

PRIVATE HEALTH INSURANCE ADMINISTRATION COUNCIL

Agency Resources and Planned Performance

Private Health Insurance Administration Council

Health and Ageing Portfolio Agency

Section 1: Agency Overview and Resources	698
1.1: Agency Overview	698
1.2: Agency Resources	699
1.3: Budget Measures	700
1.4: Transition from Outcomes and Outputs to Outcomes and Programs	700
Section 2: Outcomes and Planned Performance	701
2.1: Outcomes and Performance Information	701
Section 3: Explanatory Tables and Budgeted Financial Statements	709
3.1: Explanatory Tables.....	709
3.2: Budgeted Financial Statements	710

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 are protected through the monitoring and financial regulation of the private health insurance industry including for example, insurer restructures, mergers or acquisitions. PHIAC operates primarily under the *Private Health Insurance Act 2007* (and associated subordinate legislation) and its functions are listed at Section 264-10 of the *Private Health Insurance Act 2007* (the PHI Act).

PHIAC administers the registration of private health insurers, is responsible for regulating the prudential 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 Risk Equalisation Trust Fund (the 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. 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 website¹ that provides information on the organisation'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.

While there have been no significant changes in PHIAC's role since the *2008-09 Health and Ageing Portfolio Budget Statements*, it is important to note that, like other prudential regulators, activity has increased with the advent of the global financial crisis. PHIAC has increased its oversight of the industry during this crisis and is deploying additional resources. PHIAC seeks to proactively position itself to manage any issues that may arise in relation to the operations of the private health insurance industry. External factors that may affect the aims of the agency are the global financial crisis and consumer confidence. PHIAC will mitigate these challenges through the activities detailed within this chapter.

¹ Accessible at <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 departmental classifications.

Table 1.2.1: PHIAC Resource Statement – Budgeted Estimates for 2009-10 as at Budget May 2009

	Estimate of prior year amounts available in 2009-10 \$'000	Proposed at Budget 2009-10 \$'000	Total estimate 2009-10 \$'000	Estimated available appropriation 2008-09 \$'000
Opening balance/reserves at bank	4,957	-	4,957	4,814
FUNDS FROM GOVERNMENT				
Ordinary annual services*				
Outcome 1	-	-	-	-
Total ordinary annual services	-	-	-	-
Total annual appropriations	-	-	-	-
Special appropriations				
<i>Private Health Insurance Act 2007 - s307-10 Private Health Insurance (Risk Equalisation Trust Fund) Levy) Act 2003</i>	-	260,000	260,000	250,000
<i>Private Health Insurance Act 2007 - s307-10 Private Health Insurance (Council Administration Levy) Act 2003</i>	-	5,085	5,085	4,435
Total special appropriations	-	265,085	265,085	254,435
FUNDS FROM INDUSTRY SOURCES				
Levies [#]	-	265,085	265,085	254,435
<i>less amounts paid to the CRF</i>	-	(265,085)	(265,085)	(254,435)
Total industry sources	-	-	-	-
FUNDS FROM OTHER SOURCES				
Interest	-	136	136	506
Sale of goods and services	-	106	106	66
Other	-	1	1	1
Total other sources	-	243	243	573
Total net resourcing for PHIAC	4,957	265,328	270,285	259,822

Notes: All figures are GST exclusive. CRF - Consolidated Revenue Fund.

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

* Appropriation Bill (No.1) 2009-10.

[#] Levies are collected under the *Private Health Insurance Act 2007*.

1.3 Budget Measures

Section 1.3 is not applicable to PHIAC in 2009-10.

1.4 Transition from Outcomes and Outputs to Outcomes and Programs

From the 2009-10 Budget, all General Government Sector (GGS) entities will be reporting on a Program basis. The table below outlines the transition from the 2008-09 Budget year (as at Additional Estimates), which was presented in administered items, outputs and output groups, to the program reporting framework used for the 2009-10 Budget. The table also captures revisions made to GGS Outcome Statements under the Operation Sunlight Outcome Statements Review.

