



Australian Government
Productivity Commission

Productivity Commission

Annual Report

2016-17



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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).



14 September 2017

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

We submit to you the Productivity Commission's annual report for 2016-17. 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 Cilent
Commissioner

Jonathan Coppel
Commissioner

Jane Doolan
Commissioner

Stephen King
Commissioner

Paul Lindwall
Commissioner

Angela MacRae
Commissioner

Richard Spencer
Commissioner

John Madden
Associate Commissioner



Peter Harris AO
Chair



Karen Chester
Deputy Chair



Julie Abramson
Commissioner



Ken Baxter
Commissioner



Melinda Cilento
Commissioner



Jonathan Coppel
Commissioner



Jane Doolan
Commissioner



Stephen King
Commissioner



Paul Lindwall
Commissioner



Angela MacRae
Commissioner



Richard Spencer
Commissioner



John Madden
Associate Commissioner

Acknowledgments

In memory of Ellie Jepsen (1979–2017).

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



Foreword

In 2016-17, the Productivity Commission completed nine inquiries and commissioned studies and commenced work on another nine, stretching our capacity to its maximum. Completed inquiries covered varied terrain, including data availability and use, intellectual property arrangements, regulation of agriculture and of marine fisheries, telecommunications and superannuation. This diversity meant engaging with a wide range of interested parties in multiple locations throughout Australia — often with a focus on regional areas.

The twenty-second edition of the Review of Government Services was also released, covering the performance of all Australian jurisdictions on a wide range of measures across 17 service areas.

Work on the Commission’s first five-yearly productivity review — aimed at ‘shifting the dial’ via a new type of reform agenda — was also initiated during the reporting period, and is now completed. We also commenced the first of a triennial assessment of progress toward achieving the objectives and outcomes of the National Water Initiative — assuming a function formerly undertaken by the National Water Commission.

Given the high level of workload associated with our commissioned work, we undertook relatively little self-initiated work. However, the prospect of a global rise of protectionism in the post-Trump era, and the challenges for Australia’s policy-makers unfamiliar with such an outlook, required us to crystallise the impacts.

Over the coming year the Commission expects to commence new work on Indigenous policy evaluation. The Australian Government plans to appoint a new Commissioner with expertise on Indigenous issues, furthering the Commission’s capability in this important area of public policy.

Peter Harris
Chair

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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 2016-17 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 informs policy decisions to improve Australians' wellbeing. The Commission applies robust, transparent analysis, and adopts a community-wide perspective.

Results

In 2016-17, the Commission has sought to complete projects and publish reports that are of a high quality, and are useful and timely.

As outlined in the 2016-17 Portfolio Budget Statements, and the Commission's 2016–20 Corporate Plan, indicators of performance include: the Commission's work being widely referenced in public policy forums; projects and reports being completed in accordance with commissioned timelines; and independent and transparent processes being followed. Performance against impact and delivery criteria encompassing these indicators is summarised below, with analysis presented in more detail in the chapter 'Review of Commission activities and performance'.

Quantitative assessment of the policy contribution of the Commission's outputs is not straightforward given the other factors driving policy changes and the year-by-year variations in the nature, scope and timing of commissioned projects. Also, as its inquiry and research outputs contribute, over an extended period, 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.

Impact Criterion: The Productivity Commission is a valuable source of evidence-based analysis to inform public policy in Australia.

In 2016-17, the demand for the Commission to undertake work on complex policy issues continued from the high level set in the previous year. The Commission completed nine government-commissioned inquiries and studies on a diverse set of topics, and received references from the Government for nine new inquiries and studies.

The Commission also continued to provide secretariat, research and report preparation services to the Steering Committee for the Review of Government Service Provision. In 2016-17, this included publication of the report on *Overcoming Indigenous Disadvantage: Key Indicators*.

A self-initiated research project undertaken in 2016-17 on *Rising protectionism: challenges, threats and opportunities for Australia*, which modelled a set of scenarios based on new US trade policies and sought to identify their implications for Australia, was published in July 2017. In addition, the Commission continued its annual reporting of assistance to industry by the Australian Government.

Impact Criterion: The Productivity Commission generates effective public debate.

The Commission's work was widely referenced in public debate in 2016-17. Contributions to parliamentary debate and the extent of media coverage indicate public interest in the Commission's work and its potential influence.

At least 157 members and senators referred to 39 different Commission reports or inquiries, or to the Commission's role in policy processes. During the 2016-17 sittings of state and territory parliaments, around 205 members referred to 35 different Commission publications or inquiries, the Report on Government Services, or to the Commission's role.

The Commission made increasing use of social media during 2016-17 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 Commission had an average of 114 mentions a month in national print media.

Impact Criterion: The Productivity Commission is recognised as a model for evidence-based policy analysis worthy of consideration by other governments.

There continues to be interest from other governments in the institutional arrangements for Australia's Productivity Commission and its approaches to work. The Commission responded during the year to requests for briefings to visiting officials and delegations from eight countries. The OECD and IMF cited the Commission's work in numerous reports published throughout the year.

The Chairman undertook visits to a number of South American countries which have established (Chile) or are considering (Argentina) establishing their own versions of the Commission's model.

In 2016-17, the Commission also completed a multi-year project, as part of the Australian Government's *Government Partnerships for Development* program, which used the Commission's knowledge and expertise to provide training to government officials from emerging and developing economies in areas of structural reform, and facilitated a two-way exchange of ideas between Commission staff and overseas participants on broader policy challenges and approaches.

Delivery Criterion: The Productivity Commission engages effectively with the community.

In 2016-17, the Commission's processes continued to provide for extensive public input and feedback through hearings, workshops and other consultative forums, and through the release of draft reports and preliminary findings. Several inquiries involved widespread consultation in regional Australia.

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, a paper was published outlining issues and 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 again following the issue of a draft report.

Delivery Criterion: The Productivity Commission's processes are open and transparent.

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 avenues for policy advice. Extensive public input and feedback, and the requirement that all reports must be publicly available, ensure the Commission's analysis and judgements are scrutinised and draw on public input. In addition, key data sets and modelling are made publicly available following the release of reports.

Delivery Criterion: The Productivity Commission delivers reports within agreed timeframes.

All of the major projects completed in 2016-17 met the timeframes originally set by Government, or as subsequently varied in consultation with the Treasury. The timing of tabling of commissioned inquiry reports, following completion of a project, is a matter for Government. Other reports were published within a week of completion of the project.

1 Review of Commission activities and performance

Some highlights from 2016-17

- published government-commissioned reports on:
 - ... Intellectual Property Arrangements
 - ... Human Services: Identifying Sectors for Reform (Stage 1)
 - ... Consumer Law Enforcement and Administration
 - ... Telecommunications Universal Service Obligation
 - ... Data Availability and Use
 - ... Education Evidence Base
 - ... Superannuation (Stages 1 and 2)
 - ... Marine Fisheries and Aquaculture
 - ... Regulation of Agriculture
- undertook work during the year for the first five-yearly Productivity Review
- undertook work on a self-initiated research paper on rising protectionism
- published the 2016 Overcoming Indigenous Disadvantage report and the twenty second edition of the annual Report on Government Services (RoGS)
- published a draft reporting framework on ‘what works’ to improve service outcomes (complementary to the RoGS).

Some areas of focus for 2017-18

- current inquiries and government-commissioned research:
 - ... Superannuation (Stage 3)
 - ... Collection Models for the Goods and Services Tax on Low Value Imported Goods
 - ... National Disability Insurance Scheme Costs
 - ... Reforms to Human Services (Stage 2)
 - ... Competition in the Australian Financial System
 - ... Horizontal Fiscal Equalisation
 - ... Transitioning Regional Economies
 - ... National Water Reform
 - ... Productivity Review
- new evaluation function for policies and programs affecting Indigenous Australians
- new functions to review nationally significant inter-governmental funding agreements and maintain the COAG performance dashboard
- annual Report on Government Services and the 2017 Indigenous Expenditure Report
- initial reviews on ‘what works’ to improve service outcomes.

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 Productivity Commission's outcome objective 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.

