

New Zealand Productivity Commission
Te Kōmihana Whai Hua o Aotearoa

Statement of performance expectations

2023–24

Presented to the House of Representatives pursuant
to Section 150 of the Crown Entities Act 2004

NEW ZEALAND
PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa



New Zealand Productivity Commission
Te Kōmihana Whai Hua o Aotearoa¹

Statement of performance expectations 2023–24

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1. The Commission that pursues abundance for New Zealand.

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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 2023 and 30 June 2024. It should be read in conjunction with the Commission's *Statement of intent 2023–27*.

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 2023



Dr Bill Rosenberg
Commissioner & Assurance
Committee Chair
June 2023

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 current and future generations 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. We strive to develop high quality work on topics which impact New Zealand's wellbeing and productivity for current and future generations.
- Through the topics we research, we aim to identify the changes which, in the long-term, will have the greatest positive impact.
- Our independence means that our analysis and recommendations are evidence and insight-driven and apolitical. Independence also enables us to work across government agencies and policy portfolios to give advice on difficult and often politically sensitive topics.
- 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 and recent inquiries focus on topics which are critical to the future productivity and wellbeing of New Zealand and its people. We have recently completed both the Fair chance for all inquiry and a follow-on review from our Frontier firms inquiry of 2020-21. We are continuing our Improving economic resilience inquiry which we expect to complete in early 2024.
- In addition to our inquiries, we conduct research and publish papers to provide new insights and evidence on productivity-related issues. This work includes regularly reviewing New Zealand's productivity performance over time, through our publication Productivity by the numbers.
- We are committed to increasing our reach 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, and social media.
- As a Crown partner we are committed to upholding the mana 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 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

Ka tangi te titi
Ka tangi te kaka
Ka tangi hoki ahau
Tihei mauri ora

This *Statement of performance expectations 2023–24* details how we intend to measure our progress over the coming year, as we continue to work towards achieving our strategic objectives of strengthening productivity in New Zealand and its connection to improvements in the wellbeing of current and future generations of New Zealanders.

In recent years the Commission has lifted its sights to a broader view of productivity and the cross-sector issues New Zealand faces. The importance of a long-term perspective is becoming clearer as we seek to improve productivity and wellbeing. Critical in this task is the foundation of all productive and economic activity – the nature and quality of resources.

Consistent with a broad view of productivity is a broad view of resources – encompassing the range of physical and community assets or wealth as reflected in the Treasury's Living Standards Framework.

Our views of productivity and wellbeing also look to He Ara Waiora – a framework that articulates both the ends, or what are important elements in Māori perceptions of wellbeing, and the means, or the tikanga, values or principles that help us achieve the ends.

The nature of the relationship between productivity and wellbeing will continue to be argued, tested, pictured, and challenged. However, it is clear that both productivity and wellbeing require ongoing and long-term investments in the resources and the tikanga, values or principles. These investments are required to not only maintain, but also improve over the long term, individual and collective opportunities and capabilities and so lift productivity and wellbeing for current and future generations.

Our commitment to Te Tiriti and building capability

We recognise our obligations under Te Tiriti, and will continue efforts to work more effectively and with a broader range of Iwi and Māori businesses and communities. Further embracing te ao Māori perspectives into our mahi is essential for us to ensure our advice reflects the views and interests of all New Zealanders.

Indeed, the Commission notes that broader te ao Māori values align well to the longer-term and inter-generational perspectives alluded to above. Nevertheless, we recognise the required lift in our own capability for us to engage effectively with Māori organisations. This is a priority for us.

Financial and staff pressures

A focus on the wellbeing of our own staff is paramount. While challenging at times for a small organisation with limited capacity to cover absences or illnesses, the leadership team and staff will continue to work to design and innovate processes that put staff wellbeing to the fore.

Also, of considerable challenge over the coming year will be managing expectations of the increased quantity of quality work to be delivered within constrained financial budgets. Undoubtedly, we will continue to experience increasing real costs, exacerbated by expected intense competition for specialist skills in a generally tight market. The desire for additional outputs and broader engagement will need to be cognisant of the real risk of staff burnout and turnover. The delivery of quality work consistent with fulfilling quality employment conditions to ensure staff wellbeing will be a priority task for the coming year.

