

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 60

Topic: Non-Equity Investments

Hansard Page: E70 - 71 (02/06/2010)

Senators BUSHBY & JOYCE asked:

Senator BUSHBY—On the assets side of the general government balance sheet, how much constitutes cash or the non-equity investments of the Future Fund, the Building Australia Fund, the Education Investment Fund or the Health Investment Fund?

Mr Ray—So the cash holdings of all those funds?

Senator BUSHBY—How much constitutes cash or the non-equity investments of any of those funds?

Mr Ray—I think it is best if we take that question on notice because the answer is quite detailed.

Senator Sherry—I think those details were provided at finance.

Senator BUSHBY—Okay, then it would probably be very easy for you to hunt them out and provide them to me. What is the justification for using these cash holdings of the Future Fund and other funds to offset gross debt?

Mr Ray—It is the accounting standard. I will go back a question. I can tell you the Future Fund's cash holdings at 31 March were \$10.5 billion. Its debt securities were \$14 billion.

Senator JOYCE—So how much is in other than that? How much of the \$62,925 million, or \$62 billion, is from the Future Fund?

Mr Ray—I think it is best if I take that question on notice, to make sure that we—

Senator JOYCE—It is definitely at 10.5 but there is also the other amount as well.

Mr Ray—Yes. Senator Bushby asked me what is the justification. It is consistent with the accounting standard.

Senator BUSHBY—I understand that the Building Australia Fund, for example, holds considerable cash due to imminent draw-downs for the government. But since these current liabilities are not recognised on the balance sheet why do we use them to offset our gross debt?

Mr Ray—Again, as I said, it is consistent with the accounting standard.

Senator JOYCE—Which accounting standard?

Mr Ray—I suspect it is ABS GFS.

Senator BUSHBY—And that treatment under than standard has been consistent for a number of years as to how you would show those relevant entries? Has anything changed in the last two or three years?

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Mr Ray—It is safest if I take that question on notice.

Senator JOYCE—Can you just tell me though which accounting standard?

Senator BUSHBY—You have got the accountant very excited by mentioning accounting standards!

Mr Ray—Generally speaking, the budget is prepared using two accounting standards, AAS and ABS GFS, and there is a technical note towards the end of statement 9.

Answer:

The Department of Finance and Deregulation has advised that:

In the 2010-11 Budget, \$64.4 billion of the government's assets were cash or non-equity investments of the Future Fund, the Building Australia Fund, the Education Investment Fund and the Health Investment Fund in 2010-11.

In addition, the Government is required under the *Charter of Budget Honesty Act 1998* to prepare the Budget papers in accordance with external reporting standards, which, as defined in the Act and also outlined in the budget papers, are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods*, (cat no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Net debt is calculated in accordance with these standards. Net debt is defined in the GFS as equalling deposits held plus proceeds from advances plus borrowing, minus cash deposits plus investments plus advances outstanding. The classification of the assets of the Nation-building Funds and the Future Fund are presented in accordance with these external standards.

The Government's medium term fiscal strategy is to improve net financial worth. Net financial worth is defined by the GFS as equal to financial assets minus liabilities. It is a broader measure than net debt in that it incorporates all classes of financial assets and liabilities, only some of which are included in net debt.

(These answers replicate those provided to part of BET 351).