This is pursued in four broad work streams:

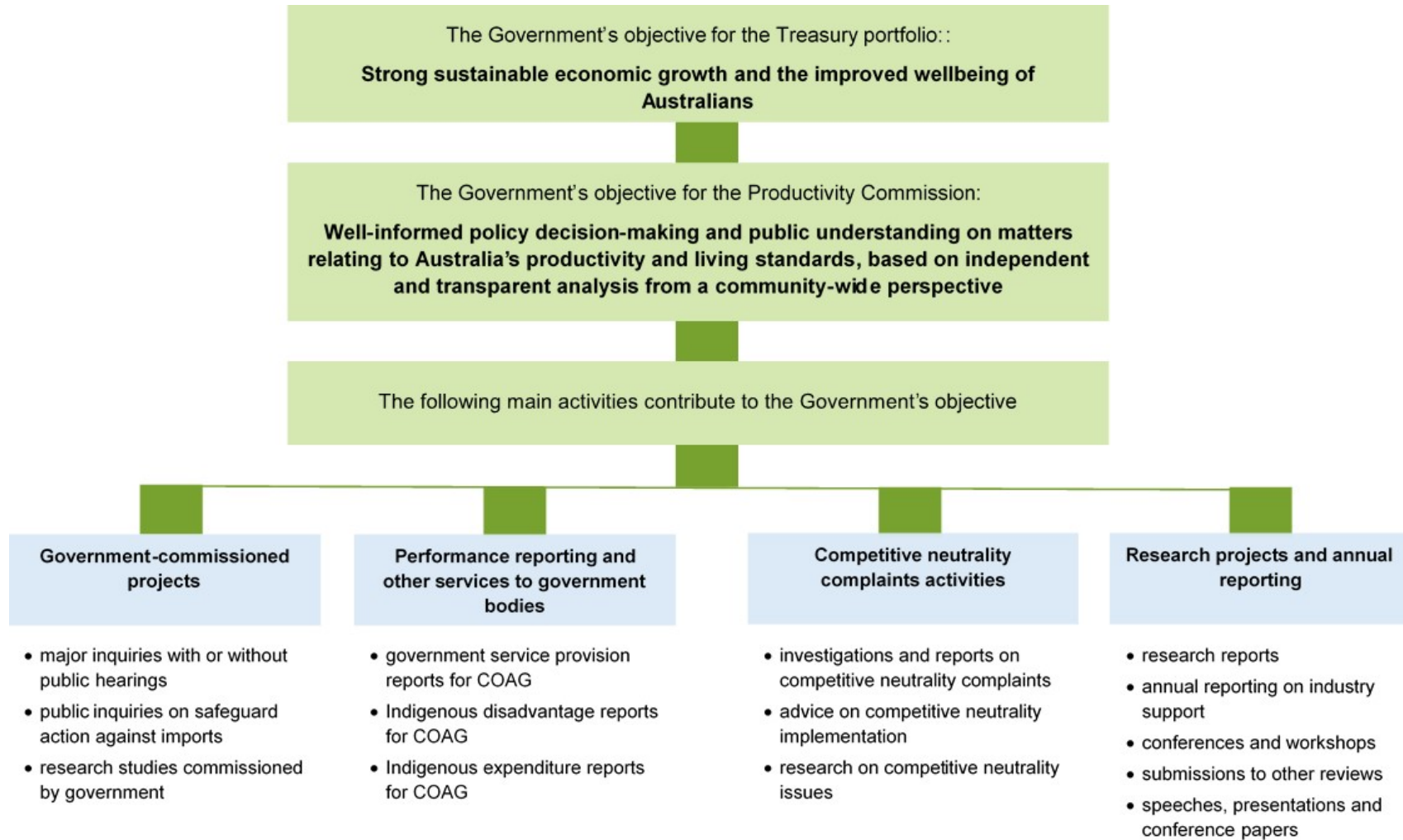
- government-commissioned inquiries or studies
- other research projects and a statutory analysis of industry support
- performance reporting and related analysis of Commonwealth and State service provision
- competitive neutrality complaints (figure 1.1).


Over the year, the Commission completed a number of government-commissioned inquiries and studies, and research, on a diverse set of topics. A research report on rising protectionism was also undertaken, as was the first of what is to be a regular five-yearly review of productivity.

The Commission continued to provide assistance to all Australian governments and COAG through a mix of standing reporting responsibilities and specific projects. In 2016-17, the Commission provided secretariat, research and report preparation services to the joint State-Commonwealth Steering Committee for the Review of Government Service Provision. During the year, the Australian Government also announced that the Commission would undertake reviews of nationally significant sector-wide agreements with the States and Territories and maintain the COAG performance dashboard.

During this reporting period, the Commission commenced its first review under its new water functions at the request of the Australian Government. This inquiry into national water reform is 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 early 2018.

Figure 1.1 Productivity Commission main activities 2016-17





A further new stream of work on Indigenous policy evaluation is due to commence in 2017-18, subject to legislation passing in Parliament. The Commission is to develop and implement a whole-of-government evaluation strategy for policies and programs that affect Aboriginal and Torres Strait Islander Australians, which all Australian Government agencies will report against. This, and other more general work of the Commission, is to be assisted by the appointment of a new Commissioner with experience in dealing with policies and programs that affect Indigenous Australians.

Year in review

Public inquiries and commissioned studies

The Commission commenced nine new projects at the request of the Australian Government in 2016-17. This follows the commissioning of 10 new projects in 2015-16.

- In September 2016, the Government asked the Commission to undertake the first of five-yearly inquiries into Australia's productivity performance. The inquiry is to provide an overarching analysis of Australia's productivity performance, and develop and prioritise reform options to improve the wellbeing of Australians by supporting greater productivity growth.
- A 12 month study into the geographic impacts of the transition of the Australian economy following the resources investment boom commenced in December 2016. The study is to identify those regions and localities that face significant challenges in successfully transitioning to a more sustainable economic base as the investment phase is completed. An initial report was released in April 2017. The study will also consider the factors that influence their capacity to adapt to changes in economic circumstances.
- In December 2016, the second stage of the Human Services stream of work commenced. The Commission will make recommendations on how to improve outcomes for Australians by applying increased competition, contestability and informed user choice to the human services identified in the first stage study report.
- In January 2017, the Australian Government asked the Commission to conduct a study to review the costs of the National Disability Insurance Scheme (NDIS). The study will examine issues including: the sustainability of scheme costs; jurisdictional capacity (including the complementary disability services provided by the States and Territories); cost pressures; whether efficiencies have been achieved within the scheme; whether there has been any impact on mainstream services; and examine the most appropriate levers to manage any potential cost overruns.
- In February 2017, the Commission was asked to conduct a 12-month inquiry into the reform of Australia's water resources sector. In undertaking the inquiry, the Commission is required to assess the outcomes of the National Water Initiative (NWI) and related water reform efforts; consider the potential and realised benefits of NWI implementation;

consider the scope for improving the NWI; and make recommendations on future reform priorities.

- In May 2017, the Government commissioned an eight month public inquiry into Australia's system of horizontal fiscal equalisation (HFE), which underpins the distribution of GST revenue to the States and Territories. The inquiry is to consider the influence of the current HFE system on productivity, efficiency and economic growth; and to consider whether there are better alternatives.
- The Commission was asked in May 2017 to conduct an inquiry into the state of competition in the financial system. In undertaking the 12 month inquiry, the Commission is to review competition in Australia's financial system with a view to improving consumer outcomes, the productivity and international competitiveness of the financial system and economy more broadly, and supporting ongoing financial system innovation, while balancing financial stability objectives.
- In June 2017, the Australian Government asked the Commission to undertake a 12 month review of the competitiveness and efficiency of the Australian superannuation system. This is the third and final stage of the Commission's current work on superannuation. The inquiry is to assess whether Australia's superannuation system is competitive and efficient, and to make recommendations to improve outcomes for members and system stability, and to reduce barriers to the competitiveness and efficiency.
- In June 2017, the Commission was asked to conduct a five month inquiry into collection models for GST on low value imported goods. The Inquiry will consider the amendments to the *A New Tax System (Goods and Services Tax) Act 1999* in relation to collecting GST on low value imported goods. This includes consideration of the effectiveness of the amendments; the suitability of other models for collecting goods and services tax for imports of low-value goods (including evaluation of the effects of the models on Australian small businesses and consumers); and any other aspect the Commission considers relevant to the implementation of the amendments.

There were 14 public inquiries and five research studies underway at some point during 2016-17 (table 1.1 and figure 1.2).

