

# **PRIVATE HEALTH INSURANCE ADMINISTRATION COUNCIL**

**PHIAC**



# Private Health Insurance Administration Council

Health and Ageing Portfolio Agency

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PHIAC

## Section 1: Agency Overview and Resources

### 1.1: AGENCY OVERVIEW

The Australian Government provides funding to the Private Health Insurance Administration Council (PHIAC) to ensure the interests of consumers, with regard to fund restructures, mergers or acquisitions for example, are protected through the monitoring and financial regulation of the private health insurance industry. PHIAC is a statutory body established in 1989 under Section 82B of the *National Health Act 1953*. PHIAC's functions are listed at Section 264-10 of the *Private Health Insurance Act 2007*.

PHIAC administers the registration of private health insurers, is responsible for regulating the financial performance of the insurers and advises the Minister for Health and Ageing about the insurers' financial operations and affairs. PHIAC also calculates and distributes the risk equalisation pool funds. This Trust Fund shares the cost of older contributors (aged 55 and over) and the chronically ill (defined as those high cost claimants whose claims are above a certain threshold) within the private health insurance industry. The Trust Fund is a zero sum pool calculated on a quarterly basis. PHIAC undertakes the calculation, bills payees to the Trust Fund, and makes payments to recipients from the Trust Fund. The calculation and payments are audited annually.

PHIAC's role includes establishing Capital Adequacy and Solvency Standards for the private health insurance industry, and to give directions to the industry regarding compliance with these Standards.

Furthermore, PHIAC maintains a website<sup>1</sup> that provides information on the Council's functions, and statistics and information on the private health insurance industry. PHIAC also provides information to consumers relating to membership in private health insurance and the benefits paid by the industry.

The *Private Health Insurance (Council Administration Levy) Act 2003* requires the Australian Government to impose an administration levy on private health insurers to meet the general operating costs of PHIAC.

### Summary of Agency Outcome and Output Groups

The products and services delivered by PHIAC that contribute to the achievement of its outcome are summarised in Table 1.1.1.

**Table 1.1.1: Agency Outcome and Output Groups**

| Outcome   | Output Groups  |
|---|--|
| <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> | Output Group 1 – Information to Government and Other Stakeholders Relevant to Private Health Insurance |
|   | Output Group 2 – Regulatory Activity   |

<sup>1</sup> Accessible at <[www.phiac.gov.au](http://www.phiac.gov.au)>.

## 1.2: AGENCY RESOURCES

Table 1.2.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by administered and departmental classification.

The total resourcing for PHIAC in the 2008-09 Budget is \$259.850 million.

**Table 1.2.1: PHIAC Resource Statement**

|   | Estimate<br>of prior +<br>year amounts<br>available in<br>2008-09<br>\$'000 | Proposed<br>at Budget =<br>2008-09<br>\$'000 | Total<br>Estimate<br>2008-09<br>\$'000 | Estimated<br>Appropriation<br>Available<br>2007-08<br>\$'000 |
|---|---|--|--|--|
| Opening Balance/Reserves at Bank  | 4,784   | -  | 4,784                                  | -  |
| <b>REVENUE FROM GOVERNMENT</b>  |   |  |  |  |
| <b>Special Appropriations</b>   |   |  |  |  |
| Private Health Insurance Act 2007 - s307-10 Private Health Insurance (Risk Equalisation Trust Fund Levy) Act 2003 | -   | 250,000                                      | 250,000                                | 230,000  |
| Private Health Insurance Act 2007 - s307-10 Private Health Insurance (Council Administration Levy) Act 2003       | -   | 4,435  | 4,435                                  | 4,435  |
| <b>Total Special Appropriations</b>   | -   | <b>254,435</b>                               | <b>254,435</b>                         | <b>234,435</b>   |
| <b>Total Funds from Government</b>  | <b>4,784</b>  | <b>254,435</b>                               | <b>259,219</b>                         | <b>234,435</b>   |
| <b>FUNDS FROM INDUSTRY SOURCES</b>  |   |  |  |  |
| Levies <sup>1</sup>   |   | 254,435                                      | 254,435                                | 234,435  |
| less amounts paid to the CRF  |   | (254,435)                                    | (254,435)                              | (234,435)  |
| <b>Total Funds from Industry</b>  | -   | -  | -                                      | -  |
| <b>FUNDS FROM OTHER SOURCES</b>   |   |  |  |  |
| Interest  | -   | 534  | 534                                    | 515  |
| Sale of goods and services  | -   | 96   | 96                                     | 94   |
| Other   | -   | 1  | 1                                      | 1  |
| <b>Total Funds from Other Sources</b>   | -   | <b>631</b>                                   | <b>631</b>                             | <b>610</b>   |
| <b>Total Net Resourcing for PHIAC</b>   | <b>4,784</b>  | <b>255,066</b>                               | <b>259,850</b>                         | <b>235,045</b>   |

All figures are GST exclusive.

CRF - Consolidated Revenue Fund.

