

2017-18

ANNUAL REPORT

Queensland Productivity Commission

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Foreword



Since it was established in 2015, the Commission has committed itself to improving the wellbeing of Queenslanders by providing high-quality economic and policy advice grounded in evidence based research and extensive stakeholder consultation.

In 2017–18, we completed two major inquiries—the first into manufacturing in Queensland, and the second, into the delivery of services to remote and discrete Indigenous communities. Both reports received significant coverage and community interest. The Queensland Government has responded favourably to their recommendations, and we expect our advice will deliver benefits to the Queensland community in coming years.

Equally important is our regulatory review work. Each month the Commission assesses ten to twenty regulatory proposals to ensure their underlying analysis

meets the standards set by government guidelines. This ensures government decision-makers have the best available information when formulating policy.

In 2018, the Commission also released three research papers—Housing in Queensland: Affordability and Preferences, Whole-of-Economy Modelling: Beyond the Black Box and Queensland Productivity Update 2016–17. Our research program aims to inform public discussion and policy making. This research function, combined with our inquiry and regulatory review functions, makes evident the Commission's capacity to inform the broad sweep of state policy-making.

Last year, I wrote that consultation is a core feature of all our functions and there was a need for the Commission to enhance its stakeholder engagement. The Commission delivered this in 2017–18 by substantially escalating contact with stakeholders and the broader community.

During the conduct of the two inquiries completed in 2017–18, Commissioners and staff met with over 600 individuals, organisations and groups across Queensland. The Commission provided new options for stakeholders to make submissions and for regional Queenslanders to participate in the inquiry process. Furthermore, it established ongoing engagement with industry and community groups, government agencies and universities.

The Commission also expanded its regulatory review training and guidance to government agencies—taking the initiative in promulgating best practice regulation to agencies, rather than wait for agencies to approach the Commission.

Late in 2017–18, the Deputy Premier requested the Commission undertake a cost-benefit analysis into the establishment of a pharmacy council in Queensland. The direction was in response to a request from the Health, Communities, Disability Services and Domestic and Family Violence Prevention Parliamentary Committee. Requests such as this demonstrate the Commission's growing capacity and reputation to provide independent, high quality policy advice for the Queensland Government, beyond the Commission's main functions.

The year past has set the scene for what I anticipate will be an exciting 2018–19 for the Commission. The Commission and its staff look forward to working with the community in developing new policy proposals to drive growth, productivity and living standards throughout the state of Queensland.

A handwritten signature in black ink, appearing to read 'Xin Wood', written in a cursive, flowing style.

PRINCIPAL COMMISSIONER

The Queensland Productivity Commission

Established in 2015, the Queensland Productivity Commission (the Commission) is an independent statutory body, operating through the *Queensland Productivity Commission Act 2015* (QPC Act).

The Commission provides advice on complex economic and regulatory issues, and proposes policy reforms that aim to drive economic growth, lift productivity and improve living standards for Queenslanders.

The Commission's vision is to support the Queensland Government to make evidence-based policies and regulations in the long-term interests of the Queensland community. The Commission does this by providing credible, well-researched advice.

The Commission's functions are listed in Box 1 below.

THE QUEENSLAND GOVERNMENT'S OBJECTIVES FOR THE COMMUNITY ARE TO:

- **create jobs** in a strong economy
- give all our children a **great start**
- keep Queenslanders **healthy**
- keep communities **safe**
- **protect** the Great Barrier Reef
- be a **responsive** government.

BOX 1

The Queensland Productivity Commission's functions

- a) Facilitate and promote productivity in Queensland.
- b) Undertake inquiries about matters relating to productivity, economic development and industry in Queensland as directed by the Minister.
- c) Advise the Minister about matters relating to productivity, economic development and industry in Queensland as requested by the Minister.
- d) Conduct research and analysis of matters relating to productivity, economic development and industry in Queensland.
- e) Advise government agencies about complying with the principle of competitive neutrality.
- f) Receive, investigate and report on complaints about the alleged failures of government agencies to comply with the principle of competitive neutrality.
- g) Conduct research and analysis of, and to make recommendations about, regulatory matters as directed by the Minister.
- h) Promote public understanding of matters relating to productivity, economic development and industry.
- i) Undertake regulatory review functions.

(a) to (h) are listed in section 9 the QPC Act; (i) is specified in the Treasurer's direction of December 2015.

Organisation

The Board

The Board manages the Commission and ensures it performs its functions with independence, rigour, responsiveness, transparency, equity, efficiency and effectiveness.

The QPC Act provides for the Board to be made up of the Principal Commissioner and other Commissioners appointed by the Governor in Council. A maximum of three Commissioners may be appointed. Board members are appointed under the QPC Act for a term of not more than three years, and may be reappointed.

Kim Wood and Professor Bronwyn Fredericks were Commissioners during 2017-18.

Kim Wood, Principal Commissioner



*Appointed: 1 October 2015
– 30 September 2018*

Kim joined the Commission as inaugural Principal Commissioner in October 2015. He has extensive operating experience as a CEO of both regulated utilities and commercial trading entities. His

experience has been gained in a range of diverse businesses that include all aspects of the electricity and water utility value chain, telecommunications and manufacturing. He has worked in Victoria, New South Wales, the Northern Territory and Queensland. His responsibilities have included both New Zealand and South East Asia. Along the way, he has tackled both start-ups and business recoveries. He has worked under business ownership models that include government, Australian Stock Exchange listed, and US & UK based multinational proprietors. Kim is an experienced board member, who has also served on not for profit boards.

Kim has a strong interest in leadership, business transformation, strategy development and regulated businesses. He is a regular speaker at industry events and maintains a strong interest in Australia's utility sector. Kim began his career with the Victorian State Electricity Commission. He is a qualified engineer with post graduate qualifications in business administration. He wants to help to make a difference.

Professor Bronwyn Fredericks, Commissioner



*Appointed: 15 December 2016
– 21 March 2018*

Professor Fredericks was appointed as a part-time Commissioner in December 2016, to lead the public inquiry into service delivery in remote and discrete Indigenous communities. Her term concluded in March 2018.

Professor Fredericks was recently appointed the Pro-Vice Chancellor (Indigenous Engagement) at the University of Queensland after several years as Pro-Vice Chancellor (Indigenous Engagement) and BHP Billiton Mitsubishi Alliance Chair in Indigenous Engagement at Central Queensland University.

Professor Fredericks has over thirty years' experience working in the education, health care and human services sectors for state and federal governments, as well as non-government organisations, and Aboriginal and Torres Strait Islander community-controlled health services.

Professor Fredericks is a Board member of the Central Queensland Regional Aboriginal and Islander Community Controlled Health Organisation.

Professor Fredericks holds several distinguished roles in Indigenous research. She is a member of the Research Advisory Committee for the Australian Institute of Aboriginal and Torres Strait Islander Studies and the National Indigenous Research and Knowledges Network. Her research has focused on the socio-psychological aspects of chronic disease, public health interventions and Indigenous women's health issues, along with training and education.

Staff

The Commission's structure and senior staff are shown in Figure 1.

The Commission adjusts resources depending on the tasks referred by the government. As at 30 June 2018, the Commission had 20 employees (18.85 full time equivalent (FTE)) including one Commissioner. This compares to 20 FTE on 30 June 2017.

Figure 1 Organisational chart, 30 June 2018



Operating environment

Much of the Commission's work is externally initiated. Public inquiries undertaken by the Commission are at the direction of the Queensland Government, advice on regulatory proposals is usually at the request of government agencies, and the Commission's competitive neutrality investigations are normally initiated by complaints made by the public.

Consistent with its legislative mandate, the Commission is seeking to create more opportunities to promote greater community understanding and evidence-based analysis on productivity-related policy matters in Queensland. For example, the Commission published three research papers in 2017-18, and is expanding its regulatory impact assessment training program to actively take the best practice regulatory principles directly to government agencies. Beyond 2017-18, the Commission will be developing a lecture program to initiate a broader policy discussion within government and the community.

[illegible]

Highlights in 2017-18



COMPLETED INQUIRIES INTO
Manufacturing in Queensland and
SERVICE DELIVERY in Queensland's remote
and discrete Indigenous Communities



Met with over 600 INDIVIDUALS
OR GROUPS,
held **EIGHT roundtables** and received
more than 70 submissions during public
inquiries completed in 2017-18



Provided advice and review on
best practice regulation across

146 PROPOSALS



COMMENCED A

COST-BENEFIT ANALYSIS
into the establishment of a
pharmacy council in Queensland



COMPLETED ONE COMPETITIVE NEUTRALITY INVESTIGATION,
finalised three, and provided competitive neutrality advice

Public inquiries

The Commission conducts public inquiries based on terms of reference provided by the Treasurer.