Nine inquiries or studies that commenced in the previous year were also completed: Intellectual Property Arrangements, Human Services – Identifying Sectors for Reform, Consumer Law Enforcement and Administration, Telecommunications Universal Service Obligation, Data Availability and Use, Education Evidence Base, Superannuation — How to Assess Competitiveness and Efficiency, Marine Fisheries and Aquaculture, and Regulation of Agriculture.

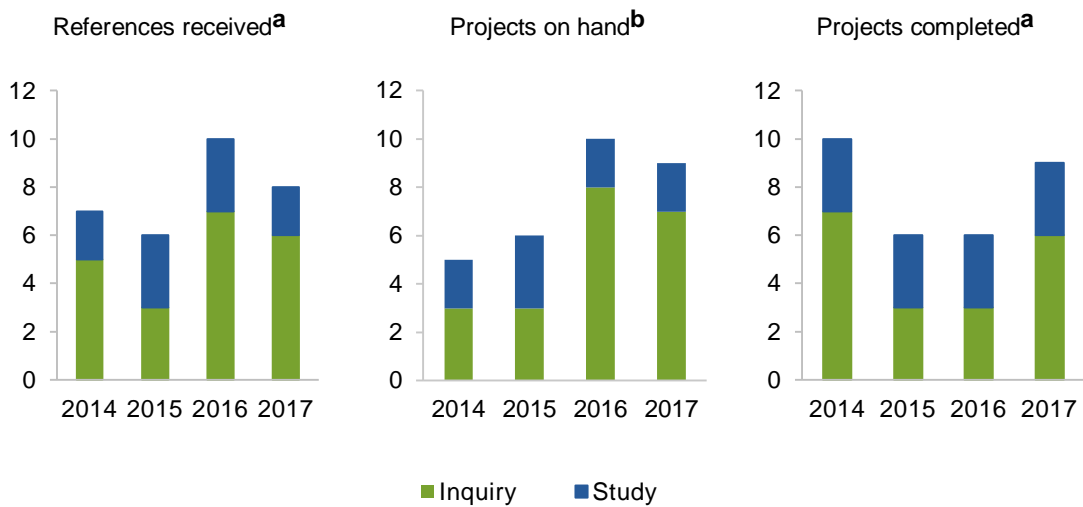
Further information on public inquiries and commissioned studies undertaken during 2016-17 are available on the Commission's website. Trends in public inquiry activity and participation over the past five years are shown in figure 1.2 and table 1.2.

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

	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
<i>Public inquiries</i>																								
Intellectual Property Arrangements																								
Regulation of Agriculture																								
Regulation of Marine Fisheries and Aquaculture																								
Data Availability and Use																								
Education Evidence Base																								
Telecommunications Universal Service Obligation																								
Superannuation: Alternative Default Fund Models (Stage 2) ^b																								
Productivity Review																								
Human Services: Reforms to Human Services (Stage 2)																								
National Water Reform																								
Horizontal Fiscal Equalisation																								
Collection Models for GST on Low Value Imported Goods																								
Superannuation: Assessing Competitiveness and Efficiency (Stage 3)																								
Competition in the Australian Financial System																								
<i>Commissioned research studies</i>																								
Superannuation: How to Assess Competitiveness and Efficiency (Stage 1)																								
Human Services: Identifying Sectors for Reform (Stage 1)																								
Consumer Law Enforcement and Administration																								
Transitioning Regional Economies																								
National Disability Insurance Scheme Costs																								

^a Shaded areas indicate 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 for the inquiries into Intellectual Property Arrangements and Regulation of Agriculture as their timetables were affected 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. In the context of receiving the terms of reference for the inquiry into Assessing Competitiveness and Efficiency (Stage 3), the Government agreed that the Stage 2 inquiry be incorporated into, and finalised as part of, Stage 3 by June 2018.

Figure 1.2 **Projects commenced, on hand and completed**



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 2017* was the twenty-second in this series. The Report provides comparative performance information on 17 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 2017 Report collectively account for \$205 billion of government recurrent expenditure, equivalent to about 12 per cent of GDP.

Complementary to the national performance reporting on government services, a draft framework was released for reporting on what works to improve service outcomes. Initial pilot reviews will commence in 2017-18.

Table 1.2 **Public inquiry and other commissioned project activity, 2012-13 to 2016-17**

	2012-13	2013-14	2014-15	2015-16	2016-17
Public inquiries					
Inquiry references received ^a	5	5	3	7	6
Issues papers released ^e	3	8	3	6	5
Public hearings (sitting days) ^b	11	35	14	19	20
Organisations/people visited	205	441	205	594	626
Submissions received	258	1674	941	955	1302
Draft reports ^c	4	6	3	3	7
Inquiry reports completed	4	7	3	3	6
Inquiries on hand (at 30 June) ^a	5	3	3	8	7
Research studies					
References received	3	2	3	3	2
Submissions received	180	154	131	72	544
Draft reports ^c	2	3	1	2	4
Research reports completed	3	3	3	3	3
Studies on hand (at 30 June)	3	2	3	2	2
Total references^d					
Total references received	8	7	6	10	8
Total references completed	7	10	6	6	9
Total references on hand (at 30 June) ^a	8	5	6	10	9

^a Includes the financial system inquiry reference received in May 2017 for commencement in July 2017.

^b Excludes forums and roundtable discussions. ^c Includes all types of draft reports. ^d Includes the superannuation study and superannuation inquiry as separate references. ^e Includes Issues papers or equivalents, such as discussion papers and guidance notes.

Overcoming Indigenous Disadvantage: Key Indicators

The *Overcoming Indigenous Disadvantage: Key Indicators* (OID) report, commissioned by COAG in 2002, measures the wellbeing of Aboriginal and Torres Strait Islander Australians. The latest report was the seventh edition and released in November 2016.

The 2016 OID report showed some positive trends in the wellbeing of Aboriginal and Torres Strait Islander Australians, including in many areas of health, economic participation and some areas of education. But the report also showed outcomes have stagnated or worsened in some areas. In particular, imprisonment rates and hospitalisations for self-harm increased.

The OID report included case studies of ‘things that work’. The relatively small number of case studies included in the 2016 edition reflected the serious lack of rigorously evaluated programs in the Indigenous policy area.

Indigenous Expenditure Report

COAG agreed to the reporting of Indigenous expenditure in 2007, with the Productivity Commission assuming secretariat responsibilities in November 2008.

The *Indigenous Expenditure Report* contributes to governments' understanding of the levels and patterns of expenditure on services for 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 the evaluation of expenditures on outcomes for Aboriginal and Torres Strait Islander people. The next edition of this report is scheduled for release in October 2017.

National Agreement reporting

The 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 2016-17, the Steering Committee collated performance information for the National Indigenous Reform Agreement, and incorporated applicable indicators and data from 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 2016-17. The complaint did not proceed to investigation.

The Office also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2016-17, 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 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.

During the year, the Commission undertook a research project on *Rising protectionism: Challenges, threats and opportunities for Australia*, which was published in July 2017. Work was also substantially completed during the year on the *Trade and Assistance Review 2015-16* and published in July.

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. 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.

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

Recipients of reports and users of the Commission's website are provided with the opportunity to provide feedback.

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. As long as design work is completed in a timely fashion, the first survey should be undertaken in 2017-18.

Generating effective debate

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. Taken together with media mentions, mentions in Parliaments and downloads of reports, the degree of acceptance of recommendations indicate the Commission's success in generating public debate.


Internal review across the nine inquiries and studies for which final reports were published in 2016-17 indicates that three projects generated a high level of public debate (Data Availability and Use, Intellectual Property Arrangements and Human Services: Identifying Sectors for Reform), with particularly high interest in Data Availability and Use. Five reports generated a medium level of debate (Regulation of Agriculture, Education Evidence Base, Marine Fisheries and Aquaculture and Telecommunications Universal Service Obligation, Superannuation: How to Assess Competitiveness and Efficiency), while there was a low level of debate for Consumer Law Enforcement.

At 30 June 2017, Government responses to most of the reports published in 2016-17 were still pending, with the exception of Marine Fisheries and Aquaculture, to which the Australian Government released its response on 24 May 2017.

- The response largely supports the report's findings and recommendations, including support for: developing a policy to guide the allocation of access to fisheries stocks between different sectors, moving fisheries that represent lower environmental risk to 10-yearly approval cycles and delegating greater operational decisions to relevant fishery management authorities.

