analysis of Property, Plant and Equipment, and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2015-16)

	<i>Leasehold improvements</i>	<i>Property, plant & equipment</i>	<i>Computer software purchased</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2015				
Gross book value	4,882	1,004	827	6,713
Accumulated depreciation / amortisation and impairment	<u>(1,558)</u>	<u>(404)</u>	<u>(629)</u>	<u>(2,591)</u>
Net book value 1 July 2015	<u>3,324</u>	<u>600</u>	<u>198</u>	<u>4,122</u>
Additions:				
By purchase	-	696	74	770
Revaluations and impairments recognised in other comprehensive income	(183)	-	-	(183)
Depreciation / amortisation expense	<u>(818)</u>	<u>(251)</u>	<u>(62)</u>	<u>(1,131)</u>
Net book value 30 June 2016	<u>2,323</u>	<u>1,045</u>	<u>210</u>	<u>3,578</u>
Net book value as of 30 June 2016 represented by:				
Gross book value	4,844	1,700	901	7,445
Accumulated depreciation/amortisation and impairment	<u>(2,521)</u>	<u>(655)</u>	<u>(691)</u>	<u>(3,867)</u>
Net book value as of 30 June 2016	<u>2,323</u>	<u>1,045</u>	<u>210</u>	<u>3,578</u>

Other than those recognised, no indicators of impairment were found for leasehold improvements, property, plant and equipment, and intangible assets.

The fair value of leasehold improvements has been taken to be the depreciated replacement cost of similar leasehold improvements as determined by an independent valuer.

There are no capital commitments to acquire any property, plant, equipment, and intangible assets as at balance date.

Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2014-15)

	<i>Leasehold improvements</i>	<i>Property, plant & equipment</i>	<i>Computer software purchased</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2014				
Gross book value	4,921	769	734	6,424
Accumulated depreciation / amortisation and impairment	<u>(779)</u>	<u>(211)</u>	<u>(586)</u>	<u>(1,576)</u>
Net book value 1 July 2014	<u>4,142</u>	<u>558</u>	<u>148</u>	<u>4,848</u>
Additions:				
By purchase	–	235	93	328
Depreciation / amortisation expense	<u>(818)</u>	<u>(193)</u>	<u>(43)</u>	<u>(1,054)</u>
Net book value 30 June 2015	<u>3,324</u>	<u>600</u>	<u>198</u>	<u>4,122</u>
Net book value as of 30 June 2015 represented by:				
Gross book value	4,882	1,004	827	6,713
Accumulated depreciation/amortisation and impairment	<u>(1,558)</u>	<u>(404)</u>	<u>(629)</u>	<u>(2,591)</u>
Net book value as of 30 June 2015	<u>3,324</u>	<u>600</u>	<u>198</u>	<u>4,122</u>

Accounting Policy

Asset Recognition Threshold

Purchases of property, plant and equipment and software are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to ‘make-good’ provisions in property leases taken up by the Commission where there exists an obligation to ‘make-good’ premises. These costs are included in the value of the Commission’s leasehold improvements with a corresponding provision for the ‘make-good’ recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets’ fair values at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Assets were revalued by the Australian Valuation Office (AVO) as at 30 June 2013. The revaluation increment for leasehold improvements and decrement for plant and equipment were credited and debited respectively to the asset revaluation reserve by asset class, and included in the equity section of the statement of financial position; decrements for plant and equipment were also expensed.

At 30 June 2016 management reviewed the valuation at 30 June 2013 and concluded that the fair value does not differ materially from the carrying amount; and is satisfied that the carrying amount does not exceed the recoverable amount.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation and Amortisation

Depreciable property, plant and equipment assets and intangible assets are written-off to their estimated residual values over their estimated useful lives to the Commission using, in all cases, the straight-line method of depreciation.

Depreciation and amortisation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods as appropriate.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	2016	2015
Leasehold improvements and make-good	Lease term	Lease term
Plant and equipment	3 to 20 years	3 to 20 years
Intangibles (computer software)	5 years	5 years

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily

dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Commission were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

With the scheduled relocation of the Canberra office to new premises, the leasehold improvement for the existing premises have been impaired for the period from the relocation until the end of the lease.

