

New Zealand Productivity Commission  
Te Kōmihana Whai Hua o Aotearoa

# Statement of performance expectations

2022–23

Presented to the House of Representatives pursuant  
to section 149 of the Crown Entities Act 2004

**New Zealand Productivity Commission**  
**Te Kōmihana Whai Hua o Aotearoa<sup>1</sup>**

## **Statement of performance expectations 2022–23**

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1. The Commission that pursues abundance for New Zealand.

# Contents

Statement of responsibility	2
The Commission at a glance	3
Chair's message	4
Our work	6
How we will measure our performance	7
Summary of output funding and costs	15
Prospective financial statements for 2022–23	16
Governance and management	24

# Statement of responsibility

This document constitutes our *Statement of performance expectations* as required under the Crown Entities Act 2004.

The descriptions of our purpose, role and functions are consistent with the New Zealand Productivity Commission Act 2010. This statement covers a one-year period between 1 July 2022 and 30 June 2023. It should be read in conjunction with the Commission's *Statement of intent 2020–24*.

The Board is responsible for the content of this statement, which comprises the

reportable outputs and the prospective financial statements for the year, including the assumptions on which they are based, and the judgements used in preparing them.

The prospective financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand.

In accordance with the Crown Entities Act the Commission has consulted with the Minister of Finance in the preparation of this statement.



**Dr. Ganesh Nana**  
Chair  
June 2022



**Bill Rosenberg**  
Commissioner &  
Assurance Committee Chair  
June 2022

# The Commission at a glance

Haere mai and welcome to the New Zealand Productivity Commission  
Te Kōmihana Whai Hua o Aotearoa. We are an independent Crown entity  
that provides evidence-based, high-quality analysis and advice on improving  
productivity to support the overall wellbeing of New Zealanders.

- New Zealand's productivity performance has been weak for decades. Higher productivity is necessary for sustainably higher living standards and incomes, and for widening the options available to all New Zealanders for greater wellbeing.
- Our aim is to provide expert economic and policy advice to successive governments to help lift New Zealand's productivity and wellbeing through a range of government and non-government activities.
- We are an independent Crown entity, established under the New Zealand Productivity Commission Act 2010. Our independence means that we can provide impartial advice. We can test ideas and challenge the status quo in the interests of improving productivity and wellbeing.
- We are a small, highly-skilled group of analysts, economists and support staff, who are guided and governed by up to four part-time Commissioners.
- Our work programme is focused on three areas: in-depth inquiries, productivity-related research and activities to educate and promote understanding of productivity and wellbeing issues.
- Our inquiries are assigned by the Minister of Finance who provides a set scope and timeframe. To date we have completed 16 inquiries on a variety of topics (from climate change to local government funding and financing), making over 650 policy recommendations to government to improve performance in specific areas.
- Our current *Fair chance for all* inquiry is focused on breaking or mitigating the cycle of persistent intergenerational disadvantage in Aotearoa.
- We self-select research and publish papers to provide new insights and evidence on productivity-related issues. This work includes a benchmarking exercise to track New Zealand's productivity performance over time.
- We are committed to increasing our interactions to inform more New Zealanders of our work, to increase our impact and influence on productivity and wellbeing. We have an active communications programme which includes outreach activities, opinion journalism, social media and email marketing.
- As a Crown partner we are committed to upholding the principles of Te Tiriti o Waitangi. We endeavour to develop our cultural capability, to strengthen our engagement and relationships with iwi and Māori and to give specific consideration to the impacts for Māori in our work.
- We are committed to consulting and engaging with a wide range of New Zealanders. Your ideas, opinions and information are of great value to our work, helping to ensure our advice is well informed and relevant. We value your submissions, insights and expertise on the issues we raise.

# Chair's message



E ngā iwi, e ngā mana, e ngā reo, rau rangatira mā,  
tēnā koutou, tēnā koutou, kia ora koutou katoa.

Ko Ganesh toku ingoa.

Since taking over as Chair in February 2021, I have encouraged the Commission to continue to question and constructively interrogate its roles, functions and purpose. Reviewing and refreshing our strategic direction and priorities has gathered pace over the 2021–22 year. This has seen us reinforce our future and long-term focus, emphasising our kaupapa to lift the wellbeing of all in Aotearoa through improved productivity. In 2022–23, we will implement our new strategy to give full effect to our mandate and better align with Government's priorities, as outlined by the Minister of Finance in his 2021 Letter of Expectations.

We are committed to broadening our perspectives and strengthening engagement with a wider range of New Zealanders. This will enable us to embrace new visions in our policy work and advice to drive productivity and wellbeing improvements. It is particularly important for us to develop and strengthen our commitment to Te Tiriti o Waitangi and to embrace Te Ao Māori perspectives into our mahi. We are reflecting on our Te Tiriti o Waitangi obligations and how best to support the Crown in their relationship with iwi and Māori. We recognise that we are in the early stages of our Māori-Crown journey, but are excited to start to build our organisational capability to support future-focused Māori-Crown relations.