Figure 1: Transition Table

2008-09 Budget Year		2009-10 Budget Year
<p>Outcome 1:</p> <p>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</p>	→	<p>Outcome 1:</p> <p>Prudential safety and competitiveness of the private health insurance industry in the interests of consumers, including through efficient industry regulation</p>
<p>Program:</p> <p>Private Health Insurance Risk Equalisation Trust Fund</p>		<p>Program 1.1:</p> <p>Private health insurance prudential regulation and risk equalisation trust management</p>
<p>Output Group 1:</p> <p>Information to government and other stakeholders relevant to private health insurance</p>	→	
<p>Output Group 2:</p> <p>Regulatory activity</p>		

Note: Under the previous performance reporting structure, departmental activity was reported under departmental outputs. Under the new structure, departmental costs are reported as Programs.

Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Outcome 1 – Prudential safety and competitiveness of the private health insurance industry in the interests of consumers, including through efficient industry regulation

Outcome Strategy

Through PHIAC, the Australian Government aims to ensure that the interests of consumers are protected and that the private health insurance industry remains well-run, prudentially sound and competitive. PHIAC ensures that information which can assist the industry, consumers and government is collected and made available in a timely and reliable way; and that the Risk Equalisation Trust Fund is well-managed. PHIAC will achieve this by continuing to educate and encourage the private health insurance industry to operate effectively in the interests of consumers.

PHIAC, on behalf of the Australian Government, will continue to monitor the private health insurance industry and develop regulations where necessary to ensure that the interests of consumers are protected. PHIAC also helps protect consumers by ensuring that there is transparent, reliable and widely available information about private health insurance.

To achieve this outcome, PHIAC will maintain Capital Adequacy and Solvency Standards for the private health insurance industry, and when necessary, give directions to the industry regarding compliance with these standards. PHIAC is also responsible for establishing prudential standards which go beyond the capital adequacy and solvency requirements, including standards regarding appointed actuaries and governance. PHIAC is responsible for the monitoring and enforcement of Council supervised obligations. To achieve this, PHIAC may deploy a range of regulatory options including: seeking explanations; investigating operations; examining insurer's books; issuing of directions; appointing inspectors; seeking enforceable undertakings; and applying to the Federal Court for remedies. PHIAC has also increased its monitoring of industry activity as a result of the global financial crisis. This includes increased surveillance as well as increased financial modelling activity. These activities will assist industry to understand key trends and ensure that the Government has an accurate, timely and useful information-base for policy decisions. By implementing the legislative requirements specified in the PHI Act and associated Acts, an efficient and competitive health insurance industry is fostered, thus protecting the interests of consumers.

Refer to discussions under Program 1.1: Private health insurance prudential regulation and risk equalisation trust management for further information on these Government initiatives.

PHIAC Budgeted Expenses and Resources

Table 2.1.1 provides an overview of the total expenses for PHIAC by Program.

Table 2.1.1: Budgeted Expenses and Resources for PHIAC

	2008-09	2009-10
	Estimated actual expenses	Estimated expenses
	\$'000	\$'000
Program expenses 1.1: Private health insurance prudential regulation and risk equalisation trust management		
Administered expenses		
Funds from Government	250,000	260,000
Revenues from other sources	252	76
Departmental expenses		
Funds from Government	4,435	5,085
Revenues from other sources	321	167
Estimated surplus	(39)	-
Subtotal for Program 1.1	254,969	265,328
Total expenses for PHIAC	254,969	265,328
	2008-09	2009-10
Average staffing level (number)	24	27

Contributions to PHIAC

Program 1.1: Private health insurance prudential regulation and risk equalisation trust management

Program Objective

Through this Program, the Australian Government aims to ensure the prudential safety of registered private health insurers, the best interests of consumers, 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 private health insurers to operate effectively in the interests of consumers. The following discusses the key strategic directions the Australian Government will take through PHIAC to help achieve this objective.

Key Strategic Directions

This Program aims to:

- ensure the private health industry remains viable and prudentially sound, maintaining consumer confidence;
- develop additional prudential standards for the private health insurance industry; and
- develop and publish a variety of policies and operating procedures which will outline how PHIAC proposes to administer the PHI Act.

Major Activities

Prudential Safety and Industry Competitiveness

The Australian Government aims to improve equity and consistency of regulation across the private health insurance industry, enhance transparency, and promote economic stability more generally, to further protect the interest of key stakeholders. This will be achieved by PHIAC strengthening the overall governance of insurers and minimising the risk of future regulatory failures through its power to make prudential standards under Section 163–1(2) of the PHI Act. This section permits PHIAC to develop a range of additional prudential standards directed to improving the integrity, prudence and professionalism of the insurers. The governance standards will reflect both domestic and international good practice.