A public inquiry is a robust, evidence-based process.

Public consultation plays a key role in the Commission's inquiries. In addition, the Commission's advice, and the information on which it is based, is open to public scrutiny.

In 2017-18, the Commission provided two final reports to the government.

Queensland manufacturing—identified policy options to improve productivity and competitiveness in Queensland's manufacturing sector.

Service delivery in remote and discrete Indigenous communities—examined Queensland Government investments in services to identify what works well, and why, to improve outcomes for all remote and discrete Aboriginal and Torres Strait Islander communities.

In May 2018, the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships requested the Commission to undertake a cost-benefit analysis into the establishment of a pharmacy council (or other viable alternatives) in Queensland.

The Commission's inquiry process provides for all stakeholders to submit their evidence and views, and for the Commission's analysis and recommendations to be publicly considered and tested (Figure 2). This assists the Commission to identify and explore issues to inform and strengthen its advice. It also encourages 'buy in' from stakeholders for the Commission's approach and processes and, ultimately, for its findings and recommendations.

Figure 2 Public inquiry process

Open consultation is particularly important, given the wide range of people who are likely to be interested in the Commission's work.

The public inquiry model includes multiple opportunities for participants and experts to put forward their views and experiences and comment on the Commission's approach, findings and recommendations. These include:

- providing written submissions through the website
- participating in roundtables and community meetings
- presenting views during industry and community visits.

Stakeholders can also stay in touch with the progress of an inquiry through the website and regular email updates.

Box 2 explains the Commission's consultation framework and shows the locations of consultations undertaken in 2017–18.



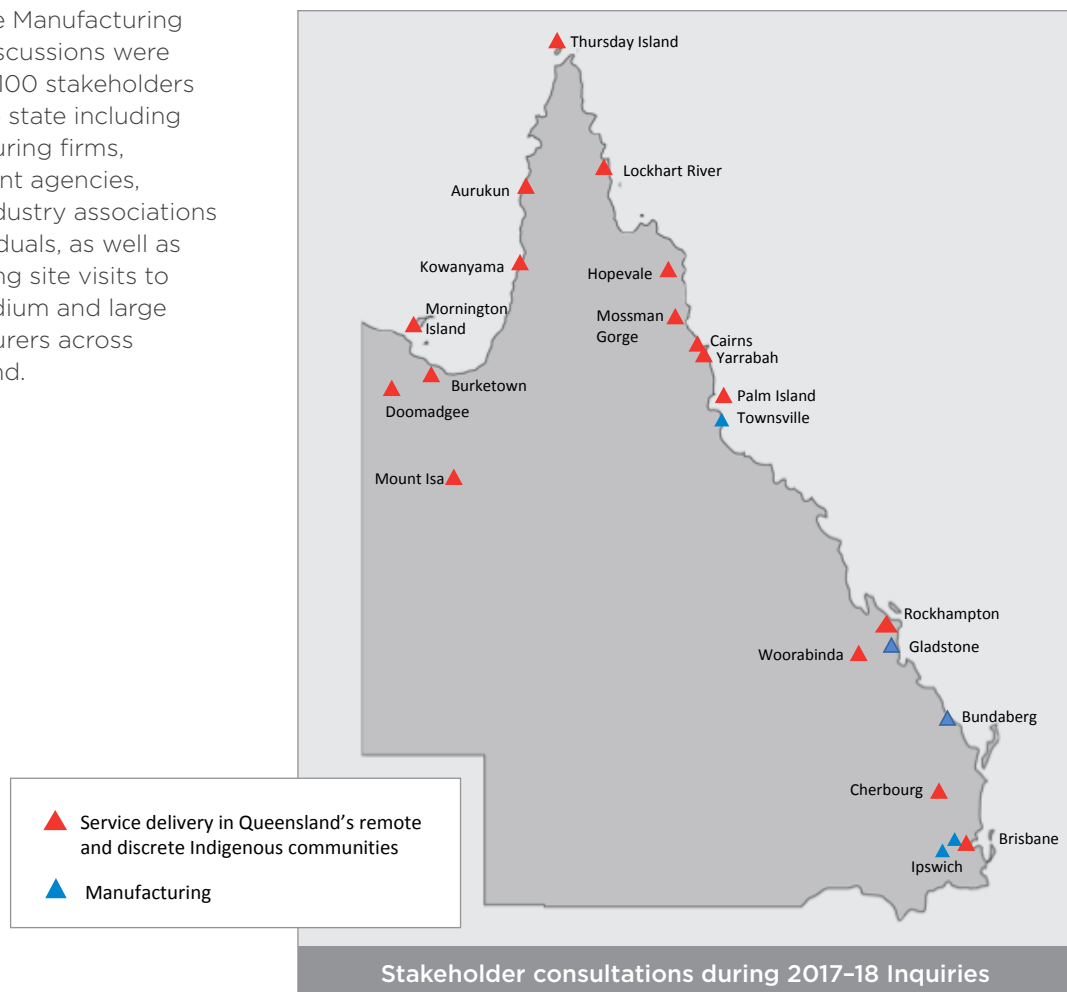
BOX 2**Stakeholder consultation in 2017-18 Inquiries**

The Commission has built on its efforts of previous years to further develop its engagement with stakeholders. Being able to engage effectively and openly is a key feature of the independence of the Commission and is integral to developing high-quality evidence-based policy advice.

Given the differences across stakeholder groups, the Commission has adopted a multi-layered approach to consultation that included meetings with key stakeholders, community visits, industry visits, written submissions, roundtable meetings and briefings with government agencies. During the two inquiries completed in 2017-18, the Commissioners and staff conducted eight roundtables and over 100 meetings and visits with individuals, organisations or groups across Queensland. Over the length of both inquiries stakeholders provided 73 written submissions. All submissions (except confidential submissions) are available on the Commission's website.

During the Service delivery in Queensland's remote and discrete Indigenous Communities inquiry, the Commission consulted with over 500 stakeholders, remote and discrete communities and Indigenous Councils, service providers and government agencies involved in service delivery.

During the Manufacturing inquiry, discussions were held with 100 stakeholders across the state including manufacturing firms, government agencies, unions, industry associations and individuals, as well as undertaking site visits to small, medium and large manufacturers across Queensland.



Inquiries in focus

Queensland manufacturing

Commenced	9 September 2016
Issues paper	9 November 2016
Draft report	19 July 2017
Final report completed	31 October 2017
Final report published	1 May 2018

The Queensland Government asked the Commission to identify policy options to improve the productivity and competitiveness of the manufacturing sector in Queensland. The inquiry's aim was to understand the key factors driving manufacturing and the potential to build on existing capacities and capabilities to take advantage of emerging markets and new opportunities.

The inquiry found that policy settings can be shifted towards broad-based reform of the business environment to better address the key concerns of manufacturers—energy, skills and training, tax, procurement, red tape and barriers to innovation—and benefit the wider Queensland economy.

The inquiry's 17 recommendations included proposals that the Queensland Government:

- continue to reform and develop the VET framework
- consolidate its more than 50 innovation and entrepreneurial programs and transparently report on its innovation policy
- reduce red tape through stocktakes of regulation affecting manufacturing sectors
- take actions to minimise the social and economic costs associated with structural adjustment in the manufacturing sector
- avoid upward pressure on energy prices by ensuring the regulatory and policy framework is efficient
- create a competitive business environment through a more efficient tax system.

The final report was provided to the government in October 2017, with the government's response released on 1 May 2018.

The Government accepted five recommendations in full, five in part, and six in principle.

Service delivery in remote and discrete Indigenous communities

Commenced	14 December 2016
Issues paper	30 March 2017
Draft report	6 October 2017
Final report completed	22 December 2017
Final report published	22 June 2018

The Queensland Government asked the Commission to examine government investments in services delivered in remote and discrete Aboriginal and Torres Strait Islander communities.

The inquiry found that the system requires fundamental reform to work for communities and for government. To make material progress, the service delivery system needs change to provide the right incentives and better focus on economic and community development.

The final report set out a reform proposal to enable the Queensland Government and communities to achieve real, long lasting and sustainable change. It included a package of reforms including:

- structural reform to transfer accountability and decision-making to communities
- service delivery reform to better focus on the needs of individuals and communities
- economic reform to facilitate economic participation and community development.

The reforms will need to be underpinned by:

- capability and capacity building within government, service providers and communities to support a new way of doing things
- independent oversight, as well as timely and transparent data collection and reporting to ensure performance and accountability.

The final report was provided to the Queensland Government in December 2017. The government's response, released in June 2018, supported the key recommendations, including working with communities to establish new governance structures and establishing an independent body to provide ongoing evaluation and oversight of reform implementation.