Strategy refresh and business planning

The changing and multiple challenges facing the economic, business and community environment sees the Commission continuing to refresh its strategy and planning to ensure capability to provide quality and relevant insights and advice to stakeholders.

Our work to refresh our strategy builds on the foundation set over the first 10 years of the Commission. Embracing a renewed, but broader, focus on New Zealand's productivity and wellbeing for current and future generations. Working to capture an explicitly intergenerational perspective, and viewing outcomes and policy impacts over a longer time horizon is where the Commission feels it can contribute its point of difference to Aotearoa.

We have already developed areas of work to support a broader range of engagement in the community and to increase understanding of productivity. This included a stakeholder analysis and engagement plan; workforce retention and professional development programmes; building cultural competency and confidence; and clarifying governance, management and operations functions and responsibilities. We are ambitious in what we want to achieve, we have more to do, and we look forward to continuing our journey.

Alongside the refreshed strategy, this year we are working to develop a work plan that will articulate the shifts we want to make over the coming years.

We are also developing our business continuity and ensuring the preservation of the institutional knowledge the Commission has accumulated over its existence. These measures will help ensure we maintain our high standards of work, and continue to be efficient, as well as strengthening the base from which we can build even further.

A taster of new work

Recently, we conducted a follow-on review to the final report of our New Zealand Firms: Reaching for the Frontier (Frontier Firms) inquiry. This was the first time the Commission has undertaken such a task, with funding found internally.

In undertaking the follow-on review, we have tried to assume the role of a critical friend to all those with roles to play in progressing Aotearoa New Zealand's economic fortunes. We have not shied away from constructive criticism where we think that is warranted, while also providing clear direction for progress.

We see considerable value in conducting follow-on reviews of this nature. However, additional resourcing for such work would be required, or the trade-off impact on other deliverables would need to be considered. We are considering how this opportunity might fit into our operating model in the future.

The coming year is set to be exciting for the Commission as it navigates both immediate resourcing challenges (and the trade-offs to be decided) and a desire to further strengthen its reputation as a leader in advising on achieving long-term productivity and wellbeing improvements for current and future generations of all in Aotearoa.

Nō reira, ngā mihi nui,

Ganesh Nana

Chair

June 2023

Who we are

Our Purpose

As embodied in the New Zealand Productivity Commission Act, 2010 the principal purpose of the Commission 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 vision

To strengthen productivity in New Zealand and its connection to improvements in the wellbeing of current and future generations of New Zealanders.

Our work

Our work programme focuses on undertaking inquiries and conducting research on productivity-related matters and promoting public understanding. The Commission normally works on two inquiries in parallel.

We are exploring ways to increase our impact through smaller pieces of work, more in depth examination of potential inquiry topics and further follow-on reviews. While the benefits of this type of work are quite compelling, our current resourcing and funding constraints mean that any increased expectation around this type of work would require additional funding or trade off decisions.

In addition to our core work areas, we also contribute to the work of other organisations by servicing requests for insight and empirical support from the private and public sectors in relation to our past inquiries and research, sometimes years after completion. We also provide input to government responses to our past inquiries 6-12 months after we publish the final report. We carry out this work in the spirit of partnership and collaboration, and without specific funding.

The importance of our independence

As required by our establishing Act¹, we operate independently in delivering our functions. Independence means that we make our own judgements on matters based on extensive research, evidence-based analysis and broad engagement with stakeholders.

Three factors are critical to our independence:

- **Statutory independence:** We are statutorily independent by virtue of our Act and the Crown Entities Act. That statutorily independent mandate is critical to our effectiveness.
- **Operational independence:** In practical terms, operational independence means that we have the requisite capability to carry out our own inquiries and research work and publish our findings, as well as engage and collaborate with a wide range of parties.
- **Impartiality and objectivity:** We regard it as fundamentally important to act impartially and objectively as we carry out our work. Independent, published evaluation of our work is also a critical dimension of our performance framework.