PHIAC is not directly appropriated as it is a CAC Act body. Appropriations are made to Department of Health and Ageing which are then paid to PHIAC and are considered 'departmental' for all purposes.

<sup>1</sup> Levies are collected Private Health Insurance Act 2007 - s307-10 Private Health Insurance (Risk Equalisation Trust Fund Levy) Act 2003 and Private Health Insurance Act 2007 - s307-10 Private Health Insurance (Council Administration Levy) Act 2003.

### **1.3: 2008-09 BUDGET MEASURES**

Section 1.3 is not applicable to PHIAC in 2008-09.

## Section 2: Agency Outcomes and Planned Performance

The Australian Government requires agencies to measure their intended and actual performance in terms of outcomes. Government outcomes are the results, impacts or consequences of actions by the Government on the Australian community. Agencies are required to identify the output groups that demonstrate their contribution to Government outcomes over the coming year.

This section summarises administered programs and output groups, specifying the performance indicators and targets used to assess and monitor the performance of PHIAC in achieving Government outcomes.

**Outcome 1 – 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**

### 2.1: SUMMARY OF OUTCOME, AGENCY RESOURCING, ADMINISTERED PROGRAM, OUTPUTS AND PERFORMANCE INFORMATION

#### Outcome Summary

The Australian Government is committed to ensuring that the prudential safety of registered private health insurers, the best interests of members of those insurers, and a competitive level of private health insurance premiums, are efficiently regulated to support a viable industry. PHIAC will achieve this by continuing to educate and encourage the private health insurance industry to operate effectively in the interests of contributors.

In addition, PHIAC will continue to actively assist private health insurers to understand key trends in their industry and to ensure that the Australian Government has an accurate, timely and useful information base for policy decisions. By implementing the legislative requirements specified in the *Private Health Insurance Act 2007*, and associated Acts, an efficient and competitive health insurance industry is fostered, thus protecting the interests of consumers.

#### Key Strategic Directions

- Ensure best practice private health insurance prudential regulation in Australia.
- Strengthen private health insurance industry governance through training, policy development and dissemination, and regulator engagement.
- Invest in stakeholder relationships to improve the understanding of emerging trends and issues as they relate to the private health insurance industry.
- Improve capacity and develop additional corporate governance standards for the private health insurance industry.

## **Major Activities**

### **Business as Usual – Private Health Insurance Regulation Best Practice**

During 2008-09, PHIAC, on behalf of the Australian Government, will work with the Department of Health and Ageing and the private health industry to improve the efficiency of the industry by implementing measures stipulated in the new private health insurance legislation and associated regulation. To achieve this, PHIAC will further progress its review of the prudential standards, continue the ongoing schedule of rolling fund reviews, and continue to develop PHIAC's risk assessment guidelines for the private health insurers. These initiatives ensure an efficient and competitive health insurance industry is maintained, and consumers' interests are protected in accordance with best practice. PHIAC will also continue as part of its business as usual to monitor the financial operations of the health funds and to produce and publish quarterly its key statistics on the industry.

The challenges PHIAC may encounter in implementing these initiatives are mitigated through PHIAC's policy of early intervention where there is cause for concern about the affairs of an insurer or the fund it conducts.

Funding for this major activity is sourced from Output Group 2 – Regulatory Activity. For this activity, PHIAC is not dependent on a budget set by Government and is fully funded by the Private Health Insurance Council Administration Levy which is payable by private health insurers to PHIAC to meet the general administrative costs of the Council.

### **Industry Governance**

In 2008-09, PHIAC will strengthen the private health insurance industry governance on the Australian Government's behalf by providing further training programs to industry directors, with particular focus on current legislation. This training will enhance industry knowledge of relevant legislation to ensure compliance. As well as running director education seminars annually, PHIAC will also develop a policy on education more specifically designed for fund actuaries and accountants.

Additionally, PHIAC will develop and publish further governance principles to shape industry best practice, engage key stakeholders in the development of those principles and aim to identify acceptable and unacceptable practices. PHIAC will also maintain and strengthen existing links with other regulators. These initiatives ensure an efficient and competitive health insurance industry is maintained and consumers' interests are protected.

Funding for this major activity is sourced from Output Group 1 – Information to Government and Other Stakeholders Relevant to Private Health Insurance.

### **Investing in Relationships**

PHIAC will engage with the Australian Government, the Minister for Health and Ageing, and the Department of Health and Ageing, to ensure emerging trends and issues in the private health insurance industry are understood and managed effectively.

In 2008-09, PHIAC will engage the industry to enhance their understanding of the context and implications of such issues as demutualisations, mergers and acquisitions by developing better practice guidelines for such events. PHIAC will promulgate guidelines and publications amongst the industry, and information will be provided at directors'



education programs and seminars. These initiatives ensure an efficient and competitive health insurance industry is maintained, and consumers' interests are protected.

Funding for this major activity is sourced from Output Group 1 – Information to Government and Other Stakeholders Relevant to Private Health Insurance.

