

# Private Health Insurance Administration Council

Health and Ageing Portfolio Agency

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## Section 1: Overview

The Private Health Insurance Administration Council (PHIAC) is an industry-funded statutory body established under section 82B of the *National Health Act 1953*. PHIAC’s objective is to protect consumers through the monitoring and financial regulation of the private health insurance industry. PHIAC’s functions are listed at section 82G of the *National Health Act 1953*.

PHIAC is responsible for regulating the financial performance of the industry, calculating the reinsurance pool, reviewing pricing applications, and registering health insurance organisations. PHIAC also provides information relating to membership in private health insurance and the benefits paid by the industry.

PHIAC maintains a website<sup>1</sup> to provide information on the Council’s functions, statistics on the industry, and information on private health insurance including approved gap cover products.

The *Private Health Insurance (Council Administration Levy) Act 2003* allows the Commonwealth to impose an administration levy on registered health benefits organisations to meet the general operating costs of PHIAC.

**Table 1.1: Agency Outcomes and Output Groups**

Outcome	Output Groups
<p><b>The prudential safety of registered private health insurance funds, the best interests of members of those funds, and a competitive level of private health insurance premiums, are efficiently regulated to support a viable industry.</b></p>	<p>Output Group 1 - Information to Government and other stakeholders relevant to private health insurance.</p> <p>Output Group 2 - Regulatory activity.</p>

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<sup>1</sup> PHIAC’s website can be found at <<http://www.phiac.gov.au/>>.

## Section 2: Resources for 2006-07

### 2.1: APPROPRIATIONS AND OTHER RESOURCES

Table 2.1 shows the total resources from all origins for 2006-07, including appropriations. The table summarises how revenue will be applied by outcome, administered and outputs (departmental items).

**Table 2.1: Appropriations and other resources 2006-07**

	Appropriations				Total	Receipts (b)	Total
	Bill No. 1	Bill No. 2		Special			
		SPP	Other (a)	approp			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

**Private Health Insurance  
Administration Council  
(PHIAC)**

Administered	-	-	-	190,000	190,000	131	190,131
Departmental	-	-	-	4,440	4,440	204	4,644
<b>Total PHIAC</b>	-	-	-	<b>194,440</b>	<b>194,440</b>	<b>335</b>	<b>194,775</b>

(a) Includes new administered expenses and administered assets and liabilities

(b) Departmental and administered receipts from independent sources that are available to be spent.

### 2.2: 2006-07 BUDGET MEASURES

Section 2.2 is not applicable to PHIAC.

### 2.3: OTHER REVENUE AVAILABLE TO BE USED

Table 2.3 provides details of revenue obtained by PHIAC for provision of goods or services. This revenue is approved for use by PHIAC.

**Table 2.3: Other revenue available to be used**

	Estimated revenue 2005-06 \$'000	Budget estimate 2006-07 \$'000
<b>Departmental other revenues</b>		
Goods and services	254	93
Interest	90	111
<b>Total departmental other revenues available to be used</b>	<b>344</b>	<b>204</b>
<b>Administered other revenues</b>		
Interest	127	131
<b>Total administered other revenues available to be used</b>	<b>127</b>	<b>131</b>
<b>Total estimated revenue</b>	<b>471</b>	<b>335</b>

### 2.4: MOVEMENTS OF ADMINISTERED FUNDS FROM 2005-06 TO 2006-07

There are no movements of administered funds from 2005-06 to 2006-07.

## 2.5: SPECIAL APPROPRIATIONS

**Table 2.5: Estimates of Expenses from Special Appropriations**

	Estimated expenses 2005-06 \$'000	Budget estimate 2006-07 \$'000
<b>Estimated expenses</b>		
<i>Private Health Insurance (Reinsurance Trust Fund Levy) Act 2003</i>	180,000	190,000
<i>Private Health Insurance (Council Administration Levy) Act 2003</i>	4,435	4,435
<i>Private health Insurance (ACAC Review Levy) Act 2003</i>	5	5
<b>Total estimated expenses</b>	<b>184,440</b>	<b>194,440</b>

The Administered appropriation is established under the *Private Health Insurance (Reinsurance Trust Fund Levy) Act 2003*.

The Departmental appropriation is established under the *Private Health Insurance (Council Administration Levy) Act 2003* (\$4.435 million) and the *Private Health Insurance (ACAC Review Levy) Act 2003* (\$0.005 million).

## 2.6: SPECIAL ACCOUNTS

## 2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

Section 2.6 and 2.7 are not applicable to PHIAC.

