

FUTURE FUND MANAGEMENT AGENCY

ENTITY RESOURCES AND PLANNED PERFORMANCE

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SECTION 1: ENTITY OVERVIEW AND RESOURCES	112
1.1 Strategic direction statement	112
1.2 Entity resource statement	113
1.3 Budget measures.....	114
SECTION 2: OUTCOMES AND PLANNED PERFORMANCE	115
2.1 Budgeted expenses and performance for Outcome 1	116
SECTION 3: BUDGETED FINANCIAL STATEMENTS.....	120
3.1 Budgeted financial statements.....	120
3.2 Budgeted financial statements tables	121

FUTURE FUND MANAGEMENT AGENCY

Section 1: Entity 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* and subsequently by the *DisabilityCare Australia Fund Act 2013* and the *Medical Research Future Fund Act 2015* 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), DisabilityCare Australia Fund (DCAF) and Medical Research Future Fund (MRFF).

The government has announced that it intends to close the BAF and EIF and also set up the Aboriginal and Torres Strait Islander Land and Sea Future Fund to be managed by the Board.

The FFMA focuses on supporting and advising the Board of Guardians in developing and implementing appropriate investment strategies for the funds. Investing in global markets is a highly specialised and competitive commercial activity. Accordingly the Board and FFMA intend to continue to develop and invest in the Agency's skills, capabilities, resources and systems in order to keep up with the fast-evolving industry and to maintain the Agency's competitiveness within that industry in terms of finding good investments.

The Future Fund's portfolio will continue to evolve as the Board manages the portfolio in line with its mandate and strategy. The government revised the Future Fund mandate return in May 2017 and announced its intention to delay the drawdowns from the Future Fund until at least 2027. The approach to managing the portfolio is detailed in the 2016-17 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.

The FFMA provides support and advice to the Board in relation to the BAF, EIF, DCAF and MRFF and is focused on developing and implementing investment strategies consistent with the legislation and mandates. The investment strategies and approach for the Nation-building Funds, the DisabilityCare Australia Fund and the Medical Research Future Fund are detailed in the 2016-17 Future Fund Annual Report.

Investment policies for all of the public asset funds for which the Board is responsible are available at www.futurefund.gov.au.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to FFMA for its operations and to deliver programs and services on behalf of the Government.

The table summarises how resources will be applied by outcome (government strategic policy objectives) and by administered (on behalf of the Government or the public) and departmental (for the FFMA's operations) classification.

For more detailed information on special accounts and special appropriations, please refer to *Budget Paper No. 4 - Agency Resourcing*.

Information in this table is presented on a resourcing (that is, appropriations/cash available) basis, whilst the 'Budgeted expenses by Outcome 1' table in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: Future Fund Management Agency resource statement — Budget estimates for 2018-19 as at Budget May 2018

	<i>2017-18 Estimated actual \$'000</i>	2018-19 Estimate \$'000
Departmental		
Special accounts		
Opening balance	-	-
Non-appropriation receipts	430,946	502,644
<i>Total special accounts</i>	430,946	502,644
Total departmental resourcing	430,946	502,644
Total resourcing for Future Fund Management Agency	430,946	502,644
	<i>2017-18</i>	<i>2018-19</i>
Average staffing level (number)	151	162

Prepared on a resourcing (i.e. appropriations available) basis.

Please note:

- All figures shown above are GST exclusive – these may not match figures in the cash flow statement.
- Future Fund does not receive any annual appropriations. Its outputs are funded as payments from the Future Fund Special Account.

1.3 BUDGET MEASURES

No budget measures have been announced since the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO) that impact FFMA.

Section 2: Outcomes and planned performance

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 entities achieve the intended results of their outcome statements. Entities 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. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements - included in Annual Reports - to provide an entity's complete performance story.

The most recent corporate plan for FFMA can be found at: <http://www.futurefund.gov.au/about-us/access-to-information/parliamentary-and-statutory-reporting>.

The most recent FFMA Annual Report can be found at: <http://www.futurefund.gov.au/about-us/annual-reports>.

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

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

Linked programs

Department of Finance
Programs <ul style="list-style-type: none">• Program 2.7 - Public Sector Superannuation
Contribution to Outcome 1 made by linked programs <p>The Future Fund Management Agency works with the Department of Finance to ensure that the management of the Australian Government Investment Funds is consistent with the relevant legislation and investment mandates.</p>

Budgeted expenses for Outcome 1

This table shows how much FFMA intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by Administered and Departmental funding sources.