During the year, the Australian Government also announced the following decisions on Commission reports released in previous years.

- The Australian Government released its response to the Commission's 2015 report into Public Safety Mobile Broadband (PSMB) on 24 November 2016. The Government announced that it supports in principle the Commission's findings and recommendations, and that it is committed to working with States and Territories towards developing an interoperable PSMB capability.
- On 22 December 2016, the Australian Government released its response to the Commission's 2014 Disaster Funding Arrangements report. In its response, which addressed 14 out of 22 recommendations, the Government acknowledged that the report will provide high-level strategic direction in dealing with natural disasters, and indicated support for some of the report's findings and recommendations including establishing a framework for the development of benchmark prices and on making hazard data publicly available.
- The Australian Government also released its response to the Commission's 2015 report Business Set-up, Transfer and Closure on 4 May 2017. The response provided support or in-principle support for most of the report recommendations. This included support for recommendations to review the protections against unfair contract terms to small



businesses and that the effectiveness of employee share schemes should be reviewed. Recommendations to modernise bankruptcy and administration were previously adopted without acknowledgment.

In addition to these responses, the Government announced policy actions consistent with recommendations in previous Commission reports. This included:

- a review into the family law system looking at provisions restricting personal cross-examination of victims by alleged perpetrators which is supportive of a recommendation from the Commission's 2014 Access to Justice Report.
- the introduction of various measures on migration that are consistent with some of the recommendations in the Commission's 2016 Migrant Intake into Australia report, including reducing the age limit to 45 years for direct entry to permanent migration, and introducing two new Temporary Sponsored Parent visas (3 years and 5 years) which provide longer-term residence for parents and requirements for health costs to be provided by the parents or sponsoring child.


The Fair Work Commission accepted into evidence our work on penalty rates in the context of its inquiry; and the Full Bench indicated its agreement with the job creation aspects of our analysis.

Commission inquiry and research reports also continue to be used frequently by parliamentarians in debates and questions. During the 2016-17 *sittings of the Federal Parliament* just over 157 Members and Senators referred to around 39 different Commission reports or inquiries, or to the Commission's role in policy processes. In around 62 per cent of the mentions in debates and questions, federal parliamentarians cited the Commission as an authoritative source. Commission reports on Workplace Relations Framework, Access to Justice and Review of NDIS Costs featured most prominently.

In addition, there were at least 117 mentions of the Commission and its work in the Hansard proceedings of *Federal Parliamentary Committees* in 2016-17. The most frequent mentions were of reports on Workplace Relations Framework, Review of NDIS Costs and Childcare and Early Childhood Learning.

The Commission's inquiry and research reports were also used extensively in debate and questions by *state and territory parliamentarians*. During the 2016-17 sittings of the eight state and territory parliaments, 205 members referred to around 35 different Commission publications or inquiries, the Report on Government Services, or to the Commission's role in policy processes. In about 43 per cent of the 185 mentions the Commission was cited as an authoritative source, while 5 per cent of mentions were critical of a particular finding, report or Commission attribute. The Report on Government Services was mentioned most frequently, with the Commission's reports on Workplace Relations Framework and the Review of the NDIS Costs also featuring prominently.

The Report on Government Services also contributed significantly to public debate, with a large amount of file requests from external users with 15 925 and 24 975 for the 2016 and 2017 reports.



The Commission's website continued to receive a very large number of report downloads from external users in 2016-17. There were more than 70 000 report downloads of inquiries and government-commissioned research studies in 2016-17. The projects of most interest were Data Availability and Use, Intellectual Property Arrangements and Regulation of Agriculture.

During 2016-17, the Commission rated an average of 114 mentions a month in national print media and was referred to in 835 regional media articles. The reports of most interest across a range of social and print media were Data Availability and Use, Workplace Relations Framework and Superannuation: Alternative Default Models.

The many invitations to give briefings and present papers to parliamentary, business and community groups and to conferences provides another indicator of the Commission's role in generating public debate. In 2016-17, there were 82 presentations given by the Chair, Commissioners and staff during the year to ministerial councils, industry and community groups, and conferences. These were across the range of the Commission's inquiry, research and performance reporting work, with particular interest in Data Availability and Use, Human Services, Superannuation and Digital Disruption.


The international recognition of the Commission as a model for evidence-based policy is also an indicator of the Commission's impact. The Commission briefed 12 international delegations and visitors during 2016-17, with a focus on the Commission's role and activities and related policy matters. This included visiting officials and delegations from South Africa, Indonesia, Sri Lanka, India, Malaysia, New Zealand, Vietnam, Japan, the OECD and IMF.

The OECD and IMF cited the Commission's work in 39 of their reports published throughout the year. This included reports that referred to aspects of the Commission's approach to its work, such as the OECD's reports on *Best Practice Principles on Stakeholder Engagement in Regulatory Policy* and *Pro-Productivity Institutions: Learning from National Experience* (OECD 2017a and 2017b).

The Australian Government provided funding to the Commission 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 undertaken during the year by officials from PNG and India. Members of the Commission's staff participated in capacity building activities that assisted developing economies in furthering their structural reform plans.

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

- 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 NDIS Costs, Workplace Relations Framework, Access to Justice, and the 2017 Report on Government Services.
- 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

- broader 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.

Transparency and community engagement

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

The Commission conducts public hearings, allows public access to the submissions made to its inquiries, and publishes draft and final inquiry reports. Processes have been adapted to suit the variety of studies commissioned by the Government and these processes provide a range of opportunities for participants and experts to comment on its analytic frameworks, preliminary findings and, where relevant, draft recommendations. Roundtables, workshops and other forums provide valuable opportunities to access wider sources of expertise in its inquiries and research.

A range of opportunities was provided for public participation in each of the inquiries and studies completed in 2016-17, including through public hearings, forums, workshops and the release of papers for public comment. For all inquiries and studies for which final reports were released in 2016-17, an issues paper was released, a draft report or equivalent was issued and two submission rounds were held to allow written participation from interested parties, as well as a range of forums for engagement.

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

The Commission also provided opportunities for public participation in its government performance reporting and analysis work through intergovernmental working groups. This included consultations and targeted emails to invite feedback, as well as opportunities for the public to give feedback through the Commission's website. There was also one self-initiated research study completed in 2016-17, and engagement occurred through consultations with government.

Overall, during its inquiry activities, the Commission met with approximately 626 organisations or groups, held 20 days of public hearings, and received around 1302 submissions. And for studies in total, the Commission received around 544 submissions in 2016-17.

In its government performance reporting work in 2016-17, there was also extensive consultation with all Australian governments through processes agreed by the Steering Committee for the Review of Government Service Provision, as well as public consultation in developing the ‘what works’ framework to complement the Report on Government Services.

As part of its open and transparent processes, the Commission also makes key data sets and modelling available. In 2016-17, these included new material and modelling from the Migrant Intake inquiry and research into Indigenous Primary School Achievement.

Box 1.1 Participative and transparent processes

Several Commission inquiries and studies undertaken during the year had a pronounced regional focus, including the Commission’s inquiries on agricultural regulation and regulation of marine fisheries and aquaculture and its study of transitioning regional economies. In these cases, the Commission undertook extensive consultation in regional areas and employed a range of consultation settings and formats. For example, for the inquiry into the regulation of fisheries and aquaculture, the Commission provided a facility on its inquiry website to complete a survey or provide general comments. In addition to public hearings, the Commission also held several less formal meetings to hear from interested parties, including commercial fishers, recreational fishers and members of the general public.

There was also extensive and diverse engagement for the Commission’s inquiry into data availability and use. In addition to submissions, roundtables and public hearings, separate discussions were held with in excess of 200 businesses, business groups, academics, government agencies and individuals in Australia and overseas. Discussions with government departments and other organisations also took place in other countries, including New Zealand, the United States, Canada and the United Kingdom, to understand different approaches to data availability and use internationally.

Timeliness and cost effectiveness

In 2016-17, all of the Commission’s inquiry and study reports, as well as all reports produced as part of the Commission’s performance reporting and other functions, met the timeframes originally set by Government, or as subsequently varied in consultation with Treasury.

The Commission also 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 2016-17 are shown in table 1.3.