## Section 3: Outcomes

General Government Sector (GGS) agencies are required to plan, budget and report under an outcomes structure. GGS agencies produce outputs (departmental outputs) and also administer activities and programs on behalf of the Government (administered programs). This section explains how the resources identified in Section 2 will be used to deliver outputs and administered programs to contribute to the outcome for PHIAC.

### 3.1: SUMMARY OF OUTCOMES AND CONTRIBUTION TO OUTCOMES

The relationship between activities of PHIAC and the outcomes is summarised in Figure 4.

**Figure 4: Contributions to Outcomes**

<b>Private Health Insurance Administration Council</b>	
Chief Executive Officer – Ms Gayle Ginnane	
<b>Outcome—The prudential safety of registered private health insurance funds, the best interests of members of those funds, and a competitive level of private health insurance premiums, are efficiently regulated to support a viable industry.</b>	
Total price of outputs	\$4.644m
Total departmental outcomes and appropriations	\$4.440m
Total administered expenses	\$190.000m
Output group 1	Total price of outputs \$1.950m
<b>Information to Government and other stakeholders relevant to private health insurance.</b>	
Output group 2	Total price of outputs \$2.694m
<b>Regulatory activity.</b>	

### **3.2: OUTCOMES – DEPARTMENTAL AND ADMINISTERED**

#### **Departmental Appropriations by Outcome**

PHIAC has total departmental appropriations of \$4.440 million in 2006-07.

#### **Administered Appropriations by Outcome**

PHIAC has total administered appropriations of \$190.000 million in 2006-07.

### **3.3: OUTCOME SUMMARY – THE YEAR AHEAD**

During 2006-07, PHIAC will continue to focus closely on the industry's performance against solvency and capital adequacy standards and encourage improvement in corporate governance arrangements in line with best practice. PHIAC aims to support the industry through a series of director's education programs to be run in 2006-07.

PHIAC's strategic objectives are to:

- ensure that health insurance regulation in Australia is best practice; and
- encourage ongoing improvement in industry governance.

Building on the health fund reviews PHIAC has already undertaken, the objective is to further increase review capabilities and to improve PHIAC's ability to monitor the private health insurance industry's activities and developments.

#### **Key Strategic Directions for 2006-07**

During 2006-07, the PHIAC will:

- ensure that health insurance regulation is best practice;
- strengthen industry governance;
- develop effective industry information to support improved governance; and
- build capacity to manage its legislative responsibilities.

#### **Major Activities**

##### **Ensure that health insurance regulation in Australia is best practice**

During 2006-07, PHIAC will work with the Department of Health and Ageing and with the industry to review private health insurance legislation and regulation to ensure that the industry is as efficient as possible. In doing so, PHIAC will undertake a review of the solvency and capital adequacy standards, review and update the fund review program and develop PHIAC's risk assessment for funds so that it:

- forms the basis for decisions on escalating levels of interventions; and
- identifies on the basis of risk a schedule of review and visits to registered organisations.

**Strengthen industry governance**

PHIAC will continue to provide training programs for fund directors to develop and publish governance principles to shape industry best practice, engaging key stakeholders in the development of those principles and aim to identify acceptable and unacceptable practices.

**Development of effective industry information to support strengthened governance**

PHIAC will continue to develop and integrate its current data collections and ensuring their continuing integrity. PHIAC will also continue to develop its information base of industry information and develop our industry modelling capacity.

**Build capacity in staff skills and management**

PHIAC will continue to develop its staff and seek to become and remain an employer of choice. PHIAC will also continue to develop its expertise in managing outsourcing for key tasks such as fund reviews where PHIAC internal resources would not normally be available.

PHIAC would expect the following benefits for private health insurance consumers from its strategies:

- educating and encouraging the private health insurance industry to operate effectively in the interests of contributors and particularly to emphasise the importance of appropriate corporate governance;
- providing education for directors and management of the private health insurance industry for changing industry requirements such as accounting standards and changes in reinsurance;
- assisting registered organisations to understand key trends in their industry and to ensure that Government has an accurate, timely and useful information base for policy decisions; and
- implementing the legislative requirements defined in the *National Health Act 1953* for regulation of the industry in a practical manner to safeguard the interests of contributors.