Table 2.1.1: Budgeted expenses for Outcome 1

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
Outcome 1: Make provision for the Commonwealth's unfunded superannuation liabilities, payments for the creation and development of infrastructure and payments from the DisabilityCare Australia Fund and Medical Research Future Fund by managing the investment activities of the Future Fund, Nation-building Funds, DisabilityCare Australia Fund and Medical Research Future Fund, in line with the Government's investment mandates.					
Program 1.1: Management of the Investment of the Future Fund					
Departmental expenses					
Special accounts					
Future Fund Special Account	62,876	77,369	79,821	82,228	85,104
Departmental total	62,876	77,369	79,821	82,228	85,104
Total expenses for program 1.1	62,876	77,369	79,821	82,228	85,104
Program 1.2: Management of the Investment of the Australian Government Investment					
Departmental expenses					
Special accounts					
Future Fund Special Account	3,303	3,316	4,575	6,189	6,617
Departmental total	3,303	3,316	4,575	6,189	6,617
Total expenses for program 1.2	3,303	3,316	4,575	6,189	6,617
Outcome 1 Totals by appropriation type					
Departmental expenses					
Special accounts	66,179	80,685	84,396	88,417	91,721
Departmental total	66,179	80,685	84,396	88,417	91,721
Total expenses for Outcome 1	66,179	80,685	84,396	88,417	91,721
Average staffing level (number)					
	2017-18	2018-19			
	151	162			

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as government priorities change.

Table 2.1.3: Performance criteria for Outcome 1

Table 2.1.3 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2018-19 Budget measures have created new programs or materially changed existing programs.

<p>Outcome 1 – Make provision for the Commonwealth’s unfunded superannuation liabilities, payments for the creation and development of infrastructure and payments from the DisabilityCare Australia Fund and Medical Research Future Fund by managing the investment activities of the Future Fund, Nation-building Funds, DisabilityCare Australia Fund and Medical Research Future Fund, in line with the Government’s investment mandates.</p>		
<p>Program 1.1 – Management of the Investment of the Future Fund The FFMA supports the Board 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.</p>		
<p>Delivery</p>	<ul style="list-style-type: none"> • 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. 	
<p>Performance information: Program 1.1 – Management of the Investment of the Future Fund</p>		
<p>Year</p>	<p>Performance criteria</p>	<p>Targets</p>
<p>2017-18</p>	<p>Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate target return over the long term (interpreted as rolling 10 year periods) with acceptable but not excessive risk.</p>	<p>As at 31 March 2018 the actual return was 8.5% over the last 10 years against a target benchmark return of 6.7%.</p>
<p>2018-19</p>	<p>As per 2017-18</p>	<p>To achieve a return above the long-term target return with acceptable but not excessive risk.</p>
<p>2019-20 and beyond</p>	<p>As per 2017-18</p>	<p>As per 2018-19</p>
<p>Purposes</p>	<p>The Agency supports the Board in maximising the returns on funds for which the Board is responsible in line with the Investment Mandate Directions for each fund.</p>	

Table continues on next page.

Table 2.1.3: Performance criteria for Outcome 1 (continued)

Outcome 1 – Make provision for the Commonwealth’s unfunded superannuation liabilities, payments for the creation and development of infrastructure and payments from the DisabilityCare Australia Fund and Medical Research Future Fund by managing the investment activities of the Future Fund, Nation-building Funds, DisabilityCare Australia Fund and Medical Research Future Fund, in line with the Government’s investment mandates.		
Program 1.2 – Management of the Investment of the Australian Government Investment Funds The <i>Nation-building Funds Act 2008</i> established the Education Investment Fund and the Building Australia Fund on 1 January 2009. The <i>DisabilityCare Australia Fund Act 2013</i> established the DisabilityCare Australia Fund (DCAF) on 1 July 2014. The <i>Medical Research Future Fund Act 2015</i> established the Medical Research Future Fund (MRFF) on 27 August 2015. The role of the FFMA was extended to include supporting the Board in the investment of the assets of these funds.		
Delivery	<ul style="list-style-type: none"> • 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. 	
Performance information: Program 1.2 – Management of the Investment of the Australian Government Investment Funds		
Year	Performance criteria	Targets
2017-18	Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate target returns as follows: <ul style="list-style-type: none"> • for each of the Nation-building Funds and the DCAF 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; and 	As at 31 March 2018 actual returns: <ul style="list-style-type: none"> • Building Australia Fund 2.1%; • Education Investment Fund 2.0%; • DisabilityCare Australia Fund 2.0%; and • Target benchmark return 2.0%.
	For the MRFF the Reserve Bank of Australia Cash Rate target +1.5 to 2.0% per annum, net of investment fees, over a rolling 10 year term with acceptable but not excessive risk.	As at 31 March 2018 the actual return was 4.2% compared to the target return of 3.1% since 22 September 2015.
2018-19	As per 2017-18.	To achieve a return above the target return and with regard to the risk parameters of the mandate.
2019-20 and beyond	As per 2017-18.	As per 2018-19.
Purposes	The Agency supports the Board in maximising the returns on funds for which the Board is responsible in line with the Investment Mandate Directions for each fund.	