Budget 2021 provided us with an additional \$900 000 per year, the first increase since the Commission began in 2011. This is helping us to rebuild staffing levels, to rebuild our independent research function and to plan wider engagement for our inquiries. Over the 2022–23 year, we look forward to progressing the following:

- Presenting our final recommendations to Government for our *Fair chance for all* inquiry (in March 2023). Our recommendations will highlight ways of breaking the cycle of persistent disadvantage faced by many in Aotearoa New Zealand.
- Receiving the Terms of Reference from the Government to start new inquiries that aim to lift productivity and improve wellbeing for all New Zealanders.
- Establishing a multi-year research programme for our Economics & Research team to lead and co-ordinate robust independent research across a range of topics within the productivity and wellbeing agenda.
- Conducting a follow-on review of our *Frontier firms* inquiry to investigate whether policy settings are shifting the productivity dial or whether more radical change is needed.

- Strengthening and widening our engagement to lift our influence and contribution to productivity and wellbeing.
- Welcoming new Commissioners to govern our Board and help drive our strategic direction and objectives, while protecting the quality of our outputs and the health, wellbeing and sustainability of our organisation.

Further focus is also needed internally to strengthen our capability and processes. For example, this includes:

- Developing our Māori Crown organisational and individual staff capability.
- Supporting staff confidence with tikanga Māori, mātauranga Māori and te reo Māori.
- Updating our internal policies to ensure they are current and fit for the future.
- Workplace activities and opportunities to ensure staff satisfaction and increase retention rates.

- Implementing a Customer Relationship Management system to track and improve stakeholder relationships.

It has been a challenging year with the impact of Covid-19 and I would like to thank our dedicated staff for their on-going commitment and passion for their work. I would also like to acknowledge and thank all those who made a submission on our inquiries, met with us, or lent their perspectives, insights or expertise to our work.

I am keen to hear from those who may not have engaged with us. I welcome your future input in our work. I welcome the opportunity to build and strengthen relationships over the years to come to influence and drive productivity and lift wellbeing for all in Aotearoa.

Ngā mihi maioha,



**Dr. Ganesh Nana**  
Chair  
June 2022

# Our work

The Commission's purpose, as embodied in the New Zealand Productivity Commission Act 2010, is to provide advice to the Government on improving productivity in a way that is directed to supporting the overall wellbeing of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society.

Our 2021 Letter of Expectations from the Minister of Finance asked us to deliver on the full breadth of our mandate. In particular, to take a broader view of what constitutes economic success, and to look at intergenerational wellbeing outcomes to ensure our work meets the needs of current and future generations of New Zealanders. It also asked us to extend our outward orientation and public engagement to increase the impact of our work.

The Board has been working on a new organisational strategy to align the Commission with the priorities identified in our 2021 Letter of Expectations. Our work programme will continue to focus on in-depth inquiries, productivity-related research and activities to educate and promote understanding of productivity and wellbeing issues, but will have a renewed focus. We look forward to sharing our vision with you later this year.

The Commission recently completed its inquiry into *Immigration settings for New Zealand's long-term prosperity and wellbeing*. This leaves us with one current inquiry: *Fair chance for all: Breaking the disadvantage cycle*. We have the capacity to work on two inquiries and look forward to receiving the Terms of Reference for a second inquiry from Government soon.

## Undertaking inquiries

Inquiries are big pieces of analysis, typically with a 12–15-month timeframe. The time allowed recognises the importance of engaging extensively with interested parties to ensure we can be exposed to all points of view, get the best available information, understand different perspectives and test ideas. The Government chooses inquiry topics to ensure our work is relevant, and our advice pertains to issues they have an interest in addressing. Once topics are set, we are required to act independently.

## Publishing research

The Commission self-selects research and publishes papers to provide new insights and evidence on which to base advice that can improve New Zealand's productivity performance. This work includes undertaking and publishing a benchmarking exercise to track New Zealand's productivity performance over time. We also work closely with agencies who are active in productivity research. The practice of collaboration is important to us to access subject/sector specialists and benefit from the cross-promotion of ideas and insights.

## Promoting understanding

Promoting understanding of productivity-related matters takes many forms besides our communications activities around inquiries and research. We regularly host and contribute to presentations on productivity-related research from academics and government departments. We speak about productivity issues to a diverse range of sectors and use multimedia and social media to reach a broad audience.



# How we will measure our performance

The Commission seeks to influence two strategic outcomes: to lift New Zealand’s productivity and, as a result, lift the wellbeing of New Zealanders.

## How we make a difference: our outcomes framework

To achieve our strategic outcomes, we are focused on making a discernible contribution to the understanding of productivity issues and associated policy challenges in New Zealand.

