

PRIVATE HEALTH INSURANCE OMBUDSMAN

**Agency resources and
planned performance**

Private Health Insurance Ombudsman

Health and Ageing Portfolio Agency

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PHIO

Section 1: Agency Overview and Resources

1.1 Strategic Direction Statement

The Australian Government, through the Private Health Insurance Ombudsman (PHIO), protects the interests of consumers in relation to private health insurance. PHIO carries out this role through its independent complaints handling service by identifying underlying problems in the practices of private health insurers or health providers relevant to the administration of private health insurance, and by encouraging health insurers to continuously improve their own complaints handling practices. PHIO provides advice to the Australian Government about issues affecting consumers in relation to private health insurance. PHIO also provides consumers with information and advice regarding private health insurance and produces and publishes a range of tools for consumers on-line, including the consumer website¹ and the annual *State of the Health Funds Report*.

The role and functions of PHIO are set out in Part 6-2 of the *Private Health Insurance Act 2007*. PHIO is prescribed as an agency under the *Financial Management and Accountability Act 1997*.

¹ Accessible at: www.privatehealth.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 PHIO Resource Statement – Budget Estimates for 2010-11 as at Budget May 2010

	Estimate of prior year amounts available in 2010-11 \$'000	Proposed at Budget 2010-11 \$'000	Total estimate 2010-11 \$'000	Estimated available appropriation 2009-10 \$'000
Ordinary annual services¹				
Departmental appropriation				
Prior year departmental appropriation ²	2,363	-	2,363	2,303
Departmental appropriation ³	-	1,964	1,964	1,964
s31 relevant agency receipts ⁴	-	10	10	10
Total	2,363	1,974	4,337	4,277
Total ordinary annual services	2,363	1,974	4,337	4,277
Other services - Bill 2⁵				
Departmental non-operating				
Equity injections	-	-	-	-
Previous years' programs	-	-	-	-
Total	-	-	-	-
Total other services	-	-	-	-
Total available annual appropriations	2,363	1,974	4,337	4,277
Total appropriations excluding special accounts	2,363	1,974	4,337	4,277
Special accounts				
Opening balance ⁶	-	-	-	-
Appropriation receipts ⁷	-	-	-	-
Non-appropriation receipts to special accounts	-	-	-	-
Total special accounts	-	-	-	-
Total resourcing	2,363	1,974	4,337	4,277
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations	-	-	-	-
Total net resourcing for PHIO	2,363	1,974	4,337	4,277

Notes:

- All figures are GST exclusive.
- ¹ Appropriation Bill (No.1) 2010-11.
- ² Estimated adjusted balance carried from previous year for annual appropriations.
- ³ Includes an amount of \$0.138m in 2010-11 for the Departmental Capital Budget (refer to table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.
- ⁴ s31 Relevant Agency receipts - estimate.
- ⁵ Appropriation Bill (No.2) 2010-11.
- ⁶ Estimated opening balance for special accounts. For further information on special accounts see Table 3.1.2.
- ⁷ Appropriation receipts from agency PHIO annual and special appropriations for 2009-10 included above.
- ⁸ Appropriation receipts from other agencies credited to PHIO's special accounts.

1.3 Budget Measures

Section 1.3 is not applicable to PHIO in 2010-11.

Section 2: Outcomes and Planned Performance

2.1 Outcomes and Performance Information

Outcome 1 – Public confidence in private health insurance, including through consumer and provider complaint and enquiry investigations, and performance monitoring and reporting

Outcome Strategy

The Australian Government, through PHIO, aims to increase public confidence in the private health insurance sector. PHIO works to promote consumer confidence through an accessible, effective and timely complaints handling system that is objective and non-judgemental. PHIO works to identify administrative problems that underlie the practices of private health insurers or health providers, and encourages health insurers to continuously improve their own complaints handling practices.

PHIO mediates between insurers and health care providers to resolve issues and complaints. PHIO provides consumer and education services to enhance awareness of health insurance options. To provide consumers with accurate and relevant guidance and advice, PHIO investigates the practices and procedures of insurers and health care providers. PHIO also provides advice and recommendations to government and industry about private health insurance, specifically the performance of the sector and the nature of complaints. To protect the interests of private health insurance consumers, PHIO reports and makes recommendations to government about industry practices.