Table 1.3 Cost of public inquiries and other government commissioned projects completed in 2016-17^a

<i>Government-commissioned project</i>	<i>Total cost</i>
	\$'000
Intellectual Property Arrangements	2 194
Regulation of Agriculture	1 517
Marine Fisheries and Aquaculture	1 442
Data Availability and Use	1 373
Education Evidence Base	1 022
Telecommunications Universal Service Obligation	1 019
Human Services – Identifying Sectors for Reform (Stage 1)	1 160
Superannuation – How to Assess Competitiveness and Efficiency (Stage 1)	905
Consumer Law Enforcement and Administration	590

^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, Linkages and Networks

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.

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 topics as diverse as default superannuation, data science, agriculture in northern Australia, and the funding of hospitals and primary care.

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 2016-17:

- 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, in partnership with The Treasury, continued its membership of the OECD Global Forum on Productivity, which aims to foster international co-operation between public bodies promoting productivity-enhancing policies.

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 2017 are shown in figure 2.1.

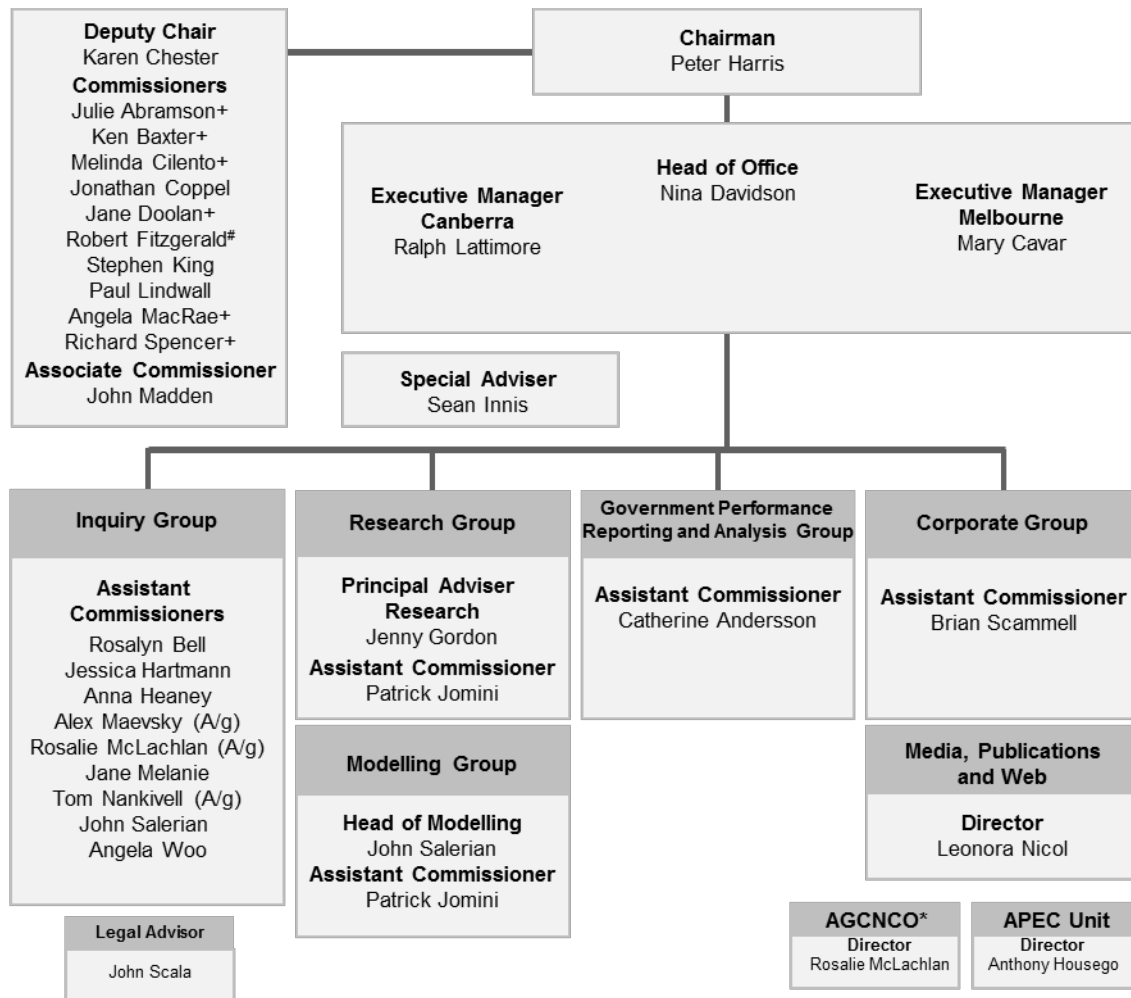
Commissioners

At 30 June 2017, there were twelve members of the Commission, including the Chairman. Six Commissioners held part-time appointments. Five Commissioners are female. 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.

Mr Richard Spencer was appointed as a part-time Commissioner on 26 October 2016 for a period of five years. Mr Spencer has over 25 years leadership experience in social service delivery, serving in various Chief Executive Officer (CEO) roles in the not-for-profit sector across community services, disability services and cross-cultural education. Mr Spencer has also had extensive experience in business and in the legal profession, including with Rio Tinto and Clayton Utz.

Professor Jane Doolan was appointed a part-time Commissioner on 8 December 2016 for a five-year period. Professor Doolan has extensive experience working in sustainable water resource and environmental management, providing policy advice to both the Australian and State Governments on issues such as water allocation, river health and catchment management and water sector governance. She has also worked in state government on environmental programs and policies, and overseeing environmental water projects. She is a Professorial Fellow in Natural Resource Governance at the University of Canberra, and was previously a Commissioner with the National Water Commission and Deputy Secretary for Water in the Victorian Department of Environment and Primary Industries.

Figure 2.1 Commission structure and senior staff, 30 June 2017



+ Part-time Commissioners
 * Australian Government Competitive Neutrality Complaints Office
 # Commissioner Fitzgerald on long-term leave of absence

Biographical information on all Commissioners is available on the Commission’s website and their terms of appointment are listed in table A1.1 of Annex A.

Associate Commissioners

At 30 June 2017, we have one Associate Commissioner appointment (table A1.2 of Annex A).

Mr John Madden was appointed a full-time Associate Commissioner for the period from 2 January 2017 to 31 December 2018 to assist in the Commission’s inquiries into the reform of Australia’s water resources sector and the effectiveness of the implementation of the Murray–Darling Basin Plan. Mr Madden has extensive experience in legislative, regulatory

and administrative arrangements for water planning and management. He has expertise in cost-benefit analysis and socio-economic assessment, with a particular focus on water issues. Mr Madden has worked on a wide range of water and other natural resource, primary industry and infrastructure issues, in private sector consulting roles as well as in the public sector, including with the CSIRO, NSW Agriculture, and the NSW Independent Pricing and Regulatory Tribunal.

Staff

The average staffing level during 2016-17 was 167 compared to 164 in 2015-16.

The Commission recruited 27 staff during the year, including seven through its graduate recruitment program. Staff turnover was approximately 10 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 to achieving the Government's outcome objective for the Commission are summarised in table 2.1. An agency resource statement for 2016-17 is included at Annex B.

Table 2.1 **Financial and staffing resources summary**

	Budget * 2016-17	Actual 2016-17	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 Productivity Commission			
Departmental Expenses			
Ordinary annual services (Appropriation Bill No. 1)	33 388	30 956	2 345
Revenues from independent sources (Section 74)	1 007	952	55
Expenses not requiring appropriation in the Budget year	1 123	1 198	(75)
Total for Outcome 1	35 518	33 106	2 325
	2015-16	2016-17	
Average Staffing Level (number)	164	167	

* Full-year budget, including any subsequent adjustment made to the 2016-17 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, its reputation and public handling of issues, and the quality of its output.


He is assisted in these tasks by the Head of Office and a Management Committee that 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, 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 and the Head of the Modelling.

Commissioners are responsible for the conduct and quality of the individual inquiries, studies or other activities to which they are assigned by the Chairman, and the overall quality of Commission work via their contributions to the monthly Commission meetings.

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 (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. Senior management and the Audit Committee review the plan annually.


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 2016-17. 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.
- Senior managers 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 that 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 high levels of transparency and community participation in its work, are a key means of promoting external scrutiny. These processes are outlined in 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 2016-17 in respect of either charter.


The Auditor-General issued an unqualified independent audit report on the Commission's 2016-17 financial statements.