Through our inquiry and research outputs, the Commission:

- explores the causes of New Zealand’s weak productivity performance;
- identifies the barriers to higher productivity and wellbeing; and
- recommends policies to overcome those barriers.

Our outcomes framework summarises how we expect to make a difference, along with the core capabilities and the reputation we wish to develop.

## OUR OUTCOMES FRAMEWORK

### Outcomes for New Zealand

Lift New Zealand’s productivity

Lift the wellbeing of New Zealanders

### How we make a difference via a wide range of government and non-government activities

#### What we do

Undertake inquiries  
 .....  
 Publish research  
 .....  
 Promote understanding

#### Our core capabilities

Source information  
 .....  
 Research and analysis  
 .....  
 Process management  
 .....  
 Engagement  
 .....  
 Communications and influencing

#### What we want to be known for

Deep productivity knowledge  
 .....  
 High quality, evidence-based analysis  
 .....  
 Skilful communication  
 .....  
 Participative processes  
 .....  
 Even-handed non-political approach  
 .....  
 Workable advice

#### Our impacts

Policies and behaviours change as a result of the Commission’s work  
 .....  
 Discussion and debate is generated from our work  
 .....  
 Levels of engagement with, and responses to, our work

In producing and publicising research and reports, the Commission aims to inform the public and decision-makers, promote debate, and encourage the adoption of policies that contribute to the achievement of our outcomes. To do this effectively, the Commission must be rigorous, trusted and a skilled communicator.

Productivity operates at many levels, with many influences which take place over long time frames. As such it can be difficult to identify changes in productivity performance or wellbeing that can be directly attributed to our work.

### How we measure progress: our evaluation against the framework

Evaluating the Commission's progress and impact is challenging. The topics the Commission works on, the types of analysis we conduct, and the range of community and industry groups we need to engage with, change significantly from year to year. It is difficult to capture this diversity of work and effort in fixed quantitative targets, so we take a strong evaluative-based approach to measuring our performance. The box below sets out the four key elements of this approach for inquiries.

To ensure comparability, we use the same performance dimensions for the expert review, participant survey, and stakeholder focus group (while ensuring flexibility for other feedback is provided). The performance dimensions are detailed in the following box.

**Intended impacts** – what happens because of our work

**Right focus** – the relevance and materiality of our inquiry and research reports

**Good process management** – the timeliness and quality of our work

**High-quality work** – the quality of our analysis and recommendations

**Effective engagement** – quality of engagement with interested parties

**Clear delivery of message** – how well our work is communicated and presented

**Overall quality** – the overall quality of the work considering all factors

For our Economics & Research work, we evaluate our performance every two years via an expert review and online survey. No focus groups are convened as they are not well suited to evaluating this type of work.

**1. Independent expert review** by someone with significant policy and/or productivity research experience, who is familiar with our role and functions.

**2. Survey of external participants** using a broad set of questions covering multiple aspects of our work, such as the quality of our analysis and the clarity of our communication.

**3. Stakeholder focus group(s)** of about 6–10 attendees from different backgrounds,

independently facilitated and without Commission attendance.

**4. Monitoring external feedback and internal workflow processes** to capture, share and evaluate feedback received and obtain other relevant monitoring data (eg, national-level productivity and wellbeing indicators), and external responses to our work in the media, Parliament, and other relevant fields of activity.

[Note: all performance evaluation reports are published on the relevant inquiry page of our website.]

## Where we evaluate: our approach to performance measurement

The Commission is an independent research and advisory body and does not run nor implement any policies or programmes. The Government is under no obligation to implement Commission recommendations nor to respond to our reports.