¹ New Zealand Productivity Commission Act 2010

What we do

Undertaking inquiries

Inquiries require a deep understanding of a topic, are big pieces of analysis and are typically undertaken over 12 to 15 months. This timeframe recognises the importance of engaging extensively with interested parties and experts to ensure we consider all points of view, obtain 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 conducts research and publishes papers to provide an evidence base on which to offer advice to improve New Zealand's productivity. This work includes benchmarking New Zealand's productivity performance over time, which is presented in our publication *Productivity by the numbers*. We collaborate and work closely with agencies who are active in productivity research.

This allows us to access subject/sector specialists and benefit from the latest research and the cross-promotion of ideas and insights.

Promoting understanding

We undertake a range of communications activities around our inquiries and research work to educate and promote understanding of productivity-related matters. We aim to reach diverse audiences through outreach activities, opinion journalism, blogging, media articles and social media.

How we will measure our performance

This is our first *Statement of performance expectations* under our new *Statement of Intent*. Our performance framework has been refreshed, with some new measures introduced, including a baseline to be established and other measures removed, as the Commission continues to refresh its strategy.

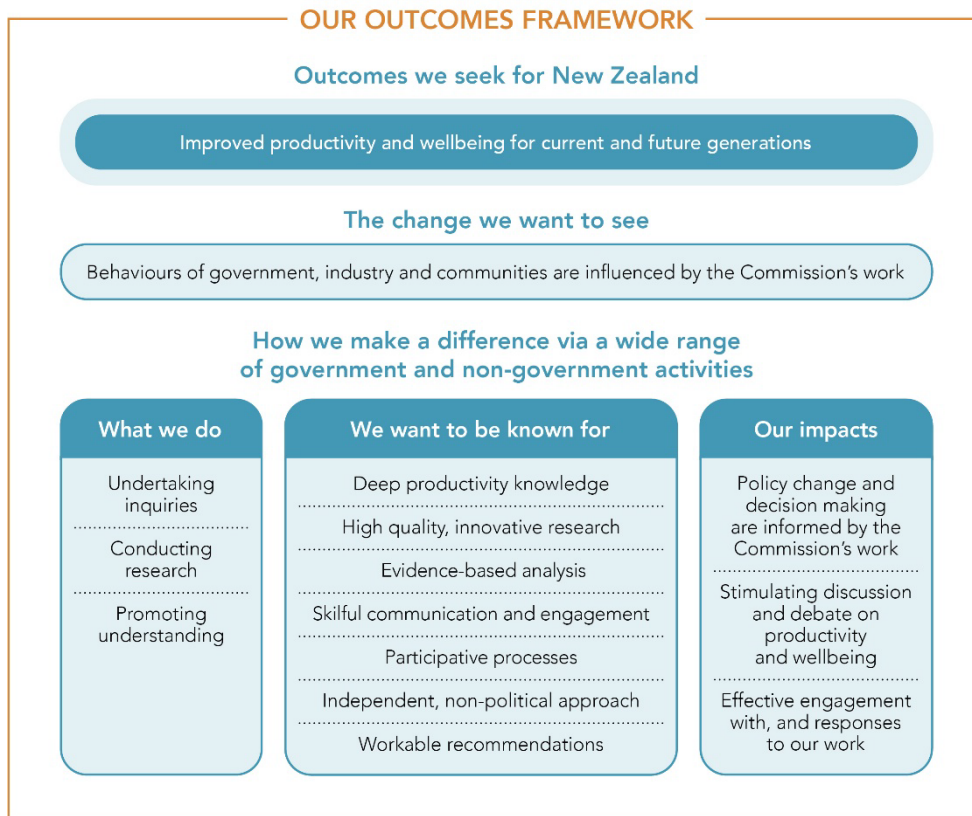
How we make a difference: our outcomes framework

Ultimately, we seek to influence two strategic outcomes: to improve New Zealand’s productivity and, to improve the wellbeing of current and future generations of New Zealanders.