Request for advice

Pharmacy council establishment cost-benefit analysis

Commenced	26 May 2018
Final advice (scheduled)	24 July 2018

On 26 May 2018, the Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships directed the Commission to undertake a cost-benefit analysis into the establishment of a pharmacy council (or other viable alternatives) in Queensland.

The direction was in response to a request from the Health, Communities, Disability Services and Domestic and Family Violence Prevention Parliamentary Committee. The Committee is undertaking an inquiry into pharmacy regulation.

The Commission's analysis is required to consider, and report on, potential direct and indirect costs and benefits, including impacts on Queensland consumers, business and the wider community.

Research

The Commission undertakes research on policy and regulatory matters outside of the formal inquiry function, to support its activities and promote public discussion and understanding of policy issues in Queensland. In April 2018, the Commission released three research papers.

Queensland Productivity Update 2016-17

This research paper provides information on productivity trends in Queensland. The series informs decisions to realise Queensland's productivity potential, and forms part of the Commission's legislated function to promote public understanding of matters relating to productivity. The 2016-17 Update's main points were:

- In 2016-17, Queensland labour productivity increased 3.1 per cent and multifactor productivity (MFP) increased 1.9 per cent. These are the largest year-on-year growth rates since 2011-12.
- Various factors underlay the changes in Queensland's labour productivity and MFP between 2011-12 and 2016-17, including national factors, the impact of local droughts and natural disasters, reductions in labour utilisation, and a decline in the rate of capital services growth.
- Exploratory estimates of productivity in health and education highlighted the difficult issues that arise in measuring non-market sector productivity.

Housing in Queensland: Affordability and Preferences

This research paper investigates affordability of housing in Queensland; changes in the housing stock and people's preferences; and factors influencing outcomes in housing markets. The paper's main points were:

- Housing affordability deteriorated considerably from the 1980s, but has roughly stabilised since about 2010, and, by some measures, has improved over the last five years.
- Housing affordability problems are most acute for younger people and lower income earners. More than a third of low-income households (37 per cent) are in rental stress.
- Most Queensland households (65 per cent) own their home. However, this proportion is lower than in other states and has fallen more than in other states over the last 20 years. Home ownership is lower among younger and lower income households, and is falling, but it remains unchanged for households over 65 years of age.

Whole-of-Economy Modelling: Beyond the Black Box

This research paper provides guidance material on economic impact modelling—what it is, what it can do (and what it cannot do), common modelling mistakes and misuses, techniques for understanding the validity (or otherwise) of modelling results, and some advice on best practice. Its main points were:

- Economic impact modelling can add enormous value to decision-making by shedding light on the costs and benefits of policies, events and projects requiring public support. However, too often, practitioners have attempted to win favour with decision-makers by skewing modelling results, undermining the credibility of modelling.
- For whole-of-economy modelling exercises, a computable general equilibrium (CGE) model is generally the most appropriate type of model. Input-output modelling should not be used for undertaking economic impact assessments.
- It is reasonable for users and commissioners of modelling to expect (and encourage) economists to take an objective view when doing modelling, and explain the results in a way that everyday people can understand.

BOX 3**The Commission—engaging with the community**

Building strong, meaningful relationships with the community, industry and government stakeholders is a critical element of the Commission's business. Accordingly, during 2017–18 the Commission developed its stakeholder strategy in which it made a commitment to:

- listen, involve, inform and collaborate
- be flexible in its use of communication channels
- be apolitical and independent in all mediums of engagement
- be open, transparent and respectful.

Beyond the Commission's formal consultation process, examples of this strategy action include:



QPC Productivity Lecture—The Commission has inaugurated a Productivity Lecture to promote public discussion of productivity-related policy matters.

Presentations to business and university—

The Commission presented to business and university fora, including regional business and QUT presentations.



Regulatory training—The Commission expanded its training of policy makers on regulatory impact analysis. More than 130 policy makers benefitted from training in 2017–18.

Guidance notes—Office of Best Practice Regulation published 11 guidance notes to assist policy makers with applying regulatory best practice under the government's Guidelines.

Regulatory review conference—In March 2018, government agencies across Australia involved in the review of regulatory proposals, including the Commission, met in Perth for the 2018 Regulatory Reform Units Annual Meeting.

Competitive neutrality training—In March 2018, Commission Team Leader, Carrie Haines, took the message on the principles of competitive neutrality to local government officials through a presentation conducted in Cairns.



In April the Commission launched its social media platforms.

Regulatory review

Regulation is often necessary to achieve desirable economic, social and environmental objectives. However, unnecessary, excessive and ineffective regulation and red tape can hinder innovation and productivity, stifle economic growth and have other unintended consequences.

Regulatory Impact Analysis (RIA) helps policymakers develop regulation that effectively addresses policy problems and maximises the net benefit to the community. RIA is a systematic approach to critically assessing options for implementing policy, providing an informed, objective and transparent basis for regulatory decision-making.

The Commission's Office of Best Practice Regulation (OBPR) supports agencies to apply effective and rigorous RIA in accordance with the Queensland Government Guide to Better Regulation (the Guidelines). OBPR provides advice to agencies on:

Regulatory Impact Analysis helps guide its users to identify the impacts of a proposed regulatory change carefully and methodically.

This allows those who are designing, implementing and/or approving the regulation to fully understand the potential impacts.

- whether regulatory proposals are excluded from further analysis, as the impacts are unlikely to be significant, or the regulatory proposal belongs to an exclusion category under the Guidelines
- whether a regulatory proposal is likely to result in significant adverse impacts and requires further analysis (Preliminary Impact Assessment (PIA) or a Consultation Regulatory Impact Statement (RIS))
- how to develop best practice RISs and the adequacy of Consultation and Decision RISs.

Assessment of regulatory proposals

Between 1 July 2017 and 30 June 2018, OBPR assessed 146 requests comprising 83 requests for exclusions, 58 PIAs and five RISs (Table 2). The timeframes for completing individual assessments varied considerably, reflecting the complexity and quality of a proposal and the timeliness of stakeholder consultation.

Table 2 Nature and type of review activities 2017-18

Exclusion requests sent to OBPR		PIA and RIS submissions	
Outcome	Assessments	Outcome	Assessments
Excluded from further analysis under the Guidelines	54	Not significant/limited further analysis required	54
Not excluded, but not significant (no further analysis required)	18	Significant (RIS required)/further analysis requested	4
Not excluded, further analysis required by department	11	Consultation or Decision RIS assessed	5
TOTAL*	83	TOTAL	63

**This does not include exclusions that were self-assessed by agencies during this period.*

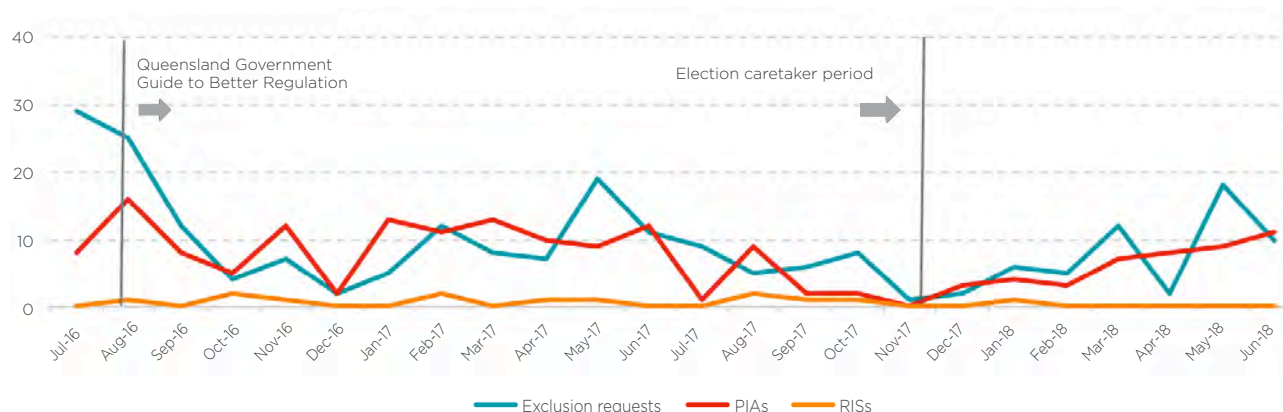
In 2017-18, government provided exemptions from the RIA process for 10 regulatory proposals (based on data provided by government departments to Queensland Treasury).

In 2017–18, OBPR provided formal assessments of five RISs, four of which have been released:

- Review of the *Retirement Villages Act 1999* (Decision RIS).
- Broadening and enhancing reef protection regulations (Consultation RIS).
- Queensland Mine Safety Framework (Decision RIS).
- Extension of Energy Ombudsman functions to include water disputes in South East Queensland (Post Implementation Review Decision RIS).