### **Governing PHIAC and Building Capacity**

With the introduction of the *Private Health Insurance Act 2007* in April 2007, PHIAC's objectives and functions were greatly expanded. This included the acquisition of additional legislative responsibility for drafting new prudential standards.

In 2008-09, PHIAC will exercise its powers and discretions to give directions to the private health insurers on improving and enhancing compliance with the prudential standards. As a result of the new legislation, PHIAC will manage and effect the re-registration process of all private health insurers. Under Division 166 of the new legislation, PHIAC will draft additional corporate governance standards for the private health insurers to ensure that disqualified persons cannot act as directors of, or for, health funds.

Funding for this major activity is sourced from Output Group 2 – Regulatory Activity.

## PHIAC Resourcing

Table 2.1.1 shows how the 2008-09 Budget appropriations translate to total resourcing for PHIAC, including administered expenses, revenue from government (appropriations), revenue from other sources, and the total price of outputs.

**Table 2.1.1: Total Resources for PHIAC**

|   | 2008-09<br>Total<br>estimate of<br>available<br>resources<br>\$'000 | 2007-08<br>Estimated<br>actual<br>\$'000 |
|---|---|--|
| <b>Private Health Insurance Risk Equalisation Trust Fund Program</b>                  |   |  |
| Administered Items  |   |  |
| Special Appropriations:   |   |  |
| Private Health Insurance Reinsurance Trust fund Levy                                  | 250,000   | 230,000                                  |
| <b>Subtotal for Program</b>   | <b>250,000</b>  | <b>230,000</b>                           |
| <b>Output Group 1:</b>  |   |  |
| Departmental Outputs  |   |  |
| Information to Government and Other Stakeholders Relevant to Private Health Insurance | 1,928   | 1,926                                    |
| Revenues from other sources   | -   | -  |
| <b>Subtotal for Output Group 1</b>  | <b>1,928</b>  | <b>1,926</b>                             |
| <b>Output Group 2:</b>  |   |  |
| Departmental Outputs  |   |  |
| Regulatory Activity   | 2,886   | 2,884                                    |
| Revenues from other sources   | -   | -  |
| <b>Subtotal for Output Group 2</b>  | <b>2,886</b>  | <b>2,884</b>                             |
| <b>Total Resources for PHIAC</b>  | <b>254,814</b>  | <b>234,810</b>                           |
|   | 2008-09   | 2007-08                                  |
| <b>Average Staffing Level (Number)</b>  | <b>26</b>   | <b>25</b>                                |

## Contribution of Administered Programs

### Program – Private Health Insurance Risk Equalisation Trust Fund

The purpose of the Private Health Insurance Risk Equalisation Trust Fund is to share the cost of older contributors (aged 55 and over) and the chronically ill (defined as those high cost claimants whose claims are above a certain threshold) within the private health insurance industry. The Trust Fund is a zero sum pool calculated on a quarterly basis.

PHIAC undertakes the calculation, bills payees to the Trust Fund, and makes payments to recipients from the Trust Fund. The calculation and payments are audited annually. The contribution to this outcome is measured by all calculations correctly calculated, and the timeliness of payments to and from the Trust Fund.

## Contribution of Departmental Outputs

### Output Group 1 – Information to Government and Other Stakeholders Relevant to Private Health Insurance

The outputs delivered under this output group include:

- collection of information by PHIAC regarding the operations of private health insurers;
- analysis and provision of comment to the Australian Government on the financial impact of private health insurers' premium prices;
- web-based public information services providing consumer information on private health insurance (*Insure? Not Sure?* brochure)<sup>2</sup>;
- collection and provision of statistics and other financial information relating to private health insurers;
- provision of an annual report on the operations of PHIAC as required under Section 9 of the *Commonwealth Authorities and Companies Act 1997*; and
- provision of an annual report on the private health insurers as required under Section 264-15 of the *Private Health Insurance Act 2007*.

The output group's contribution to this outcome is measured by the provision of accurate and timely information about private health insurance to stakeholders, including consumers and Government.

### Output Group 2 – Regulatory Activity

The outputs delivered under this output group include:

- calculation and management of the Private Health Insurance Risk Equalisation Trust Fund on a quarterly basis and the distribution of the payments to and from the pool;
- monitoring of the financial status of the private health insurance industry through quarterly reporting;
- review and establish Solvency Standards and Capital Adequacy Standards for private health insurers;

<sup>2</sup> Accessible at <[www.phiac.gov.au/insurenotsure/index.htm](http://www.phiac.gov.au/insurenotsure/index.htm)>.

- deliver education programs for directors of private health insurers;
- provide solvency directions and capital adequacy directions to private health insurers;
- intervene where necessary and appropriate if a breach of the *Private Health Insurance Act 2007* occurs;
- exercise powers and discretions under the prudential standards, and to give directions to the private health insurers relating to compliance with the prudential standards; and
- manage and effect the re-registration process of private health insurers.

