

Future Fund Management Agency

Entity Resources and Planned Performance

FUTURE FUND MANAGEMENT AGENCY

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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 *National Disability Insurance Scheme Act 2013* 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), Health and Hospitals Fund (HHF) and DisabilityCare Australia Fund (DCAF).

Subject to the passage of legislation, the scope of the Board and FFMA is to be broadened by the establishment of two new Australian Government Investment Funds; the Asset Recycling Fund (ARF); and the Medical Research Future Fund (MRFF). The three Nation-building Funds will be abolished through a repeal of the *Nation-building Funds Act 2008*.

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

The Future Fund's portfolio has now been significantly invested and 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 2013-14 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, HHF and DCAF 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 are detailed in the 2013-14 Future Fund Annual Report.

1.2 ENTITY 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 Resource Statement — Budget Estimates for 2015-16 as at Budget May 2015

	Actual available appropriation	Estimate of prior year amounts available in	Proposed at Budget	Total estimate
	2014-15 \$'000	2015-16 \$'000	2015-16 \$'000	2015-16 \$'000
Special accounts				
Opening balance	-	-	-	-
Non-appropriation receipts to special accounts	705,042	-	666,450	666,450
Total special accounts	705,042	-	666,450	666,450
Total net resourcing for FFMA	705,042	-	666,450	666,450

Reader note: All figures are 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

No budget measures have been announced since the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO) that impact FFMA.

All budget measures have been previously reported in a portfolio statement.

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 programmes are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programmes, 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, payments for the creation and development of infrastructure, and payments from the DisabilityCare Australia Fund by managing the investment activities of the Future Fund, Nation-building Funds and DisabilityCare Australia Fund, 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 Board 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 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 2013-14 Future Fund Annual Report.

Outcome Expense Statement

Table 2.1 provides an overview of the total expenses for Outcome 1, by programme.

Table 2.1: Budgeted Expenses for Outcome 1

	2014-15 Estimated actual expenses \$'000	2015-16 Estimated expenses \$'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 by managing the investment activities of the Future Fund, Nation-building Funds and DisabilityCare Australia Fund, in line with the Government's investment mandates.		
Programme 1.1: Management of the investment of the Future Fund		
Special accounts	44,363	47,326
Total for Programme 1.1	44,363	47,326
Programme 1.2: Management of the Investment of the Building Australia Fund, Education Investment Fund, Health and Hospitals Fund and DisabilityCare Australia Fund		
Special accounts	759	63
Total for Programme 1.2	759	63
Outcome 1 Totals by appropriation type		
Special accounts	45,122	47,389
Total expenses for Outcome 1	45,122	47,389
	2014-15	2015-16
Average Staffing Level (number)	104	122

Note: Programme splits and totals are indicative estimates and may change in the course of the Budget year as government priorities change.

CONTRIBUTIONS TO OUTCOME 1

Programme 1.1: Management of the Investment of the Future Fund

Programme 1.1 Objective

- 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.

Programme 1.1 Expenses

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Special account expenses:					
Future Fund Special Account	44,363	47,326	47,564	48,244	49,309
Total Programme expenses	44,363	47,326	47,564	48,244	49,309

Programme 1.1 Deliverables

- Ensure all decisions of the Board 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; and
- Make resources and facilities available to the Board.

Programme 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.

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

Programme 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 in the investment of the assets of these funds.
- The *National Disability Insurance Scheme Act 2013* established the DisabilityCare Australia Fund (DCAF) on 1 July 2014. The role of the FFMA was extended to include supporting the Board in the investment of the assets of this fund.

Programme 1.2 Expenses

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Special account expenses:					
Future Fund Special Account	759	63	-	-	-
Total Programme expenses	759	63	-	-	-

Programme 1.2 Deliverables

- Ensure all decisions of the Board 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.