As shown in Figure 3, the number of OBPR assessments declined from August 2016 with the introduction of new government guidelines that allowed agencies to self-assess regulatory exclusions. The number of OBPR assessments have remained stable since then, other than in the period preceding and following the 2017 State election.

Figure 3 Total OBPR Assessments July 2016 to June 2018



In 2017, OBPR conducted a review of agencies' compliance with the new guidelines for self-assessed exclusions and advised the Treasurer of the results. The Treasurer requested OBPR continue to undertake periodic spot-audits of agencies' performance as well as increase the training and guidance it provides to agencies in relation to the Guidelines.

In 2018, OBPR increased training on best practice regulatory principles and how RIA is implemented in Queensland, as well as publishing 11 guidance notes for agencies (Box 3).

Contribution to red tape reduction

In November 2016, the Treasurer directed the Commission to provide advice in relation to recommendations from the Government's Red Tape Reduction Advisory Council. The Commission provided its advice to the Treasurer on 28 February 2017. The Commission's report was published on its website on 12 October 2017.

In 2017–18, the Commission made further contributions to the government's efforts to reduce unnecessary red tape through its contribution to the work of the inter-agency Business Impact Statement Project Implementation Steering Group.

Competitive neutrality

In Queensland, the competitive neutrality principle is applied to all Government owned corporation (GOCs), government agencies and local governments carrying out significant business activities or activities prescribed under a regulation.

Competitive neutrality requires that a public sector business, or agency, should not have a competitive advantage (or disadvantage) over private sector operators solely due to its government ownership.

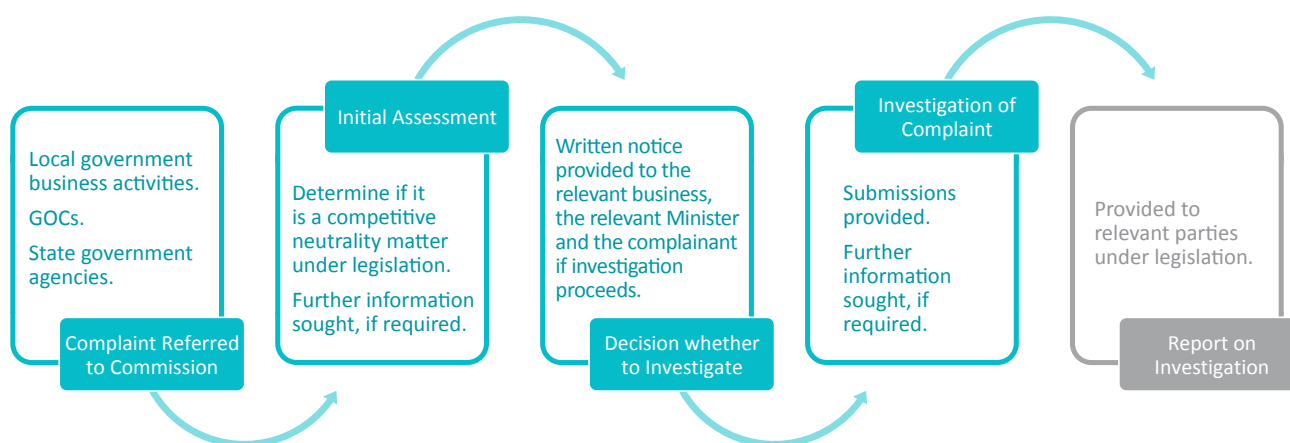
The Commission is responsible for the Queensland Government's competitive neutrality complaints mechanism.

It receives, investigates and provides recommendations on complaints about the alleged failures of government agencies complying with the principle of competitive neutrality.

The Commission also provides competitive neutrality advice to government departments and local governments.

The Commission's approach (Figure 4) is set out in the Competitive Neutrality and Queensland Government Business Activities policy,¹ the National Competition Policy and Queensland Local Government policy² and other relevant legislation³.

Figure 4 Competitive neutrality process



In 2017-18, a competitive neutrality investigation report was completed responding to a public complaint regarding a Whitsunday Regional Council owned caravan park. The final report was presented to the Whitsunday Regional Council in December 2017.

There were no outstanding competitive neutrality complaints at the end of 2017-18.

¹ Published by the Queensland Government and dated July 1996.

² Published by the Queensland Government and dated July 1996.

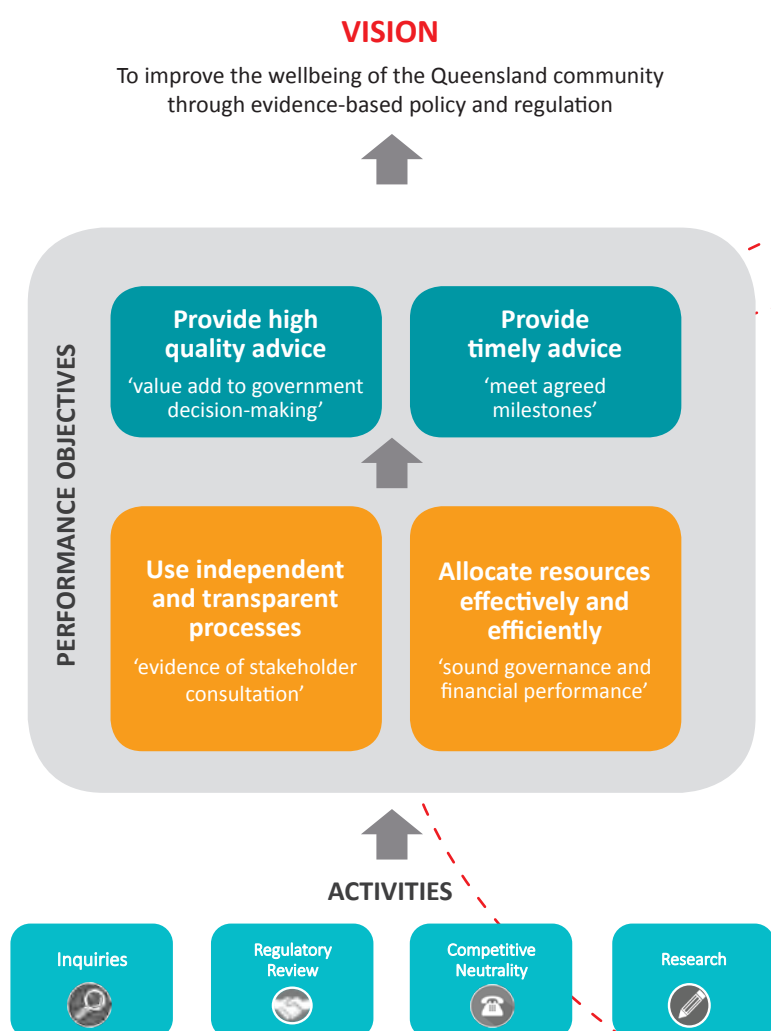
³ Including the QPC Act, the Queensland Productivity Commission Regulation 2015, the Local Government Act 2009 and the Local Government Regulation 2012.

Performance statement

The Commission's vision is, put simply, to improve the wellbeing of the Queensland community through evidence-based policy and regulation. The Commission aims to achieve this vision through its four main activities—inquiries, regulatory review, competitive neutrality and research.

In undertaking these activities, the Commission seeks to achieve four key performance objectives—provide high quality advice, provide timely advice, use independent and transparent processes, and allocate resources efficiently and effectively. The success of the last two objectives contributes to the achievement of the first two. Delivering credible, high-quality advice based on robust analysis, which is timely and useful to government, adds value to the policy process and realises the Commission's vision.

Figure 5 Performance Framework



Performance measures

The nature of the Commission's work, as a policy advisory body, means that there are limited direct indicators of performance. As performance primarily relies on the quality of the Commission's advice, it is not possible to accurately measure. Nevertheless, the Commission uses a suite of indirect indicators that, together with the qualitative discussion in the rest of this report, provide an overall indication of performance (Table 3).

