



Australian Government

Department of Finance

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT No.490

Alternative Financing Mechanisms

General comments

On 31 March 2022 the Joint Committee of Public Accounts and Audit (the Committee) tabled Report 490 on their Inquiry into Alternative Financing Mechanisms. The Committee's inquiry was based on the Parliamentary Budget Office (PBO) Report No. 01/2020: *Alternative Financing of Government Policies — Understanding the Fiscal Costs and Risks of Loans, Equity Injections and Guarantees* (PBO Report 1/2020).

Report 490 made two recommendations to the Minister for Finance. The Department of Finance is responding to these recommendations on behalf of the Minister for Finance as detailed in this minute.

Recommendation One:

The Committee recommends that the Minister for Finance:

Consider changes to improve transparency for equity investments, consistent with the proposed improvements to budget reporting as summarised in Table 4 of Parliamentary Budget Office, Report 1/2020, *Alternative Financing of Government Policies: Understanding the Fiscal Costs and Risks of Loans, Equity Injections and Guarantees*, and the ‘Additional proposed improvements’ to reporting set out in paragraph 2.20 of the Committee’s report.

Report back on:

- each of these proposed changes, including how transparency could be improved in relation to equity investments subject to differing valuation methods (i.e. those in an establishment phase and those that have emerging cash flows)
- how the additional information provided would meet the principles of accessibility, availability in the one document and publication on an ongoing, consistent basis, as programs and projects evolve (on an annual basis and not only at the time of initial consideration)
- any impediments to implementation, and how any new reporting arrangements could be matured over time.

Response:

Noted. The content of Budget papers is a matter for Government. Options for enhancing the transparency of equity investments will be considered by the Government ahead of the 2023-24 Budget.

Recommendation Two:

The Committee recommends that the Minister for Finance report back on the Finance Portfolio Budget Statement (PBS) reporting of funds managed by the Future Fund.

This should include:

- Finance PBS reporting on the Disability Care Australia Fund
- how a similar series of tables could be implemented for the Parliamentary Budget Office proposals in Report 1/2020 and the ‘Additional proposed improvements’ to reporting set out in the relevant section of the Committee’s report, including disaggregation from major projects, loans or equity investments
- how these tables would provide a detailed reconciliation of planned and/or forecast financial stocks and flows for other projects and programs, such as the equity and loan funding for the NBN and the financial flows related to HELP loans.

The Committee requests that the proposed changes and advice be provided to the JCPAA to facilitate consultation with the PBO, the ANAO and other relevant stakeholders.

Response:

Noted. The content of Budget papers, including Portfolio Budget Statements, is a matter for Government. Options for additional transparency around investment funds, major projects and programs, loans and equity investments will be considered by the Government ahead of the 2023-24 Budget.

Signed by

Jenny Wilkinson
Secretary