Derecognition

An item of property, plant and equipment and software is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Note 4B: Fair Value Measurement

Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of reporting period			For Levels 2 and 3 fair value measurements
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3)	Valuation technique(s) ²
<i>Non-financial assets</i>				
Leasehold improvements	2,323	3,324	Level 3	Depreciated Replacement Cost(DRC)
Other property, plant and equipment	1,045	600	Level 2	Market Approach
<i>Total fair value measurements of assets in the statement of financial position</i>	<u>3,368</u>	<u>3,924</u>		

¹The highest and best use of all non-financial assets are the same as their current use.

²No change in valuation technique occurred during the period.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 5: Other Financial Assets and Own Source Income

Note 5A: Trade and Other Receivables

	2016	2015
	\$'000	\$'000
Goods and services receivables		
Goods and services	<u>209</u>	<u>161</u>
Total goods and services receivables	<u>209</u>	<u>161</u>
Other receivables:		
GST receivable from the Australian Taxation Office	125	121
Other	<u>-</u>	<u>9</u>
Total other receivables	<u>125</u>	<u>130</u>
Total trade and other receivables (gross)	<u>334</u>	<u>291</u>

All receivables are not overdue and are expected to be recovered within 12 months.

Credit Terms for goods and services were within 30 days (2015: 30 days)

Accounting Policy

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Note 5B: Own Source Income - Sale of Goods and Rendering of Services

	2016	2015
	\$'000	\$'000
Sale of goods	1	1
Rendering of services	<u>816</u>	<u>855</u>
Total sales of goods and rendering of services	<u>817</u>	<u>856</u>



Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the Commission retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to the Commission.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the Commission.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Note 5C: Resources Received Free of Charge

	2016	2015
	\$'000	\$'000
Resources received free of charge		
Remuneration of auditors		
Financial statement audit services were provided free of charge to the Commission by the Australian National Audit Office (ANAO).	<u>50</u>	<u>50</u>
Total resources received free of charge	<u><u>50</u></u>	<u><u>50</u></u>

Accounting Policy

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Note 6: Other Information

Note 6A: Contingent Assets and Liabilities

At 30 June 2016, to the best of its knowledge, the Commission was not exposed to any unrecognised contingencies that would have any material effect on the financial statements. (2015: Nil)

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Note 6B: Financial Instruments

Note 6B-1: Financial Instruments - Categories of financial instruments

	2016	2015
	\$'000	\$'000
Financial Assets		
Loans and receivables		
Cash and cash equivalents	364	346
Trade receivables	<u>209</u>	<u>161</u>
Carrying amount of financial assets	<u>573</u>	<u>507</u>
Financial Liabilities		
At amortised cost:		
Payables – suppliers	<u>532</u>	<u>386</u>
Carrying amount of financial liabilities	<u>532</u>	<u>386</u>



Accounting Policy

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost – if there is objective evidence that an impairment loss has been incurred for loans and receivables held at amortised cost, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Other Financial Liabilities

Other financial liabilities, including supplier and other payables, are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Note 6B-2: Financial Instruments - Net income and expense from financial assets

There is no income or expense from financial assets – loans and receivables in the year ending 30 June 2016. (2015: nil)

Note 6B-3: Financial Instruments - Net income and expense from financial liabilities

There is no income or expense from other financial liabilities in the year ending 30 June 2016. (2015: nil)

Note 6B-4: Financial Instruments - Fair value of financial instruments

There are no financial instruments held at 30 June 2016 where the carrying amount is not a reasonable approximation of fair value. (2015: nil)

Note 6B-5: Financial Instruments - Credit Risk

The Commission is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from the potential default of a debtor. This amount is equal to the total of trade receivables (2016: \$209,000 and 2015: \$161,000). The Commission has assessed that there is minimal risk of default on payment.

The Commission's credit risk is reduced as it mainly deals with other government agencies.

No financial instruments were impaired in 2016. (2015: nil)

Ageing of financial assets that are not past due nor impaired and past due but not impaired are shown at Note 5A.