Programme 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 and the DisabilityCare Australia Fund 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 entity finances for the 2015-16 Budget Year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme 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 fund 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 section 78 of the PGPA Act or under separate enabling legislation (section 80 of the PGPA Act refers). 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 2015-16 <i>2014-15</i>	Receipts 2015-16 <i>2014-15</i>	Payments 2015-16 <i>2014-15</i>	Adjustments 2015-16 <i>2014-15</i>	Closing balance 2015-16 <i>2014-15</i>
	Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Future Fund Special Account (A)(D)	1	-	666,450 <i>705,042</i>	(666,450) <i>(705,042)</i>	-	-
Total special accounts 2015-16 Budget estimate		-	666,450	(666,450)	-	-
<i>Total special accounts 2014-15 estimated actual</i>		-	<i>705,042</i>	<i>(705,042)</i>	-	-

(A) = Administered
(D) = Departmental

3.1.3 AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

The 2014-15 Australian Government Indigenous Statement is not applicable because FFMA has no indigenous-specific expenses.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 DIFFERENCES IN ENTITY RESOURCING AND FINANCIAL STATEMENTS

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

3.2.2 ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental expenditure will increase over the 2015-16 estimate year in line with maintaining and developing FFMA's ability to support the Board in managing the Future Fund and other Australian Government Asset Funds.

Administered expenditure will increase over the 2015-16 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 TABLES

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

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
EXPENSES					
Employee benefits	31,492	31,170	31,684	32,354	33,004
Suppliers	12,195	14,526	13,726	13,937	14,302
Depreciation and amortisation	1,435	1,693	2,154	1,953	2,003
Total expenses	45,122	47,389	47,564	48,244	49,309
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Other revenue	44,972	47,239	47,414	48,094	49,159
Total own-source revenue	44,972	47,239	47,414	48,094	49,159
Gains					
Other gains	150	150	150	150	150
Total gains	150	150	150	150	150
Total own-source income	45,122	47,389	47,564	48,244	49,309
Net cost of (contribution by) services	-	-	-	-	-
Revenue from government	-	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	-	-	-	-	-
Total comprehensive income (loss) attributable to the Australian Government	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.2.2: Budgeted Balance Sheet – Departmental as at 30 June

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	180	180	180	180	180
Trade and other receivables	19,839	15,881	20,872	22,461	24,158
Total financial assets	20,019	16,061	21,052	22,641	24,338
Non-financial assets					
Property, plant and equipment	854	3,655	2,844	2,134	1,475
Intangibles	1,663	2,892	2,299	1,806	1,212
Other non-financial assets	206	206	206	206	206
Total non-financial assets	2,723	6,753	5,349	4,146	2,893
Total assets	22,742	22,814	26,401	26,787	27,231
LIABILITIES					
Payables					
Other payables	6,367	5,813	8,626	8,161	7,735
Total payables	6,367	5,813	8,626	8,161	7,735
Provisions					
Employee provisions	16,375	17,001	17,775	18,626	19,496
Total provisions	16,375	17,001	17,775	18,626	19,496
Total liabilities	22,742	22,814	26,401	26,787	27,231
Net assets	-	-	-	-	-

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted Statement of Changes in Equity – Summary of Movement
– Departmental
for the period ended 30 June 2016**

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 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
OPERATING ACTIVITIES					
Cash received					
Other	46,314	55,140	50,358	51,315	52,379
Total cash received	46,314	55,140	50,358	51,315	52,379
Cash used					
Employees	29,073	30,508	30,876	31,468	32,097
Suppliers	12,073	14,412	14,008	14,356	14,723
Net GST paid	4,051	4,497	4,724	4,741	4,809
Total cash used	45,197	49,417	49,608	50,565	51,629
Net cash from (used by) operating activities	1,117	5,723	750	750	750
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	1,117	5,723	750	750	750
Total cash used	1,117	5,723	750	750	750
Net cash from (used by) investing activities	(1,117)	(5,723)	(750)	(750)	(750)
Net increase (decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	180	180	180	180	180
Cash and cash equivalents at the end of the reporting period	180	180	180	180	180

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources	1,117	5,723	750	750	750
TOTAL	1,117	5,723	750	750	750

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Budgeted Statement of Asset Movements – Departmental for the period ended 30 June 2016

	Asset Category		Total
	Other property, plant and equipment	Computer software and intangibles	
	\$'000	\$'000	\$'000
As at 1 July 2015			
Gross book value	7,019	3,912	10,931
Accumulated depreciation / amortisation and impairment	(6,165)	(2,249)	(8,414)
Opening net book balance	854	1,663	2,517
CAPITAL ASSET ADDITIONS			
Estimated expenditure on new or replacement assets			
By purchase - other	3,728	1,995	5,723
Total additions	3,728	1,995	5,723
Other movements			
Depreciation / amortisation expense	(927)	(766)	(1,693)
Total other movements	(927)	(766)	(1,693)
As at 30 June 2016			
Gross book value	10,747	5,907	16,654
Accumulated depreciation / amortisation and impairment	(7,092)	(3,015)	(10,107)
Closing net book balance	3,655	2,892	6,547

Prepared on Australian Accounting Standards basis.