In 2009-10, PHIAC will monitor and supervise health insurers' compliance with these standards to ensure health insurers retain sufficient capital to maintain capital adequacy and do not become insolvent. PHIAC will also oversee industry activity by managing industry transactions including mergers, acquisitions and changes in for-profit status. In addition, PHIAC will continue to proactively monitor the information that is provided to it by the industry. Given current financial conditions, PHIAC will give particular attention to information in the area of investments and financial risk assessment, as PHIAC recognises that the industry is likely to continue to change shape with mergers and acquisitions. PHIAC will provide information to the industry which will assist those health insurers that may be considering such moves to better appreciate PHIAC's regulatory obligations.

PHIAC will collect a range of information in relation to financial activities of the private health insurers, including the contributions they receive, the benefits they pay and the detail of their investments. These initiatives ensure that the information is relevant and that the compliance burden is reduced. The prudential safety of registered private health insurers,

the best interests of consumers and a competitive level of private health insurance premiums, are efficiently regulated to support a viable industry.

PHIAC will analyse and model information to identify risks and to flag potentially detrimental movements on the health insurer's capital or solvency position, before they fully evolve and the underlying causes establish themselves. This is accomplished by broadening the flexibility of PHIAC's current industry model to stress test prudential components across the range of capital standards, and to ensure that each insurer's prudential viability is maintained. Such an early warning system supports activities legislated under the PHI Act, particularly PHIAC's power to intervene to prevent breaches of PHIAC supervised obligations. In 2009-10, PHIAC will pay particular attention to information in the area of insurer investments and financial risk assessments. Where risks are identified, PHIAC will intervene in a preventative and proactive manner, by inspecting and analysing the financial affairs and records of an insurer to address the issues. The Capital Adequacy and Solvency Standards established by PHIAC define the minimum level of capital a health insurer must hold to continue to meet the liabilities of existing and new policy holders into the future, and to ensure that the insurer does not become insolvent. In taking action, protecting the interests of consumers and maintaining public confidence in the prudential security of the industry are central concerns.

Regulatory Action and Awareness

The Australian Government aims to provide a transparent and predictable regulatory system. Health insurers must apply to PHIAC if they wish to convert their structure to for-profit or if it wishes to merge with another insurer. PHIAC is required to examine the transaction, having regard, primarily, to the interests of the policy holders affected. In 2009-10, PHIAC will provide information to the industry to assist insurers to gain a better understanding of PHIAC's regulatory obligations.

Furthermore, PHIAC will continue to develop and deliver training and education seminars to ensure that insurer directors and managers have an up-to-date understanding of their duties and responsibilities. These industry education seminars will assist insurers to conduct their affairs with integrity, prudence and professional skill, protecting the interests of consumers by ensuring the insurers remain well-run and prudentially sound.

PHIAC will ensure that it is as ready as it can be to deal with any crisis or emerging issue in the private health insurance industry. In particular, PHIAC will seek to absorb the lessons of recent regulatory incidents to ensure that it is capable and prepared for such eventualities.

Effectively Managing the Risk Equalisation Trust Fund

The Australian Government aims to support community rating of private health insurance through the operation of risk equalisation arrangements. To help achieve this, PHIAC manages the Risk Equalisation Trust Fund (the Trust Fund) ensuring payment calculations are accurate and timely, and distributes those payments to registered private health insurers. Through this program, all Australians have a fair level of access to private health insurance, and all insurers are equally able to operate within the industry and offer products with competitive prices.

The Trust Fund plays an important role in the equitable operation of the private health insurance industry, as it supports 'community rating' which ensures that private health

insurance is available at a fair price to all Australians irrespective of, amongst other things, their age or health status. The Trust Fund is audited annually.

Information to the Australian Government and the Public

The Australian Government aims to provide up-to-date and accurate information about private health insurance. PHIAC uses the statistical and financial information it collects from registered private insurers to assist the Government to discharge its role when considering premium applications by insurers. PHIAC also utilises the information gathered, to provide to Government in its annual report on the operations of the private health insurers, as required under Section 264-15 of the PHI Act. This report is required to provide information about premiums payable to insurers, insurer benefits payable out of the insurers, the insurer's management expenses and details of how the reserves of the insurer have been invested.

