Future Fund Management Agency

Entity resources and planned performance

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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 DisabilityCare Australia Fund Act 2013, the Medical Research Future Fund Act 2015, the Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018, the Future Drought Fund Act 2019 and the Emergency Response Fund Act 2019 to include the management of investments to grow other Australian Government Investment 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, DisabilityCare Australia Fund (DCAF), Medical Research Future Fund (MRFF), Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF), Future Drought Fund (FDF) and the Emergency Response Fund (ERF).

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 2020‑21 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 DCAF, MRFF, ATSILSFF, FDF and ERF and is focused on developing and implementing investment strategies consistent with the legislation and mandates. The investment strategies and approach for the DisabilityCare Australia Fund, the Medical Research Future Fund, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, the Future Drought Fund and the Emergency Response Fund are detailed in the 2020-21 Future Fund Annual Report.

Investment policies for the funds managed by the Board are available at www.futurefund.gov.au/investment/how-we-invest/investment-policies.

### 1.2 Entity resource statement

Table 1.1 shows the total funding from all sources available to the entity 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 entity’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’ tables 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 2022-23 as at Budget March 2022

|  |  |  |
| --- | --- | --- |
|  | *2021-22 Estimated actual $'000* | 2022-23 Estimate  $'000 |
| **Administered** |  |  |
| Special accounts |  |  |
| Opening balance | *-* | - |
| Non-appropriation receipts | *497,509* | 626,347 |
| Total special account receipts | *497,509* | 626,347 |
| **Total administered resourcing** | ***497,509*** | **626,347** |
| **Total resourcing for entity Future Fund Management Agency** | ***497,509*** | **626,347** |
|  | *2021-22* | 2022-23 |
| **Average staffing level (number)** | *214* | 285 |

All figures shown above are GST exclusive - these may not match figures in the cash flow statement.

Future Fund Management Agency 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 2021-22 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 Commonwealth performance framework established by the PGPA Act*.* It is anticipated that the performance measure 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 a complete picture of an entity’s planned and actual performance.  The most recent corporate plan for FFMA can be found at: <https://www.futurefund.gov.au/about-us/access-to-information/parliamentary-and-statutory-reporting>.  The most recent annual performance statement can be found at: <https://www.futurefund.gov.au/about-us/publications>. |

### 2.1 Budgeted expenses and performance for Outcome 1

|  |
| --- |
| Outcome 1: Strengthen the Commonwealth’s financial position for the benefit of the Australian people, by managing the investment activities of the Future Fund and certain other Australian Government investment funds in line with their Investment Mandates. |

#### Linked programs

| **Department of Finance** |
| --- |
| **Programs**   * Program 2.7 – Public Sector Superannuation Program |
| **Contribution to Outcome 1 made by linked programs**  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. |

##### 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



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 measure for Outcome 1

Table 2.1.3 details the performance measures for each program associated with Outcome 1. It also provides the related key activities as expressed in the current corporate plan where further detail is provided about the delivery of the activities related to the program, the context in which these activities are delivered and how the performance of these activities will be measured. Where relevant, details of 2022-23 Budget measures that have created new programs or materially changed existing programs are provided.

| Outcome 1 – Strengthen the Commonwealth’s financial position for the benefit of the Australian people, by managing the investment activities of the Future Fund and certain other Australian Government investment funds in line with their Investment Mandates. | | |
| --- | --- | --- |
| **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. | | |
| **Key Activities** | * 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. | |
| **Year** | **Performance measures** | **Expected Performance Results** |
| Current year  2021-22 | 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. | As at 31 December 2021 the actual return was 10.8% pa over the last 10 years against a target benchmark return of 6.2% pa, delivered within the mandate’s risk parameters. |
| **Year** | **Performance measures** | **Planned Performance Results** |
| Budget Year 2022-23 | 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. | To achieve a return in line with the long-term target return with acceptable but not excessive risk. |
| Forward Estimates  2023-26 | As per 2022-23. | As per 2022-23. |
| Material changes to Program 1.1 resulting from 2022-23 Budget Measures: Nil | | |