By carrying out high quality, innovative research, evidence-based inquiries and promoting understanding of productivity related topics, we want to:

- explore the contributing factors to New Zealand’s productivity performance;
- improve New Zealand’s understanding of what drives higher productivity and wellbeing, and the connection between them; and
- recommend policies to address those contributing factors.

In producing and publicising research and reports, the Commission aspires to inform decision making and influence behaviours of government, industry, and communities. To do this effectively, the Commission must be rigorous, trusted and a skilled communicator. Our outcomes framework illustrates how we expect to make a difference, along with the core capabilities and the reputation we wish to develop.



Due to the complex nature of productivity issues, the influence of our work will generally only emerge over long timeframes. As such it can be challenging to identify changes in productivity performance or wellbeing that can be directly attributed to our work as distinct from the many other factors that influence productivity performance.

Central to our impact and influence is the Commission's comprehensive public engagement process. During each inquiry, the Commission engages widely with a diverse group of interested parties. The participative nature of our inquiries means that communities can have a direct input and influence on the Commission's recommendations – both draft and final. The Commission meaningfully engages with interested parties on specific policy issues and tests ideas for improvement.

How we measure progress: our evaluation against our outcomes framework

The topics we work 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 the Commission takes a strong evaluative-based approach to measuring our performance.

The key elements of this approach include:

- 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 effectiveness of our processes
- 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
- High-quality work – the quality of our analysis and recommendations

To ensure comparability our performance measures use the same performance dimensions (while ensuring flexibility for other feedback is provided), including:

- Independent expert review by someone with significant policy and/or productivity research experience, who is familiar with our role and functions.
 - Monitoring external feedback, external engagements, and internal workflow processes to capture, share and evaluate feedback received, and external responses to our work (in the media, Parliament, etc).
- [Note: all performance evaluations are published on our website.]

An independent expert review takes place after each inquiry has been completed. For our research work, a review takes place every two years and evaluates work during that period.

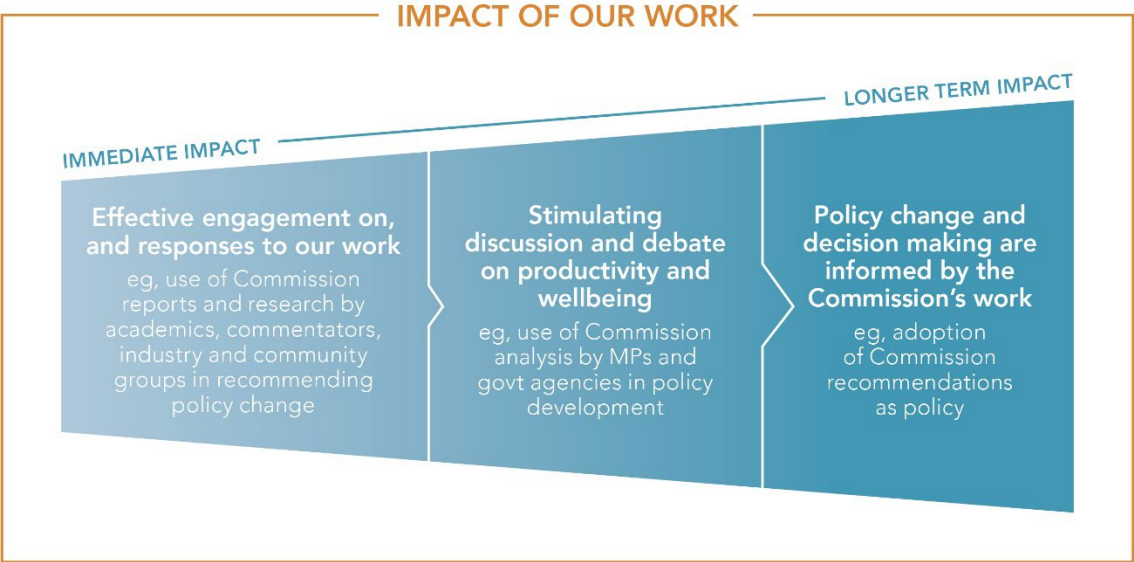
How we evaluate: our approach to performance measurement

The Commission is an independent research and advisory body and does not run nor implement any policies or programmes. Government is under no obligation to implement Commission recommendations nor to respond to our reports. We rely solely on the power and communication of our ideas and analysis to influence and shape policy. As illustrated below, this influence may be direct and immediate (eg, through academic, community, public and political recommendation) or it may occur over longer periods after policies are adjusted or adopted.