PHIO Budgeted Expenses and Resources

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

Table 2.1.1: Budgeted Expenses and Resources for PHIO

	2009-10 Estimated actual \$'000	2010-11 Budget \$'000	2011-12 Forward year 1 \$'000	2012-13 Forward year 2 \$'000	2013-14 Forward year 3 \$'000
Program 1.1: Private health insurance industry advice, recommendations and complaint resolution					
Departmental expenses					
Ordinary annual services (Appropriation Bill No. 1)	1,964	1,826	1,890	1,890	1,890
Revenues from independent sources (section 31)	10	10	10	10	10
Expenses not requiring appropriation in the Budget year ¹	-	138	74	74	74
Total for Program 1.1	1,974	1,974	1,974	1,974	1,974
Total expenses for Outcome 1	1,974	1,974	1,974	1,974	1,974
	2009-10	2010-11			
Average staffing level (number)	11	13			

¹ Unfunded depreciation expense.

Contributions to PHIO

Program 1.1: Private health insurance industry advice, recommendations and complaint resolution

Program Objective

Through this Program, the Australian Government aims to:

- protect the interests of people with private health insurance;
- further improve the quality and accessibility of information available to consumers of private health insurance products; and
- provide private health insurance consumers with an efficient and effective complaints handling service.

Major Activities

Protect the interests of health insurance consumers

The Australian Government, through PHIO, conducts investigations into the practices of health insurers, where required. Investigations are initiated by the Ombudsman or at the request of the Minister for Health and Ageing. The Ombudsman can compel disputing parties into mediation to resolve issues that may adversely affect consumers.

In addition, PHIO consults with industry leaders, legislators and policy makers, to raise awareness of the implications for private health insurance consumers of current or proposed practices and policies. This ensures that stakeholder awareness of consumer issues is considered when making decisions.

In 2010-11, PHIO will continue to protect the interests of insured persons through a range of submissions and recommendations to key government and industry stakeholders about private health insurance. These help to protect the interests of private health insurance consumers by ensuring that decision-makers at the highest levels are aware of consumer concerns about private health insurance and, where applicable, implement appropriate solutions to address these issues. PHIO will also engage with key stakeholders through regular meetings, workshops and industry consultations, to promote consumer interest. A challenge for PHIO is to balance the competing interests of insured persons and various stakeholders. PHIO will meet this challenge through extensive consultation and stakeholder liaison, to make an independent view on relevant issues.

Improve the quality and accessibility of private health insurance information

To improve consumer influence and increase competitiveness within the private health insurance industry PHIO, on behalf of the Australian Government, will enhance the quality and accessibility of consumer information on private health insurance products.

In 2010-11, PHIO will continue to provide consumers and health insurance members with information, services and products explaining private health insurance arrangements and consumer rights. PHIO will manage the private health insurance consumer website², which provides consumers with independent, reliable information on private health insurance and health insurance policies.

² Accessible at: www.privatehealth.gov.au

PHIO will continue to publish the annual *State of the Health Funds Report*, to provide information on the comparative performance of health insurers. This report gives consumers extra information to help them decide about private health insurance. For existing members, this report provides information that will assist consumers compare the performance of their insurer with all other health insurers. For consumers considering purchasing private health insurance, it shows the services available from each insurer and compares services and performance indicators of insurers.

In 2010-11, PHIO will continue to work with stakeholders, including the private health insurance industry, to improve the quality and accessibility of private health insurance information to consumers. PHIO will do this through recommendations to insurers about product information and better ways of presenting information to consumers.

Timely data receipt and its accuracy is a potential challenge for PHIO. Through the development and maintenance of systems and processes, PHIO will ensure that data is checked and published in a timely manner. To achieve this, PHIO will work closely with the Private Health Insurance Administration Council (PHIAC).³

Complaints handling service

The Australian Government, through PHIO, will deliver a health insurance complaints handling service to consumers over the next five years that is accessible, timely, independent and effective. PHIO will regularly publish information on its complaints handling activity.

In 2010-11, PHIO will manage staff performance through its performance development program to ensure that a high quality service is provided to consumers. This will include ongoing staff training and development initiatives. In addition, PHIO will conduct an annual client satisfaction survey to ensure its complaints handling service meets the needs and expectations of consumers.