## Resourcing

Table 3.1 shows how the 2006-07 Budget appropriations translate to total resourcing for PHIAC, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

**Table 3.1: Total resources for the Private Health Insurance Administration Council**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000
<b>Administered appropriations</b>		
<i>Private Health Insurance (Reinsurance Trust Fund Levy) Act 2003</i> <sup>1</sup>	180,000	190,000
Total Special Appropriation	180,000	190,000
<b>Total administered appropriations</b>	<b>180,000</b>	<b>190,000</b>
<b>Departmental revenue</b>		
Total revenue from government (appropriations) contributing to price of departmental outputs	4,440	4,440
Total revenue from other sources	344	204
<b>Total price of departmental outputs</b> <i>(Total revenue from government and from other sources)</i>	4,784	4,644
<b>Departmental revenue by output group</b>		
Output Group 1 - Information to Government and other stakeholders relevant to private health insurance	2,009	1,950
Output Group 2 - Regulatory activity	2,775	2,694
<b>Total price of departmental outputs</b> <i>(Total revenue from government and from other sources)</i>	4,784	4,644
<b>Total estimated resourcing for PHIAC</b> <i>(Total price of outputs and administered appropriations)</i>	<b>184,784</b>	<b>194,644</b>
<b>Average staffing level (number)</b>	2005-06 15	2006-07 15

## **Contribution of Administered Programs to the Private Health Insurance Administration Council**

### **Health Benefits Reinsurance Trust Fund**

PHIAC undertakes the calculation of the health benefits reinsurance scheme which shares the cost of older contributors (aged 65 and over) and the chronically ill (defined as 35 days of hospitalisation in a rolling 12 month period) within private health insurance. The Trust Fund is a zero sum pool calculated on a quarterly basis. PHIAC does the calculation, bills payees to the Health Benefits Reinsurance Trust Fund (HBRTF) and makes payments to recipients from the HBRTF. The calculation and payments are audited annually.

## **Contribution of Departmental Outputs to the Private Health Insurance Administration Council**

### **Output Group 1: Information to Government and other stakeholders relevant to private health insurance**

Including:

- collection and provision of information regarding registered health benefits organisations relating to membership and reinsurance benefits by PHIAC;
- collection and provision of information from registered health insurance organisations relating to the financial performance by the industry;
- analysis and provision of comment to the Government on the financial impact of organisations' pricing;
- web-based public information services provided by PHIAC providing consumer information on private health insurance;
- collection and provision of information relating to medical benefits and gap cover monitoring out-of-pocket expenses for people using private health insurance;
- provision of annual report on the operations of PHIAC as required under section 9 of the *Commonwealth Authorities and Companies Act 1997*; and
- provision of annual report on the private health insurance industry as required under section 82PA of the *National Health Act 1953*.

### **Output Group 2: Regulatory activity**

Including:

- calculation and management of the Health Benefits Reinsurance Trust Fund on a quarterly basis and management of the payments to and from the pool;
- monitoring of the financial status of the private health insurance industry through quarterly reporting;
- review and amendment of a Solvency Standard and Capital Adequacy Standard for Health Benefits Organisations;
- education programs for directors of registered organisations;
- review of pricing applications;

- intervention, where necessary and appropriate, if a breach of the *National Health Act 1953* occurs;
- review of individual registered organisations on a risk basis; and
- registration of Health Benefits Organisations.

### Performance Information for the Private Health Insurance Administration Council

Performance information for administered programs, individual outputs and output groups relating to PHIAC are summarised in Table 3.2.

**Table 3.2: Key Performance Information for the Private Health Insurance Administration Council**

#### Performance Information for Administered Programs

Indicator	Measured by	Reference Point or Target
<b>Administered Funding – Health Benefits Reinsurance Trust Fund</b>		
Maintenance of community rating through the administration of the Health Benefits Reinsurance Trust Fund.	Accurate calculation of reinsurance payments into and from the Trust Fund.	100% of 146 quarterly reinsurance returns accurately processed and reinsurance calculated correctly and payments to and from the Trust Fund made on time.
<b>Cost: \$190.000m</b>		

#### Performance Information for Departmental Outputs

Indicator	Measured by	Reference Point or Target
<b>Output Group 1 – Information to Government and Other Stakeholders Relevant to Private Health Insurance</b>		
Provision of information to government and consumers about private health insurance.	Accurate calculation and on time release of key statistics each quarter.	Membership and Coverage, Gap cover statistics, and PHIAC A and B statistics to be available within 6 weeks of the end of each quarter. Trend statistics to be available within 8 weeks of the end each quarter.
Provision of detailed annual information to government and consumers about private health insurance.	Detailed and accurate annual reports are produced which aid Government decision making and provide good public information.	CAC Act report to the Minister by 15 October.  82PA report by the Minister by December.
<b>Price: \$1.950m</b>		

