



Future Generations Fund and Regional Australia Future Fund	
Party:	The Coalition
<p>Summary of proposal:</p> <p>The proposal would create two funds financed by revenue windfalls: the Future Generations Fund (FGF) and the Regional Australia Future Fund (RAFF).</p> <p>The two funds will receive 80% of any positive receipts variations each year. 75% of these funds will go to the FGF, with the remaining 25% going to the RAFF. Additionally, the RAFF will receive initial seed funding of \$5 billion.</p>	
<p>Additional information (based on further advice provided):</p> <p>The FGF will be used to reduce debt, invest in infrastructure and stimulate economic growth.</p> <p>The RAFF will make annual distributions of \$1 billion to improve services available in regional areas. These will commence when the balance of the RAFF reaches \$20 billion.</p> <p>The proposal would be ongoing and start on 1 July 2026.</p>	

## Costing overview

The proposal would be expected to decrease the fiscal balance by around \$126 million, and decrease the underlying cash balance by around \$73 million over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered revenue from interest earnings, offset by an increase in public debt interest (PDI) expenses.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A. Consistent with [PBO Guidance 02/2015](#), PDI expense impacts have been included in this costing because the policy involves financial asset transactions.

The Parliamentary Budget Office (PBO) reports financial impacts (Table 1 and Attachment A) via the major budget aggregates, the Fiscal balance (FB), Underlying cash balance (UCB), and Headline cash balance (HCB). The major aggregates are typically viewed as the most useful view into the cost of a proposal on the budget and the PBO typically reports on them. Due to the nature of the RAFF and FGF, however, the reporting of financial impacts via these aggregates alone is limited. To provide a more comprehensive view of the expected impacts of this proposal, a full breakdown of the accounting treatment of Government investment funds is provided at Attachment B.

**Table 1: Future Generations Fund and Regional Australia Future Fund – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	<b>Total to 2028-29</b>
Fiscal balance	-	-51.0	-44.0	-31.0	<b>-126.0</b>
Underlying cash balance	-	2.0	-44.0	-31.0	<b>-73.0</b>
Headline cash balance	-	2.0	-44.0	-31.0	<b>-73.0</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are included in the totals.

- Indicates nil.

## Costings and receipts variations

The Charter of Budget Honesty Policy Costing Guidelines determine the costing methods used by the Parliamentary Budget Office (PBO). For election costings they state the following:

*“Estimates are provided for the current financial year and the forward estimates period using the most recent set of published estimates under the Charter as the benchmark. For election costings, these will be the forward estimates published in the Pre-Election Economic and Fiscal Outlook (PEFO).”*

*“Any economic data or forecasts used in costings will be consistent with the most recent publicly released estimates. The PEFO will be the basis of the economic parameters used in costing election commitments.”*

Because costings completed by the PBO must be consistent with the forecasts published in the PEFO, costings are predicated on the assumption that receipts forecasts are accurate. This means that there are no receipts variations in the PBO costing framework, and thus no injections are assumed to be made into either fund in the costing (aside from the initial \$5 billion to the RAFF).

Without these additional injections, the RAFF is not anticipated to reach a balance of \$20 billion within the medium term. This means that no drawdowns from the RAFF are modelled. The FGF, meanwhile, does not receive any injections, and consequently no projected drawdowns.

## Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The enabling legislation and other changes required to establish and manage the funds would be in place by the policy start date.
- The funds would target a return of at least the Consumer Price Index (CPI) +4.0 to +5.0 per cent per annum over the long term, the same as the existing Future Fund, and these returns would be reinvested into the funds.
- The funds would not be subject to Commonwealth taxes.
- Interest and dividend earnings are calculated based on the respective shares of interest and dividends to the existing Future Fund.
- Management fees equal to 1.204% of invested funds, calculated at the end of each year. This is the average Future Fund management fee percentage for the past 3 years.
- Other costs associated with managing the funds would be drawn from the returns of the funds.

## Methodology

The balance and returns of the fund were calculated as per key assumptions, based on the specified equity injection and drawdown amounts.

Departmental costs associated are assumed to be absorbed within existing resources.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>1</sup>

## Data sources

Department of Finance (2025), [Future Fund](#), accessed 10 April 2025.

Commonwealth of Australia (2024) [Charter of Budget Honesty - Policy Costing Guidelines](#).