The output group's contribution to this outcome is measured by early detection and intervention allowing a private health insurer to recover or merge, and the implementation of the new Standards.

### Performance Information for PHIAC

Performance information for administered programs and output groups relating to PHIAC are summarised in Table 2.1.2.

**Table 2.1.2: Key Performance Information for PHIAC**

#### Performance Information for Administered Programs

| Indicator   | 2008-09 Reference Point or Target   |
|---|---|
| <b>Program – Private Health Insurance Risk Equalisation Trust Fund</b> <ul style="list-style-type: none"> <li>• Administered Items</li> </ul>                                     |   |
| Maintenance of community rating through the administration and accurate calculation of risk equalisation payments into the Private Health Insurance Risk Equalisation Trust Fund. | 100% of the quarterly calculations are calculated correctly and payments to and from the Trust Fund are made on time. |
| <ul style="list-style-type: none"> <li>• Departmental Outputs<sup>3</sup></li> </ul>  |   |
| <b>Resourcing: \$250.000m</b>   |   |

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<sup>3</sup> See 'Performance Information for Departmental Outputs' for further information.

**Performance Information for Departmental Outputs**

In relation to the following program:

- Private Health Insurance Risk Equalisation Trust Fund.

| Indicator   | 2008-09 Reference Point or Target   |
|---|---|
| <b>Output Group 1 – Information to Government and Other Stakeholders Relevant to Private Health Insurance</b>   |   |
| Provision of information about private health insurance to the Australian Government and consumers. Measured by accurate calculation and timely release of key statistics each quarter. | Membership and coverage, gap cover statistics, PHIAC A (Membership benefits statistics) and B Statistics (Financial), and PHIAC 3 (data on private health insurance expenditure on prostheses) and 4 (data monitoring medical claims and out-of-pocket expenses for consumers) reports to be available within 6 weeks of the end of each quarter. Trend statistics to be available within 8 weeks of the end of each quarter. |
| Provision of timely, detailed and accurate information about private health insurance to the Australian Government and contributors on an annual basis.                                 | The <i>Commonwealth Authorities and Companies Act 1997</i> report provided to the Minister by 15 October each year.<br><br>Section 264-15 (the <i>Private Health Insurance Act 2007</i> ) report provided to the Minister by December each year.  |
| <b>Output Group 1 Resourcing: \$1.928m</b>  |   |

| Indicator   | 2008-09 Reference Point or Target  |
|---|--|
| <b>Output Group 2 – Regulatory Activity</b>   |  |
| Private health insurers report their prudential position on a quarterly basis. Measured by early detection and appropriate interventory action to allow a private health insurer to recover or merge. | PHIAC takes appropriate regulatory action to allow a private health insurer to recover or merge, to protect interests of contributors. |
| Undertake enhanced and expanded compliance functions emanating from the <i>Private Health Insurance Act 2007</i> .  | Enhanced compliance functions undertaken effectively in 2008-09.   |
| Revise and implement the Capital Adequacy and Solvency Standards in consultation with the private health insurance industry.  | New Standards will be implemented during 2008-09.  |



PHIAC – Agency Budget Statements – Outcomes

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| Indicator   | 2008-09 Reference Point or Target   |
|---|---|
| <b>Output Group 2 – Regulatory Activity</b>   |   |
| Implement the rolling review program of all private health insurers. An updated, issues-based review program will be developed on a risk basis. | Updated, issues-based review program will occur during 2008-09.   |
| Develop and promulgate a series of best practice corporate governance guidelines for private health insurers.                                   | PHIAC governance guidelines on mergers and acquisitions, and fit and proper persons will be implemented during 2008-09. |
| Timely provision of director education seminars and actuary education seminars.   | PHIAC will provide at least one seminar during 2008-09.   |
| <b>Output Group 2 Resourcing: \$254.814m</b>  |   |

## **Section 3: Budgeted Financial Statements**

Section 3 presents budgeted financial statements that provide a comprehensive snapshot of agency finances for the Budget year 2008-09. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between the agency and outcome resource statements, movements in administered funds, special accounts and Government Indigenous expenditure.

### **3.1: EXPLANATORY TABLES**

#### **3.1.1: Reconciliation of Total Available Appropriation and Outcomes**

#### **3.1.2: Movement of Administered Funds Between Years**

#### **3.1.3: Special Accounts**

#### **3.1.4: Australian Government Indigenous Expenditure**

Section 3.1 is not applicable to PHIAC.

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

The expected changes in 2008-09 when compared with the forecast results for 2007-08 are explained below.

#### **Income Statement**

##### **Expense – Suppliers:**

The figure for 2007-08 includes legal and actuarial fees incurred in relation to the demutualisation of a health fund.

##### **Depreciation and Amortisation**

The figure for 2008-09 includes depreciation of Leasehold Improvement assets that were acquired in June 2008.