Table 2.1.3: Performance measure for Outcome 1 (continued)

|  |  |  |
| --- | --- | --- |
| **Outcome 1 –** Strengthen the Commonwealth’s financial position for the benefit of the Australian people, by managing the investment activities of the Future Fund and certain other Australian Government investment funds in line with their Investment Mandates. | | |
| Program 1.2 – Management of the Investment of the Australian Government Investment Funds  The DisabilityCare Australia Fund Act 2013 established the DisabilityCare Australia Fund (DCAF) on 1 July 2014. The Medical Research Future Fund Act 2015 established the Medical Research Future Fund (MRFF) on 27 August 2015. The Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018 established the Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF) on 1 February 2019. The Future Drought Fund Act 2019 established the Future Drought Fund on 1 September 2019. The Emergency Response Fund Act 2019 established the Emergency Response Fund on 12 December 2019. The role of the FFMA was extended to include supporting the Board in the investment of the assets of these funds. | | |
| **Key Activities** | * 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. | |
| **Year** | **Performance measures** | **Expected Performance Results** |
| Current year  2021-22 | Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate target returns as follows:   * For the DCAF 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 * 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; and | As at 31 December 2021 the actual return was 0.1% compared to the target benchmark return of 0.3%, delivered within the mandate’s risk parameters.  As at 31 December 2021 the actual return was 4.7% pa compared to the target return of 2.5% pa since 22 September 2015, delivered within the mandate’s risk parameters. |

Table 2.1.3: Performance measure for Outcome 1 (continued)

|  |  |  |
| --- | --- | --- |
| **Program 1.2 – Management of the Investment of the Australian Government Investment Funds** | | |
| **Year** | **Performance measures** | **Expected Performance Results** |
| Current year  2021-22 (continued) | * For the ATSILSFF an average return over the long term of at least the consumer price index +2.0% to 3.0% per annum, net of costs with an acceptable but not excessive level of risk including having regard to the plausible capital loss from investment returns over a three-year period * For the FDF and ERF an average return over the long term of at least the consumer price index +2.0% to 3.0% per annum, net of costs with an acceptable but not excessive level of risk including having regard to the plausible capital loss from investment returns over a three-year period. | As at 31 December 2021 the actual return was 6.4% pa compared to the target return of 4.2% pa since 1 October 2019, delivered within the mandate’s risk parameters.  As at 31 December 2021 the actual return for FDF was 11.3% pa compared to the target return of 4.3% pa since 1 April 2020, delivered within the mandate’s risk parameters.  As at 31 December 2021 the actual return for ERF was 11.3% pa compared to the target return of 4.3% pa since 1 April 2020, delivered within the mandate’s risk parameters. |

Table 2.1.3: Performance measure for Outcome 1 (continued)

|  |  |  |
| --- | --- | --- |
| **Program 1.2 – Management of the Investment of the Australian Government Investment Funds** | | |
| **Year** | **Performance measures** | **Planned Performance Results** |
| Budget Year 2022-23 | *As per 2021-22* Provide assistance and advice to the Board in pursuit of achieving the Investment Mandate target returns as follows:   * For the DCAF 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 * 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; and * For the ATSILSFF an average return over the long term of at least the consumer price index +2.0% to 3.0% per annum, net of costs with an acceptable but not excessive level of risk including having regard to the plausible capital loss from investment returns over a three-year period * For the FDF and ERF an average return over the long term of at least the consumer price index +2.0% to 3.0% per annum, net of costs with an acceptable but not excessive level of risk including having regard to the plausible capital loss from investment returns over a three-year period. | To achieve a return in line with the target return and with regard to the risk parameters of the mandate for the DCAF, MRFF, ATSILSFF, FDF & ERF. |
| Forward Estimates  2023-26 | As per 2022-23. | As per 2022-23. |
| Material changes to Program 1.2 resulting from 2022-23 Budget Measures: Nil | | |

## Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2022-23 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 2022-23 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 2022-23 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



Prepared on Australian Accounting Standards basis.

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



Prepared on Australian Accounting Standards basis.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2022-23)

The FFMA does not have any changes in equity.

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



Prepared on Australian Accounting Standards basis.

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



Prepared on Australian Accounting Standards basis.

Table 3.6: Statement of departmental asset movements (Budget year 2022-23)



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)



Prepared on Australian Accounting Standards basis.

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



Prepared on Australian Accounting Standards basis.

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



Prepared on Australian Accounting Standards basis.

Table 3.10: Schedule of 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 2022-23)

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