Table 3 Performance measures 2017-18

Measure	2017-18	Comment
Provide high quality advice		
Final inquiry reports presented to Government	2	The Commission provided the government with final reports on two inquiries—Manufacturing in Queensland and Service delivery in remote and discrete Indigenous communities.
Research papers published	3	Papers on <i>Housing in Queensland: Affordability and Preferences</i> ; <i>Whole of-economy Modelling: Beyond the Black Box</i> ; and <i>Queensland Productivity Update 2016-17</i> were published on 10 April 2018.
Formal advice to government on regulatory issues	1	The Commission prepared advice requested by Government on a cost-benefit analysis of the establishment of a pharmacy council.
Regulatory assessments	146	Regulatory assessments provided agencies with advice on the appropriate level of assessment under the <i>Queensland Government Guide to Better Regulation</i> .
Competitive neutrality complaint investigations completed	1	Investigations are initiated by complaints by the public, and the number can vary from year to year. In 2017-18, one investigation was completed, regarding the Whitsunday Regional Council caravan park. Four competitive neutrality investigations were completed in 2016-17.
Provide timely advice		
Commissioned inquiry deadlines met	100%	Milestones are sourced from terms of reference, the QPC Act or internal agreement. In 2017-18 the timeframes for release of two final reports (Manufacturing in Queensland and Service delivery in remote and discrete Indigenous communities) were met.
Time to complete regulatory impact analysis assessments	9 to 25 days	Time taken to assess regulatory proposals varies according to both the complexity and quality of the proposals submitted. Single-issue exclusion requests are assessed (on average) in 9 calendar days (same as in 2016-17). Preliminary impact assessments, that explore and evaluate policy options, are assessed (on average) in 12 calendar days (down from 16 days 2016-17). Time taken to work with agencies on Regulatory Impact Statements (RISs) averaged 25 calendar days, although time on individual RISs can vary widely depending on their complexity.
Time to complete a competitive neutrality investigation.	6 months	Time to complete a competitive neutrality investigation can vary with the complexity of the investigation and competing priorities within the Commission. Time taken to conduct investigations of competitive neutrality complaints fell significantly in 2017-18.

Measure	2017-18	Comment
Follow independent and transparent processes		
Inquiry issue papers and draft reports published	2	Draft reports for public comment were published for the Manufacturing in Queensland and Service delivery in remote and discrete Indigenous communities inquiries.
Meetings and roundtables with key stakeholders	> 60	Over 60 meetings and roundtables were held with stakeholders during 2017-18 for the two inquiries completed in 2017-18 (Manufacturing in Queensland and Service delivery in remote and discrete Indigenous communities). Over 100 meetings and roundtables were held over the duration (including 2016-17) of the two inquiries.
Submissions received—inquiries	30	Thirty submissions were received during 2017-18 for the two inquiries completed in 2017-18 (Manufacturing in Queensland and Service delivery in remote and discrete Indigenous communities). Seventy three submissions were received over the duration (including 2016-17) of the two inquiries.
Allocate resources efficiently and effectively—managing our resources to deliver value for money		
<p>The Commission reviewed its operations during 2017-18 to ensure that it is optimising the resources it has available. As a result, a number of efficiency-enhancing measures are being introduced.</p> <p>In 2017-18, the Commission's expenditure was \$4.3 million, with a small surplus achieved for the year. Expenditure, including performance against budget, is reported monthly to the Board.</p> <p>The total cost per inquiry (including a full allocation for all overheads) was approximately \$1.4 million.</p>		

Publications

Release date	Title
2017	
30 March	Service delivery in remote and discrete Aboriginal and Torres Strait Islander communities, Consultation paper
12 April	CITEC Confirm, Competitive neutrality investigation report
19 July	Manufacturing inquiry, Draft report
6 October	Service delivery in remote and discrete Aboriginal and Torres Strait Islander communities, Draft report
12 October	Red Tape Reduction Advisory Council Recommendations
2018	
10 April	Housing in Queensland: Affordability and Preferences
10 April	Queensland Productivity Update 2016-17
10 April	Whole-of-Economy Modelling: Beyond the Black Box
1 May	Manufacturing in Queensland, Final report
22 June	Service delivery in remote and discrete Aboriginal and Torres Strait Islander communities, Final report

Reports submitted to government

Release date	Title
2017	
27 February	CITEC Confirm, Competitive neutrality investigation report
28 February	Red Tape Reduction Advisory Council Recommendations, Regulatory Advice
30 June	Cairns Regional Council, Competitive neutrality investigation report
30 June	Tablelands Regional Council, Competitive neutrality investigation report
30 June	Mareeba Shire Council, Competitive neutrality investigation report
31 October	Audit of agency compliance with self-assessed exclusion guidelines
31 October	Manufacturing inquiry, Final report
11 December	Whitsunday Regional Council, Competitive neutrality investigation report
22 December	Service delivery in remote and discrete Aboriginal and Torres Strait Islander communities, Final report
2018	
24 July	Advice on cost-benefit analysis for the establishment of a pharmacy council (scheduled)

Reports submitted to government includes both state and local governments.

Corporate matters

Governance

Section 14 of the QPC Act establishes the Board as the governing body of the Commission.

The Board comprises the Principal Commissioner and other Commissioners, as appointed by the Governor in Council. A maximum of three commissioners may be appointed.

Mr Kim Wood was appointed as the first Principal Commissioner on 1 October 2015. Professor Bronwyn Fredericks was appointed as a part-time Commissioner for the period 15 December 2016 to 21 March 2018.

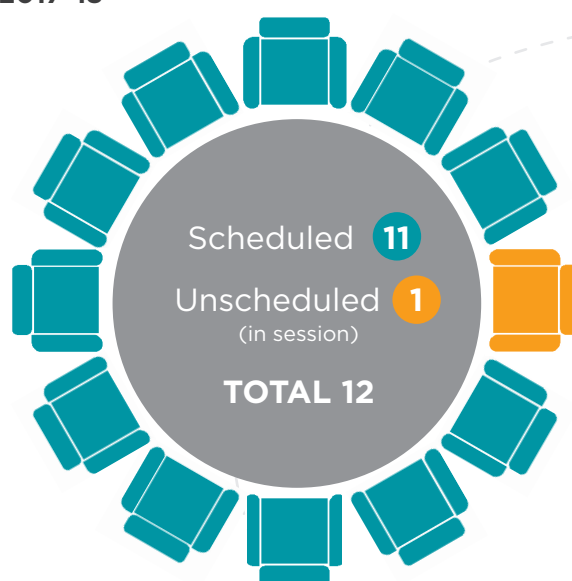
The Board is accountable for the management and performance of the Commission in accordance with the QPC Act, as well as any other applicable legislation including the *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*. Section 15 of the QPC Act states the Board's functions are to (a) manage the Commission and (b) ensure the Commission performs its functions with independence, rigour, responsiveness, transparency, equity, efficiency and effectiveness.

The Executive Director is responsible for the day-to-day conduct and management of the Commission. The Executive Director administers the Commission according to the delegation, policies and procedures approved by the Board. The Executive Director is the primary link between the Board and Commission employees and is responsible for communicating Board policies and priorities to employees. Ms Karen Whitham was Executive Director from February 2017 to October 2017. Ms Kristy Bogaards was appointed from November 2017 and was appointed for a three year term in June 2018.

The Principal Commissioner provides strategic direction and leadership across all the Commission's key functions and activities. This includes an:

- **approval role**—ensuring the Commission's work is evidence-based and makes a positive contribution to the long-term interests of the Queensland community
- **consultative role**—leading the Commission's public inquiries and actively engaging with stakeholders regarding productivity and regulatory matters
- **performance management role**—reviewing Board and organisational performance to drive continuous improvement.

Table 4 Board meetings, 2017–18



The focus in 2017-18 has been on maturing the corporate governance of the Commission to ensure an appropriate and effective control environment that is fit for purpose.

Risk management and accountability

The Commission's risk management procedures are outlined in its Risk Management Policy.

As the Commission is a small organisation, it does not have a formal audit committee, risk management committee or internal audit function to manage its strategic and operational risks. Instead, the senior management group considers areas of potential risk exposure, assesses them in terms of severity and probability, and ensures arrangements are in place to manage risks.

Over 2017-18, the Commission's risk management policy was reviewed and updated.

Corporate Governance review

In 2017-18, the Commission undertook a review of all key governance policies, including roles and responsibilities, purchasing and procurement, travel, and code of conduct. The purpose of the review was to ensure the Commission's policies and procedures:

- are fit for purpose and consistent with current Commission practice
- operate effectively to manage risk
- eliminate duplication
- improve the clarity of policy and practice with the objective to best facilitate communication
- create a positive work environment
- create a proactive and planned approach to improving how things are done.



Financial performance

In 2017–18, the Commission's income was \$4.3 million (from Queensland Government funding) and total expenditure was \$4.3 million (including \$0.4 million of costs associated with consultants including corporate services). The surplus for 2017–18 was \$65,000. As illustrated in Figure 6, wages and salaries were the largest component of the Commission's costs (76 per cent), followed by rent and corporate services.

The majority of expenditure on consultants (Figure 7) related to corporate services charges, as these are contracted out to the Corporate Administration Agency (CAA) (finance, payroll, human resources and ICT). Expenditure, including performance against budget, is reported monthly to the Board.