PHIAC collects a range of information including membership, coverage and gap cover statistics via the following reports: PHIAC A (Membership benefits statistics); PHIAC B (Financial statistics); PHIAC 3 (data on private health insurance expenditure on prostheses); and PHIAC 4 (data monitoring medical claims and out-of-pocket expenses for consumers). PHIAC reports to the Australian Government and consumers quarterly. Aggregated data from these reports are available on the website and can be sent by email on request.

Program 1.1: Expenses

From 1 July 2009, there will be the following increases in the Council Administration Levy (Imposed under the *Private Health Insurance (Council Administration Levy) Act 2003*) collected from private health insurers. In 2009-10 it will be \$0.650 million, and in 2010-11 it will be \$0.150 million. The total ongoing increase is \$0.8 million.

This is the first increase sought since 2005 and will enable PHIAC to meet the additional costs since 2005, undertake additional regulatory requirements as set in the PHI Act, and undertake further supervisory activities as a result of the global financial crisis.

Table 2.1.2: Program Expenses

	2008-09 Estimated actual \$'000	2009-10 Budget \$'000	2010-11 Forward year 1 \$'000	2011-12 Forward year 2 \$'000	2012-13 Forward year 3 \$'000
Annual administered expenses:					
Funds from Government	250,000	260,000	275,000	280,000	300,000
Revenues from other sources	252	76	81	82	88
Program support	4,717	5,252	5,415	5,527	5,823
Total Program expenses	254,969	265,328	280,496	285,609	305,911

Program 1.1: Deliverables

To ensure the interests of consumers are protected and that the private health insurance industry remains viable, Program 1.1 will ensure that information which can assist industry, consumers and government is collected and made available in a timely manner, and that the Trust Fund is managed efficiently. PHIAC has overall responsibility for the 'deliverables' that contribute to the Program.

Qualitative Deliverables

Regulatory Action and Awareness

- Training and education opportunities for all elements of the industry are developed to ensure that directors and managers of health insurers have a current and accurate understanding of their duties and responsibilities. Measured by the number of industry education seminars provided, comprised of current, relevant and accurate information and the number of insurer directors, senior managers and chief executive officers (CEO) who attend these seminars.

Information to the Australian Government and the Public

- Policies and operating procedures are developed and published which will outline how PHIAC proposes to administer the PHI Act. In particular, the policies will address the use of the powers reposed in PHIAC in 2007 as a result of passage of the PHI Act.

Table 2.1.3: Quantitative Deliverables for Program 1.1

Quantitative Deliverables	2008-09 Revised Budget	2009-10 Budget	2010-11 Forward Year 1	2011-12 Forward Year 2	2012-13 Forward Year 3
Information to the Australian Government and the Public					
Number of industry education training seminars delivered.	1	1	1	1	1
Number of targeted reviews of private health insurers carried out.	30	30	30	30	30

Program 1.1: Key Performance Indicators

The following ‘key performance indicators’ measure the impact of the Program.

Qualitative Indicators

Regulatory Action and Awareness

- Private health insurers report their prudential position on a quarterly basis. This is measured by the early detection and appropriate intervention to allow a private health insurer to recover or merge, to protect the interests of contributors.

Information to the Australian Government and the Public

- The membership and coverage, gap cover statistics, PHIAC A (Membership benefits statistics), PHIAC B (Financial statistics), PHIAC 3 (data on private health insurance expenditure on prostheses) and PHIAC 4 (data monitoring medical claims and out-of-pocket expenses for consumers) reports are provided to the Australian Government and consumers quarterly. Measured by the provision of accurate calculations within six weeks of the end of each quarter, and on-time release of key statistics within eight weeks of the end of each quarter.

- The success of the education training seminars is measured by the number of director and industry education seminars provided, comprised of current, relevant and accurate information and the number of insurer directors, senior managers and CEOs who attend these seminars.