Internal Audit: The Commission engages an accounting firm to undertake a program of internal audit reviews. Internal audit reviews conducted in 2016-17 focused on financial delegations of authority and business continuity planning.

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.

The use of Commission reports by Federal parliamentary committees during the year is discussed in Chapter 1. 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 three occasions in 2016-17. Appearances by the Chair, Deputy Chair and senior staff before the Senate Standing Committee on Economics occurred on 20 October 2016, 1 March 2017 and 31 May 2017.



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 2016-17, the Commission continued to develop its use of social media to raise awareness of its work and promote participation in its public inquiries. The use of infographics to highlight and promote aspects of the Commission's work also continued.

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 2016-17 through the graduate recruitment program.


An important input to workforce planning is the information obtained from departing employees through exit questionnaires and, where possible, 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 key management personnel 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 (available on the Commission's website).

Table 4 in Annex A provides details of salary ranges at 30 June 2017.

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. At 30 June 2017, four individual flexibility agreements were 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 2016-17 for a replacement agreement. A new agreement will come into effect on 5 September 2017 and will cover approximately 150 staff.

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 generally 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 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 2016-17, 70 employees undertook a total of 264 days of specific training and development, and 7 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 (WHS)

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 2016-17.

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 2016-17.

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

WHS activities during the year included:

- Commission-funded flu vaccinations for 99 staff;
- ergonomic work station assessments, as required;
- regular workplace hazard inspections conducted by members of the WHS Committee; and

- provision of regular health-related information.

An indicator of the effectiveness of the Commission's WHS programs is Comcare's workers' compensation rate. The Commission's rate for 2016-17 was 0.28 per cent of payroll, compared to an overall scheme premium rate of 1.72 per cent. There was one claim for injury that was accepted and finalised in 2016-17.

Employee Assistance Program

The Commission offers its employees independent, confidential and professional counselling, consultation and training assistance for work-related or personal issues. Six employees or their families utilised the service in 2016-17.

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 2016-17, the Commission supported two employees to participate in projects in Indigenous communities under the Jawun program.

As at 30 June 2017, 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 increased in 2016-17 to \$33.4 million (\$32.9 million in 2015-16). Revenue from other sources increased to \$1.0 million (\$0.9 million in 2015-16).

Operating expenses decreased marginally in 2016-17 to \$33.1 million (\$33.5 million in 2015-16). The major expenses in 2016-17 were \$25.6 million in respect of employee expenses, \$6.3 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 2016-17 was a \$2.4 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 2016-17 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 2016-17 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 AusTender publication. Contracts of \$100 000 or more (inclusive of GST) let during 2016-17 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 small 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 2016-17, the Commission entered into five new consultancy contracts involving total actual expenditure of \$0.098 million. There were no ongoing consultancy contracts active during the 2016-17 year.

Table 2.2 provides information on expenditure on consultants in the five years to 2016-17.

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, 2012-13 to 2016-17

	2012-13	2013-14	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenditure	40	29	42	95	98


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. Commission reports on: *Regulation of the Australian Marine Fisheries and Aquaculture Sectors* and *Regulation of Agriculture* 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 inquiry commenced in 2016-17 into progress with the reform of Australia's water resources sector.

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 2016-17, the Commission recorded energy usage of 8339 MJ/person/annum (2015-16: 8674 MJ/person/annum) against the Government's energy target of 7500 MJ/person/annum for tenant light and power usage in office buildings. The Commission has an office in Melbourne and Canberra in buildings that have 4.5 star and 4.0 star NABERS Energy ratings respectively.

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 (as required by our Act), 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 \$52 938 was paid for advertising (including recruitment advertising) in 2016-17 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 Finance. A compliance index is provided in Annex D.

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

Assistant Commissioner
Corporate Services
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 A1.1 **Chair and Commissioners, 30 June 2017**

	<i>Current period of appointment</i>	
	<i>From</i>	<i>To</i>
Mr P Harris AO (Chairman) (M)	11 Mar 2013	10 Mar 2018
Ms K Chester (Deputy Chair) (M)	12 Dec 2013	11 Dec 2018
Ms J Abramson (M) (p/t)	10 Dec 2015	9 Dec 2020
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
Prof J Doolan (M) (p/t)	8 Dec 2016	7 Dec 2021
Mr R Fitzgerald AM (C) *	27 Jan 2014	26 Jan 2019
Prof S King (M)	1 Jul 2016	30 Jun 2021
Mr P Lindwall (C)	1 Jan 2015	31 Dec 2019
Ms A MacRae (M) (p/t)	10 Dec 2015	9 Dec 2020
Mr R Spencer (S) (p/t)	27 Oct 2016	26 Oct 2021

(C) denotes Canberra based, (M) denotes Melbourne based, (S) denotes Sydney based and (p/t) denotes part-time. *Mr Robert Fitzgerald AM is 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.

Table A1.2 **Associate Commissioners, 30 June 2017**

	<i>Inquiry/Study</i>	<i>Period of appointment</i>	
		<i>From</i>	<i>To</i>
Mr J Madden	National Water Reform	2 Jan 2017	31 Dec 2018

Table 2 Employees by location and gender, 30 June 2017

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	1	0	1	1	2	3	2	2	4
SES Band 1	2	4	6	5	1	6	7	5	12
Staff Level 4	9	13	22	3	10	13	12	23	35
Staff Level 3	18	13	31	5	8	13	23	21	44
Staff Level 2	20	14	34	8	8	16	28	22	50
Staff Level 1	9	5	14	4	3	7	13	8	21
Total^b	60	49	109	26	32	58	86	81	167
Corresponding totals at 30 June 2016 ^a	55	46	101	29	35	64	84	81	165

^a Totals exclude 6 inoperative employees at 30 June 2016. ^b Totals exclude 1 inoperative employee at 30 June 2017; 2017 totals include two acting SES Band 1s, six Staff Level 4s and four Staff Level 3s.

Table 3 Employees by employment status, 30 June 2017

Level	Female			Male			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	2	0	2	2	0	2	4	0	4
SES Band 1	6	1	7	5	0	5	11	1	12
Staff Level 4	9	3	12	23	0	23	32	3	35
Staff Level 3	12	11	23	21	0	21	33	11	44
Staff Level 2	22	6	28	21	1	22	43	7	50
Staff Level 1	5	8	13	8	0	8	13	8	21
Total^b	57	29	86	80	1	81	137	30	167
Corresponding totals at 30 June 2016 ^a	57	27	84	78	3	81	135	30	165

^a Totals exclude 6 inoperative employees at 30 June 2016. ^b Totals exclude 1 inoperative employees at 30 June 2017; 2017 totals include two acting SES Band 1s, six Staff Level 4s and four Staff Level 3s.

Table 4 Salary ranges, 30 June 2017^a

<i>Level</i>	<i>Minimum (\$)</i>	<i>Maximum(\$)^b</i>
SES Band 2	232 261	288 967
SES Band 1	190 000	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 2016-17, 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, 2016-17

<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	1	0	0	0	0	1
Staff Level 4	0	2	3	0	0	0	5
Staff Level 3	1	2	3	0	0	0	6
Staff Level 2	0	1	2	0	0	0	3
Staff Level 1	0	0	2	0	0	0	2
Total	1	6	10	0	0	0	17
Corresponding totals at 30 June 2016	1	7	11	0	2	0	21

^a Redundancy Package.

Annex B

Agency Resource Statement — 2016-17

	<i>Actual Available Appropriation 2016-17</i>	<i>Payments Made 2016-17</i>	<i>Balance Remaining</i>
	\$'000	\$'000	\$'000
	(a)	(b)	(a-b)
Ordinary Annual Services			
Departmental appropriation¹			
Prior year Departmental appropriation	28 506		
Departmental appropriation 2016-17	34 233	33 177	
S.74 Relevant agency receipts²	1 702	1 702	
Total ordinary annual services	64 441	34 879	29 562
Total Resourcing and Payments	64 441	34 879	29 562

¹ Appropriation Bill (No.1) 2016-17.

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

Annex C



Australian Government
Productivity Commission

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24 August 2017

From the Chairman's Office

Annual Report 2016-17 – 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.

A handwritten signature in black ink, appearing to read 'Peter Harris AO'.

