

Future Fund Management Agency

Agency Resources and Planned Performance

FUTURE FUND MANAGEMENT AGENCY

Section 1: Agency Overview and Resources	153
1.1 Strategic Direction Statement	153
1.2 Agency Resource Statement	154
1.3 Budget Measures	154
Section 2: Outcomes and Planned Performance	155
2.1 Outcomes and Performance Information	155
Section 3: Explanatory Tables and Budgeted Financial Statements	161
3.1 Explanatory Tables	161
3.2 Budgeted Financial Statements	162

FUTURE FUND MANAGEMENT AGENCY

Section 1: Agency Overview and Resources

1.1 Strategic Direction Statement

The Future Fund Management Agency (FFMA) was established by the *Future Fund Act 2006* to support and advise the Future Fund Board of Guardians (the Board) in its task of investing the assets of the Future Fund.

The scope of the FFMA and the Board was extended by the *Nation-building Funds Act 2008* to include the management of investments to grow other Australian Government Asset Funds as a means to provide financing sources for substantial future investments in the Australian economy. As a result the FFMA supports the Board in managing investments of the Future Fund, Building Australia Fund (BAF), Education Investment Fund (EIF) and Health and Hospitals Fund (HHF).

Subject to the passage of legislation, the scope of the Board and FFMA is to be further increased by the introduction of National Disability Insurance Scheme and the associated DisabilityCare Australia Fund (DCAF) legislation.

The FFMA focuses on supporting and advising the Board of Guardians in developing and implementing appropriate investment strategies for the funds.

The Future Fund's portfolio has now been significantly invested but will continue to evolve as the Board manages the portfolio in line with its mandate and strategy. The approach to managing the portfolio is detailed in the 2011-12 Future Fund Annual Report. Recognising the potential for continued volatility in investment markets, an important emphasis for the FFMA and the Board is maintaining a long term investment perspective and strategy that balances risk with expected return as required under the *Future Fund Investment Mandate Directions 2006* (Investment Mandate).

The FFMA provides support and advice to the Board in relation to the BAF, EIF and HHF and is focused on developing and implementing investment strategies consistent with the legislation and mandates. The investment strategies and approach for these funds is detailed in the 2011-12 Future Fund Annual Report.

1.2 Agency Resource Statement

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Future Fund Management Agency Statement - Budget Estimates for 2013-14 as at Budget May 2013

	Estimate of prior + year amounts available in 2013-14 \$'000	Proposed at Budget = 2013-14 \$'000	Total estimate 2013-14 \$'000	Actual available appropriation 2012-13 \$'000
Special accounts				
Opening balance	-	-	-	-
Non-appropriation receipts to special accounts	-	497,255	497,255	450,461
Total special accounts	-	497,255	497,255	450,461
Total net resourcing for FFMA	-	497,255	497,255	450,461

All figures are recoverable GST exclusive.

Note: Future Fund does not receive any annual appropriations. Its outputs are funded as payments from the Future Fund Special Account.

1.3 Budget Measures

There are no budget measures in 2013-14 for FFMA.

Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which Government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programs which contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs, specifying the performance indicators and targets used to assess and monitor the performance of FFMA in achieving Government outcomes.

Outcome 1: Make provision for the Commonwealth's unfunded superannuation liabilities and payments for the creation and development of infrastructure, by managing the operational activities of the Future Fund and the Nation building Funds, in line with the Government's investment mandates.

Outcome 1 Strategy

The FFMA contributes to the achievement of the outcome through the provision of advice and support to the Future Fund Board of Guardians and through the implementation of investment decisions. This work is focused on ensuring that the assets of the Future Fund, the Nation Building Funds and, subject to the passage of legislation, the DisabilityCare Australia Fund are invested in line with the relevant legislation and investment mandates to achieve their investment objectives.

This work includes portfolio modelling, risk management, the appointment of investment managers and the application of appropriate corporate governance.

The specific investment strategies applied to the investment of assets, together with the overarching investment beliefs and principles of the organisation, are detailed in the 2011-12 Future Fund Annual Report.

Outcome Expense Statement

Table 2.1 provides an overview of the total expenses for the outcome by program.

Table 2.1 Budgeted Expenses for Outcome 1

Outcome 1: Make provision for the Commonwealth's unfunded superannuation liabilities and payments for the creation and development of infrastructure, by managing the operational activities of the Future Fund and Nation building Funds, in line with the Government's investment mandates.	2012-13 Estimated actual expenses \$'000	2013-14 Estimated expenses \$'000
Program 1.1: Management of the Investment of the Future Fund		
Special accounts	43,771	46,510
Total for Program 1.1	43,771	46,510
Program 1.2: Management of the Investment of the Building Australia Fund, Education Investment Fund and Health and Hospitals Fund		
Special accounts	818	835
Total for Program 1.2	818	835
Outcome 1 totals by appropriation type		
Special accounts	44,589	47,345
Total expenses for Outcome 1	44,589	47,345
	2012-13	2013-14
Average Staffing Level (number)	91	104

Note: Program splits and totals are indicative estimates and may change in the course of the Budget year as Australian Government priorities change.