PHIAC – Agency Budget Statements – Outcome

Indicator	Measured by	Reference Point or Target
<b>Output Group 2 – Regulatory Activity</b>		
Registered organisations report their prudential position on a quarterly basis.	Early detection of fund financial problems.	Enables PHIAC to take appropriate regulatory action which allows a registered organisation to recover or merge to protect interests of contributors.
Standards will be updated, with industry support, to take into account the impact of International Financial Reporting Standards and other industry changes.	The standards will be reviewed including industry consultation and taking into account the views of all stakeholders.	New standards will be implemented by 30 June 2007.
PHIAC will undertake a review program of all registered health benefits organisations over a period of 2 to 3 years.	Updated review program will be developed on a risk basis.	Updated review program will commence January 2007 at completion of existing round or reviews. Six reviews will be undertaken before 30 June 2007.
PHIAC will develop a series of best practice corporate governance guidelines for registered health benefits organisations.	PHIAC Governance Guidelines will be completed and promulgated to the industry.	Guidelines will be implemented by June 2007.
PHIAC will continue to develop and provide training for directors of registered health benefits organisations.	Provision of Director education seminars and industry attendance at the seminars.	PHIAC will provide at least one seminar annually from July 2006.
<b>Price: \$2.694m</b>		

## Evaluations

PHIAC is reviewing the Solvency and Capital Adequacy standards that took effect on 1 January 2001. The purpose for the review is to update the standards to take into account the effects of the Australian International Financial Reporting Standards (AIFRS) and to ensure that the amount of capital needed to ensure reasonable financial security for consumers is both necessary and sufficient.

The methodology will involve actuarial modelling and industry involvement. The AIFRS will have a significant impact on the standards. The review will ensure that the capital requirements of health funds remain realistic, minimising the cost to consumers of increases in premium rates and minimising the cost to Government of the private health insurance rebates.

The review will be completed and new standards implemented by 30 June 2007.

### **Major Reviews**

There are no major reviews planned to be undertaken by PHIAC in 2006-07.

### **Performance Improvement Initiatives**

PHIAC will develop an industry financial model to enable better understanding of the private health insurance industry overall and to provide a resource for modelling the effect of possible policy changes. This initiative will also improve the efficiency of the industry analysts by providing them with a useful tool for understanding individual registered organisations.

PHIAC will also be developing guidance notes for best practice corporate governance within the private health insurance industry.

## **Section 4: Other Reporting Requirements**

### **4.1: PURCHASER-PROVIDER ARRANGEMENTS**

PHIAC has a user charging arrangement with the Acute Care Advisory Committee. Budget estimate for 2006-07 is \$31,000.

#### **Responsibility**

Acute Care Advisory committee reports to the Department of Health and Ageing (New South Wales Office).

#### **Control Arrangements**

Acute Care Advisory Committee reports to the Department of Health and Ageing (New South Wales Office).

#### **Resourcing**

Funds are sourced from two places. The *Private Health Insurance (ACAC Review Levy) Act 2003* (\$5,000) and a fee of \$2,000 per certificate under section 82G(1)(h)(ii) of the *National Health Act 1953*. The 2006-07 Budget anticipates the receipt of 13 certificates.

#### **Performance Against Outcomes of Purchased Outputs**

This section is not applicable to PHIAC.

### **4.2: COST RECOVERY ARRANGEMENTS**

#### **Summary of Cost Recovery Impact Statement**

PHIAC has no cost recovery arrangements in 2006-07.

## **Section 5: Budgeted Financial Statements**

### **5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS**

The expected changes in 2006-07 when compared with the forecast results for 2005-06 are explained below.

#### **Income Statement**

Revenue – Goods and services:

- The figure for 2005-06 includes \$103,000 for inspection costs recovered from a registered organisation under section 82G(1)(k) of the *National Health Act 1953*. Revenue of this nature is not budgeted in 2006-07.

#### **Statement of Cash Flows**

Purchase of property plant and equipment:

- PHIAC paid relocation costs in 2005-06 following its move to new premises in July 2005.

## 5.2: BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted Departmental Income Statement (for the period ended 30 June)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>Income</b>					
<b>Revenues from ordinary activities</b>					
Appropriation revenues	4,440	4,440	4,581	4,674	4,863
Other revenues from related entities	-	-	-	-	-
Goods and services	194	56	56	56	56
Interest	90	111	111	111	111
Dividends	-	-	-	-	-
Resources received free of charge	-	-	-	-	-
Rents	-	-	-	-	-
Royalties	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-
Other	60	37	37	37	37
<b>Revenues from ordinary activities</b>	<b>4,784</b>	<b>4,644</b>	<b>4,785</b>	<b>4,878</b>	<b>5,067</b>
<b>EXPENSE</b>					
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>					
Employees	1,866	2,036	2,161	2,279	2,367
Suppliers	2,620	2,294	2,483	2,456	2,553
Grants	-	-	-	-	-
Subsidies	-	-	-	-	-
Depreciation and amortisation	85	89	91	93	96
Correction of fundamental error	-	-	-	-	-
Other	-	-	-	-	-
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>	<b>4,571</b>	<b>4,419</b>	<b>4,735</b>	<b>4,828</b>	<b>5,016</b>
<b>Operating surplus or (deficit) from ordinary activities</b>	<b>213</b>	<b>225</b>	<b>50</b>	<b>50</b>	<b>51</b>
Net credit or (debit) to asset revaluation reserve	-	-	-	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>213</b>	<b>225</b>	<b>50</b>	<b>50</b>	<b>51</b>