### 3.3: BUDGETED FINANCIAL STATEMENTS TABLES

**Table 3.3.1: Budgeted Departmental Income Statement (for the period ended 30 June)**

|                               | Estimated<br>actual<br>2007-08<br>\$'000 | Budget<br>estimate<br>2008-09<br>\$'000 | Forward<br>estimate<br>2009-10<br>\$'000 | Forward<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 |
|-------------------------------|--|---|--|--|--|
| <b>INCOME</b>                 |  |   |  |  |  |
| <b>Revenue</b>                |  |   |  |  |  |
| Revenues from Government      | 4,435                                    | 4,435                                   | 4,966                                    | 5,185                                    | 5,163                                    |
| Goods and services            | 94                                       | 96                                      | 104                                      | 106                                      | 108                                      |
| Interest                      | 283                                      | 282                                     | 285                                      | 291                                      | 296                                      |
| Other                         | 1  | 1                                       | 1  | 1  | 1  |
| <b>Total Revenue</b>          | <b>4,813</b>                             | <b>4,814</b>                            | <b>5,356</b>                             | <b>5,583</b>                             | <b>5,568</b>                             |
| <b>Total Income</b>           | <b>4,813</b>                             | <b>4,814</b>                            | <b>5,356</b>                             | <b>5,583</b>                             | <b>5,568</b>                             |
| <b>EXPENSE</b>                |  |   |  |  |  |
| Employees                     | 2,718                                    | 3,032                                   | 3,340                                    | 3,481                                    | 3,623                                    |
| Suppliers                     | 1,939                                    | 1,578                                   | 1,831                                    | 1,984                                    | 1,872                                    |
| Depreciation and amortisation | 141                                      | 185                                     | 170                                      | 115                                      | 73                                       |
| Other                         | 15                                       | 19                                      | 15                                       | 3  | -  |
| <b>Total Expenses</b>         | <b>4,813</b>                             | <b>4,814</b>                            | <b>5,356</b>                             | <b>5,583</b>                             | <b>5,568</b>                             |
| <b>Surplus/(Deficit)</b>      | <b>-</b>                                 | <b>-</b>                                | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |

Prepared on Australian Accounting Standards basis.

**Table 3.3.2: Budgeted Departmental Balance Sheet (as at 30 June)**

|   | Estimated<br>actual<br>2007-08<br>\$'000 | Budget<br>estimate<br>2008-09<br>\$'000 | Forward<br>estimate<br>2009-10<br>\$'000 | Forward<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 |
|---|--|---|--|--|--|
| <b>ASSETS</b>                                 |  |   |  |  |  |
| <b>Financial assets</b>                       |  |   |  |  |  |
| Cash and equivalents                          | 4,655                                    | 4,784                                   | 5,166                                    | 5,518                                    | 5,823                                    |
| Trade and other Receivables                   | 50                                       | 50                                      | 50                                       | 50                                       | 50                                       |
| Investments                                   | 5  | 5                                       | 5  | 5  | 5  |
| <b>Total Financial Assets</b>                 | <b>4,710</b>                             | <b>4,839</b>                            | <b>5,221</b>                             | <b>5,573</b>                             | <b>5,878</b>                             |
| <b>Non-Financial Assets</b>                   |  |   |  |  |  |
| Infrastructure, plant and equipment           | 419                                      | 284                                     | 180                                      | 112                                      | 100                                      |
| Other   | 52                                       | 32                                      | 25                                       | 25                                       | 24                                       |
| <b>Total Non-Financial Assets</b>             | <b>471</b>                               | <b>316</b>                              | <b>205</b>                               | <b>137</b>                               | <b>124</b>                               |
| <b>Total Assets</b>                           | <b>5,181</b>                             | <b>5,155</b>                            | <b>5,426</b>                             | <b>5,710</b>                             | <b>6,002</b>                             |
| <b>LIABILITIES</b>                            |  |   |  |  |  |
| <b>Interest Bearing Liabilities</b>           |  |   |  |  |  |
| Leases  | 13                                       | 26                                      | 25                                       | 32                                       | 19                                       |
| <b>Total Interest Bearing Liabilities</b>     | <b>13</b>                                | <b>26</b>                               | <b>25</b>                                | <b>32</b>                                | <b>19</b>                                |
| <b>Provisions</b>                             |  |   |  |  |  |
| Employees                                     | 860                                      | 821                                     | 1,076                                    | 1,342                                    | 1,619                                    |
| Other   | 65                                       | 65                                      | 65                                       | 65                                       | 65                                       |
| <b>Total Provisions</b>                       | <b>925</b>                               | <b>886</b>                              | <b>1,141</b>                             | <b>1,407</b>                             | <b>1,684</b>                             |
| <b>Payables</b>                               |  |   |  |  |  |
| Suppliers                                     | 212                                      | 212                                     | 229                                      | 240                                      | 268                                      |
| <b>Total Payables</b>                         | <b>212</b>                               | <b>212</b>                              | <b>229</b>                               | <b>240</b>                               | <b>268</b>                               |
| <b>Total Liabilities</b>                      | <b>1,150</b>                             | <b>1,124</b>                            | <b>1,395</b>                             | <b>1,679</b>                             | <b>1,971</b>                             |
| <b>Net Assets</b>                             | <b>4,031</b>                             | <b>4,031</b>                            | <b>4,031</b>                             | <b>4,031</b>                             | <b>4,031</b>                             |
| <b>EQUITY</b>                                 |  |   |  |  |  |
| <b>Parent Entity Interest</b>                 |  |   |  |  |  |
| Reserves                                      | 64                                       | 64                                      | 64                                       | 64                                       | 64                                       |
| Retained surpluses or<br>accumulated deficits | 3,967                                    | 3,967                                   | 3,967                                    | 3,967                                    | 3,967                                    |
| <b>Total Parent Entity Interest</b>           | <b>4,031</b>                             | <b>4,031</b>                            | <b>4,031</b>                             | <b>4,031</b>                             | <b>4,031</b>                             |
| <b>Total Equity</b>                           | <b>4,031</b>                             | <b>4,031</b>                            | <b>4,031</b>                             | <b>4,031</b>                             | <b>4,031</b>                             |
| Current assets                                | 4,734                                    | 4,858                                   | 5,216                                    | 5,568                                    | 5,873                                    |
| Non-current assets                            | 447                                      | 297                                     | 210                                      | 142                                      | 129                                      |
| Current liabilities                           | 884                                      | 873                                     | 1,078                                    | 1,284                                    | 1,512                                    |
| Non-current liabilities                       | 266                                      | 252                                     | 318                                      | 395                                      | 459                                      |