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 improves.

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

- **Effective engagement on, 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.
- **Stimulating discussion and debate on productivity and wellbeing.** 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.
- **Policy change and decision making is informed by the Commission’s 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.



Given the above, our approach to performance measurement can be summarised as follows:



Reporting on our outcomes

The Commission is well placed to deliver on its mandate ‘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’. We will measure and report on our strategic outcomes as detailed in the below table.

Outcomes	Measure	Assessment method
Improved productivity and wellbeing for current and future generations of New Zealanders	We track improvements in productivity measures and trends, and indicators of wellbeing outcomes	Productivity measures and trends published in the Commission’s ‘Productivity by the numbers’ document every two years Treasury Living Standards Framework Dashboard

It can be challenging to identify changes in productivity performance or wellbeing that can be directly attributed to our work as distinct from the many other factors that influence productivity performance

Reporting on the change we want to see

Change	Measure	Assessment method
Behaviours of government, industry and communities are influenced by the Commission’s work	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) Volume and quality of media sentiment	A summary of performance evaluation material relevant to the year under review (eg: expert reviews, and surveys on formal and informal outputs) Monitoring and review of government responses to inquiries and Cabinet minutes, and ongoing follow-up with implementation agencies Monitoring of media, social media commentary, select committee reports, citation tools on our formal and informal outputs Collation of qualitative anecdotes and examples from stakeholders

Reporting on our impact indicators

To support our aspiration of influencing the behaviour of government, industry and communities through our work, we will look for evidence of impact against a range of impact indicators; our work informing policy change and decision making; stimulating discussion and debate on productivity and wellbeing; and effective engagement with and responses to our work. We will measure and report on these three impact indicators as per the below table.

Impact(s)	Measure	Assessment method
Policy change and decision making is informed by the Commission's work	Commission recommendations and research outputs are explored and discussed: <ul style="list-style-type: none"> • How many inquiry recommendations were formally agreed to? • How fully were the recommendations actively discussed by the relevant policy makers? • How many relevant agencies and policy makers asked for follow up meetings to discuss recommendations or research outputs? 	Monitoring and review of formal Government responses to inquiries and Cabinet Minutes, and ongoing follow-up with implementation agencies Summary of engagement activities related to the research output and recommendations over the reporting period
Stimulating discussion and debate on productivity and wellbeing	Third party commentary and reporting: <ul style="list-style-type: none"> • Nature of comment (favourable, unfavourable, informed) • Who commented 	Monitoring references and mentions by third parties following the release of significant Commission research reports (eg, inquiry reports)
	Webinars and seminars on broader topics around productivity are held and advertised widely	Number and type of seminars held across a year. Number and type of attendees recorded
	Stakeholders discuss reports and research output within their own networks	Development of new stakeholder survey to establish a baseline that will be conducted toward the end of each calendar year Qualitative anecdotes and examples from our people who are in contact with stakeholders, that Commission research outputs and inquiry reports are shared by stakeholders to their own networks
Effective engagement with and responses to our work	Commentary on the quality of analysis and advice in the inquiry and research reports and whether reports are intended to be used as a resource and reference in the future	Summary comments from expert review and surveys
	Communication plans for release of inquiry and research outputs developed to ensure successful reach to target audiences	Communications plans are developed Summary of stakeholder survey comments
	Promoting a greater understanding of productivity as well as specific research topics	Engagement statistics for our communication channels such as mentions in mainstream media, social media statistics, mentions in stakeholder communications