Contributions to Outcome 1

Program 1.1: Management of the Investment of the Future Fund

Program 1.1 Objective

The FFMA supports the Board of Guardians in investing to accumulate assets for the purpose of offsetting the unfunded superannuation liabilities of the Australian Government which will fall due on future generations.

Program 1.1 Expenses

Program 1.1 Management of the Investment of the Future Fund

	2012-13 Revised budget \$'000	2013-14 Budget \$'000	2014-15 Forward year 1 \$'000	2015-16 Forward year 2 \$'000	2016-17 Forward year 3 \$'000
Special account expenses:					
Future Fund Special Account	43,771	46,510	50,621	53,791	58,029
Total program expenses	43,771	46,510	50,621	53,791	58,029

Program 1.1 Deliverables

- Ensure all decisions of the Board of Guardians are given effect as directed by the Board within timeframes and quality levels agreed with the Board.
- Ensure all investments are made in accordance with relevant legislation, Investment Mandate and ministerial directions.
- Provide administrative services to the Board.
- Provide information and recommendations to the Board.
- Advise the Board about the performance of the Board's functions.
- Make resources and facilities available to the Board.

Program 1.1 Key Performance Indicators

- Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate target return of at least 4.5 to 5.5% above the Consumer Price Index (CPI) over the long term (interpreted as rolling 10 year periods) with acceptable but not excessive risk.

Program 1.2: Management of the Investment of the Building Australia Fund, Education Investment Fund and Health and Hospitals Fund

Program 1.2 Objective

The *Nation-building Funds Act 2008* established the Education Investment Fund, the Health and Hospitals Fund and the Building Australia Fund on 1 January 2009. The role of the FFMA was extended to include supporting the Board of Guardians in the investment of the assets of these funds.

Subject to the passage of legislation, the scope of FFMA is to be further increased by the introduction of National Disability Insurance Scheme and the associated DisabilityCare Australia Fund (DCAF) legislation, with the role of the FFMA to include supporting the Board of Guardians in the investment of the assets of this fund.

Program 1.2 Expenses

Program 1.2 Management of the Investment of the Building Australia Fund, Education Investment Fund and Health and Hospitals Fund

	2012-13 Revised budget \$'000	2013-14 Budget \$'000	2014-15 Forward year 1 \$'000	2015-16 Forward year 2 \$'000	2016-17 Forward year 3 \$'000
Special account expenses:					
Future Fund Special Account	818	835	852	869	240
Total program expenses	818	835	852	869	240

Program 1.2 Deliverables

- Ensure all decisions of the Board of Guardians are given effect as directed by the Board within timeframes and quality levels agreed with the Board.
- Ensure all investments are made in accordance with relevant legislation, Investment Mandate and ministerial directions.
- Provide administrative services to the Board.
- Provide information and recommendations to the Board.
- Advise the Board about the performance of the Board's functions.
- Make resources and facilities available to the Board.

Program 1.2 Key Performance Indicators

- Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate target return for each of the Nation-building Funds of the Australian three month bank bill swap rate plus 0.3% per annum, calculated on a rolling 12 month basis while minimising the probability of capital loss over a 12 month horizon.

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2013-14 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and program expenses, movements in administered funds, special accounts and government indigenous expenditure.

3.1 Explanatory Tables

3.1.1 Movement of Administered Funds Between Years

Table 3.1.1 is not included as there is no movement of administered funds between years.

3.1.2 Special Accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the FMA Act or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by FFMA.

Table 3.1.2: Estimates of Special Account Flows and Balances

	Opening balance	Receipts	Payments	Adjustments	Closing balance
	2013-14	2013-14	2013-14	2013-14	2013-14
	2012-13	2012-13	2012-13	2012-13	2012-13
	Outcome	\$'000	\$'000	\$'000	\$'000
Future Fund Special Account (A)(D)	1	-	497,255	497,255	-
		-	450,461	450,461	-
Total special accounts					
2013-14 Budget estimate		-	497,255	497,255	-
<i>Total special accounts</i>					
<i>2012-13 estimated actual</i>		-	450,461	450,461	-

(A) = Administered
(D) = Departmental

3.1.3 Australian Government Indigenous Expenditure

The 2013-14 Australian Government Indigenous Expenditure is not applicable because FFMA has no indigenous specific expenses.