**Table 3.3.3: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)**

|  | Estimated<br>actual<br>2007-08<br>\$'000 | Budget<br>estimate<br>2008-09<br>\$'000 | Forward<br>estimate<br>2009-10<br>\$'000 | Forward<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 |
|--|--|---|--|--|--|
| <b>OPERATING ACTIVITIES</b>                                |  |   |  |  |  |
| <b>Cash Received</b>                                       |  |   |  |  |  |
| Goods and services   | 94                                       | 96                                      | 104                                      | 106                                      | 108                                      |
| Appropriations   | 4,435                                    | 4,435                                   | 4,966                                    | 5,185                                    | 5,163                                    |
| Interest   | 283                                      | 282                                     | 285                                      | 291                                      | 296                                      |
| Other  | -  | 1                                       | 1  | 1  | 1  |
| <b>Total Cash Received</b>                                 | <b>4,812</b>                             | <b>4,814</b>                            | <b>5,356</b>                             | <b>5,583</b>                             | <b>5,568</b>                             |
| <b>Cash Used</b>   |  |   |  |  |  |
| Employees  | 2,598                                    | 3,072                                   | 3,085                                    | 3,214                                    | 3,345                                    |
| Suppliers  | 1,933                                    | 1,578                                   | 1,822                                    | 1,977                                    | 1,844                                    |
| <b>Total Cash Used</b>                                     | <b>4,531</b>                             | <b>4,650</b>                            | <b>4,907</b>                             | <b>5,191</b>                             | <b>5,189</b>                             |
| <b>Net Cash From or (Used by)<br/>Operating Activities</b> | <b>281</b>                               | <b>164</b>                              | <b>449</b>                               | <b>392</b>                               | <b>379</b>                               |
| <b>INVESTING ACTIVITIES</b>                                |  |   |  |  |  |
| <b>Cash Used</b>   |  |   |  |  |  |
| Purchase of property, plant<br>and equipment               | 230                                      | 29                                      | 54                                       | 27                                       | 61                                       |
| <b>Total Cash Used</b>                                     | <b>230</b>                               | <b>29</b>                               | <b>54</b>                                | <b>27</b>                                | <b>61</b>                                |
| <b>Net Cash from or (Used by)<br/>Investing Activities</b> | <b>(230)</b>                             | <b>(29)</b>                             | <b>(54)</b>                              | <b>(27)</b>                              | <b>(61)</b>                              |
| <b>FINANCING ACTIVITIES</b>                                |  |   |  |  |  |
| <b>Cash Used</b>   |  |   |  |  |  |
| Repayments of debt   | 6  | 7                                       | 13                                       | 13                                       | 13                                       |
| <b>Total Cash Used</b>                                     | <b>6</b>                                 | <b>7</b>                                | <b>13</b>                                | <b>13</b>                                | <b>13</b>                                |
| <b>Net Cash from or (Used by)<br/>Financing Activities</b> | <b>(6)</b>                               | <b>(7)</b>                              | <b>(13)</b>                              | <b>(13)</b>                              | <b>(13)</b>                              |
| <b>Net Increase or (Decrease)<br/>in Cash Held</b>         | <b>45</b>                                | <b>128</b>                              | <b>382</b>                               | <b>352</b>                               | <b>305</b>                               |
| Cash at the beginning of<br>the reporting period           | 4,611                                    | 4,656                                   | 4,784                                    | 5,166                                    | 5,518                                    |
| <b>Cash At the End of the<br/>Reporting Period</b>         | <b>4,656</b>                             | <b>4,784</b>                            | <b>5,166</b>                             | <b>5,518</b>                             | <b>5,823</b>                             |