Table 2.1.4: Quantitative Key Performance Indicators for Program 1.1

Quantitative Indicators	2008-09 Revised Budget	2009-10 Budget Target	2010-11 Forward Year 1	2011-12 Forward Year 2	2012-13 Forward Year 3
Regulatory Action and Awareness					
Identification and successful management of non-compliance with PHIAC supervised obligations. Measured by the percentage of compliance and zero financial loss for policy holders.	100%	100%	100%	100%	100%
Establishment and on-time maintenance of prudential requirements to reduce the risk of insurer failure and financial loss to policy holders. Measured by compliance with prudential requirements and zero financial loss to policy holders.	100%	100%	100%	100%	100%
Effectively Managing the Risk Equalisation Trust Fund					
Percentage of quarterly calculations are calculated correctly and payments to and from the Trust Fund are made on time.	100%	100%	100%	100%	100%
Information to the Australian Government and the Public					
Percentage of publications disseminated to the public in a timely manner.	100%	100%	100%	100%	100%

Quantitative Indicators	2008-09 Revised Budget	2009-10 Budget Target	2010-11 Forward Year 1	2011-12 Forward Year 2	2012-13 Forward Year 3
Percentage of statistics disseminated to the Government and the public in a timely manner.	100%	100%	100%	100%	100%
Percentage of information disseminated to the public in a timely manner.	100%	100%	100%	100%	100%
Percentage of policies and operating procedures developed and published in a timely manner.	100%	100%	100%	100%	100%

Section 3: Explanatory Tables and Budgeted Financial Statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the Budget year 2009-10. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and Program expenses, movements in administered funds, special accounts and Government Indigenous expenditure.

3.1 Explanatory Tables

3.1.1 Movement of Administered Funds Between Years

Section 3.1.1 is not applicable to PHIAC.

3.1.2 Special Accounts

Section 3.1.2 is not applicable to PHIAC.

3.1.3 Australian Government Indigenous Expenditure

The 2009-10 Australian Government Indigenous Expenditure Statement is not applicable because PHIAC has no specific Indigenous expenses.

3.2 Budgeted Financial Statements

3.2.1 Differences in Agency Resourcing and Financial Statements

Section 3.2.1 is not applicable to PHIAC.

3.2.2 Analysis of Budgeted Financial Statements

An analysis of PHIAC's budgeted financial statements as reflected in the departmental and administered financial statements for 2009-10 is below.

Departmental Resources

Comprehensive Income Statement

PHIAC is planning a small operating surplus for 2008-09 and breakeven operating position for 2009-10 and the forward years.

Income

It is expected that there will be minor increases from the Private Health Administration Council Levy in 2009-10 of approximately \$650,000 (13 per cent) and 2010-11 of \$150,000 (3 per cent). The Levy is appropriated to PHIAC and shown as Revenue from Government.

Other revenues are expected to be relatively consistent for the budget and forward years.

Expenses

Expenses are expected to increase slightly over the budget and forward years with normal expected growth in prices for suppliers and employees.

Balance Sheet

Cash balances are expected to be maintained and there is an expected growth in employee provisions consistent with the growth in salaries and wages.

Other assets and liabilities are expected to remain relatively constant.

Cash Flow

Cash flows are consistent with the income and expenses discussed above.

Administered Resources

The administered activities relate to the Private Health Insurance Risk Equalisation Trust Fund which is described earlier in this chapter.

3.2.3 Budgeted Financial Statements Tables

**Table 3.2.1: Budgeted Departmental Comprehensive Income Statement
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
EXPENSES					
Employee benefits	2,977	3,595	3,817	4,024	4,204
Supplier	1,475	1,432	1,447	1,361	1,477
Grants	-	-	-	-	-
Depreciation and amortisation	242	203	131	122	122
Write-down and impairment of assets	-	-	-	-	-
Losses from asset sales	-	-	-	-	-
Finance costs	-	-	-	-	-
Other	23	22	20	20	20
Total expenses	4,717	5,252	5,415	5,527	5,823
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	66	106	109	111	124
Fees and fines	-	-	-	-	-
Interest	254	60	70	80	90
Other revenue	1	1	1	1	1
Total revenue	321	167	180	192	215
Gains					
Sale of assets	-	-	-	-	-
Other gains	-	-	-	-	-
Total gains	-	-	-	-	-
Total own-source income	321	167	180	192	215
Net cost of (contribution by) services	4,396	5,085	5,235	5,335	5,608
Revenue from Government	4,435	5,085	5,235	5,335	5,608
Surplus (Deficit)	39	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	39	-	-	-	-

Prepared on Australian Accounting Standards basis.