A challenge for PHIO in 2010-11 is the recruitment and retention of suitable staff to manage the complaints handling service. PHIO will overcome this challenge through a range of initiatives including individual coaching to improve staff capabilities in dealing with complaints.

³ For further information on this government initiative, refer to the PHIAC chapter located in these Portfolio Budget Statements.

Program 1.1: Deliverables

PHIO will produce the following ‘Deliverables’ to achieve the Program Objective.

Table 2.1.2: Qualitative Deliverables for Program 1.1

Qualitative Deliverables	2010-11 Reference Point or Target
Improve the quality and accessibility of private health insurance information	
Publish the annual <i>State of the Health Funds Report</i>	The <i>State of the Health Funds Report</i> is published by PHIO by 31 March 2011
Manage the private health insurance consumer website ⁴	Regular and timely updates of the website to ensure information is accurate and up-to-date
Complaints handling service	
Effective complaints handling service	Service effectiveness as measured by client survey



Table 2.1.3: Quantitative Deliverables for Program 1.1

Quantitative Deliverables	2009-10 Revised Budget	2010-11 Budget	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
Protect the interests of health insurance consumers					
Number of high quality and timely advisory services, policy advice, submissions and reports	≥12	≥12	≥12	≥12	≥12
Complaints handling service					
Number of publications on PHIO complaints handling activity	6	6	6	6	6

⁴ Accessible at: www.privatehealth.gov.au

Program 1.1: Key Performance Indicators

The following ‘Key Performance Indicators’ measure the impact of the Program.

Table 2.1.4: Qualitative Key Performance Indicators for Program 1.1

Qualitative Indicators	2010-11 Reference Point or Target
Protect the interests of health insurance consumers	
Production of high quality and timely advisory services, policy advice, submissions and reports	Positive stakeholder feedback on the information products
Improve the quality and accessibility of private health insurance information	
Provision of independent and reliable information to consumers via the private health insurance consumer website ⁵	Measured by website survey and consumer focus testing which indicates that information provided is viewed as independent and reliable

Table 2.1.5: Quantitative Key Performance Indicators for Program 1.1

Quantitative Indicators	2009-10 Revised Budget	2010-11 Budget Target	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
Protect the interests of private health insurance consumers					
Percentage of recommendations to private health insurers that have resulted in changes to insurer or industry practices	75%	75%	75%	75%	75%
Improve the quality and accessibility of private health insurance information					
Number of average daily visits to consumer website	680	710	780	815	897
Percentage of information products useful or very useful for consumers	75%	75%	75%	75%	75%

⁵ Accessible at: www.privatehealth.gov.au

Quantitative Indicators	2009-10 Revised Budget	2010-11 Budget Target	2011-12 Forward Year 1	2012-13 Forward Year 2	2013-14 Forward Year 3
Complaints handling service					
Percentage of complaints finalised during the year	90%	90%	90%	90%	90%
Percentage of complaints finalised within one month of receipt	80%	80%	80%	80%	80%
Percentage of clients satisfied with complaint handling service	80%	81%	83%	84%	85%



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 2010-11 budget year. 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 PHIO.

3.1.2 Special Accounts

Special Accounts provide a means to set aside and record amounts used for specified purposes. Special Accounts can be created by a Finance Minister's Determination under the FMA Act or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by PHIO.

Table 3.1.2: Estimates of special account flows and balances

	Opening balance 2010-11 2009-10	Appropriation receipts 2010-11 2009-10	Other receipts 2010-11 2009-10	Payments 2010-11 2009-10	Closing balance 2010-11 2009-10
Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Services for Other Entiites and Other Trust Moneys ^s s21 FMA Act	1 - -	- - -	- - -	- - -	- - -
Total special accounts 2010-11 Estimate	-	-	-	-	-
<i>Total special accounts 2009-10 estimate actual</i>	-	-	-	-	-

^s Special Public Moneys.

3.1.3 Australian Government Indigenous Expenditure

The 2010-11 Australian Government Indigenous Expenditure (AGIE) Statement is not applicable because PHIO 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 PHIO

3.2.2 Analysis of budgeted financial statements

An analysis of the PHIO's budgeted departmental financial statements for 2010-11 is provided below.

Departmental Resources

Comprehensive Income Statement

PHIO is budgeting for a break even position in 2010-11 and subsequent years.