**Table 3.3.4: Departmental Statement of Changes in Equity — Summary of Movement (Budget year 2008-09)**

|   | Retained<br>earnings<br>\$'000 | Asset<br>revaluation<br>reserve<br>\$'000 | Other<br>reserves<br>\$'000 | Contributed<br>equity/<br>capital<br>\$'000 | Total<br>equity<br>\$'000 |
|---|--------------------------------|---|-----------------------------|---|---------------------------|
| <b>Opening Balance as at 1 July 2008</b>                |                                |   |                             |   |                           |
| Balance carried forward from<br>previous period         | 3,967                          | -   | 64                          | -   | 4,031                     |
| Adjustment for changes in<br>accounting policies        | -                              | -   | -                           | -   | -                         |
| <b>Adjusted Opening Balance</b>                         | <b>3,967</b>                   | <b>-</b>                                  | <b>64</b>                   | <b>-</b>                                    | <b>4,031</b>              |
| <b>Estimated Closing Balance<br/>as at 30 June 2009</b> |                                |   |                             |   |                           |
|   | <b>3,967</b>                   | <b>-</b>                                  | <b>64</b>                   | <b>-</b>                                    | <b>4,031</b>              |

**Table 3.3.5: Schedule of Budgeted Income and Expenses Administered on Behalf of Government (for the period ended 30 June)**

|  | Estimated<br>actual<br>2007-08<br>\$'000 | Budget<br>estimate<br>2008-09<br>\$'000 | Forward<br>estimate<br>2009-10<br>\$'000 | Forward<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 |
|--|--|---|--|--|--|
| <b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>         |  |   |  |  |  |
| <b>Revenue</b>   |  |   |  |  |  |
| <b>Non-Taxation</b>  |  |   |  |  |  |
| Interest   | 232                                      | 252                                     | 252                                      | 252                                      | 252                                      |
| Other sources of non-taxation revenues                     | 230,000                                  | 250,000                                 | 250,000                                  | 250,000                                  | 250,000                                  |
| <b>Total Non-Taxation</b>                                  | <b>230,232</b>                           | <b>250,252</b>                          | <b>250,252</b>                           | <b>250,252</b>                           | <b>250,252</b>                           |
| <b>Total Revenues Administered on Behalf of Government</b> | <b>230,232</b>                           | <b>250,252</b>                          | <b>250,252</b>                           | <b>250,252</b>                           | <b>250,252</b>                           |
| <b>Total Income Administered on Behalf of Government</b>   | <b>230,232</b>                           | <b>250,252</b>                          | <b>250,252</b>                           | <b>250,252</b>                           | <b>250,252</b>                           |
| <b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>       |  |   |  |  |  |
| Finance costs  | 232                                      | 252                                     | 252                                      | 252                                      | 252                                      |
| Other  | 230,000                                  | 250,000                                 | 250,000                                  | 250,000                                  | 250,000                                  |
| <b>Total Expenses Administered on Behalf of Government</b> | <b>230,232</b>                           | <b>250,252</b>                          | <b>250,252</b>                           | <b>250,252</b>                           | <b>250,252</b>                           |



**Table 3.3.6: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government (as at 30 June)**

|   | Estimated<br>actual<br>2007-08<br>\$'000 | Budget<br>estimate<br>2008-09<br>\$'000 | Forward<br>estimate<br>2009-10<br>\$'000 | Forward<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 |
|---|--|---|--|--|--|
| <b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>            |  |   |  |  |  |
| <b>Financial Assets</b>                                       |  |   |  |  |  |
| Cash and cash equivalents                                     | 66                                       | 66                                      | 66                                       | 66                                       | 66                                       |
| <b>Total Financial Assets</b>                                 | <b>66</b>                                | <b>66</b>                               | <b>66</b>                                | <b>66</b>                                | <b>66</b>                                |
| <b>Total Assets Administered on Behalf of Government</b>      | <b>66</b>                                | <b>66</b>                               | <b>66</b>                                | <b>66</b>                                | <b>66</b>                                |
| <b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>       |  |   |  |  |  |
| <b>Provisions</b>   |  |   |  |  |  |
| Other provisions  | -  | -                                       | -  | -  | -  |
| <b>Total Provisions</b>                                       | <b>-</b>                                 | <b>-</b>                                | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |
| <b>Payables</b>   |  |   |  |  |  |
| Suppliers   | 5  | 5                                       | 5  | 5  | 5  |
| Other payables  | -  | -                                       | -  | -  | -  |
| <b>Total Payables</b>   | <b>5</b>                                 | <b>5</b>                                | <b>5</b>                                 | <b>5</b>                                 | <b>5</b>                                 |
| Liabilities included in disposal groups held for sale         | -  | -                                       | -  | -  | -  |
| <b>Total Liabilities Administered on Behalf of Government</b> | <b>-</b>                                 | <b>-</b>                                | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |

**Table 3.3.7: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June)**

|                                   | Estimated<br>actual<br>2007-08<br>\$'000 | Budget<br>estimate<br>2008-09<br>\$'000 | Forward<br>estimate<br>2009-10<br>\$'000 | Forward<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 |
|-----------------------------------|--|---|--|--|--|
| <b>OPERATING ACTIVITIES</b>       |  |   |  |  |  |
| <b>Cash Received</b>              |  |   |  |  |  |
| Interest                          | 232                                      | 252                                     | 252                                      | 252                                      | 252                                      |
| Other                             | 230,000                                  | 250,000                                 | 250,000                                  | 250,000                                  | 250,000                                  |
| <b>Total Cash Received</b>        | <b>230,232</b>                           | <b>250,252</b>                          | <b>250,252</b>                           | <b>250,252</b>                           | <b>250,252</b>                           |
| <b>Cash Used</b>                  |  |   |  |  |  |
| Borrowing costs                   | 232                                      | 252                                     | 252                                      | 252                                      | 252                                      |
| Other                             | 230,000                                  | 250,000                                 | 250,000                                  | 250,000                                  | 250,000                                  |
| <b>Total Cash Used</b>            | <b>230,232</b>                           | <b>250,252</b>                          | <b>250,252</b>                           | <b>250,252</b>                           | <b>250,252</b>                           |
| <b>Net Cash from or (Used by)</b> |  |   |  |  |  |
| Operating Activities              | -  | -                                       | -  | -  | -  |
| <b>INVESTING ACTIVITIES</b>       |  |   |  |  |  |
| <b>Cash Received</b>              |  |   |  |  |  |
| Other                             | -  | -                                       | -  | -  | -  |
| <b>Total Cash Received</b>        | <b>-</b>                                 | <b>-</b>                                | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |

**Table 3.3.7: Schedule of Budgeted Administered Cash Flows (for the period ended 30 June) (cont)**

|  | Estimated<br>actual<br>2007-08<br>\$'000 | Budget<br>estimate<br>2008-09<br>\$'000 | Forward<br>estimate<br>2009-10<br>\$'000 | Forward<br>estimate<br>2010-11<br>\$'000 | Forward<br>estimate<br>2011-12<br>\$'000 |
|--|--|---|--|--|--|
| <b>Cash Used</b>   |  |   |  |  |  |
| Other  | -  | -                                       | -  | -  | -  |
| <b>Total Cash Used</b>   | -  | -                                       | -  | -  | -  |
| <b>Net Cash from or (Used by)</b>                                |  |   |  |  |  |
| <b>Investing Activities</b>                                      | -  | -                                       | -  | -  | -  |
| <b>FINANCING ACTIVITIES</b>                                      |  |   |  |  |  |
| <b>Cash Received</b>   |  |   |  |  |  |
| Other  | -  | -                                       | -  | -  | -  |
| <b>Total Cash Received</b>                                       | -  | -                                       | -  | -  | -  |
| <b>Cash Used</b>   |  |   |  |  |  |
| Other  | -  | -                                       | -  | -  | -  |
| <b>Total Cash Used</b>   | -  | -                                       | -  | -  | -  |
| <b>Net Cash from or (Used by)</b>                                |  |   |  |  |  |
| <b>Financing Activities</b>                                      | -  | -                                       | -  | -  | -  |
| <b>Net Increase or (Decrease) in</b>                             |  |   |  |  |  |
| <b>Cash Held</b>   |  |   |  |  |  |
| Cash at beginning of reporting period                            | -  | 12                                      | 12                                       | 12                                       | 12                                       |
| Cash from Official Public Account for:                           |  |   |  |  |  |
| - appropriations   | 230,000                                  | 250,000                                 | 250,000                                  | 250,000                                  | 250,000                                  |
| - special accounts   | -  | -                                       | -  | -  | -  |
| Transfers from other entities<br>(Finance - Whole of Government) | -  | -                                       | -  | -  | -  |
| Cash to Official Public Account for:                             |  |   |  |  |  |
| - appropriations   | 230,000                                  | 250,000                                 | 250,000                                  | 250,000                                  | 250,000                                  |
| - special accounts   | -  | -                                       | -  | -  | -  |
| movements on cash at<br>beginning of reporting period            | -  | -                                       | -  | -  | -  |
| <b>Cash at End of Reporting Period</b>                           | -  | <b>12</b>                               | <b>12</b>                                | <b>12</b>                                | <b>12</b>                                |



### **3.4: 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 PHIAC by identifying full accrual expenses and revenues. This highlights whether PHIAC is operating at a sustainable level.

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

The statement shows the financial position of PHIAC. It enables decision-makers to track the management of PHIAC'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 2008-09)**

This table shows the movements in equity 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 PHIAC's main revenues and expenses administered by PHIAC on behalf of the Government.

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

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

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

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