Table 3.2.2: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	4,952	4,904	5,130	5,346	5,582
Receivables	57	60	62	64	65
Investments	5	5	5	5	5
Total financial assets	5,014	4,969	5,197	5,415	5,652
Non-financial assets					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	259	358	296	235	171
Inventories	-	-	-	-	-
Intangibles	-	-	-	-	-
Other	45	100	80	60	40
Total non-financial assets	304	458	376	295	211
Total assets	5,318	5,427	5,573	5,710	5,863
LIABILITIES					
Payables					
Suppliers	41	32	32	30	43
Other payables	8	15	26	17	9
Total payables	49	47	58	47	52
Provisions					
Employees	755	855	990	1,138	1,286
Other provisions	82	93	93	93	93
Total provisions	837	948	1,083	1,231	1,379
Total liabilities	886	995	1,141	1,278	1,431
Net Assets	4,432	4,432	4,432	4,432	4,432
EQUITY					
Contributed equity	-	-	-	-	-
Reserves	64	64	64	64	64
Retained surpluses or accumulated deficits	4,368	4,368	4,368	4,368	4,368
Total equity	4,432	4,432	4,432	4,432	4,432
Current assets	5,039	4,994	5,222	5,440	5,677
Non-current assets	279	433	351	270	186
Current liabilities	675	758	869	973	1,090
Non-current liabilities	211	237	272	305	341

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted Departmental Statement of Cash Flows
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	66	106	109	111	124
Funds from Government	4,435	5,085	5,235	5,335	5,608
Interest	287	60	70	80	90
Net GST received	-	-	-	-	-
Other cash received	1	1	1	1	1
Total cash received	4,789	5,252	5,415	5,527	5,823
Cash used					
Employees	3,073	3,495	3,682	3,877	4,057
Suppliers	1,479	1,510	1,449	1,365	1,463
Net GST paid	-	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	4,552	5,005	5,131	5,242	5,520
Net cash from (or used by) operating activities	237	247	284	285	303
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	87	287	49	60	58
Total cash used	87	287	49	60	58
Net cash from (or used by) investing activities	(87)	(287)	(49)	(60)	(58)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Repayments of debt (including finance lease principal)	7	8	9	9	9
Dividends paid	-	-	-	-	-
Other cash used	-	-	-	-	-
Total cash used	7	8	9	9	9
Net cash from (or used by) financing activities	(7)	(8)	(9)	(9)	(9)
Net increase (or decrease) in cash held	143	(48)	226	216	236
Cash at the beginning of the reporting period	4,809	4,952	4,904	5,130	5,346
Cash at the end of the reporting period	4,952	4,904	5,130	5,346	5,582

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental Statement of Changes in Equity – Summary of Movement
(Budget year 2009-10)**

	Retained earnings	Asset revaluation reserve	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2009	4,368	64	-	-	4,432
Net operating result	-	-	-	-	-
Appropriation (equity injection)	-	-	-	-	-
Estimated closing balance as at 30 June 2010	4,368	64	-	-	4,432

Table 3.2.5: Departmental Capital Budget Statement

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
Special appropriations	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Represented by:					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
Total represented by	-	-	-	-	-
ACQUISITION OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	-	-	-	-	-
Funded internally from Departmental resources*	87	287	49	60	58
Assets received due to restructure	-	-	-	-	-
Total acquisitions of non-financial assets	87	287	49	60	58

Note: * Includes the following sources of funding:

- annual and prior year appropriations;
- donations and contributions;
- gifts;
- finance leases;
- internally developed assets; and
- proceeds from the sale of assets.

Table 3.2.6: Statement of Asset Movements – Departmental

	Land	Buildings	Other infrastructure, plant & equipment	Intangibles	Other non- financial assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
as at 1 July 2009						
Gross book value	-	-	690	-	45	735
Accumulated depreciation/amortisation	-	-	431	-	-	431
Opening net book balance	-	-	259	-	45	304
CAPITAL ASSET ADDITIONS						
Estimated expenditure on new or replacement assets						
by purchase or internally developed	-	-	287	-	-	287
by finance lease	-	-	15	-	-	15
by contribution/donation	-	-	-	-	-	-
by gift	-	-	-	-	-	-
Sub-total	-	-	302	-	-	302
Other Movements						
Depreciation/amortisation expense	-	-	203	-	-	203
Disposals*	-	-	-	-	-	-
Other	-	-	-	-	(55)	(55)
as at 30 June 2010						
Gross book value	-	-	992	-	100	1,092
Accumulated depreciation/amortisation	-	-	634	-	-	634
Closing net book	-	-	358	-	100	458

Note: * Proceeds may be returned to the Official Public Account.