Figure 6 2017–18 Expenditure categories

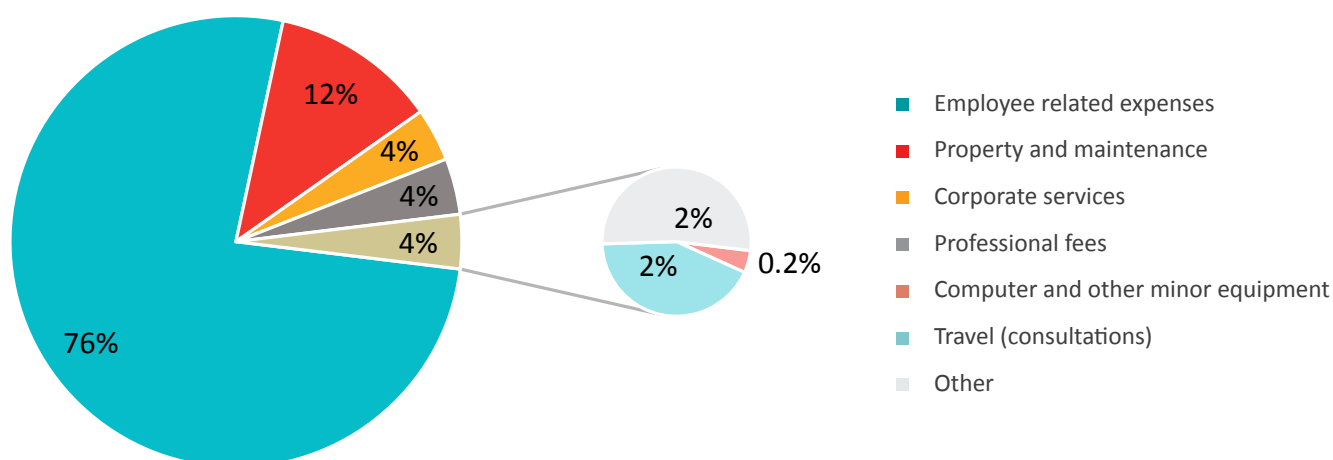
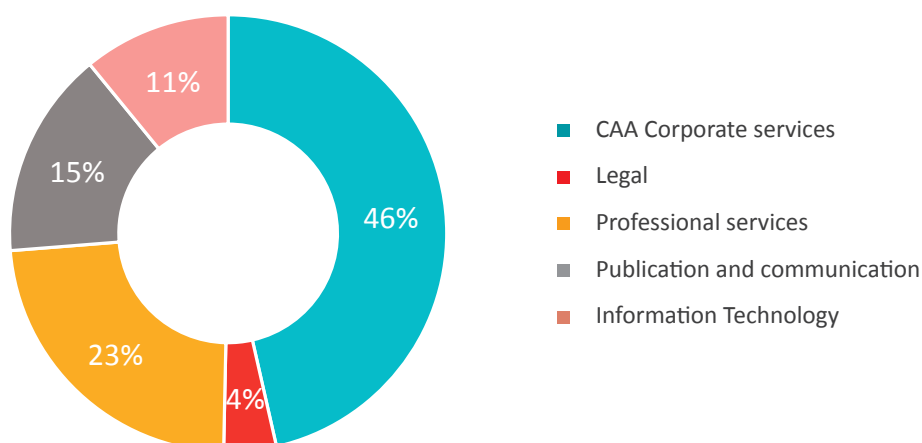


Figure 7 2017–18 Expenditure on consultants



Our employees

Workforce profile and staffing

As at 30 June 2018, the Commission had 20 employees (18.85 FTE). This comprised one Commissioner (1 FTE), an Executive Director (1 FTE), Inquiries Team (8.3 FTE), OBPR (5 FTE) and Finance and Corporate (3.55 FTE).

The Commission adjusts resources depending on the tasks referred by the government. Interchange opportunities were offered to Queensland Government employees throughout the year as well as short-term contracts to appropriately skilled external applicants. In 2017-18, the Commission had interchanges with Queensland Treasury and the Department of the Premier and Cabinet.

Strategic workforce planning and performance

The Commission is keen to attract and retain capable and committed employees to provide the capacity to maintain high quality work.

All permanent and interchange employees are appointed through a merit-based process. Permanent vacancies (including promotions) and temporary vacancies over 12 months (other than entry level) are advertised and filled through merit-based selection. Interchange opportunities for Queensland Government employees are filled through a competitive expression of interest process.

The Commission's human resources manual sets out the terms and conditions of employment under the QPC Act and covers policies relating to workplace bullying prevention, sexual harassment, and domestic violence.

Flexible work arrangements

The Commission provides for flexible work practices to maximise employees' productivity and help employees balance work with other commitments. These include flexible work hours, ongoing part-time work and purchased leave (up to an additional four weeks of leave per year). Employees may also work from home (subject to organisational requirements).

Investing in the development of people

The Commission's employee capability system describes the core capabilities and expectations for Commission employees. It is designed to support and develop employees for their own professional development and to deliver high-quality outcomes. It is used as the basis for performance planning and development, as well as career conversations.

The Commission provides study and research assistance to employees seeking to undertake further study (subject to organisational requirements).

Early retirement, redundancy and retrenchment

During the period, no early retirement, redundancy and retrenchment packages were paid.



Financial Statements



**Queensland Productivity Commission
Financial statements
for the year ended 30 June 2018**

Queensland Productivity Commission

Financial statements - 30 June 2018

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Queensland Productivity Commission
Statement of comprehensive income
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Funding	3	4,326	4,030
Interest income		20	17
Other income		2	-
Income from continuing operations		4,348	4,047
Employee expense	4	(3,273)	(2,882)
Supplies and services	6	(1,010)	(1,133)
Total expenses from continuing operations		(4,283)	(4,015)
Operating result		65	32
Other comprehensive income for the year		-	-
Total comprehensive income for the year		65	32

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

**Queensland Productivity Commission
Statement of financial position
As at 30 June 2018**

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		568	627
Receivables	7	88	73
Total current assets		656	700
LIABILITIES			
Current liabilities			
Trade and other payables	8	116	202
Employee benefit obligations	9	157	180
Total current liabilities		273	382
Non-current liabilities			
Provisions	10	25	25
Total non-current liabilities		25	25
Total liabilities		298	407
Net assets		358	293
EQUITY			
Contributed equity		7	7
Accumulated surplus		351	286
Total equity		358	293

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

**Queensland Productivity Commission
Statement of changes in equity
For the year ended 30 June 2018**

	Contributed equity \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 July 2016	7	254	261
Operating result	-	32	32
Total comprehensive income for the year	-	32	32
Balance at 30 June 2017	7	286	293
Balance at 1 July 2017	7	286	293
Operating result	-	65	65
Total comprehensive income for the year	-	65	65
Balance at 30 June 2018	7	351	358

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

Queensland Productivity Commission
Statement of cash flows
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Funding		4,328	4,030
Goods and services tax input tax credits from Australian Tax Office		111	118
Net transfer machinery of government		-	175
Interest received		20	17
Total inflows from operating activities		4,459	4,340
Employee expenses		(3,342)	(2,874)
Supplies and services		(1,081)	(1,043)
Goods and services tax paid to suppliers		(95)	(113)
Total outflows from operating activities		(4,518)	(4,030)
Net cash (outflow) inflow from operating activities	16	(59)	310
Net (decrease) increase in cash and cash equivalents		(59)	310
Cash and cash equivalents at the beginning of the financial year		627	317
Cash and cash equivalents at end of year		568	627

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

Queensland Productivity Commission
Notes to the financial statements
30 June 2018

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Queensland Productivity Commission
Notes to the financial statements
30 June 2018
(continued)

1 Objectives of the Commission

The Commission's role is to provide independent economic and policy advice to the Queensland Government with the goal of increasing productivity, driving economic growth and improving living standards in Queensland.

The Commission's main functions include:

- Public inquiries into matters relating to productivity, economic development and industry in Queensland
- Research and advice on matters beyond the formal inquiry function
- Advice and guidance to government departments on the quality of regulatory proposals
- Investigation of competitive neutrality complaints about state and local government business activities.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they are not disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) General information

The financial statements are for the Queensland Productivity Commission ("the Commission"), as an individual entity.

The Commission is an independent statutory body established under the *Queensland Productivity Commission Act 2015*.

The head office and principal place of business of the Commission is:

Queensland Productivity Commission
Level 27, 145 Ann Street
Brisbane, Queensland, 4000.

(b) Basis of preparation

These financial statements have been prepared in compliance with the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Financial Reporting Requirements for the reporting periods beginning on or after 1 July 2017, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Commission has applied those requirements applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

The financial statements are authorised for issue by the Principal Commissioner and Executive Director at the date of signing the Management Certificate.

(i) Historical cost convention

These financial statements have been prepared under the historical cost basis.