PHIAC – Agency Budget Statements – Budgeted Financial Statements

**Table 5.2: Budgeted Departmental Balance Sheet (as at 30 June)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	2,753	3,079	3,199	3,358	3,529
Receivables	-	-	-	-	-
Investments accounted for under the equity method	-	-	-	-	-
Other investments	5	5	5	5	5
Accrued revenues	-	-	-	-	-
Other financial assets	-	-	-	-	-
<b>Total financial assets</b>	<b>2,758</b>	<b>3,084</b>	<b>3,204</b>	<b>3,363</b>	<b>3,534</b>
<b>Non-financial assets</b>					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	517	467	423	372	287
Investment properties	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Inventories	-	-	-	-	-
Intangibles	-	-	-	-	-
Other non-financial assets	-	-	-	-	-
<b>Total non-financial assets</b>	<b>517</b>	<b>467</b>	<b>423</b>	<b>372</b>	<b>287</b>
<b>Total assets</b>	<b>3,275</b>	<b>3,551</b>	<b>3,627</b>	<b>3,735</b>	<b>3,821</b>
<b>LIABILITIES</b>					
<b>Interest bearing liabilities</b>					
Loans	-	-	-	-	-
Leases	9	9	15	41	22
Overdraft	-	-	-	-	-
<b>Total interest bearing liabilities</b>	<b>9</b>	<b>9</b>	<b>15</b>	<b>41</b>	<b>22</b>
<b>Provisions</b>					
Employees	651	686	720	754	788
Other provisions	-	-	-	-	-
<b>Total provisions</b>	<b>651</b>	<b>686</b>	<b>720</b>	<b>754</b>	<b>788</b>
<b>Payables</b>					
Suppliers	262	278	265	263	283
Grants	-	-	-	-	-
Dividends	-	-	-	-	-
Borrowing costs	-	-	-	-	-
Other payables	-	-	-	-	-
<b>Total payables</b>	<b>262</b>	<b>278</b>	<b>265</b>	<b>263</b>	<b>283</b>
<b>Total liabilities</b>	<b>922</b>	<b>973</b>	<b>1,000</b>	<b>1,058</b>	<b>1,093</b>

**Table 5.2: Budgeted Departmental Balance Sheet (as at 30 June) (cont)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>EQUITY</b>					
<b>Parent entity interest</b>					
Contributed equity	-	-	-	-	-
Reserves	41	41	41	41	41
Statutory funds	-	-	-	-	-
Retained surpluses or accumulated deficits	2,312	2,537	2,586	2,636	2,687
<b>Total parent entity interest</b>	<b>2,353</b>	<b>2,578</b>	<b>2,627</b>	<b>2,677</b>	<b>2,728</b>
<b>Outside equity interest</b>					
Contributed equity	-	-	-	-	-
Reserves	-	-	-	-	-
Retained surpluses or accumulated deficits	-	-	-	-	-
<b>Total outside equity interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>2,353</b>	<b>2,578</b>	<b>2,627</b>	<b>2,677</b>	<b>2,728</b>
<b>Current assets</b>	<b>2,753</b>	<b>3,079</b>	<b>3,199</b>	<b>3,358</b>	<b>3,530</b>
<b>Non-current assets</b>	<b>522</b>	<b>472</b>	<b>428</b>	<b>377</b>	<b>291</b>
<b>Current liabilities</b>	<b>680</b>	<b>687</b>	<b>682</b>	<b>673</b>	<b>677</b>
<b>Non-current liabilities</b>	<b>242</b>	<b>286</b>	<b>318</b>	<b>385</b>	<b>416</b>