Appropriation revenues for 2010-11 and subsequent years show a decrease consistent with the introduction of net cash funding arrangements where the agency no longer receive funding to offset depreciation, amortisation and make good expenses.

Expenditure is anticipated to be \$1.974 million in 2010-11 and remain constant in the forward years.

Appropriation revenues for 2010-11 and subsequent years show a decrease consistent with the introduction of net cash funding arrangements where the agency no longer receives funding to offset depreciation, amortisation and make good expenses.

Expenditure is anticipated to be \$1.974 million in 2010-11 and remain constant in the forward years.

Balance Sheet

Assets and liabilities are expected to remain stable over the forward years.

Cash Flow

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

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (showing net cost of services)
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
EXPENSES					
Employee benefits	956	926	945	945	945
Supplier expenses	871	910	955	955	955
Depreciation and amortisation	147	138	74	74	74
Total expenses	1,974	1,974	1,974	1,974	1,974
LESS:					
OWN-SOURCE INCOME					
Revenue					
Sale of goods and rendering of services	-	-	-	-	-
Other revenue	10	10	10	10	10
Total revenue	10	10	10	10	10
Gains					
Other	-	-	-	-	-
Total gains	-	-	-	-	-
Total own-source income	10	10	10	10	10
Net cost of (contribution by) services	1,964	1,964	1,964	1,964	1,964
Revenue from Government	1,964	1,826	1,890	1,890	1,890
Surplus (Deficit)	-	(138)	(74)	(74)	(74)
Surplus (Deficit) attributable to the Australian Government	-	(138)	(74)	(74)	(74)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income attributable to the Australian Government	-	(138)	(74)	(74)	(74)

**Table 3.2.1: Comprehensive income statement (showing net cost of services)
(for the period ended 30 June) (Cont.)**

Note: Reconciliation of operating result attributable to PHIO					
	2009-10	2010-11	2011-12	2012-13	2013-14
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating result attributable to the Australian Government	-	(138)	(74)	(74)	(74)
plus non-appropriated expenses					
depreciation and amortisation expen	-	138	74	74	74
Operating result attributable to PHIO	-	-	-	-	-

PHIO

Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	273	411	485	559	633
Receivables	2,106	1,968	1,894	1,820	1,746
Total financial assets	2,379	2,379	2,379	2,379	2,379
Non-financial assets					
Land and buildings	87	87	87	87	87
Infrastructure, plant and equipment	69	69	69	69	69
Intangibles	722	722	722	722	722
Other	2	2	2	2	2
Total non-financial assets	880	880	880	880	880
Total assets	3,259	3,259	3,259	3,259	3,259
LIABILITIES					
Payables					
Suppliers	137	137	137	137	137
Total payables	137	137	137	137	137
Provisions					
Employees	249	249	249	249	249
Total provisions	249	249	249	249	249
Total liabilities	386	386	386	386	386
Net assets	2,873	2,873	2,873	2,873	2,873
EQUITY					
Contributed equity	2,110	2,248	2,322	2,396	2,470
Reserves	-	-	-	-	-
Retained surpluses or accumulated deficits	763	625	551	477	403
Total equity	2,873	2,873	2,873	2,873	2,873

Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)

	Retained surplus	Asset revaluation reserve	Other reserves	Contributed equity/capital	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance carried forward from previous period	763	-	-	2,110	2,873
Surplus (deficit) for the period	(138)	-	-	-	(138)
Capital budget - Bill 1 ¹	-	-	-	138	138
Estimated closing balance as at 30 June 2011	625	-	-	2,248	2,873

¹ Departmental Capital Budget (DCB).



**Table 3.2.4: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	2,111	1,964	1,964	1,964	1,964
Net GST received	87	91	96	96	96
Other cash received	10	10	10	10	10
Total cash received	2,208	2,065	2,070	2,070	2,070
Cash used					
Employees	901	926	945	945	945
Suppliers	866	910	955	955	955
Net GST paid	87	91	96	96	96
Total cash used	1,854	1,927	1,996	1,996	1,996
Net cash from (or used by) operating activities	354	138	74	74	74
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	147	138	74	74	74
Total cash used	147	138	74	74	74
Net cash from (or used by) investing activities	(147)	(138)	(74)	(74)	(74)
FINANCING ACTIVITIES					
Cash received					
Capital budget - Bill 1 (DCB)	-	138	74	74	74
Total cash received	-	138	74	74	74
Net cash from (or used by) financing activities	-	138	74	74	74
Net increase (or decrease) in cash held	207	138	74	74	74
Cash at the beginning of the reporting period	66	273	411	485	559
Cash at the end of the reporting period	273	411	485	559	633

