

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

17 October – 18 October 2012

Question: SBT 136-141

Topic: Final Budget Outcome – Future Fund Earnings

Written: Received from Committee – 26 October 2012

Senator JOYCE asked:

Regarding the reporting of Future Fund earnings in FBOs:

136. Referring to footnote (b) of Tables 3 or 4 of the 2011-12 FBO (pages 5 or 8), under which category (or categories) of “Non-tax receipts” and “Non-tax revenue” does “Future Fund earnings” (an amount in the order of \$3 billion) get included?

Accounting Note 5 on page 36 may provide assistance here.

137. What has been the breakdown in Future Fund earnings across these categories for the 2011-12 and all previous years (ie back to 2005-06 inclusive)?
138. What have been the operating costs in relation to the Future Fund since its inception year through to, and including, the 2011-12 FBO?
139. What was the variation from the last budget and what were its main drivers/causes?
140. What were the 2012-13 Budget estimates for the Future Fund’s operating costs for the 2012-13 and forward years?
141. What are the key drivers of this operating cost profile expected over the forward estimates?

Answers:

The Department of Finance and Deregulation has portfolio responsibility for the Future Fund Management Agency and the following information has been provided by the Department of Finance and Deregulation.

136. Future Fund earnings are primarily reported in ‘Interest’ and Dividends’ categories of Non-taxation revenue and Non-taxation receipts.
137. Summary of cash flows as reported in the Future Budget Outcome

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Interest	51	1,837	2,337	2,200	1,107	1,814	1,174
Dividends	0	298	1,033	1,433	1,405	1,855	1,409
Total	51	2,135	3,370	3,633	2,512	3,668	2,583

Note - This classification of cash flows included in the Australian Government general government cash flow statement differ from those reported in Future Fund annual reports due to differences in the treatment of some items under Australian Accounting Standards (AAS) and the Government Finance Statistics (GFS) framework. For example, net cash flows from foreign exchange gains/losses are treated as operating cash flows under AAS but as cash flows from investments in financial assets under GFS.

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138. Future Fund Payments – 2005-06 to 2011-12

Payments	(\$m)
2005-06	0.4
2006-07	8.0
2007-08	50.5
2008-09	66.7
2009-10	256.3
2010-11	282.4
2011-12	377.7

139. Future Fund cash payments increased by \$0.254 million from what was estimated at Budget. The main drivers for the change in Future Fund payments relate to management fees paid to external investment managers and employee expenses.

140. Future Fund Payment Estimates

Payments	(\$m)
2012-13	417.9
2013-14	472.6
2014-15	531.2
2015-16	567.9

141. The key drivers of Future Fund operating costs are agency and supplier costs which are driven by estimated staffing levels, management fees, performance fees and other transaction costs as well as net asset levels and asset allocations.