

HEALTH INSURANCE COMMISSION

Section 1: Overview, variations and measures

OVERVIEW

The Health Insurance Commission (HIC) was established as a Commonwealth statutory authority in 1974 to administer Australia's universal health insurance scheme, Medicare. HIC has grown over the years to administer a wide range of other health-related programs on behalf of the Australian Government. The key programs are:

- Medicare, including Department of Veterans' Affairs (DVA) processing
- Pharmaceutical Benefits Scheme (and Repatriation Pharmaceutical Benefits Scheme)
- Australian Organ Donor Register
- Australian Childhood Immunisation Register.

HIC also administers a range of programs relating to general practice, including the General Practice Immunisation Incentives Scheme, the Practice Incentives Program, the Rural Retention Program, and the General Practice Registrars' Rural Incentive Payments Scheme.

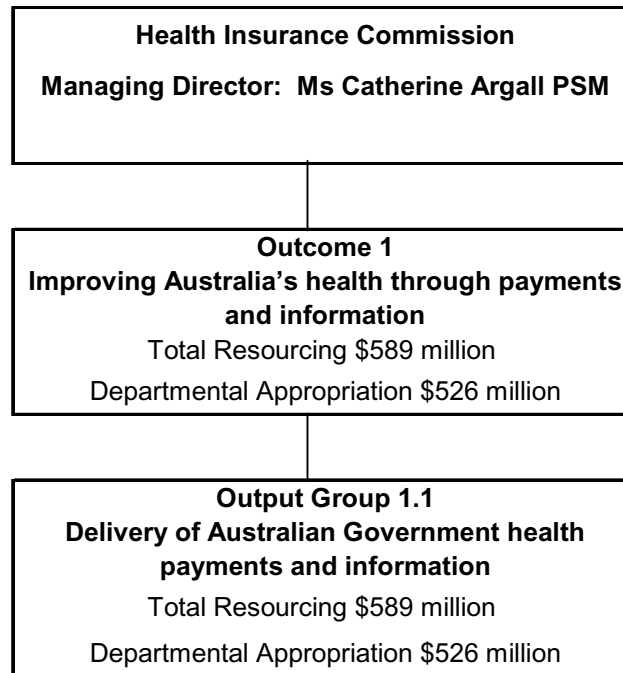
HIC administers community rebate and reimbursement schemes, such as the Higher Education Contribution Scheme (HECS) Reimbursement Scheme and the 30% Private Health Insurance Rebate. HIC facilitate payments through the Family Assistance Office in partnership with Centrelink, the Australian Taxation Office and the Department of Family and Community Services.

HIC also administers the Medical Indemnity Scheme, the Compensation Recovery Program for Medicare and nursing home benefits, the Vietnam Veterans' Childrens' Program, as well as the Balimed scheme for victims of the Bali bombings in October 2002.

HIC undertakes claims processing and payments on behalf of the DVA (veterans' treatment accounts), the Office of Hearing Services, and Health Department of Western Australia.

In October 2004, HIC ceased to be covered by the outcomes and outputs of the Health and Ageing Portfolio. HIC now reports to the Minister for Human Services within the Finance and Administration Portfolio. Its outcomes and output groups are outlined in Figure 6 below.

Figure 6: Outcomes and output groups for the Health Insurance Commission



HIC now derives the majority of its revenue through appropriations, in return for services provided on behalf of the Department of Health and Ageing. Revenue for services provided are also received from the Department of Veterans' Affairs, the Department of Family and Community Services, and small amounts of revenue from other sources, including the Health Department of Western Australia, and for rent of facilities and sale of statistics. A few programs remain directly funded by the Department of Health and Ageing (mainly one-off smaller projects outside ongoing appropriation arrangements). The original revenue budget estimate of \$540.1m for 2004-05 has increased by \$49.0m, comprising an increase of \$25.2m additional appropriation revenue and \$23.8m revenue from external sources, primarily relating to 2003-04 unearned revenue for services to be provided on behalf of the Department of Health and Ageing.

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

Variations — Measures

Table D.2.1.1: Additional Estimates and Variations to Measures

	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)
Outcome 1				
Medicare - extended opening hours for Medicare offices				
- Expense	6,789	6,571	6,637	6,710
- Related capital	784	-	-	-
Medicare - eight new Medicare offices				
- Expense	3,666	5,179	5,226	5,278
- Related capital	2,278	-	-	-
Australian-United States Free Trade Agreement	94	-	-	-
Investing in Stronger Regions - practice nurses in rural areas				
- Expense	293	236	262	290
- Related capital	148	-	-	-
Medicare - additional incentive for GPs who bulk-bill in areas of workforce shortage and lower than average bulk-billing rates	111	-	-	-
Medicare - higher rebate for services provided by other medical practitioners working after-hours in a Medical Deputising Service	65	19	21	21
Medicare - increase the Medicare rebate to 100 per cent of the scheduled fee for GP attendances				
- Expense	656	97	98	99
- Related capital	70	-	-	-
Round the Clock Medicare - investing in after-hours GP services				
- Expense	963	853	860	870
- Related capital	70	-	-	-
Pharmaceutical Benefits Scheme - listing of Ezetrol	209	379	502	604
Pharmaceutical Benefits Scheme - listing of Risperdal Consta	10	31	46	57
Pharmaceutical Benefits Scheme - extension to the listing of Zyprexa	12	40	70	101
Pneumococcal vaccination - universal childhood programme				
- Expense	2,072	1,912	812	-
- Related capital	507	-	-	-
Private Health Insurance rebate - increase for older Australians				
- Expense	304	175	177	179
- Related capital	311	-	-	-
Veterans' Access Payment	93	-	-	-
Local Medical Officer Scheme - increasing the medical rebate to 115 per cent of the scheduled fee for all attendances	85	-	-	-
Round the Clock Medicare - investing in after-hours GP services	85	168	164	160
Total	19,675	15,660	14,875	14,369
- Expense	15,507	15,660	14,875	14,369
- Related capital	4,168	-	-	-