Table 3.2.7: Schedule of Budgeted Income and Expenses Administered on behalf of Government (for the period ended 30 June)

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
INCOME ADMINISTERED ON BEHALF OF GOVERNMENT					
Revenue					
Taxation					
Other taxes, fees and fines	-	-	-	-	-
Total taxation	-	-	-	-	-
Non-taxation					
Interest	252	76	81	82	88
Other sources of non-taxation revenues	-	-	-	-	-
Total non-taxation	250,000	260,000	275,000	280,000	300,000
Total revenues administered on behalf of Government	250,252	260,076	275,081	280,082	300,088
Gains					
Other gains	-	-	-	-	-
Total gains administered on behalf of Government	-	-	-	-	-
Total income administered administered on behalf of Government	250,252	260,076	275,081	280,082	300,088
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Finance Costs	252	76	81	82	88
Other	250,000	260,000	275,000	280,000	300,000
Depreciation and amortisation	-	-	-	-	-
Grants	-	-	-	-	-
Subsidies	-	-	-	-	-
Personal benefits	-	-	-	-	-
Write down and impairment of assets	-	-	-	-	-
Concessional Loan Discount	-	-	-	-	-
Total expenses administered on behalf of Government	250,252	260,076	275,081	280,082	300,088

Prepared on Australian Accounting Standards basis.

Table 3.2.8: Schedule of Budgeted Assets and Liabilities Administered on behalf of Government (as at 30 June)

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT					
Financial assets					
Cash and cash equivalents	99	99	99	99	99
Receivables	-	-	-	-	-
Investments	-	-	-	-	-
Total financial assets	99	99	99	99	99
Non-financial assets					
Land and Buildings	-	-	-	-	-
Infrastructure, Plant and Equipment	-	-	-	-	-
Inventories	-	-	-	-	-
Total non-financial assets	-	-	-	-	-
Total assets administered on behalf of Government	99	99	99	99	99
LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT					
Interest bearing liabilities					
Loans	-	-	-	-	-
Total interest bearing liabilities	-	-	-	-	-
Provisions					
Employees	-	-	-	-	-
Total provisions	-	-	-	-	-
Payables					
Suppliers	5	5	5	5	5
Subsidies	-	-	-	-	-
Personal benefits payable	-	-	-	-	-
Grants	-	-	-	-	-
Other payables	-	-	-	-	-
Total payables	5	5	5	5	5
Total liabilities administered on behalf of Government	5	5	5	5	5

Prepared on Australian Accounting Standards basis.

**Table 3.2.9: Schedule of Budgeted Administered Cash Flows
(for the period ended 30 June)**

	Estimated actual 2008-09 \$'000	Budget estimate 2009-10 \$'000	Forward estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	252	76	81	82	88
Other	250,000	260,000	275,000	280,000	300,000
Total cash received	250,252	260,076	275,081	280,082	300,088
Cash used					
Other	250,000	260,000	275,000	280,000	300,000
Cash to the Official Public Account	250,000	260,000	275,000	280,000	300,000
Total cash used	500,000	520,000	550,000	560,000	600,000
Net cash from (or used by) operating activities	(249,748)	(259,924)	(274,919)	(279,918)	(299,912)
FINANCING ACTIVITIES					
Cash used					
Other	252	76	81	82	88
Total cash used	252	76	81	82	88
Net cash from (or used by) financing activities	(252)	(76)	(81)	(82)	(88)
Net increase (or decrease) in cash held	(250,000)	(260,000)	(275,000)	(280,000)	(300,000)
Cash at beginning of reporting period	99	99	99	99	99
Cash from Official Public Account: - appropriations	250,000	260,000	275,000	280,000	300,000
Cash at end of reporting period	99	99	99	99	99

Prepared on Australian Accounting Standards basis.

3.2.4 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 Comprehensive 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.

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 2009-2010)

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 the 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 the 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 the cash flows administered by PHIAC on behalf of the Government.