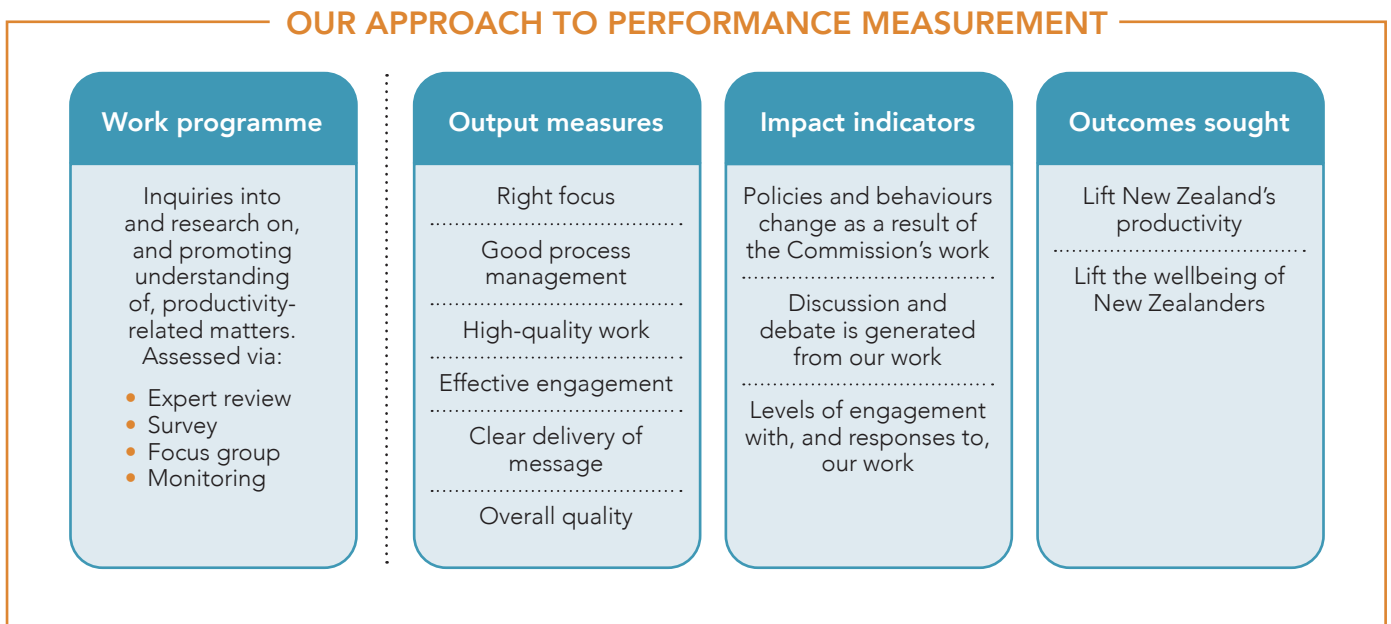
We rely on the power and communication of our ideas and analysis to influence and shape policy. This influence may be immediate through engagement and response to our work by academics, commentators, industry and community groups. Or it may occur over longer periods through discussion and debate, and then through the acceptance and adoption of our policy recommendations.

It is not enough for the Commission to simply produce reports. The analysis and commentary in our reports should be disseminated, understood and influence policy and other behaviours so that, in the long term, productivity and wellbeing improves.

It is within this context that we discuss the impact of our work across the following three broad performance indicators:

- **Levels of engagement with, and responses to, our work.** We particularly look at feedback indicating that our work plays a role in increasing the quality of analysis and advice overall on the topics of, and issues involved in, our work.
- **Discussion and debate is generated from our work.** We would like to see increased and wide-ranging discussion and debate by diverse voices. Our reporting looks at evidence of our work being used by influencers, particularly those providing commentary on, or input into, policy and how and where our work is cited in those discussions.
- **Policies and behaviours change as a result of our work.** We believe that a greater understanding of our work will see a better uptake and understanding of our recommendations. This in turn will contribute to better decision-making on the policies and programmes that could lead to improved productivity and wellbeing.

Our approach to performance measurement is summarised in the below diagram.



## Reporting on our outcomes

New Zealand’s poor productivity performance is no new phenomenon. The decline in relative performance, as measured against leading economies, began in the 1950s and has become a persistent feature of the New Zealand story.

No one programme or policy change by itself is likely to have a large effect on New Zealand’s productivity path. A set of interventions is needed – of sufficient scale and duration, well focused and coherent, and leveraging off public and private-sector synergies.

The challenge is to design and implement a coordinated policy agenda – upgrading New Zealand’s innovation ecosystems, implementing focused innovation policy, promoting the uptake of new technology, developing skills, and building quality infrastructure.

New Zealand can draw lessons from the experience of other small advanced economies, particularly those whose productivity has been high and sustained over the past few decades. Lessons will have to account for differences in history,

economic structure, geography, and cultural, socio-political and institutional contexts.

Sustainability, productivity, distribution and resilience sit at the heart of the challenge. The Treasury’s Living Standards framework identifies three levels that underpin New Zealanders’ wellbeing: our individual and collective wellbeing, our institutions and governance and the wealth of Aotearoa New Zealand. The wellbeing framework He Ara Waiora highlights the importance of incorporating te ao Māori perspectives into policy development. We aim to reflect and incorporate this framework within our work.

The Commission is well placed to deliver on its mandate to provide evidence and advice to support the wellbeing of all New Zealanders. Our insights and recommendations will continue to be presented in periodic reports to ‘join the dots’ between different inquiries, economic and research projects.

We will measure and report on our two strategic outcomes as detailed in the below table.

Outcome(s)	Measure	Assessment method
Lift the wellbeing of New Zealand; and, Lift New Zealand’s productivity	Volume and quality of formal and informal research output (eg, inquiry reports, research working paper series, and broader commentary on trends in New Zealand productivity and wellbeing such as our regular <i>Productivity by the numbers</i> report)	<p><b>A summary of performance evaluation material relevant to the year under review</b> (eg, expert reviews, surveys, and focus group reports of formal and informal outputs)</p> <p><b>Monitoring</b> and review of government responses to inquiries and Cabinet minutes, and ongoing follow-up with implementation agencies</p> <p><b>Monitoring</b> of media (including social media) commentary on formal and informal outputs</p> <p><b>Monitoring</b> of <i>Hansard</i>, Select Committee reports and citation tools on formal and informal outputs</p>

## Reporting on our impact indicators

Our outcomes framework envisages that our work will contribute to policy and behavioural change, as a precursor to having an impact or influence on our two strategic outcomes. In addition, we will also look for evidence of impact in a range of other indicators, such as the

level of discussion and debate around our work, whether and how key influencers are responding to our work and engaging us in discussion; and, whether our work is widely used by people who are providing commentary or input to policy and is cited in their discussions. We will measure and report on three impact indicators as per the below table.