Table 3.2.7: Budgeted Schedule of Income and Expenses Administered on Behalf of the Government for the period ended 30 June

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
EXPENSES					
Employee benefits	931	966	1,005	1,046	1,087
Suppliers	667,102	737,455	787,422	841,150	899,107
Total expenses	668,033	738,421	788,427	842,196	900,194
LESS:					
OWN-SOURCE INCOME					
Non-taxation revenue					
Interest	256,991	1,291,215	1,434,625	1,624,590	1,813,669
Dividends	3,195,484	2,519,470	2,682,645	2,866,839	3,073,492
Total non-taxation revenue	3,452,475	3,810,685	4,117,270	4,491,429	4,887,161
Gains					
Other gains	12,741,983	5,311,991	5,664,112	5,989,784	6,357,075
Total gains	12,741,983	5,311,991	5,664,112	5,989,784	6,357,075
Total own-sourced income administered on behalf of government	16,194,458	9,122,676	9,781,382	10,481,213	11,244,236
Net cost of / (contribution by) services	(15,526,425)	(8,384,255)	(8,992,955)	(9,639,017)	(10,344,042)
Total comprehensive income (loss)	15,526,425	8,384,255	8,992,955	9,639,017	10,344,042

Prepared on Australian Accounting Standards basis.

Table 3.2.8: Budgeted Schedule of Assets and Liabilities Administered on Behalf of Government as at 30 June

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	1,192	1,192	1,192	1,192	1,192
Trade and other receivables	1,423,083	1,315,009	1,340,850	1,370,145	1,403,040
Other investments	116,338,226	124,907,236	133,953,072	143,643,141	154,040,194
Total financial assets	117,762,501	126,223,437	135,295,114	145,014,478	155,444,426
Total assets administered on behalf of government	117,762,501	126,223,437	135,295,114	145,014,478	155,444,426
LIABILITIES					
Payables					
Suppliers	310,045	386,740	465,462	545,809	631,715
Other payables	385,803	385,803	385,803	385,803	385,803
Total payables	695,848	772,543	851,265	931,612	1,017,518
Provisions					
Employee provisions	36	22	22	22	22
Total provisions	36	22	22	22	22
Total liabilities administered on behalf of government	695,884	772,565	851,287	931,634	1,017,540
Net assets/(liabilities)	117,066,617	125,450,872	134,443,827	144,082,844	154,426,886

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	274,499	1,291,215	1,434,625	1,624,590	1,813,669
Dividends	2,723,247	2,627,841	2,656,827	2,837,612	3,039,133
Net GST received	5,409	4,421	4,718	4,741	4,809
Total cash received	3,003,155	3,923,477	4,096,170	4,466,943	4,857,611
Cash used					
Suppliers	659,302	609,816	666,277	714,299	765,740
Employees	931	966	1,005	1,046	1,087
Other	44,809	55,668	47,164	51,314	52,378
Total cash used	705,042	666,450	714,446	766,659	819,205
Net cash from (used by) operating activities	2,298,113	3,257,027	3,381,724	3,700,284	4,038,406
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of investments	7,297,118	3,705,268	4,112,818	2,588,570	2,707,710
Total cash received	7,297,118	3,705,268	4,112,818	2,588,570	2,707,710
Cash used					
Investments	9,595,231	6,962,295	7,494,542	6,288,854	6,746,116
Total cash used	9,595,231	6,962,295	7,494,542	6,288,854	6,746,116
Net cash from (used by) investing activities	(2,298,113)	(3,257,027)	(3,381,724)	(3,700,284)	(4,038,406)
Net increase (decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at beginning of reporting period	1,192	1,192	1,192	1,192	1,192
Cash and cash equivalents at end of reporting period	1,192	1,192	1,192	1,192	1,192

Prepared on Australian Accounting Standards basis.

Table 3.2.10: Schedule of Administered Capital Budget 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 for the period ended 30 June 2016

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