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 and within the research work/programme .	Third parties surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> The Commission sourced all relevant research and information The Commission engaged with the right people The final report/research paper(s) focused on the issues most significant [to the topic] The paper(s)/reports went into sufficient depth on the issues it covered 	Summary of comments from external review (including from evaluations such as survey, expert review etc)

OUTPUT MEASURE – Good process management

Dimension	Measure	Assessment method
The extent to which research reports, inquiry issues papers , draft reports and final reports , were delivered to schedule	All external deadlines communicated in the Commission's process planning are achieved: <ul style="list-style-type: none"> Inquiry processes Research processes 	Monitoring of milestones and deadlines related to inquiries and the research programme are met
The extent to which the Commission's organisational management processes are delivered	All organisational management measures are achieved: <ul style="list-style-type: none"> Internal planning and processes are developed and deadlines met External audits and compliance deadlines are met 	Delivery of the 2024-2025 business plan, milestones and deadlines
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	Summary comments and survey results

OUTPUT MEASURE – Effective engagement

Dimension	Measure	Assessment method
Participant perception of the quality of engagement by the Commission	Participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> • There was ample opportunity to participate in inquiry or research work • The Commission was approachable • The Commission communicated clearly • The Commission understood their views 	Evaluations results, summary comments
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
	Number of events held around a specific research topic or broader productivity topics	# of events and participants
	Number of presentations given on the Commission's work by staff	# of presentations, type and purpose
	Official ministerial and agency briefings held during the inquiry process	# of briefings
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
Digital engagement	Analytics to look at engagement with specific research reports as well as promoting an understanding of productivity	Website analytics to look at click-through rates and download rates on documents and reports
	Ensuring that our digital content is accessible to a wide-range of communities and the public	Compliance with the Web Accessibility Standard 1.1
Media engagement	Proactive media – The Commission produces media content for providers to publish and discuss	# of Commission articles and op-eds
	Reactive media – the media responds to inquiry reports and research reports by requesting interviews, articles, commentary etc	# of interviews requested # of published media releases # of general media enquiries responded to

OUTPUT MEASURE – Clear delivery of message

Dimension	Measure	Assessment method
Participant perception of the effectiveness of the Commission's communication	Reviewers and evaluation participants agreed or strongly agreed that: <ul style="list-style-type: none"> • Research findings and recommendations were clear • The style of writing and language used in the report was clear • Paper(s) provided clarity about steps leading on from the research. • The summary material provided was useful 	Survey percentages; summary comments from expert review
	The Commission complies with the Plain Language Act 2022	Reporting on Plain Language Act 2022 shows compliance

OUTPUT MEASURE – Overall quality

Independent evaluation of the overall quality of the inquiries	Evaluations of 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 the evaluations following completion of the inquiry
Independent evaluation of research work	Every two years, 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 expert review every two years

OUTPUT MEASURE – High-quality work

Dimension	Measure	Assessment method
Participant confidence in the Commission's inquiry findings and recommendations	Inquiry participants asked who considered the following aspects to be of good or excellent quality: <ul style="list-style-type: none"> • The inquiry's analysis of information The findings and recommendations	Evaluations results, summary comments
	Inquiry participants asked who agreed or strongly agreed that: <ul style="list-style-type: none"> • The Commission's recommendations followed logically from the inquiry analysis and findings • The Commission's recommendations would, if implemented, materially improve performance in the topic area 	Evaluations results, summary comments
Post- inquiry or research requests for advice or consultancy on the research topic	Summary of the type and volume of requests for advice or consultancy on the research topic after the final publication of the report	Evaluations results, summary comments

<p>The degree of reviewer confidence in research findings and conclusions</p>	<p>Reviewer commentary indicates the following aspects to be of good or excellent quality</p> <ul style="list-style-type: none"> • Information analysis of research papers • Findings of research papers 	<p>Result of evaluation (e.g. survey, expert review)</p>
	<p>Reviewer agreed or strongly agreed that:</p> <ul style="list-style-type: none"> • Conclusions followed from analysis and findings 	<p>Evaluations results, summary comments</p>

We will develop the existing measures for inquiry and research reports to better establish how 'high quality work' can be more effectively measured over different time horizons including single year reporting and multi-year reporting.