**Table 5.3: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Goods and services	193	56	56	56	56
Appropriations	4,440	4,440	4,581	4,674	4,863
Interest	90	111	111	111	111
Dividends	-	-	-	-	-
Other	22	37	37	37	37
Extraordinary items	-	-	-	-	-
<b>Total cash received</b>	<b>4,745</b>	<b>4,644</b>	<b>4,785</b>	<b>4,878</b>	<b>5,067</b>
<b>Cash used</b>					
Employees	1,699	2,001	2,128	2,245	2,333
Suppliers	2,587	2,298	2,512	2,471	2,552
Grants	-	-	-	-	-
Borrowing costs	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
<b>Total cash used</b>	<b>4,286</b>	<b>4,299</b>	<b>4,640</b>	<b>4,716</b>	<b>4,885</b>
<b>Net cash from or (used by) operating activities</b>	<b>459</b>	<b>345</b>	<b>145</b>	<b>162</b>	<b>182</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Purchase of property, plant, equipment and intangibles	-	-	-	-	-
Proceeds from sales of financial instruments	-	-	-	-	-
Bills of exchange and promissory notes	-	-	-	-	-
Repayments of loans made	-	-	-	-	-
Investments (s.39 FMA Act; s.18 CAC Act; s.19 CAC Act)	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>					
Purchase of property, plant equipment and intangibles	337	19	25	3	11
Purchase of financial instruments	-	-	-	-	-
Bills of exchange and promissory notes	-	-	-	-	-
Loans made	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
<b>Total cash used</b>	<b>337</b>	<b>19</b>	<b>25</b>	<b>3</b>	<b>11</b>
<b>Net cash from or (used by) investing activities</b>	<b>(337)</b>	<b>(19)</b>	<b>(25)</b>	<b>(3)</b>	<b>(11)</b>

**Table 5.3: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June) (cont)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations - contributed equity	-	-	-	-	-
Proceeds from issuing financial instruments	-	-	-	-	-
Proceeds from loans	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
<b>Total cash received</b>	-	-	-	-	-
<b>Cash used</b>					
Repayments of debt	-	-	-	-	-
Capital use charge paid	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
<b>Total cash used</b>	-	-	-	-	-
<b>Net cash from/(used by) financing activities</b>	-	-	-	-	-
<b>Net increase or (decrease) in cash held</b>	122	326	120	159	171
Cash at the beginning of the reporting period	2,631	2,753	3,079	3,199	3,358
Effect of exchange rate movements on cash at the beginning of reporting period	-	-	-	-	-
<b>Cash at the end of the reporting period</b>	2,753	3,079	3,199	3,358	3,529

**Table 5.4: Departmental Statement of Changes in Equity – Summary of Movement (Budget year 2006-07)**

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2006</b>					
Balance carried forward from previous period	2,312	41	-	-	2,353
Adjustment for changes in accounting policies	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>2,312</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>2,353</b>
<b>Income and expense</b>					
Income and expenses recognised directly in equity:					
Gain/loss on revaluation of property	-	-	-	-	-
<b>Sub-total income and expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net operating result	225	-	-	-	225
<b>Total income and expenses recognised directly in equity</b>	<b>2,537</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>2,578</b>
<b>Transactions with owners</b>					
<i>Distribution to owners</i>					
Returns on capital					
Dividends	-	-	-	-	-
Restructuring	-	-	-	-	-
Other	-	-	-	-	-
<i>Contribution by owners</i>					
Appropriation (equity injection)	-	-	-	-	-
Other:					
Restructuring	-	-	-	-	-
<b>Sub-total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers between equity components					
-	-	-	-	-	-
<b>Estimated closing balance as at 30 June 2007</b>	<b>2,537</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>2,578</b>

**Table 5.5: Department Capital Budget Statement**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
<b>Total capital appropriations</b>	-	-	-	-	-
<b>Represented by:</b>					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
<b>Total represented by</b>	-	-	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	-	-	-	-	-
Funded internally by					
Departmental resources	337	19	25	3	11
<b>Total</b>	337	19	25	3	11

**Table 5.6: Departmental Property, Plant, Equipment and Intangibles — Summary of Movement (Budget year 2006-07)**

	Land	Buildings	Other infrastructure plant and equipment	Computer software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2006</b>					
Gross book value	-	-	834	-	834
Accumulated depreciation	-	-	318	-	318
<b>Opening net book value</b>	-	-	<b>517</b>	-	<b>517</b>
Additions:					
by purchase	-	-	19	-	19
by finance lease	-	-	19	-	19
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-
Reclassifications	-	-	-	-	-
Depreciation/amortisation expense	-	-	89	-	89
Recoverable amount write-downs	-	-	-	-	-
Other movements	-	-	-	-	-
Disposals:					
from disposal of entities or operations (including restructuring)	-	-	-	-	-
other disposals	-	-	-	-	-
<b>As at 30 June 2007</b>					
Gross book value	-	-	873	-	873
Accumulated depreciation	-	-	406	-	406
<b>Estimated closing net book value</b>	-	-	<b>467</b>	-	<b>467</b>