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

(ii) Comparatives

Comparatives have been reclassified, where necessary, to enhance comparability.

2 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(iii) Implementation of the Shared Services Initiative

During the current year, the Corporate Administration Agency (CAA) provided the Commission with corporate services under the "Shared Services Provider" model. The fees and terms of the services are agreed through a Service Level Agreement, negotiated annually and included:

- Financial services
- Human resources recruitment and payroll
- Information systems and support

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4(b)(v) and note 10.

(v) New and amended standards adopted by the Commission

The Commission has not adopted or applied any new standards for the first time for the year ended 30 June 2018.

(vi) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Commission. The Commission's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	AASB 1058 Income of Not -for -Profit Entities and AASB 15 Revenue from Contracts with Customers
Nature of change	<p>The AASB has issued a new standard for the recognition of revenue.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p>
Impact	<p>Management has assessed the effects of applying the new standard on the Commission's financial statements and has identified no impact on the recognition of revenue going forward.</p> <p>The Commission receives an annual grant for which there are no sufficiently specific performance obligations, so this grant will continue to be recognised as revenue upon receipt. The Commission receives no other grants or funding.</p>
Mandatory application date/ Date of adoption by Commission	<p>Mandatory for financial years commencing on or after 1 January 2019.</p> <p>Expected date of adoption by the Commission: 1 July 2019.</p>

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
(continued)

2 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

(vi) New standards and interpretations not yet adopted (continued)

Title of standard	AASB 16 Leases
Nature of change	AASB 16 was issued in February 2018. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Commission's operating leases. As at the reporting date, the Commission has a non-cancellable operating lease commitment of \$643,000 relating to its property lease at 145 Ann Street, Brisbane Queensland (refer note 14). The Commission estimates that this will result in the recognition of a right-to-use asset of approximately \$124,000 and a corresponding lease liability of approximately \$133,000 on adoption of the new standard on 1 July 2019.
Mandatory application date/ Date of adoption by Commission	Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the Commission: 1 July 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

(c) Income tax

The Commission is a state body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Commission. GST credits receivable from, and GST payable to the ATO, are recognised in the statement of financial position (refer to note 7).

(d) Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis.

(f) Rounding of amounts

Amounts included in the financial statements are in Australian dollars and have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
 (continued)

3 Funding

	2018	2017
	\$'000	\$'000
Government grants	4,326	4,030
Total revenue from continuing operations	4,326	4,030

Grants that are non-reciprocal in nature are recognised as revenue in the year in which the Commission obtains control over them, when there is reasonable assurance that the grant will be received. Reasonable assurance is considered to be achieved at the time of receipt.

The Commission receives an annual non-reciprocal grant which is provided for the purpose of supporting the strategic objectives of the Commission.

4 Employee expenses

	2018	2017
	\$'000	\$'000
Employee benefits expenses		
Wages, salaries and allowances	2,462	2,063
Employer superannuation contributions	298	265
Annual leave levy	211	199
Long service leave levy	55	52
Secondment from other Government Agencies	50	120
	3,076	2,699
Employee related expenses		
Workers' compensation premium	10	2
Payroll tax	139	127
Other employee related expenses	48	54
	197	183
	3,273	2,882

(a) Employees

The number of employees as at 30 June, including both full-time and part-time employees measured on a full-time equivalent basis reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2018	2017
Number of employees	18.85	20.00

(b) Accounting policies

(i) Wages and salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates. As the Commission expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
(continued)

4 Employee expenses (continued)

(b) Accounting policies (continued)

(ii) Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

(iii) Annual leave and long service leave

No provision is recognised for liabilities in relation to annual and long service leave as the liability is held on a whole-of-government basis and reported in the financial statements pursuant to *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, a levy is made on the Commission to cover the cost of employee's annual leave (including leave loading and on-costs), and long service leave. The levies are expended in the period in which they are payable.

(iv) Superannuation

Post employment benefits for superannuation are provided through defined contribution (accumulation) plans to the Queensland Government's QSuper (or choice superannuation fund) as determined by the employee's conditions of employment.

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the minimum obligation under the *Superannuation Guarantee (Administration) Act 1992* or as specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

(v) Staff Retention Scheme (SRS)

Four (4) eligible staff qualified to participate in a Staff Retention Scheme, which enables staff to receive a retention payment at the completion of three years and six years of eligible service. The Commission will accrue for SRS payments once it becomes probable that the performance hurdle in relation to eligible service will be met and that the SRS will be due and payable. Refer to note 9 for further details of accrued amounts.

The liability is measured as the present value of expected future payments, with consideration given to expected future wages and salary levels. The obligation is presented as a current liability in the balance sheet if the Commission does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
(continued)

5 Key management personnel disclosures

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Commission during the financial year. Further information can be found in the body of the Commission's Annual Report under the section relating to Executive Management.

Position	Position responsibility
Commissioners	Responsible for the Commission's duties and responsibilities, in accordance with the Queensland Productivity Commission Act 2015 (QPC Act). The Principal Commissioner is also the relevant Ministerial liaison.
Executive Director	Responsible for the management of the Commission in accordance with directions of the Commissioners and the QPC Act.

(a) Key management personnel compensation

Remuneration policy for the Commission's key management personnel is specified in an employment contract. Remuneration expenses for key executive management personnel comprise the following components:

- **Short term employee benefits** which include:
 - Salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position;
 - Non-monetary benefits - consisting of provision of vehicle (where applicable), car parking benefits together with fringe benefit tax applicable to the benefit.
- **Long term employee benefits** include amounts expensed in respect of long service leave entitlements earned.
- **Post-employment benefits** include amounts expensed in respect of employer superannuation obligations.
- **Termination benefits** are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

Name	Short-term employee benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Cash salary \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	Long service leave \$'000		
Principal Commissioner	384	8	45	8	-	445
Commissioner *	53	-	5	1	-	59
Executive Director (from 1 Jul 2017 to Oct 2017)	66	-	7	1	-	74
Executive Director (from Nov 2017)	124	-	12	3	-	139
Total key management personnel compensation	627	8	69	13	-	717

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
(continued)

5 Key management personnel disclosures (continued)

(a) Key management personnel compensation (continued)

2017	Short-term employee benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Cash salary	Non-monetary benefits				
Name	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Principal Commissioner	382	8	43	8	-	441
Commissioner *	51	-	4	1	-	56
Executive Director	175	-	18	4	-	197
Total key management personnel compensation	608	8	65	13	-	694

* The position of part-time Commissioner was filled as of December 2016, for a period of 12 months to December 2017. Subsequently, the part-time Commissioner was re-appointed into the role for a further period of three (3) months, from 21 December 2017 to 20 March 2018. The terms of employment has been established by the Governor in Council, in accordance with Section 19 of the QPC Act.

(b) Transactions with key management personnel

The Commission did not enter into any transactions with people, or entities, related to key management personnel during the financial year ended 30 June 2018 (2017: nil).

(c) Performance payments

No performance payments were made to the key management of the Commission.

6 Supplies and services

	2018 \$'000	2017 \$'000
Corporate services	163	197
Professional fees	172	180
Travel	71	58
Property and maintenance	509	522
Computer and other minor equipment	8	91
Communications and media	38	29
Software and computer maintenance	11	11
Other	38	45
	1,010	1,133

7 Receivables

	2018 \$'000	2017 \$'000
Goods and services (GST) receivable	8	24
Leave reimbursements	75	29
Prepayments	5	20
	88	73

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
 (continued)

7 Receivables (continued)

(a) Classification as receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date. Receivables are recognised at the amounts due at the time of service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

(b) Risk exposure

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security and no credit enhancements relate to receivables held by the Commission. Due to the nature of the Commission's receivables at year end, there are no impaired nor past due but not impaired receivables.

8 Trade and other payables

	2018 \$'000	2017 \$'000
Current liabilities		
Trade and other payables	4	105
Accrued expenses	99	80
Payroll tax and other statutory liabilities	13	17
	<u>116</u>	<u>202</u>

Trade payables are unsecured and are usually paid within 30 days of recognition. Accrued expenses are recognised for expenses incurred but not yet invoiced.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

9 Employee benefit obligations

	2018 \$'000	2017 \$'000
Salary and wages	82	87
Annual leave levy payable	56	70
Long service leave levy payable	13	15
Superannuation	6	8
	<u>157</u>	<u>180</u>

Included in the salary and wage related accrual, is the accrual for the Staff Retention Scheme (SRS) payment in accordance with the accounting policy note described in note 4(b)(v).

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
(continued)

10 Provisions

	2018	2017
	\$'000	\$'000
Non-current liabilities		
Make good provision	<u>25</u>	<u>25</u>

The Commission is required to repaint the leased premises and repair and clean carpets at the expiry of the lease, so as to restore the premises to its original condition at the end of the lease term. A provision has been recognised for the present value of the estimated expenditure.