Impact(s)	Measure	Assessment method
Policies and behaviours change as a result of the Commission's work	Commission recommendations explored, agreed, and implemented <ul style="list-style-type: none"> <li>How many inquiry recommendations were agreed and implemented?</li> <li>How fully were the recommendations implemented or actively explored by the relevant policy makers?</li> </ul>	<b>Monitoring</b> and review of formal Government responses to inquiries and Cabinet Minutes, and ongoing follow-up with implementation agencies
	Understanding of productivity-related matters increases <ul style="list-style-type: none"> <li>% of inquiry participants surveyed who considered the inquiry had increased their understanding of the topic at least a little</li> <li>Expert review and focus group commentary on whether the inquiry increased understanding of the topic</li> </ul>	<b>Survey %</b>  Summary comments from <b>expert review</b> and <b>focus group</b>
Generating discussion and debate	Third party commentary on reports in the media: <ul style="list-style-type: none"> <li>Nature of comment (favourable, unfavourable, informed)</li> <li>Who commented</li> <li>How many people/groups commented</li> </ul>	Media (including social media) <b>monitoring</b> for a period of 2 weeks following the release of significant Commission reports (eg, inquiry reports)
	Citing of the Commission's work in Parliament, Select Committees, or in academic or other literature	<b>Monitoring</b> of <i>Hansard</i> , Select Committee reports & citation tools
Levels of engagement and response	Productivity analysis and advice improves: <ul style="list-style-type: none"> <li>% of inquiry participants surveyed who agreed or strongly agreed that the inquiry helped to set or lift the standard in New Zealand for high-quality analysis and advice on [the topic]</li> <li>% of inquiry participants surveyed who agreed or strongly agreed that they will use the inquiry report as a resource and reference in the future</li> </ul>	<b>Survey %</b>  <b>Survey %</b>
	Expert reviewer and focus group commentary on the quality of analysis and advice in the inquiry and if they will use the inquiry report as a resource and reference in the future	Summary comments from <b>expert review</b> and <b>focus group</b>
	Expert reviewer commentary on the extent to which the research work: <ul style="list-style-type: none"> <li>Helped set or lift the standard in New Zealand for high-quality analysis and advice on [the topic]</li> <li>Contributes to future work on [the topic] being better focused and use resource more effectively</li> </ul>	Summary comments from <b>expert review</b> and <b>focus group</b> Summary comments from <b>expert review</b> and <b>focus group</b>

## Reporting on our output measures

We will assess the performance of our work programme using six output measures. The following table shows how the results will be reported and sets out all the measures that will be applied to the relevant work areas.

### OUTPUT MEASURE – Right focus

Dimension	Measure	Assessment method
Relevance and materiality of final inquiry reports	<p>Inquiry participants surveyed who agreed or strongly agreed that:</p> <ul style="list-style-type: none"> <li>• The Commission sourced all relevant research and information</li> <li>• The Commission engaged with the right people</li> <li>• The final report/research paper(s) focused on the issues most significant to [the topic]</li> <li>• The final report went into sufficient depth on the issues it covered</li> </ul>	Survey %'s; summary comments from expert review and focus group
Relevance and materiality of paper(s) within the research work reviewed	<p>The extent to which:</p> <ul style="list-style-type: none"> <li>• The Commission sourced all relevant research and information</li> <li>• The Commission engaged with the right people</li> <li>• The paper(s) focused on the issues most significant to [the topic] and went into sufficient depth on the issues it covered</li> </ul>	Summary comments from expert review

### OUTPUT MEASURE – Good process management

Dimension	Measure	Assessment method
The extent to which inquiry issues papers, draft reports and final reports, and paper(s) within the research work reviewed were delivered to schedule	<p>All external milestones communicated in the Commission's process planning are achieved:</p> <ul style="list-style-type: none"> <li>• Inquiry processes</li> <li>• Research processes</li> </ul>	Monitoring of milestones
Participant satisfaction with the inquiry process	Inquiry participants surveyed who agreed or strongly agreed that overall, they were satisfied with the Commission's inquiry processes	Survey %'s; summary comments from expert review and focus group
Satisfaction with the Commission's management of research processes	Participants in Commission research processes surveyed, and reviewer commentary, who agreed or strongly agreed that overall, they were satisfied with the Commission's approach	Survey %'s; and summary comments from expert review