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – Future Generations Fund and Regional Australia Future Fund – Financial implications

**Table A1: Future Generations Fund and Regional Australia Future Fund – Fiscal balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Revenue</b>													
<b>Non – tax revenue</b>													
<b>Administered non-tax</b>													
<i>Future Generations Fund interest</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Regional Australia Future Fund interest</i>	-	163.0	172.0	186.0	196.0	207.0	219.0	232.0	245.0	259.0	274.0	521.0	2,153.0
<b>Total (excluding PDI)</b>	-	163.0	172.0	186.0	196.0	207.0	219.0	232.0	245.0	259.0	274.0	521.0	2,153.0
<b>PDI impacts</b>	-	-214.0	-216.0	-217.0	-218.0	-219.0	-219.0	-218.0	-217.0	-215.0	-212.0	-647.0	-2,165.0
<b>Total (including PDI)</b>	-	-51.0	-44.0	-31.0	-22.0	-12.0	-	14.0	28.0	44.0	62.0	-126.0	-12.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

**Table A2: Future Generations Fund and Regional Australia Future Fund – Underlying cash balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Revenue</b>													
<b>Non – tax revenue</b>													
<b>Administered non-tax</b>													
<i>Future Generations Fund interest</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Regional Australia Future Fund interest</i>	-	163.0	172.0	186.0	196.0	207.0	219.0	232.0	245.0	259.0	274.0	521.0	2,153.0
<b>Total (excluding PDI)</b>	-	163.0	172.0	186.0	196.0	207.0	219.0	232.0	245.0	259.0	274.0	521.0	2,153.0
<b>PDI impacts</b>	-	-161.0	-216.0	-217.0	-218.0	-219.0	-219.0	-218.0	-217.0	-216.0	-213.0	-594.0	-2,114.0
<b>Total (including PDI)</b>	-	2.0	-44.0	-31.0	-22.0	-12.0	-	14.0	28.0	43.0	61.0	-73.0	39.0

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

**Table A3: Future Generations Fund and Regional Australia Future Fund – Headline cash balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Revenue</b>													
<b>Non – tax revenue</b>													
<b>Administered non-tax</b>													
<i>Future Generations Fund interest</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Regional Australia Future Fund interest</i>	-	163.0	172.0	186.0	196.0	207.0	219.0	232.0	245.0	259.0	274.0	521.0	2,153.0
<b>Total (excluding PDI)</b>	-	163.0	172.0	186.0	196.0	207.0	219.0	232.0	245.0	259.0	274.0	521.0	2,153.0
<b>PDI impacts</b>	-	-161.0	-216.0	-217.0	-218.0	-219.0	-219.0	-218.0	-217.0	-216.0	-213.0	-594.0	-2,114.0
<b>Total (including PDI)</b>	-	2.0	-44.0	-31.0	-22.0	-12.0	-	14.0	28.0	43.0	61.0	-73.0	39.0

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

- Indicates nil.

## Attachment B – Future Generations Fund and Regional Australia Future Fund – Accounting for Government investment funds.

### Government investment funds

The Government's investment funds (the Funds) are reported on the Government's balance sheet as financial assets, consisting of cash and investments. Costings include the impact of PDI ([PBO Guidance 02/2015](#) and the [Charter of Budget Honesty Costing Guidelines](#)).

#### Creating new funds

A decision to create a new Fund or inject cash into an existing Fund involves increasing gross debt or reducing other cash holdings. There is no immediate impact on UCB, FB or HCB as this is a financing activity that only changes the composition of the balance sheet and not net worth.

#### Fund earnings

Fund earnings in the form of interest or dividends impact UCB, FB and HCB, whereas capital gains are classified as *other economic flows* with no impact on these aggregates (See Budget Paper No. 1 Australian Government general government sector operating statement).

#### Fund investments

Fund investments are generally determined under an investment mandate.

Where the Fund invests in:

- financial assets solely to generate a return, the investments do not immediately impact UCB, FB or HCB.
- equity or loans for policy purposes, cash flows from purchases and sales and principal payments and repayments are included in HCB. Concessional loans have an initial negative impact on FB that is reversed as the loan is repaid.

#### Fund Drawdowns

Drawdowns from the Fund for grant payments or to purchase non-financial assets have an immediate impact on UCB, FB and HCB.

#### Closing funds

A decision to close a Fund would not result in an immediate reduction on UCB, FB or HCB. This is because either the relevant cash and investments would still be reported as assets on the balance sheet (if investments are retained) or there would be no change to net worth (if the remaining funds were used to reduce the borrowing requirements).

There are ongoing impacts on UCB, FB and HCB to the extent that any reduction in PDI is larger or smaller than the reduction in Fund earnings from interest and dividends.