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of FFMA finances for the 2018-19 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

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

3.1.2 Explanatory notes and analysis of budgeted financial statements

Departmental expenditure will increase over the 2018-19 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 Investment Funds.

Administered expenditure will increase over the 2018-19 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. BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forw ard estimate \$'000	2020-21 Forw ard estimate \$'000	2021-22 Forw ard estimate \$'000
EXPENSES					
Employee benefits	43,138	48,413	49,794	52,216	54,826
Suppliers	20,288	27,447	30,719	32,157	32,683
Depreciation and amortisation	2,898	4,970	4,028	4,189	4,357
Total expenses	66,324	80,830	84,541	88,562	91,866
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Other	66,179	80,685	84,396	88,417	91,721
Total own-source revenue	66,179	80,685	84,396	88,417	91,721
Gains					
Other	145	145	145	145	145
Total gains	145	145	145	145	145
Total own-source income	66,324	80,830	84,541	88,562	91,866
Net (cost of)/contribution by services	-	-	-	-	-
Surplus/(deficit) attributable to the Australian Government	-	-	-	-	-
Total comprehensive income/(loss) attributable to the Australian Government	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	670	670	670	670	670
Trade and other receivables	18,431	23,820	26,347	29,849	33,466
Total financial assets	19,101	24,490	27,017	30,519	34,136
Non-financial assets					
Property, plant and equipment	4,262	3,837	3,294	2,782	2,305
Intangibles	5,513	4,079	3,503	2,968	2,481
Total non-financial assets	9,775	7,916	6,797	5,750	4,786
Total assets	28,876	32,406	33,814	36,269	38,922
LIABILITIES					
Payables					
Suppliers	2,589	2,758	2,926	3,095	3,264
Other payables	18,315	19,714	18,895	19,019	19,232
Total payables	20,904	22,472	21,821	22,114	22,496
Provisions					
Employee provisions	7,972	9,934	11,993	14,155	16,426
Total provisions	7,972	9,934	11,993	14,155	16,426
Total liabilities	28,876	32,406	33,814	36,269	38,922
Net assets	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2018-19)

The FFMA does not have any changes in equity.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Other	67,431	75,296	81,869	84,915	88,104
Total cash received	67,431	75,296	81,869	84,915	88,104
Cash used					
Employees	42,960	44,765	48,267	49,643	52,055
Suppliers	19,649	27,420	30,693	32,130	32,656
Total cash used	62,609	72,185	78,960	81,773	84,711
Net cash from/(used by) operating activities	4,822	3,111	2,909	3,142	3,393
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	4,822	3,111	2,909	3,142	3,393
Total cash used	4,822	3,111	2,909	3,142	3,393
Net cash from/(used by) investing activities	(4,822)	(3,111)	(2,909)	(3,142)	(3,393)
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	670	670	670	670	670
Cash and cash equivalents at the end of the reporting period	670	670	670	670	670

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement (for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources	4,822	3,111	2,909	3,142	3,393
TOTAL	4,822	3,111	2,909	3,142	3,393
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	4,822	3,111	2,909	3,142	3,393
Total cash used to acquire assets	4,822	3,111	2,909	3,142	3,393

Prepared on Australian Accounting Standards basis.