**Table 5.7: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Taxation</b>					
Income tax	-	-	-	-	-
Indirect tax	-	-	-	-	-
Other taxes, fees and fines	-	-	-	-	-
<b>Total taxation</b>	-	-	-	-	-
<b>Non-taxation (revenues from Government)</b>					
Goods and services	-	-	-	-	-
Interest	127	131	131	131	131
Dividends	-	-	-	-	-
Net foreign exchange gains	-	-	-	-	-
Revenues from sale of assets	-	-	-	-	-
Other sources of non tax revenue - related entities	-	-	-	-	-
Other sources of non tax revenue - external entities	180,000	190,000	190,000	190,000	190,000
Rents	-	-	-	-	-
Royalties	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-
<b>Total non-taxation</b>	180,127	190,131	190,131	190,131	190,131
<b>Total revenues administered on behalf of Government</b>	180,127	190,131	190,131	190,131	190,131
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Grants	-	-	-	-	-
Subsidies	-	-	-	-	-
Personal benefits	-	-	-	-	-
Employees	-	-	-	-	-
Suppliers	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-
Write down and impairment of assets	-	-	-	-	-
Value of assets sold	-	-	-	-	-
Transfer to related entity	180,000	190,000	190,000	190,000	190,000
Interest	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-
Other	180,127	190,131	190,131	190,131	190,131
Extraordinary items	-	-	-	-	-
<b>Total expenses administered on behalf of Government</b>	360,127	380,131	380,131	380,131	380,131

**Table 5.8: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash	35	35	35	35	35
Receivables	-	-	-	-	-
Investments (s.39 FMA Act)	-	-	-	-	-
Accrued revenues	-	-	-	-	-
Other financial assets	-	-	-	-	-
<b>Total financial assets</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>
<b>Non-financial assets</b>					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	-	-	-	-	-
Investment properties	-	-	-	-	-
Inventories	-	-	-	-	-
Intangibles	-	-	-	-	-
Other non-financial assets	-	-	-	-	-
<b>Total non-financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets administered on behalf of Government</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Interest bearing liabilities</b>					
Australian Government securities	-	-	-	-	-
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Overdrafts	-	-	-	-	-
Other	-	-	-	-	-
<b>Total interest bearing liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Provisions</b>					
Employees	-	-	-	-	-
Taxation refunds provided	-	-	-	-	-
Other provisions	-	-	-	-	-
<b>Total provisions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Payables</b>					
Suppliers	-	-	-	-	-
Grants and subsidies	-	-	-	-	-
Personal benefits payable	-	-	-	-	-
Taxation refunds due	-	-	-	-	-
Other payables	5	5	5	5	5
<b>Total payables</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Total liabilities administered on behalf of Government</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

**Table 5.9: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Income tax	-	-	-	-	-
Indirect tax	-	-	-	-	-
Other taxes, fees and fines	-	-	-	-	-
GST Input Credit Receipts	-	-	-	-	-
Sales of goods	-	-	-	-	-
Rendering of services	-	-	-	-	-
Interest	127	131	131	131	131
Dividends	-	-	-	-	-
Other	180,000	190,000	190,000	190,000	190,000
<b>Total cash received</b>	<b>180,127</b>	<b>190,131</b>	<b>190,131</b>	<b>190,131</b>	<b>190,131</b>
<b>Cash used</b>					
Borrowing costs	-	-	-	-	-
Employees	-	-	-	-	-
GST Payments to Suppliers	-	-	-	-	-
Grant payments	-	-	-	-	-
Interest paid	-	-	-	-	-
Subsidies paid	-	-	-	-	-
Personal benefits	-	-	-	-	-
Suppliers	-	-	-	-	-
Other	180,127	190,131	190,131	190,131	190,131
<b>Total cash used</b>	<b>180,127</b>	<b>190,131</b>	<b>190,131</b>	<b>190,131</b>	<b>190,131</b>
<b>Net cash from/(used by) operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property, plant and equipment and intangibles	-	-	-	-	-
Proceeds from sales of equity instruments	-	-	-	-	-
Proceeds from sales of investments	-	-	-	-	-
Repayments of advances	-	-	-	-	-
Cash from Official Public Account	-	-	-	-	-
Transfers from other entities	-	-	-	-	-
Investments (s.39 FMA Act, s.18 CAC Act, s.19 CAC Act)	-	-	-	-	-
Other	-	-	-	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 5.9: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June) (cont)**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>Cash used</b>					
Purchase of property, plant and equipment and intangibles	-	-	-	-	-
Purchase of equity instruments	-	-	-	-	-
Cash to Official Public Account	-	-	-	-	-
Transfers to other entities	-	-	-	-	-
<b>Total cash used</b>	-	-	-	-	-
<b>Net cash from/(used by) investing activities</b>	-	-	-	-	-
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from borrowing	-	-	-	-	-
GST Appropriations	-	-	-	-	-
Other	-	-	-	-	-
<b>Total cash received</b>	-	-	-	-	-
<b>Cash used</b>					
Net repayment of borrowings	-	-	-	-	-
Dividends paid	-	-	-	-	-
Return of GST appropriations to the Official Public Account	-	-	-	-	-
Other	-	-	-	-	-
<b>Total cash used</b>	-	-	-	-	-
<b>Net cash from/(used by) financing activities</b>	-	-	-	-	-
<b>Net increase or (decrease) in cash held</b>	-	-	-	-	-
Cash at beginning of reporting period	35	35	35	35	35
Cash from Official Public Account for					
Appropriations	180,000	190,000	190,000	190,000	190,000
Special accounts	-	-	-	-	-
Capital appropriations	-	-	-	-	-
Transfers from other entities (Finance - Whole of Government)	-	-	-	-	-
Cash to Official Public Account for					
Appropriations	180,000	190,000	190,000	190,000	190,000
Special accounts	-	-	-	-	-
Transfers from other entities (Finance - Whole of Government)	-	-	-	-	-
Effect of exchange rate movements on cash at beginning of reporting period	-	-	-	-	-
<b>Cash at end of reporting period</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>