## OUTPUT MEASURE – High-quality work

Dimension	Measure	Assessment method
Participant confidence in the Commission's inquiry findings and recommendations	Inquiry participants surveyed who considered the following aspects to be of good or excellent quality: <ul style="list-style-type: none"> <li>The inquiry's analysis of information</li> <li>The findings and recommendations</li> </ul>	Survey %'s; summary comments from expert review and focus group
	Inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> <li>The Commission's recommendations followed logically from the inquiry analysis and findings</li> </ul> <p>The Commission's recommendations would, if implemented, materially improve performance in [the topic area]</p>	Survey %'s; summary comments from expert review and focus group
The degree of reviewer confidence in research findings and conclusions	Reviewer commentary indicates the following aspects to be of good or excellent quality: <ul style="list-style-type: none"> <li>Information analysis of research papers</li> <li>Findings of research papers</li> </ul>	Summary comments from expert review
	Reviewer agreed or strongly agreed that: <ul style="list-style-type: none"> <li>Conclusions followed from analysis and findings</li> </ul>	Summary comments from expert review

## OUTPUT MEASURE – Effective engagement

Dimension	Measure	Assessment method
Participant perception of the quality of engagement by the Commission	Inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> <li>There was ample opportunity to participate in the inquiry</li> <li>The Commission was approachable</li> <li>The Commission communicated clearly</li> <li>The Commission understood their views</li> </ul>	Survey %'s; summary comments from expert review and focus group
	Participants in Commission research processes surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> <li>The Commission's approach was a positive contribution toward improved levels of coordination and collaboration in productivity research</li> </ul>	Survey %; and, summary comments from expert review
Engagement meetings held	Number of parties the Commission engaged with during the inquiry, as noted in the final report appendix	# of parties engaged with, including Māori organisations
Submissions received	Number of parties who made a submission during the inquiry, as noted in the final report appendix	# of parties who made a submission

## OUTPUT MEASURE – Clear delivery of message

Dimension	Measure	Assessment method
Participant perception of the effectiveness of the Commission's communication of inquiry and research findings and recommendations	<p>Inquiry participants surveyed who agreed or strongly agreed that:</p> <ul style="list-style-type: none"> <li>• The findings and recommendations were clear</li> <li>• The style of writing and language used in the report was clear</li> <li>• The summary material provided was useful</li> </ul>	Survey %'s; summary comments from <b>expert review</b> and <b>focus group</b>
	<p>Reviewer commentary on <b>research</b> papers indicates that:</p> <ul style="list-style-type: none"> <li>• The conclusions were clear</li> <li>• The style of writing and language used was clear</li> <li>• Paper(s) provided clarity about steps leading on from the research</li> </ul>	Summary comments from <b>expert review</b>

## OUTPUT MEASURE – Overall quality

Independent expert evaluation of the overall quality of the inquiry	A report evaluating the overall performance of the inquiry from the final inquiry report (taking into account the focus of the report, process, analysis, engagement and delivery of message) with recommendations for future improvements	Summary comments from <b>expert review</b>
Independent expert evaluation of <b>research work</b>	A report evaluating the overall quality of the package of research work (taking into account the focus of the research work, process, analysis, engagement and delivery of message) with recommendations for future improvements	Summary comments from <b>expert review</b>
Focus group evaluation of <b>inquiry</b>	Report from a focus group representative of inquiry participants, facilitated by an independent person with significant experience in inquiry-type work with feedback on the inquiry and recommendations for future improvements (taking into account the focus of the report, process, analysis, engagement and delivery of message)	Summary comments from <b>focus group</b>
Participant evaluation of <b>inquiry</b>	<p>Percentage of inquiry participants surveyed who rated the overall quality of the inquiry as good or excellent (taking into account the focus of the report, process, analysis, engagement and delivery of message)</p> <p>[Note: participants who rated the overall quality of the inquiry positively, as acceptable, good or excellent (a less demanding standard than the performance measure).]</p>	Survey %



# Summary of output funding and costs

We are funded to undertake inquiries into and research on, and promote public understanding of, productivity-related matters.

The table below sets out the Commission's forecast output funding and costs. Our forecasting assumes two inquiry teams running at any point in time, (noting there may be overlap of additional inquiries in practice) and allocates common corporate costs as appropriate.

Output (years ending 30 June)	Updated forecast 2021–22 \$000	Forecast 2022–23 \$000
<b>Inquiries</b>		
Revenue	5 236	5 191
Expenses	(4 383)	(5 191)
Net surplus (deficit)	853	-
<b>Research and promoting understanding</b>		
Revenue	748	742
Expenses	(626)	(742)
Net surplus (deficit)	122	-
<b>Total outputs</b>		
Revenue	5 984	5 932
Expenses	(5 009)	(5 932)
Net surplus (deficit)	975	-

# Prospective financial statements for 2022–23

## Introduction

These prospective financial statements have been prepared in accordance with generally accepted accounting practice for public sector public benefit entities. Their purpose is to facilitate consideration by Parliament of the planned performance of the Commission. The use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented and that the variation may be material.