Table 3.6: Statement of departmental asset movements (Budget year 2018-19)

	Other property, plant and equipment \$'000	Computer software and intangibles \$'000	Total \$'000
As at 1 July 2018			
Gross book value	10,381	11,231	21,612
Accumulated depreciation/ amortisation and impairment	(6,119)	(5,718)	(11,837)
Opening net book balance	4,262	5,513	9,775
Capital asset additions			
Estimated expenditure on new or replacement assets			
By purchase - other	1,405	1,706	3,111
Total additions	1,405	1,706	3,111
Other movements			
Depreciation/amortisation expense	(1,830)	(3,140)	(4,970)
Total other movements	(1,830)	(3,140)	(4,970)
As at 30 June 2019			
Gross book value	11,786	12,937	24,723
Accumulated depreciation/ amortisation and impairment	(7,949)	(8,858)	(16,807)
Closing net book balance	3,837	4,079	7,916

Prepared on Australian Accounting Standards basis.

Table 3.7: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
EXPENSES					
Employee benefits	847	872	898	925	953
Suppliers	457,061	524,577	538,022	568,387	603,419
Total expenses administered on behalf of Government	457,908	525,449	538,920	569,312	604,372
LESS:					
OWN-SOURCE INCOME					
Non-taxation revenue					
Interest	1,007,582	1,075,669	1,425,495	1,521,003	1,624,431
Dividends	3,336,340	3,226,627	3,255,459	3,473,575	3,709,778
Total non-taxation revenue	4,343,922	4,302,296	4,680,954	4,994,578	5,334,209
Total own-source revenue administered on behalf of Government	4,343,922	4,302,296	4,680,954	4,994,578	5,334,209
Gains					
Other gains	5,524,931	5,352,549	5,712,600	6,396,645	6,991,507
Total gains administered on behalf of Government	5,524,931	5,352,549	5,712,600	6,396,645	6,991,507
Total own-sourced income administered on behalf of Government	9,868,853	9,654,845	10,393,554	11,391,223	12,325,716
Net (cost of)/contribution by services	9,410,945	9,129,396	9,854,634	10,821,911	11,721,344
Total comprehensive income/(loss)	9,410,945	9,129,396	9,854,634	10,821,911	11,721,344

Prepared on Australian Accounting Standards basis.

Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	4,539	4,675	4,815	4,959	5,108
Trade and other receivables	2,405,217	2,319,595	2,349,462	2,381,403	2,415,561
Other investments	142,536,271	151,677,986	161,536,507	172,358,471	184,077,767
Total financial assets	144,946,027	154,002,256	163,890,784	174,744,833	186,498,436
Total assets administered on behalf of Government	144,946,027	154,002,256	163,890,784	174,744,833	186,498,436
LIABILITIES					
Payables					
Suppliers	17,332	22,510	24,722	27,821	31,331
Other payables	2,105,539	2,027,199	2,058,886	2,087,930	2,116,684
Total payables	2,122,871	2,049,709	2,083,608	2,115,751	2,148,015
Total liabilities administered on behalf of Government	2,122,871	2,049,709	2,083,608	2,115,751	2,148,015
Net assets/(liabilities)	142,823,156	151,952,547	161,807,176	172,629,082	184,350,421

Prepared on Australian Accounting Standards basis

Table 3.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000	2021-22 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	985,516	1,075,669	1,425,495	1,521,003	1,624,431
Dividends	3,239,167	3,309,636	3,225,665	3,441,712	3,675,703
Net GST received	228	983	1,051	1,124	1,202
Total cash received	4,224,911	4,386,288	4,652,211	4,963,839	5,301,336
Cash used					
Suppliers	429,433	501,044	503,344	535,413	570,265
Net GST paid	681	729	780	834	891
Employees	832	871	897	924	952
Total cash used	430,946	502,644	505,021	537,171	572,108
Net cash from/(used by) operating activities	3,793,965	3,883,644	4,147,190	4,426,668	4,729,228
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of investments	131,206,853	135,143,058	139,197,350	143,373,271	147,674,469
Total cash received	131,206,853	135,143,058	139,197,350	143,373,271	147,674,469
Cash used					
Investments	135,001,654	139,026,566	143,344,400	147,799,795	152,403,548
Total cash used	135,001,654	139,026,566	143,344,400	147,799,795	152,403,548
Net cash from/(used by) investing activities	(3,794,801)	(3,883,508)	(4,147,050)	(4,426,524)	(4,729,079)
Net increase/(decrease) in cash held	(836)	136	140	144	149
Cash and cash equivalents at beginning of reporting period	5,375	4,539	4,675	4,815	4,959
Cash and cash equivalents at end of reporting period	4,539	4,675	4,815	4,959	5,108

Prepared on Australian Accounting Standards basis.

Table 3.10: Administered capital budget statement (for the period ended 30 June)

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

Table 3.11: Statement of administered asset movements (Budget year 2018-19)

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