3.2 Budgeted Financial Statements

3.2.1 Differences in Agency Resourcing and Financial Statements

No material differences exist between agency resourcing and the financial statements.

3.2.2 Analysis of Budgeted Financial Statements

Departmental expenditure will increase over the 2013-14 estimate year in line with maintaining and developing the Agency's ability to support the Board in managing the Future Fund and other Australian Government Asset Funds.

Administered expenditure will increase over the 2013-14 estimate year as a result of the expected growth of the portfolio and the evolution of the asset allocation in line with the Board's investment strategy.

3.2.3 Budgeted Financial Statements

Table 3.2.1 Budgeted Statement of Comprehensive Income – Departmental (Showing Net Cost of Services) for the period ended 30 June

	Estimated actual 2012-13 \$'000	Budget estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000
EXPENSES					
Employee benefits	29,521	31,226	34,994	38,536	42,221
Suppliers	13,315	13,694	14,210	14,747	15,306
Depreciation and amortisation	1,753	2,425	2,269	1,377	742
Total expenses	44,589	47,345	51,473	54,660	58,269
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Other	44,439	47,195	51,323	54,510	58,119
Total own-source revenue	44,439	47,195	51,323	54,510	58,119
Gains					
Other	150	150	150	150	150
Total gains	150	150	150	150	150
Total own-source income	44,589	47,345	51,473	54,660	58,269
Net cost of (contribution by) services	-	-	-	-	-
Revenue from Government	-	-	-	-	-
Surplus (Deficit)	-	-	-	-	-
Total comprehensive income (loss) attributable to the Australian Government	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

**Table 3.2.2: Budgeted Balance Sheet - Departmental
as at 30 June**

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	753	753	753	753	753
Trade and other receivables	11,730	14,438	17,976	20,618	22,826
Total financial assets	12,483	15,191	18,729	21,371	23,579
Non-financial assets					
Property, plant and equipment	3,159	2,346	1,541	1,117	1,096
Intangibles	1,950	1,238	474	221	200
Other non-financial assets	178	178	178	178	178
Total non-financial assets	5,287	3,762	2,193	1,516	1,474
Total assets	17,770	18,953	20,922	22,887	25,053
LIABILITIES					
Payables					
Suppliers	494	494	494	494	494
Other payables	4,362	4,636	5,047	5,364	5,788
Total payables	4,856	5,130	5,541	5,858	6,282
Provisions					
Employee provisions	12,418	13,327	14,885	16,533	18,275
Other provisions	496	496	496	496	496
Total provisions	12,914	13,823	15,381	17,029	18,771
Total liabilities	17,770	18,953	20,922	22,887	25,053
Net assets	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.2.3: Budgeted Statement of Changes in Equity – Departmental for the period ended 30 June 2014

Table 3.2.3 is not included because FFMA does not have any changes in equity.

Table 3.2.4: Budgeted Statement of Cash Flows - Departmental for the period ended 30 June

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash received					
Other	47,682	49,205	52,915	57,317	61,786
Total cash received	47,682	49,205	52,915	57,317	61,786
Cash used					
Employees	27,652	30,287	33,405	36,856	40,446
Suppliers	13,207	13,574	14,090	14,629	15,189
Net GST paid	3,421	4,444	4,720	5,132	5,451
Total cash used	44,280	48,305	52,215	56,617	61,086
Net cash from (used by) operating activities	3,402	900	700	700	700
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	3,402	900	700	700	700
Total cash used	3,402	900	700	700	700
Net cash from (used by) investing activities	(3,402)	(900)	(700)	(700)	(700)
Net increase (decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	753	753	753	753	753
Cash and cash equivalents at the end of the reporting period	753	753	753	753	753

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Budgeted Capital Budget Statement – Departmental for the period ended 30 June

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
Purchase of non-financial assets					
Funded internally from departmental resources	3,402	900	700	700	700
Total purchase of non-financial assets	3,402	900	700	700	700

Table 3.2.6: Budgeted Statement of Asset Movements as at 30 June 2014

	Other property, plant and equipment	Computer software and intangibles	Total
	\$'000	\$'000	\$'000
As at 1 July 2013			
Gross book value	8,237	2,961	11,198
Accumulated depreciation/amortisation and impairment	(5,078)	(1,011)	(6,089)
Opening net book balance	3,159	1,950	5,109
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - other	700	200	900
Total additions	700	200	900
Other movements			
Depreciation/amortisation expense	(1,513)	(912)	(2,425)
Total other movements	(1,513)	(912)	(2,425)
As at 30 June 2014			
Gross book value	8,937	3,161	12,098
Accumulated depreciation/amortisation and impairment	(6,591)	(1,923)	(8,514)
Closing net book balance	2,346	1,238	3,584

Prepared on Australian Accounting Standards basis.