These prospective financial statements have been prepared on the basis of assumptions about future events that the Commission reasonably expects to occur as at the date the information was prepared. It is not intended that this information will be updated.

## Assumptions

The following assumptions have been used in preparing these prospective financial statements:

- The Commission will continue to operate in its current structure and form.
- The Commission's statutory functions will remain unchanged.
- Revenue from the Crown of \$5 930 000 will be available for the 2022–23 year.
- There will be no change in premises occupancy.
- Externally driven costs will increase by no more than the rate of inflation.

- There will be no unexpected external events (such as a natural disaster) that will require significant operating or capital expenditures to be incurred.

## Statement of accounting policies

### a) Reporting entity

The New Zealand Productivity Commission (the Commission) is a Crown entity in terms of the Crown Entities Act 2004. It was established under the New Zealand Productivity Commission Act 2010 and its parent is the Crown. The Commission's principal activities are to:

- undertake in-depth inquiries on topics referred to it by the Government;
- carry out productivity-related research that assists to improve productivity over time; and
- promote public understanding of productivity and wellbeing-related matters.

The Commission is a public benefit entity (PBE) for financial reporting purposes.

### b) Statement of compliance

These prospective financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The Commission has applied the suite of *Tier 2 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS 1 RDR 28-3)* in preparing these prospective 30 June 2022 financial statements. The

Commission has expenses of less than \$30 million.

### **c) Measurement base**

The prospective financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

### **d) Functional and presentation currency**

These prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Commission is New Zealand dollars.

### **e) Significant accounting policies**

The significant accounting policies which materially affect the measurement of financial performance, position and cash flows have been applied consistently for all reporting periods covered by these financial statements.

#### **Revenue**

Revenue is measured at fair value of consideration received or receivable. Revenue is derived through the provision of outputs for the Crown, services to third parties and investment income.

#### **Revenue from the Crown**

Revenue from Crown transactions is considered to be non-exchange transactions.

The Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose specified in the Appropriation.

#### **Other revenue**

Other revenue transactions including interest revenue and provision of services are exchange transactions.

#### **Interest**

Interest revenue is recognised using the effective interest method.

#### **Provision of services**

Revenue derived through the provision of services to third parties is recognised in proportion to the stage of completion at the balance date. The stage of completion is assessed by reference to surveys of work performed.

#### **Expenditure**

All expenditure incurred in the provision of outputs for the Crown is recognised in the surplus or deficit when an obligation arises, using an accruals basis.

#### **Leases**

The Commission is party to operating leases as lessee. As the lessors retain substantially all the risk and rewards of ownership of the leased property, plant and equipment, the operating lease payments are recognised in the surplus or deficit only in the period in which they occur. Any lease incentive received or obligations to make good on the condition of the leased premises are recognised in the surplus or deficit over the term of the lease. At balance date, any unamortised incentive or outstanding obligation for reinstatement is recognised as a liability in the statement of financial position.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term-highly liquid investments with maturities of three months or less.

#### **Debtors and other receivables**

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Property, plant and equipment**

Property, plant and equipment consists of the following asset classes: information technology assets; furniture; office equipment; and leasehold improvements.

### **Additions**

All items of property, plant and equipment owned are recorded at historical cost less accumulated depreciation and any impairment losses. Depreciation on items of property, plant and equipment acquired in stages does not commence until the item of property, plant and equipment is in its final state and ready for its intended use. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are recognised in the surplus or deficit as expenditure when incurred.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Commission and the cost of the item can be measured reliably. Assets are capitalised if the purchase price is \$2 000 or greater. Items (such as chairs) with a lower individual cost are considered to be capitalised by being aggregated into the asset class. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

### **Disposals**

Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

### **Depreciation**

Depreciation is provided on a straight-line basis on all asset components to allocate the cost of the asset (less any estimated residual value) over its useful life. The

residual values and remaining useful lives of property, plant and equipment are reviewed annually. This review includes a test of impairment to ensure the carrying amount remains recoverable. Any impairment losses are recognised in the surplus or deficit. The estimated useful lives of the major asset classes are:

Information technology equipment	5 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture	7 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

### **Intangible assets**

#### **Software acquisition**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Assets are capitalised if the purchase price is \$5 000 or greater.

#### **Amortisation**

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

The useful life of intangible assets has been estimated as follows:

Purchased software	5 years
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### **Impairment of property, plant and equipment and intangible assets**

The Commission does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

### **Creditors and other payables**

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **Provisions**

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **Goods and services tax**

All items in the prospective financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

### **Income tax**

The Commission is a public authority and consequently is exempt from income tax under section CW 38 of the Income Tax Act 2004. Accordingly, no provision has been made for income tax.