Note 6B-6: Financial Instruments - Liquidity Risk

The Commission's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the Commission will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to the Commission (eg. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Commission is funded via appropriation from the Australian Government. The Commission manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Commission has policies in place to ensure timely payments are made when due and has no past record of default.

All financial liabilities mature within one year. (2015: one year)

The Commission has no derivative financial liabilities in either the current or prior year.

Note 6B-7: Financial Instruments - Market Risk

The Commission holds basic financial instruments that do not expose the Commission to certain market risks.

The Commission is not exposed to currency risk, other price risk or interest rate risk.



Note 6C: Reporting of Outcomes - Net Cost of Outcome Delivery

	<i>Outcome 1</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$'000</i>	<i>\$'000</i>
Departmental		
Expenses	33,476	30,968
Own-source income	<u>867</u>	<u>906</u>
Net cost of outcome delivery	<u>32,609</u>	<u>30,062</u>

Index

- access to justice arrangements inquiry, 17
- agriculture inquiry, regulation of, 5, 8
- audited financial statements, 45-76
- Australian Government Competitive Neutrality Complaints Office (AGCNCO), 12
- Australian National Audit Office (ANAO), 18, 27, 72

- business set-up, transfer and closure inquiry, 5, 6, 8, 14, 17, 21

- childcare and early childhood learning inquiry, 19
- Commissioners, 24
- Commissioners, Associate, 24
- competitive neutrality complaints activities, 12
- compliance index, 43-44
- consumer law enforcement and administration study, 5
- Council of Australian Governments (COAG), 6, 11, 13, 19

- data availability and use inquiry, 5
- Department of the Treasury, 15, 19

- economic modelling, 14, 23
- education evidence base inquiry, 9
- enterprise agreement, 30

- financial and staffing resources summary, 24
- fraud control certificate, 42
- Freedom of Information, 37
- Freedom of Information Act 1982*, 37

- government-commissioned projects, 10

- human services inquiry, 9



Indigenous Australians, 5, 10-12

expenditure reporting, 10

Overcoming Indigenous Disadvantage report, 10

intellectual property inquiry, 8, 15

marine fisheries and aquaculture inquiry, 8

media coverage of the Commission, 16

migrant intake inquiry, 5-6, 8, 15, 21

mutual recognition schemes inquiry, 5, 14, 21

National Agreement reporting, 11-13

parliamentary committees, 17

Parliamentary Library, 17, 19

use of Commission outputs, 17, 19

performance reporting activities, 10-12

Productivity Commission,

activities in 2015-16, 5-21

appointments, 23-24

competitive neutrality complaints activities, 12

conferences, workshops and roundtables, 19

consultancies let, 34

alignment of tender threshold with procurement guidelines, 34

consultative processes, 13-15, 21

external and internal scrutiny, 28

disability strategy, 33

environmental management system, 35

feedback on activities, 5-21

financial statements, 45-76

governance arrangements, 25-29

government-commissioned projects, 5-21,


government responses to reports, 16

management of human resources, 29-33

occupational health and safety, 32

organisation chart, 24

outcome objective, 6, 16



performance management and pay, 30–31
performance reporting activities, 10–12
program performance, 5–21
role, 6
speeches and presentations, 16
staffing statistics, 25, 34–36
research and statutory annual reporting, 12–13
research networks, 15
training, 31
visiting officials, 19
visiting researchers, 14
workplace diversity, 33

Productivity Commission Act 1998, 35

public safety mobile broadband study, 5–6, 8, 21
public infrastructure inquiry, 17

Public Service Act 1999, 23, 30


references to Commission work
 in Federal Parliament, 17
 in House of Representatives and Senate committee reports, 18
 in Parliamentary Library reports, 18
 in State and Territory parliaments, 18
 in the media, *see* media coverage of the Commission

Report on Government Services, 10
Review of Government Service Provision, 10

service charters, 28
service provision, *see* Review of Government Service Provision,
services export study, 5, 8, 21
Steering Committee for the Review of Government Service Provision, 6
superannuation inquiry, 8

telecommunications universal services obligations, 9

visiting officials, 19



workplace diversity, 33

workplace relations framework inquiry, 5–6, 8, 14–15, 17, 19, 21