**Table 3.2.7: Budgeted Schedule of Comprehensive Income - Administered
(Showing Net Cost of Services)
for the period ended 30 June**

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES					
Employee benefits	861	895	931	966	1,005
Suppliers	566,021	619,510	664,755	711,799	763,031
Total expenses	566,882	620,405	665,686	712,765	764,036
LESS:					
INCOME					
Revenue					
Non-taxation revenue					
Interest	1,442,495	1,696,648	1,791,131	1,919,593	2,057,244
Dividends	1,707,254	1,612,226	1,700,900	1,822,891	1,953,608
Total non-taxation revenue	3,149,749	3,308,874	3,492,031	3,742,484	4,010,852
Total revenue	3,149,749	3,308,874	3,492,031	3,742,484	4,010,852
Gains					
Other gains	7,491,944	3,485,743	3,790,812	4,062,694	4,354,024
Total gains	7,491,944	3,485,743	3,790,812	4,062,694	4,354,024
Total income	10,641,693	6,794,617	7,282,843	7,805,178	8,364,876
Net cost of (contribution by) services	(10,074,811)	(6,174,212)	(6,617,157)	(7,092,413)	(7,600,840)
Surplus (Deficit)	10,074,811	6,174,212	6,617,157	7,092,413	7,600,840

Prepared on Australian Accounting Standards basis.

**Table 3.2.8: Budgeted Schedule of Assets and Liabilities – Administered
as at 30 June**

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	197	197	197	197	197
Trade and other receivables	439,317	415,429	438,466	469,894	503,657
Other investments	87,055,666	93,381,551	100,085,452	107,262,804	114,922,501
Total financial assets	87,495,180	93,797,177	100,524,115	107,732,895	115,426,355
Total assets	87,495,180	93,797,177	100,524,115	107,732,895	115,426,355
LIABILITIES					
Payables					
Suppliers	472,158	599,943	709,724	826,091	918,711
Other payables	1,812	1,812	1,812	1,812	1,812
Total payables	473,970	601,755	711,536	827,903	920,523
Provisions					
Employee provisions	22	22	22	22	22
Total provisions	22	22	22	22	22
Total liabilities	473,992	601,777	711,558	827,925	920,545
Net assets (liabilities)	87,021,188	93,195,400	99,812,557	106,904,970	114,505,810

Prepared on Australian Accounting Standards basis.

**Table 3.2.9: Budgeted Schedule of Cash Flows - Administered
for the period ended 30 June**

	Estimated actual	Budget estimate	Forward estimate	Forward estimate	Forward estimate
	2012-13	2013-14	2014-15	2015-16	2016-17
	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash received					
Interest	1,449,010	1,696,648	1,791,131	1,919,593	2,057,244
Dividends	1,755,588	1,636,388	1,678,274	1,791,780	1,920,269
Net GST received	4,126	4,362	4,636	5,047	5,364
Total cash received	3,208,724	3,337,398	3,474,041	3,716,420	3,982,877
Cash used					
Suppliers	402,816	448,072	508,041	544,433	614,740
Employees	861	895	931	966	1,005
Other	46,784	48,288	51,980	56,363	61,459
Total cash used	450,461	497,255	560,952	601,762	677,204
Net cash from (used by) operating activities	2,758,263	2,840,143	2,913,089	3,114,658	3,305,673
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of investments	2,723,274	3,254,986	1,424,335	1,529,088	1,650,151
Total cash received	2,723,274	3,254,986	1,424,335	1,529,088	1,650,151
Cash used					
Investments	5,481,537	6,095,129	4,337,424	4,643,746	4,955,824
Total cash used	5,481,537	6,095,129	4,337,424	4,643,746	4,955,824
Net cash from (used by) investing activities	(2,758,263)	(2,840,143)	(2,913,089)	(3,114,658)	(3,305,673)
Net increase (decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	197	197	197	197	197
Cash and cash equivalents at the end of the reporting period	197	197	197	197	197

Prepared on Australian Accounting Standards basis.

**Table 3.2.10: Budgeted Capital Budget Schedule - Administered
for the period ended 30 June**

The FFMA has no budgeted capital administered on behalf of the Australian Government.

**Table 3.2.11: Budgeted Schedule of Asset Movements - Administered
as at 30 June 2014**

The FFMA has no budgeted non-financial assets administered on behalf of the Australian Government.