Table 3.2.5: Capital budget statement

	Estimated actual 2009-10 \$'000	Budget estimate 2010-11 \$'000	Forward estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	-	138	74	74	74
Total capital appropriations	-	138	74	74	74
Total new capital appropriations					
Represented by:					
Purchase of non-financial assets	-	138	74	74	74
Other	-	-	-	-	-
Total represented by	-	138	74	74	74
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB ¹	-	138	74	74	74
Funded internally from departmental resources ²	147	-	-	-	-
Total acquisitions of non-financial assets	147	138	74	74	74
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	147	138	74	74	74
Total cash used to acquire assets	147	138	74	74	74

¹ Does not include annual finance lease costs. Include purchase from current and previous years Departmental Capital Budgets (DCB).

² Includes the following sources of funding:
 - annual and prior year appropriations;
 - donations and contributions;
 - gifts;
 - finance leases;
 - internally developed assets;
 - Section 31 relevant agency receipts (for FMA agencies only); and
 - proceeds from the sale of assets.



Table 3.2.6: Statement of asset movements (2010-11)

	Land	Buildings	Other infrastructure, plant & equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2010					
Gross book value	-	91	121	1,166	1,378
Accumulated depreciation/amortisation	-	4	52	444	500
Opening net book balance	-	87	69	722	878
CAPITAL ASSET ADDITIONS					
Estimated expenditure on new or replacement assets					
By purchase - appropriation ordinary annual services	-	-	-	138	138
Sub-total	-	-	-	138	138
Other movements					
Depreciation/amortisation expense	-	-	-	138	138
as at 30 June 2011					
Gross book value	-	91	121	1,304	1,516
Accumulated depreciation/amortisation	-	4	52	582	638
Closing net book balance	-	87	69	722	878

3.2.4 Notes to financial statements

3.2.4 Notes to the Financial Statements

The Budgeted Financial Statements for PHIO are prepared for the Budget year, previous year and three forward years.

Changes resulting from Net Cash Arrangements

Net cash appropriation arrangements have been implemented as part of the Operation Sunlight reform agenda to increase budget transparency and accountability through improving the levels of disclosure to Parliament regarding the use of appropriations, and encouraging more effective resource management practices with the release of funds to agencies as and when they are needed.

Net cash appropriation arrangements involve the cessation of funding for depreciation, amortisation and makegood expenses. Funding for these expenses has been replaced with a Departmental Capital Budgets (DCBs) for FMA Act Agencies.

To aid transparency of operating results as a result of this change, the Comprehensive Income Statement includes a reconciliation of operating result attributable to the PHIO by including non-appropriated depreciation and amortisation expenses.

Estimates of special account flows and balances

This table provides for the cash flows and balances of the special accounts under the responsibility of PHIO.

Departmental Financial Statements

Comprehensive income statement (showing net cost of services) (for the period ended 30 June)

This statement provides a picture of the expected financial results for PHIO by identifying accrual expenses and revenues showing the net cost of services.

This statement also provides for the first time, revenues and expenses taken through equity to provide for a comprehensive income and expense.

Budgeted departmental balance sheet (as at 30 June)

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

Departmental statement of changes in equity – summary of movement (Budget year 2010-2011)

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

This table has been amended for the 2010-11 Budget to include amounts provided in the PHIO Capital Budget as part of net cash arrangements as discussed above.

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.

Capital budget statement

This table shows the appropriations from Government for the purchase of capital items and purchases of non-financial assets from capital and internal sources.

This table has been amended for the 2010-11 Budget to include Departmental Capital Budget funding as part of net cash arrangements discussed above, and to provide a reconciliation between the asset purchases and cash flow statement.

Statement of asset movements (2010-11)

This table shows the movements in asset classes through addition (eg purchases) and other movements (eg depreciation and amortisation).

Purchases are reconciled in the Capital Budget Statement to the Statement of Cash Flows as described above and include sources of funding for asset purchases and include amounts received under net cash resourcing arrangements as also described above.