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 2022-23 \$000	Forecast 2023-24 \$000
Inquiries		
Revenue	5215	5215
Expenses	(5478)	(5215)
Net surplus (deficit)	(263)	-
Research and promoting understanding		
Revenue	745	745
Expenses	(783)	(745)
Net surplus (deficit)	(38)	-
Total outputs		
Revenue	5960	5960
Expenses	(6260)	(5960)
Net surplus (deficit)	(300)	-

Prospective financial statements for 2023–24

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 2023–24 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 2023 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

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 receivable 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 2024

	Updated forecast 2022-23 \$000	Forecast 2023-24 \$000
Revenue		
Revenue from Crown	5930	5 930
Interest revenue	30	30
Other revenue		-
<i>Total revenue</i>	<i>5960</i>	<i>5960</i>
Expenditure		
Personnel costs	4421	4532
Depreciation	31	35
Other expenses	1808	1392
<i>Total expenditure</i>	<i>6260</i>	<i>5960</i>
Net surplus/(deficit)	(300)	-
Other comprehensive revenue and expense	-	-
Total comprehensive revenue and expense	(300)	-

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 2024

	Updated forecast 2022-23 \$000	Forecast 2023-24 \$000
Balance at 1 July	3028	2728
Comprehensive revenue and expense for the year		
Surplus/(deficit)	(300)	-
Owner transactions		
Repayment of surplus	-	-
Balance at 30 June	2728	2728

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 2024

	Updated forecast 2022-23 \$000	Forecast 2023-24 \$000
Assets		
Current assets		
Cash and cash equivalents	2996	3014
Debtors and other receivables	60	60
<i>Total current assets</i>	<i>3056</i>	<i>3074</i>
Non-current assets		
Property, plant, and equipment	101	72
Intangible assets	12	10
<i>Total non-current assets</i>	<i>113</i>	<i>82</i>
Total assets	3169	3157
Liabilities		
Current liabilities		
Creditors and other payables	172	170
Employee entitlements	174	174
Provisions		
Surplus payable to the Crown		
<i>Total current liabilities</i>	<i>346</i>	<i>343</i>
Non-current liabilities		
Lease incentive	10	-
Provisions	65	65
Total non-current liabilities	75	65
Total liabilities	421	409
Net assets	2748	2748
Equity		
Contributed capital	500	520
Accumulated surplus/(deficit)	2228	2228
Total equity	2728	2748

Prospective statement of cash flows for the year ending 30 June 2024

	Updated forecast 2022-23 \$000	Forecast 2023-24 \$000
Cash flows from operating activities		
Receipts from Crown	5 930	5 930
Interest received	30	30
Receipts from other revenue		-
	Updated forecast 2022-23 \$000	Forecast 2023-24 \$000
Payments to suppliers	(1953)	(1410)
Payments to employees	(4430)	(4532)
Goods and services tax (net)	1	-
<i>Net cash flow from operating activities</i>	<i>(422)</i>	<i>18</i>
Cash flows from investing activities		
Purchase of property, plant and equipment	(51)	-
Purchase of intangibles	-	-
<i>Net cash flow from investing activities</i>	<i>(51)</i>	<i>-</i>
Cash flows from financing activities		
Capital distribution	-	-
<i>Net cash flow from financing activities</i>	<i>-</i>	<i>-</i>
Net increase/(decrease) in cash and cash equivalents	(473)	-
Cash and cash equivalents at the beginning of the year	3449	2976
Cash and cash equivalents at the end of the year	2976	2994

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

Governance & management

Board



Dr. Ganesh Nana
Chair



Dr. Bill Rosenberg
Commissioner



Dr. Diane Ruwhiu
Commissioner

Leadership team



Dr. Philip Stevens
Director, Economics
& Research



Shelley Catlin
Director, Operations



Catherine Proffitt
Inquiry Director



Julian Wood
Inquiry Director