**Table 5.10: Schedule of Administered Capital Budget**

	Estimated actual 2005-06 \$'000	Budget estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Administered capital	-	-	-	-	-
Special appropriations	-	-	-	-	-
<b>Total capital appropriations</b>	-	-	-	-	-
<b>Represented by:</b>					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
<b>Total represented by</b>	-	-	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	-	-	-	-	-
Funded internally by Departmental resources	-	-	-	-	-

**Table 5.11: Schedule of Administered Property, Plant, Equipment and Intangibles — Summary of Movement (Budget Year 2006-07)**

	Land	Buildings	Other infrastructure plant and equipment	Computer software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2006</b>					
Gross book value	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
<b>Opening net book value</b>	-	-	-	-	-
Additions:					
by purchase	-	-	-	-	-
by finance lease	-	-	-	-	-
from acquisitions of entities or operations (including restructuring)	-	-	-	-	-
Net revaluation increment/decrement	-	-	-	-	-
Reclassifications	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-
Other movements	-	-	-	-	-
Disposals:					
from disposal of entities or operations (including restructuring)	-	-	-	-	-
other disposals	-	-	-	-	-
<b>As at 30 June 2007</b>					
Gross book value	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
<b>Closing net book value</b>	-	-	-	-	-

### **5.3: NOTES TO THE FINANCIAL STATEMENTS**

The budgeted financial statements for PHIAC are prepared for the budget year, previous year and three forward years.

#### **Departmental Financial Statements**

##### **Budgeted Departmental Income Statement (for the period ended 30 June)**

This statement provides a picture of the expected financial results for the agency by identifying full accrual expenses and revenues. This highlights whether the agency is operating at a sustainable level.

##### **Budgeted Departmental Balance Sheet (as at 30 June)**

The statement shows the financial position of the agency. It enables decision-makers to track the management of the agency's assets and liabilities.

##### **Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)**

Budgeted cash flows as reflected in the statement of cash flows, provides important information on the extent and nature of cash flows by characterising them into expected cash flows from operating activities, investing activities and financing activities.

##### **Departmental Statement of Changes in Equity – Summary of Movement (Budget year 2006-07)**

This table shows the movements in equity during the budget year.

##### **Departmental Capital Budget Statement**

The capital budget statement shows all planned capital expenditure on non-financial assets, whether funded through capital appropriations for additional equity, borrowings or from funds from internal sources.

##### **Departmental Property, Plant, Equipment and Intangibles—Summary of Movement (Budget year 2006-07)**

This table shows budgeted acquisitions and disposals of the agency's non financial assets during the budget year.

##### **Schedule of Administered Activity**

##### **Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)**

The schedule identifies the agency's main revenues and expenses administered by the agency on behalf of the Government.

##### **Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)**

The schedule shows the agency's assets and liabilities administered by the agency on behalf of the Government.

**Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)**

The schedule shows the agency's cash flows administered on behalf of the Government.

**Schedule of Administered Capital Budget**

This schedule shows details of the agency's planned administered capital expenditure.

**Schedule of Administered Property, Plant, Equipment and Intangibles–Summary of Movement (Budget Year 2006-07)**

This note discloses details of the agency's movements in administered non-financial assets.