11 Financial risk management

The Commission has the following categories of financial assets and financial liabilities:

	2018	2017
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	568	627
Receivables	<u>83</u>	<u>53</u>
	<u>651</u>	<u>680</u>
	2018	2017
	\$'000	\$'000
Financial liabilities		
Payables	<u>116</u>	<u>202</u>
	<u>116</u>	<u>202</u>

No financial assets and financial liabilities have been offset and presented net in the statement of financial position. Financial assets and financial liabilities are recognised in the statement of financial position when the Commission becomes party to the contractual provisions of the financial instrument. Receivables and payables are held at amortised cost.

Risk	Exposure arising from	Measurement	Management
Market risk – interest rate	No sensitivity analysis has been conducted on the basis that the only Financial Instrument held by the Commission that would be impacted by a change in interest rates is cash, and a +/-1% change would result in an immaterial impact on profit for the year.	Not applicable	Cash held by a reputable bank.
Credit risk	The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.	Not applicable	No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.
Liquidity risk	The fair value of trade receivables and payables is assumed to approximate the value of the original transaction.	Fair value	Not applicable

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
 (continued)

12 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor:

Queensland Audit Office

	2018	2017
	\$'000	\$'000
Audit of financial statements	16	32
Total remuneration for audit and other assurance services	16	32

Prior year audit fees quoted by the Queensland Audit Office (QAO) relating to the year end 30 June 2017 financial statements are \$16,000 and 30 June 2016 \$16,000. No non-audit services were provided by the QAO during the reporting period.

13 Contingent liabilities

The Commission had contingent liabilities at 30 June 2018 in respect of the Staff Retention Scheme as detailed in note 4(b)(v). The Commission accrues for SRS payments once it becomes probable that the performance hurdle in relation to three (3) years eligible service will be met and that the SRS will be due and payable. As a result, the Commission has a contingent liability in relation to those payments which are not yet considered to be probable. The potential additional SRS payments are estimated to be approximately \$38,000 (2017: \$38,000).

14 Commitments

This commitment relates to minimum lease payments in relation to the property lease contracted for at the reporting date but not recognised as a liability.

	2018	2017
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	510	489
Later than one year but not later than five years	133	643
	643	1,132

15 Related party transactions

Transactions with other Queensland Government-controlled entities

The Commission's primary ongoing source of funding from Government (refer note 3) is provided in cash via Queensland Treasury.

The Corporate Administration Agency (CAA) provided the Commission with corporate services under the "Shared Services Provider" model, at a cost of \$162,607 (2017: \$196,871) as detailed in note 6.

The Commission has entered into a property sub-lease with the Queensland Competition Authority (QCA) in relation to the lease of its head office premises, at a cost of \$509,202 (2017: \$522,323) as detailed in note 6.

Queensland Productivity Commission
Notes to the financial statements
30 June 2018
(continued)

16 Cash flow information

Reconciliation of operating result to net cash inflow (outflow) from operating activities

	2018 \$'000	2017 \$'000
Operating result	65	32
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(16)	237
(Decrease) increase in trade and other payables	(85)	76
(Decrease) increase in other operating liabilities	(23)	(60)
(Decrease) increase in other provisions	-	25
Net cash inflow (outflow) from operating activities	(59)	310

**Queensland Productivity Commission
Management certificate
30 June 2018**

These general purpose financial statements have been prepared pursuant to section 62(1)(a) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the financial statements and notes set out on pages 1 to 17 have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Productivity Commission for the year ended 30 June 2018 and of the financial position of the entity at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Kim Wood
Principal Commissioner

25 August 2018



Kristy Bogaards
Executive Director

23 August 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Productivity Commission

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Productivity Commission.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other Information

Other information comprises the information included in the Queensland Productivity Commission's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian 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 report, 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 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 entity.
- Conclude on the appropriateness of the entity'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 report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions 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.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board 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.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Melissa Fletcher
as delegate of the Auditor-General



27 August 2018

Queensland Audit Office
Brisbane

Glossary

ARRs	Annual report requirements for Queensland Government agencies
CGE	Computable General Equilibrium
Commission	Queensland Productivity Commission
CAA	Corporate Administration Agency
FAA	<i>Financial Accountability Act 2009</i>
FPMS	<i>Financial and Performance Management Standard 2009</i>
GOCs	Government Owned Corporations
GRAIL	Government Research and Information Library
Guidelines	Queensland Government Guide to Better Regulation
ISSN	International Standard Serial Number
MFP	Multifactor Productivity
OBPR	Office of Best Practice Regulation
PIA	Preliminary Impact Assessment
QPC Act	<i>Queensland Productivity Commission Act 2015</i>
RIA	Regulatory Impact Analysis
RIS	Regulatory Impact Statement
VET	Vocational Education and Training

Appendix A: Letter of compliance



File Ref: DOC18/1608

31 August 2018

The Honourable Jackie Trad, MP
Deputy Premier, Treasurer and Minister for
Aboriginal and Torres Strait Islander Partnerships
GPO Box 611
BRISBANE QLD 4001

Dear Deputy Premier

Annual Report 2017–18

I am pleased to submit for presentation to the Queensland Productivity Commission's inaugural Annual Report 2017–18 and financial statements.

I certify this Annual Report complies with:

- The prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- The detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found in Appendix B of this annual report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Wood', is written over a horizontal line.

Kim Wood
Principal Commissioner

Encl.

2017–18 Annual Report



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Appendix B: Compliance checklist

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	49
Accessibility	Table of contents	ARRs – section 9.1	Inside cover 47
	Glossary		
	Public availability	ARRs – section 9.2	Inside cover 52
	Interpreter service statement	Queensland Government Language Services Policy ARRs – section 9.3	52
	Copyright notice	Copyright Act 1968 ARRs – section 9.4	Inside cover
	Information Licensing	QGEA – Information Licensing ARRs – section 9.5	N/A
General information	Introductory Information	ARRs – section 10.1	1-2
	Agency role and main functions	ARRs – section 10.2	2-14
	Machinery of Government changes	ARRs – section 31 and 32	N/A
	Operating environment	ARRs – section 10.3	4
Non-financial performance	Government's objectives for the community	ARRs – section 11.1	2
	Other whole-of-government plans / specific initiatives	ARRs – section 11.2	5-14
	Agency objectives and performance indicators	ARRs – section 11.3	15-17
	Agency service areas and service standards	ARRs – section 11.4	5-14
Financial performance	Summary of financial performance	ARRs – section 12.1	21, 23-42
Governance – management and structure	Organisational structure	ARRs – section 13.1	4
	Executive management	ARRs – section 13.2	4
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	N/A
	Public Sector Ethics Act 1994	Public Sector Ethics Act 1994 ARRs – section 13.4	20
	Queensland public service values	ARRs – section 13.5	20

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 14.1	20
	Audit committee	ARRs – section 14.2	20
	Internal audit	ARRs – section 14.3	20
	External scrutiny	ARRs – section 14.4	N/A
	Information systems and recordkeeping	ARRs – section 14.5	20
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1	22
	Early retirement, redundancy and retrenchment	Directive No.11/12 Early Retirement, Redundancy and Retrenchment Directive No.16/16 Early Retirement, Redundancy and Retrenchment (from 20 May 2016) ARRs – section 15.2	22
Open Data	Statement advising publication of information	ARRs – section 16	52
	Consultancies	ARRs – section 33.1	21
	Overseas travel	ARRs – section 33.2	N/A
	Queensland Language Services Policy	ARRs – section 33.3	N/A
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	42
	Independent Auditor's Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	43-45

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs *Annual report requirements for Queensland Government agencies*

Annual report access

Additional copies

A copy of this report can be obtained by contacting us as follows:

email enquiry@qpc.qld.gov.au

Mail Executive Support
Queensland Productivity Commission
PO Box 12112
George Street
BRISBANE QLD 4003

Tel (07) 3015 5111

Fax (07) 3015 5199

This report is available on our website: <http://www.qpc.qld.gov.au/about-the-commission>.

Open data

Further information on the following is available through the Queensland Government's Open Data website: data.qld.gov.au:

Consultancies 2017-18

Government bodies

The Queensland Register of appointees to government bodies provides access to information about government bodies including descriptions, contact details and lists of appointees.

Translating and interpreting assistance



The Commission is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on (07) 3015 5111 and we will arrange an interpreter to effectively communicate the report to you.

Feedback

Readers are encouraged to provide feedback on the contents or structure of this report by contacting us at enquiry@qpc.qld.gov.au.



qpc

Queensland
Productivity
Commission