### **Equity**

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital
- accumulated surplus / (deficit)

### **Cash flows**

The prospective cash flow statement is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive revenue and expense.

### **Performance outputs**

Direct costs are charged directly to outputs. Research personnel costs are allocated to outputs based on the time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs of each output.

**Critical judgements in applying accounting policies**

Management has exercised the following critical judgements in applying accounting policies:

*Leases classification*

Determining whether a lease agreement is finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term,

and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment, whereas for an operating lease no such asset is recognised. The Commission has exercised its judgement on the appropriate classification of equipment leases and has determined that none of the lease arrangements are finance leases.

## Prospective statement of comprehensive revenue and expense for the year ending 30 June 2023

	Updated forecast 2021–22 \$000	Forecast 2022–23 \$000
<b>Revenue</b>		
Revenue from Crown	5 930	5 930
Interest revenue	3	2
Other revenue	51	-
<i>Total revenue</i>	5 984	5 932
<b>Expenditure</b>		
Personnel costs	3 429	4 255
Depreciation	45	45
Other expenses	1 535	1 633
<i>Total expenditure</i>	5 009	5 932
<b>Net surplus/(deficit)</b>	<b>975</b>	<b>-</b>
Other comprehensive revenue and expense	-	-
<b>Total comprehensive revenue and expense</b>	<b>975</b>	<b>-</b>

The statement of accounting policies forms part of and is to be read in conjunction with the prospective statement of comprehensive revenue and expense.

## Prospective statement of changes in equity for the year ending 30 June 2023

	Updated forecast 2021–22 \$000	Forecast 2022–23 \$000
Balance at 1 July	1 838	2 813
<b>Comprehensive revenue and expense for the year</b>		
Surplus/(deficit)	975	-
<b>Owner transactions</b>		
Repayment of surplus	-	-
<b>Balance at 30 June</b>	<b>2 813</b>	<b>2 813</b>

The statement of accounting policies forms part of and is to be read in conjunction with the prospective statement of changes in equity.

## Prospective statement of financial position as at 30 June 2023

	Updated forecast 2021–22 \$000	Forecast 2022–23 \$000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3 575	3 332
Debtors and other receivables	36	36
<i>Total current assets</i>	<i>3 611</i>	<i>3 368</i>
<b>Non-current assets</b>		
Property, plant, and equipment	65	81
Intangible assets	12	1
<i>Total non-current assets</i>	<i>77</i>	<i>82</i>
<b>Total assets</b>	<b>3 688</b>	<b>3 450</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Creditors and other payables	615	389
Employee entitlements	173	174
Provisions	-	-
Surplus payable to the Crown	-	-
<i>Total current liabilities</i>	<i>788</i>	<i>562</i>
<b>Non-current liabilities</b>		
Lease incentive	22	10
Provisions	65	65
<i>Total non-current liabilities</i>	<i>87</i>	<i>75</i>
<b>Total liabilities</b>	<b>875</b>	<b>637</b>
<b>Net assets</b>	<b>2 813</b>	<b>2 813</b>
<b>Equity</b>		
Contributed capital	500	500
Accumulated surplus/(deficit)	2 313	2 313
<b>Total equity</b>	<b>2 813</b>	<b>2 813</b>

The statement of accounting policies forms part of and is to be read in conjunction with the prospective statement of financial position.



## Prospective statement of cash flows for the year ending 30 June 2023

	Updated forecast 2021–22 \$000	Forecast 2022–23 \$000
<b>Cash flows from operating activities</b>		
Receipts from Crown	5 930	5 930
Interest received	3	2
Receipts from other revenue	51	-
	<b>Updated forecast 2021–22 \$000</b>	<b>Forecast 2022–23 \$000</b>
Payments to suppliers	(1 298)	(1 871)
Payments to employees	(3 429)	(4 254)
Goods and services tax (net)	-	-
<i>Net cash flow from operating activities</i>	1 257	(193)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(50)
Purchase of intangibles	(25)	-
<i>Net cash flow from investing activities</i>	(25)	(50)
<b>Cash flows from financing activities</b>		
Capital distribution	-	-
<i>Net cash flow from financing activities</i>	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 232</b>	<b>(243)</b>
Cash and cash equivalents at the beginning of the year	2 343	3 575
<b>Cash and cash equivalents at the end of the year</b>	<b>3 575</b>	<b>3 332</b>

The statement of accounting policies forms part of and is to be read in conjunction with the prospective statement of cash flows.

# Governance and management

## Board



**Dr. Ganesh Nana**  
Chair



**Prof. Gail Pacheco**  
Commissioner



**Dr. Bill Rosenberg**  
Commissioner

## Leadership team



**Shelley Catlin**  
Director, Operations



**Philip Stevens**  
Economics &  
Research Director



**Julian Wood**  
Inquiry Director



**Catherine Proffitt**  
Inquiry Director