Peter Harris AO

Annex D

Compliance index

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

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	Outcomes and programmes	7
	Purpose of the Commission as included in corporate plan	1
	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	1
	Report on Financial Performance	
	Discussion and analysis of financial performance	33
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	Significant changes in the financial results	Not applicable
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	Non compliance with Finance law	Not applicable

Part of Report	Description	Page location
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	Significant developments in external scrutiny	28
	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
	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	29-32
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	Salary ranges available by classification level	39
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	Performance pay	Not applicable
Assets Management		
	Effectiveness where asset management is a significant part of the entity's activities	Not applicable
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	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		
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Other Mandatory Information		
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	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	13

A Financial statements

This appendix presents the audited financial statements for the Productivity Commission for 2016-17.

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INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Productivity Commission for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Productivity Commission, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- 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 and forming part of the Financial Statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Productivity Commission in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Productivity Commission the Chairman 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 – Reduced Disclosure Requirements and the rules made under that Act. The Chairman 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.

In preparing the financial statements, the Chairman is responsible for assessing the Productivity Commission's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chairman is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Colin Bienke
Senior Director

Delegate of the Auditor-General

Canberra
26 August 2017



Australian Government
Productivity Commission

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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 2017 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

24 August 2017

Brian Scammell
Chief Finance Officer

24 August 2017

Statement of Comprehensive Income

for the period ended 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1A	25,624	25,139	26,613
Suppliers	2A	6,291	7,188	7,820
Depreciation and amortisation	4A	1,148	1,131	1,073
Finance costs		37	18	19
Losses from asset sales		<u>6</u>	-	-
Total Expenses		<u>33,106</u>	<u>33,476</u>	<u>35,525</u>
Own-Source Income				
Sale of goods and rendering of services	5B	952	817	1,007
Resources received free of charge		<u>50</u>	<u>50</u>	<u>50</u>
Total own-source income		<u>1,002</u>	<u>867</u>	<u>1,057</u>
Net contribution by services		<u>32,104</u>	<u>32,609</u>	<u>34,468</u>
Revenue from Government		<u>33,388</u>	<u>32,890</u>	<u>33,395</u>
Surplus / (Deficit)		<u>1,284</u>	<u>281</u>	<u>(1,073)</u>
Other Comprehensive Income				
Changes in asset revaluation surplus	4A	(995)	(183)	-
Assets transferred	4A	2,108	-	-
Total comprehensive income		<u>2,397</u>	<u>98</u>	<u>(1,073)</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 and supplier costs. Employee benefits were lower primarily as a consequence of lower than forecast wage growth (which has been affected by continuing enterprise bargaining negotiations) and lower than forecast leave expenses (see Note 1 regarding accounting policy applied to leave). Supplier costs were lower mainly due to variations in inquiry and other project activity. The nature, scope and timing of public inquiries and other work commissioned by Government are not always known when the Original Budget estimates are prepared, and those factors have had a bearing on cost outcomes.

Statement of Financial Position

as at 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial Assets				
Cash and cash equivalents		428	364	346
Trade and other receivables	5A	126	334	291
Appropriation receivables	3B	29,134	28,142	25,287
Total financial assets		29,688	28,840	25,924
Non-Financial Assets				
Leasehold improvements	4A	3,875	2,323	3,588
Plant and equipment	4A	1,096	1,045	917
Computer software	4A	142	210	152
Other non-financial assets		541	606	562
Total non-financial assets		5,654	4,184	5,219
Total Assets		35,342	33,024	31,143
LIABILITIES				
Payables				
Suppliers	2B	229	532	386
Other payables	2C	2,038	2,914	1,745
Total payables		2,267	3,446	2,131
Provisions				
Employee provisions	1B	11,600	11,375	12,196
Other provisions	2D	569	532	551
Total provisions		12,169	11,907	12,747
Total Liabilities		14,436	15,353	14,878
Net Assets		20,906	17,671	16,265
EQUITY				
Contributed equity		6,800	3,854	4,692
Reserves		1,593	2,588	2,771
Retained surplus		12,513	11,229	8,802
Total Equity		20,906	17,671	16,265

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

Budget Variances Commentary

The main budget variance in respect of the financial position is a higher level of appropriation receivables (Revenue from Government) as a consequence of lower expenses in 2016-17 (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 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		3,854	3,008	3,854
Transactions with owners				
Comprehensive Income				
Other comprehensive income	4A	2,108	-	-
Total comprehensive income		2,108	-	-
Transactions with owners				
Contributions by Owners				
Departmental capital budget	3A	838	846	838
Total transactions with owners		838	846	838
Closing balance as at 30 June		6,800	3,854	4,692
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		11,229	10,948	9,875
Comprehensive Income				
Surplus/(Deficit) for the period		1,284	281	(1,073)
Total comprehensive income		1,284	281	(1,073)
Closing balance as at 30 June		12,513	11,229	8,802
ASSET REVALUATION RESERVE				
Opening balance				
Balance carried forward from previous period		2,588	2,771	2,771
Comprehensive Income				
Other comprehensive income		(995)	(183)	-
Total comprehensive income		(995)	(183)	-
Closing balance as at 30 June		1,593	2,588	2,771

		2017	2016	<i>Original Budget</i>
	Notes	\$'000	\$'000	\$'000
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period		17,671	16,727	16,500
Comprehensive Income				
Other comprehensive income		1,113	(183)	-
Surplus/(Deficit) for the period		1,284	281	(1,073)
Total comprehensive income		2,397	98	(1,073)
Transactions with owners				
Contributions by Owners				
Departmental capital budget		838	846	838
Total transactions with owners		838	846	838
Closing balance as at 30 June		20,906	17,671	16,265

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), together with asset revaluation and assets transferred as a consequence of the Commission transferring to office premises at 4 National Circuit.

Cash Flow Statement

for the period ended 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		34,236	33,457	35,082
Sales of goods and rendering of services		1,361	515	1,007
Net GST received		<u>950</u>	<u>735</u>	<u>-</u>
Total cash received		<u>36,547</u>	<u>34,707</u>	<u>36,089</u>
Cash used				
Employees		25,298	25,423	26,393
Suppliers		8,614	7,551	8,486
Section 74 receipts transferred to OPA		<u>2,571</u>	<u>1,715</u>	<u>-</u>
Total cash used		<u>36,483</u>	<u>34,689</u>	<u>34,879</u>
Net cash from (used by) operating activities		<u>64</u>	<u>18</u>	<u>1,210</u>
INVESTING ACTIVITIES				
Cash used				
Purchase of property, plant and equipment		<u>1,576</u>	<u>770</u>	<u>2,048</u>
Total cash used		<u>1,576</u>	<u>770</u>	<u>2,048</u>
Net cash (used by) investing activities		<u>(1,576)</u>	<u>(770)</u>	<u>(2,048)</u>
FINANCING ACTIVITIES				
Cash received				
Contributed equity		<u>1,576</u>	<u>770</u>	<u>838</u>
Total cash received		<u>1,576</u>	<u>770</u>	<u>838</u>
Net cash from financing activities		<u>1,576</u>	<u>770</u>	<u>838</u>
Net increase (decrease) in cash held		64	18	-
Cash and cash equivalents at the beginning of the reporting period		<u>364</u>	<u>346</u>	<u>346</u>
Cash and cash equivalents at the end of the reporting period		<u>428</u>	<u>364</u>	<u>346</u>

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

Budget Variances Commentary

The variation in total cash received and used reflects: 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; variation to the asset replacement program; and higher than forecast recovery of costs for services provided.

Overview

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 – Reduced Disclosure Requirements 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

All new standards, revised standards, amendments to standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the Commission's financial statements. The Commission has adopted AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]* which relieves not-for-profit public sector entities from the disclosures specified in AASB 13 for assets within the scope of AASB 116 for which the future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows.

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).

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 Key Management Personnel Remuneration
- 1D Related Party Disclosures

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

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

6 Other Information

- 6A Contingent Assets and Liabilities
- 6B Financial Instruments

Note 1: Employee Related

Note 1A: Employee Benefits (Expense)

	2017	2016
	\$'000	\$'000
Wages and salaries	19,711	18,906
Superannuation:		
Defined contribution plans	1,272	1,174
Defined benefit plans	2,255	2,274
Leave and other entitlements	2,234	2,729
Separation and redundancies	<u>152</u>	<u>56</u>
Total employee benefits	<u>25,624</u>	<u>25,139</u>

Note 1B: Employee Provisions

	2017	2016
	\$'000	\$'000
Leave	11,448	11,375
Redundancy	<u>152</u>	<u>-</u>
Total employee provisions	<u>11,600</u>	<u>11,375</u>
Employee provisions expected to be settled		
No more than 12 months	2,134	1,799
More than 12 months	<u>9,466</u>	<u>9,576</u>
Total employee provisions	<u>11,600</u>	<u>11,375</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.

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.

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.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Commission recognises a provision for termination when it has developed a detailed formal plan for terminations and has informed those employees affected that it will carry out the terminations.

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 financial year.

Note 1C: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Commission has determined the key management personnel to be the Chairman, Deputy Chair, Head of Office, Executive Managers and Assistant Commissioner Corporate. Key management remuneration is reported in the table below:

	2017	2016
	\$'000	\$'000
Short-term employee benefits	1,637	1,556
Post-employment benefits	264	328
Other long-term employee benefits	<u>176</u>	<u>172</u>
Total key management personnel remuneration expenses	<u>2,077</u>	<u>2,056</u>

The total number of key management personnel that are included in the above table are 6 (2016: 6).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Commission.

Note 1D: Related Party Disclosures

Related party relationships:

The Commission is an Australian Government controlled entity. Related parties to the Commission are Key Management Personnel, the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions are the payment or refund of taxes, receipt of Medicare rebate or higher education loans. These transactions have not been disclosed in this note.

The Commission transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including payment of workers compensation and insurance premiums; transfer of employee entitlements; purchase of statistical data; and other payments required by/according to Government policy or regulations. These are not considered individually significant to warrant separate disclosure as related party transactions.

Note 2: Supplier Related

Note 2A: Suppliers (Expense)

	2017	2016
	\$'000	\$'000
<i>Goods and services supplied or rendered</i>		
Consultants	90	88
Contractors	108	337
Travel	885	852
IT services	902	693
Other administration expenses *	<u>1,799</u>	<u>2,270</u>
<i>Total goods and services supplied or rendered</i>	<u>3,784</u>	<u>4,240</u>
Goods supplied	305	141
Services rendered	<u>3,479</u>	<u>4,099</u>
<i>Total goods and services supplied or rendered</i>	<u>3,784</u>	<u>4,240</u>
<i>Other supplier expenses</i>		
Operating lease rentals	2,434	2,875
Workers compensation expenses	<u>73</u>	<u>73</u>
<i>Total other supplier expenses</i>	<u>2,507</u>	<u>2,948</u>
<i>Total supplier expenses</i>	<u>6,291</u>	<u>7,188</u>

* includes recognition of onerous lease in 2016

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.

	2017	2016
	\$'000	\$'000
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within 1 year	3,111	3,235
Between 1 to 5 years	10,867	8,144
More than 5 years	<u>7,238</u>	<u>-</u>
<i>Total operating lease commitments</i>	<u>21,216</u>	<u>11,379</u>

Note: Commitments are GST inclusive where relevant.

Note 2B: Suppliers (Liability)

	2017	2016
	\$'000	\$'000
Trade creditors and accruals	<u>229</u>	<u>532</u>
Total suppliers payables	<u>229</u>	<u>532</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

	2017	2016
	\$'000	\$'000
Wages and salaries	162	75
Superannuation	27	13
Prepayments received/unearned income	294	45
Rent (lease) payable	672	1,673
Lease incentive	<u>883</u>	<u>1,108</u>
Total other payables	<u>2,038</u>	<u>2,914</u>
Other payables expected to be settled		
No more than 12 months	776	1,216
More than 12 months	<u>1,262</u>	<u>1,698</u>
Total other payables	<u>2,038</u>	<u>2,914</u>

Note 2D: Other Provisions

	Provision for restoration \$'000
Carrying amount 1 July 2016	532
Unwinding of discount or change in discount rate	<u>37</u>
Closing balance 30 June 2017	<u>569</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 2017

	Annual Appropriation ¹ \$'000	Adjustment to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	33,395	1,702	35,097	33,303	1,794
Capital Budget ⁴	838	-	838	1,576	(738)
Total departmental	34,233	1,702	35,935	34,879	1,056

Notes:

1. Departmental appropriations do not lapse at financial year-end.
2. The adjustment to appropriation was PGPA Act Section 74 receipts.
3. The variance shown above excludes any section 51 determination reduction.
4. 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 2016

	Annual Appropriation ¹ \$'000	Adjustment to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	32,898	1,715	34,613	33,439	1,174
Capital Budget ⁴	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 adjustment to appropriation was PGPA Act Section 74 receipts.
3. The variance shown above excludes the section 51 determination reduction.
4. 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’)

	2017	2016
	\$'000	\$'000
Authority		
Appropriation Act (No.1) 2013-14	-	561
Appropriation Act (No.1) 2014-15	289	605
Appropriation Act (No.1) 2015-16	8	28,198
Appropriation Act (No.1) 2016-17	<u>29,562</u>	<u>-</u>
Total as at 30 June	<u>29,859</u>	<u>29,364</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

	2017	2016
	\$'000	\$'000
Appropriations receivable		
Appropriation receivable	<u>29,134</u>	<u>28,142</u>
Total appropriations receivable	<u>29,134</u>	<u>28,142</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 (2016-17)

	<i>Leasehold improvements</i>	<i>Plant & equipment</i>	<i>Computer software</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016				
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 1 July 2016	<u>2,323</u>	<u>1,045</u>	<u>210</u>	<u>3,578</u>
Additions:				
By purchase	1,549	27	-	1,576
Revaluations and impairments recognised in other comprehensive income	(1,337)	342	-	(995)
Depreciation / amortisation expense	(768)	(312)	(68)	(1,148)
Other movements – assets transferred	2,108	-	-	2,108
Disposals	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>
Net book value 30 June 2017	<u>3,875</u>	<u>1,096</u>	<u>142</u>	<u>5,113</u>
Net book value as of 30 June 2017 represented by:				
Gross book value	3,875	1,096	901	5,872
Accumulated depreciation/amortisation and impairment	<u>-</u>	<u>-</u>	<u>(759)</u>	<u>(759)</u>
Net book value as of 30 June 2017	<u>3,875</u>	<u>1,096</u>	<u>142</u>	<u>5,113</u>

No indicators of impairment were found for leasehold improvements, and 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.

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 Jones Lang LaSalle Advisory Services Pty Ltd as at 30 June 2017. The revaluation decrement for leasehold improvements and increment for plant and equipment were debited and credited respectively to the asset revaluation reserve by asset class, and included in the equity section of the statement of financial position.

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:

	2017	2016
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 2017. 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.

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 at the end of reporting period	
	2017	2016
	\$'000	\$'000
Non-financial assets		
Leasehold improvements	3,875	2,323
Other property, plant and equipment	<u>1,096</u>	<u>1,045</u>
Total fair value measurements of assets in the statement of financial position	<u><u>4,971</u></u>	<u><u>3,368</u></u>

Note 5: Other Financial Assets and Own Source Income

Note 5A: Trade and Other Receivables

	2017	2016
	\$'000	\$'000
Goods and services receivables		
Goods and services	<u>48</u>	<u>209</u>
Total goods and services receivables	<u>48</u>	<u>209</u>
Other receivables:		
GST receivable from the Australian Taxation Office	<u>78</u>	<u>125</u>
Total other receivables	<u>78</u>	<u>125</u>
Total trade and other receivables (gross)	<u>126</u>	<u>334</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 (2016: 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

	2017	2016
	\$'000	\$'000
Sale of goods	1	1
Rendering of services	<u>951</u>	<u>816</u>
Total sales of goods and rendering of services	<u>952</u>	<u>817</u>

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Commission retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- 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 6: Other Information

Note 6A: Contingent Assets and Liabilities

At 30 June 2017, 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. (2016: 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

	2017	2016
	\$'000	\$'000
Financial Assets		
Loans and receivables		
Cash and cash equivalents	428	364
Trade receivables	<u>48</u>	<u>209</u>
Carrying amount of financial assets	<u>476</u>	<u>573</u>
Financial Liabilities		
At amortised cost:		
Payables – suppliers	<u>229</u>	<u>532</u>
Carrying amount of financial liabilities	<u>229</u>	<u>532</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 2017. (2016: 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 2017. (2016: nil)

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