Other variations to appropriations**Table D.2.1.2: Additional Estimates and Variations to Outcomes - Other Variations to Appropriations**

	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)
Outcome 1				
Variations in departmental appropriations				
Department of Health and Ageing - Volumes Adjustment (including revised WCI)	6,807	8,917	10,013	14,064
Act of Grace Payment	522	-	-	-
Deferred FTB(A) Act of Grace Payment Process	847	-	-	-
Medical Indemnity Run-off Cover Scheme				
- Expenses	1,172	857	848	869
- Capital	474	-	-	-
Co-located Clinics				
- Expenses	41	-	-	-
- Capital	-41	-	-	-
Red Tape Task Force				
- Expenses	441	-	-	-
- Capital	404	-	-	-
Mediconnect	-2,547	-	-	-
Revenue from related entities*				
<u>Department of Health and Ageing</u>				
Medical Rural Bonded Scholarship Scheme	87	25	50	50
2003/04 unearned income	25,188	-	-	-
<u>Department of Veterans' Affairs</u>				
DVA Specialist Loading Project	450	-	-	-
Total	33,845	9,799	10,911	14,983
- Expense	33,008	9,799	10,911	14,983
- Related capital	837	-	-	-

*These items are funded through revenue received from either the Department of Health and Ageing or the Department of Veterans' Affairs and not via direct appropriation.

MEASURES — AGENCY SUMMARY

Table D.2.1.3: Summary of Measures since the 2004-05 Budget

Measure	Outcome	Output groups affected	Appropriations 2004-05 (\$'000)			Appropriations 2005-06 (\$'000)			Appropriations 2006-07 (\$'000)			Appropriations 2007-08 (\$'000)		
			Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Medicare - extended opening hours for Medicare offices	1	1												
- Expense				6,789	6,789		6,571	6,571		6,637	6,637		6,710	6,710
- Related Capital				784	784		-	-		-	-		-	-
Medicare - eight new Medicare offices	1	1												
- Expense				3,666	3,666		5,179	5,179		5,226	5,226		5,278	5,278
- Related Capital				2,278	2,278		-	-		-	-		-	-
Australian-United States Free Trade Agreement	1	1		94	94		-	-		-	-		-	-
Department of Health & Ageing														
Investing in Stronger Regions - practice nurses in rural areas	1	1												
- Expense				293	293		236	236		262	262		290	290
- Related Capital				148	148		-	-		-	-		-	-
Medicare - additional incentive for GPs who bulk-bill in areas of workforce shortage and lower than average bulk-billing rates	1	1		111	111		-	-		-	-		-	-
Medicare - higher rebate for services provided by other medical practitioners working after-hours in a Medical Deputising Service	1	1		65	65		19	19		21	21		21	21
Medicare - increase the Medicare rebate to 100 per cent of the scheduled fee for GP attendances	1	1												
- Expense				656	656		97	97		98	98		99	99
- Related Capital				70	70		-	-		-	-		-	-

Table D.2.1.3: Summary of Measures since the 2004-05 Budget (continued)

Measure	Outcome	Output groups affected	Appropriations 2004-05 (\$'000)			Appropriations 2005-06 (\$'000)			Appropriations 2006-07 (\$'000)			Appropriations 2007-08 (\$'000)		
			Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total	Admin items	Dept outputs	Total
Round the Clock Medicare - investing in after-hours GP services	1	1												
- Expense			963	963	963		853	853		860	860		870	870
- Related Capital			70	70	70		-	-		-	-		-	-
Pharmaceutical Benefits Scheme - listing of Ezetrol	1	1	209	209	209		379	379		502	502		604	604
Pharmaceutical Benefits Scheme - listing of Risperdal Consta	1	1	10	10	10		31	31		46	46		57	57
Pharmaceutical Benefits Scheme - extension to the listing of Zyprexa	1	1	12	12	12		40	40		70	70		101	101
Pneumococcal vaccination - universal childhood programme	1	1												
- Expense			2,072	2,072	2,072		1,912	1,912		812	812		-	-
- Related Capital			507	507	507		-	-		-	-		-	-
Private Health Insurance rebate - increase for older Australians	1	1												
- Expense			304	304	304		175	175		177	177		179	179
- Related Capital			311	311	311		-	-		-	-		-	-
<u>Department of Veterans' Affairs</u>														
Veterans' Access Payment*	1	1	93	93	93		-	-		-	-		-	-
Medicare - Increase the Medicare rebate to 115 per cent of the scheduled fee for Local Medical Officers*	1	1	85	85	85		-	-		-	-		-	-
Round the Clock Medicare - investing in after-hours GP services*	1	1	85	85	85		168	168		164	164		160	160
Total			19,675	19,675	19,675	15,660	15,660	15,660	14,875	14,875	14,875	14,369	14,369	14,369
- Expense			15,507	15,507	15,507	15,660	15,660	15,660	14,875	14,875	14,875	14,369	14,369	14,369
- Related Capital			4,168	4,168	4,168	-	-	-	-	-	-	-	-	-

BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table D.2.1.4: Appropriation Bill (No. 3) 2004-05

	2003-04 available \$'000	2004-05 budget \$'000	2004-05 revised \$'000	Additional estimates \$'000	Reduced estimates \$'000
DEPARTMENTAL OUTPUTS					
Outcome 1					
Improving Australia's health through payments and information	-	501,255	526,437	25,182	-
Total	-	501,255	526,437	25,182	-
Total administered and departmental	-	501,255	526,437	25,182	-

HIC did not receive appropriation in 2003-04 as all revenue was derived through contractual arrangements with purchasing departments.

Table D.2.1.5: Appropriation Bill (No. 4) 2004-05

	2003-04 available \$'000	2004-05 budget \$'000	2004-05 revised \$'000	Additional estimates \$'000	Reduced estimates \$'000
Non-operating					
Equity injections	34,197	14,310	19,315	5,005	-
Loans	-	-	-	-	-
Previous years' outputs	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-
Total capital	34,197	14,310	19,315	5,005	-
Health Insurance Commission	34,197	14,310	19,315	5,005	-
Total	34,197	14,310	19,315	5,005	-

The 2003-04 available appropriation is included to allow a comparison of this year's appropriation with what was made available for use in the previous year.

SUMMARY OF STAFFING CHANGES

At the start of the 2004-05 financial year, HIC's average staffing level stood at 5,088 and has increased slightly since that time. The increase since the time of the Budget estimate of 4,500 has been predominantly in State Offices and is a result of the Strengthening Medicare initiative, and in particular the management of the new Medicare Safety Net. The revised figure below includes non-ongoing staff. If non-ongoing staff were excluded, the revised figure would be 4,720.

Table D.2.1.6: Average Staffing Level (ASL)

	2004-05 Budget	2004-05 Revised	Variation
Outcome 1			
Improving Australia's health through payments and information	4,500	5,150	650
Total	4,500	5,150	650

REVENUE FROM INDEPENDENT SOURCES

The increase of \$23.8m largely relates to an adjustment for 2003-04 unearned revenue for services to be provided on behalf of the Department of Health and Ageing.

Table D.2.1.7: Revenue from independent sources

	Budget estimate 2004-05 \$'000	Revised estimate 2004-05 \$'000
DEPARTMENTAL REVENUE		
Revenue from independent sources	38,883	62,691
Total non-appropriation departmental revenue	38,883	62,691

Section 2: Revisions to outcomes and outputs

OUTCOMES AND OUTPUT GROUPS

Up until October 2004, outcomes and output groups for HIC had been subsumed within those of the Health and Ageing Portfolio. With the creation of the Department of Human Services, HIC has now become responsible for reporting on its own outcomes and output groups. HIC has retained its original outcome and the Minister has established a new output.

Outcome: Improving Australia's health through payments and information

Output: Delivery of Australian Government health payments and information.

Output cost attribution

As HIC has only one output, there is no requirement to attribute overheads and other expenses between outputs in determining the full price.

Outcome

Explanation of variations

HIC will now report as a separate outcome in budget documents such as the PAES following the establishment of the Department of Human Services, and the transfer of HIC as an agency of the Health and Ageing Portfolio to an agency within the Finance and Administration Portfolio reporting to the Minister for Human Services.

Revised performance information and level of achievement – 2004-05

Performance information for HIC was previously embedded within the Health and Ageing portfolio performance information.

Table D.2.2.1: Performance information for outputs affected by Additional Estimates — Outcome 1

Output	Performance information 2004-05 budget	Performance information 2004-05 revised
Output 1.1.1		
Output: Delivery of Australian Government health payments and information	Quality:	Quality: High level of client and stakeholder satisfaction with the services provided by HIC.
	Quantity:	Quantity: Number of claims for Medicare Benefits Schedule and Pharmaceutical Benefits Scheme benefits to be processed.
	Price:	Price: HIC operating costs as a percentage of administered funds paid by the HIC.

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of HIC's budgeted departmental financial statements is provided below.

Statement of Financial Performance

HIC is estimating a small operating surplus of \$0.2m in the budget year (2004-05) and a breakeven position in the forward years. The surplus is attributable to the recognition of revenue from DVA that will be used to fund the development of an asset.

HIC's revenue and expense estimates have increased from 2003-04 actuals in the current budget year primarily attributable to the recognition of unearned income in 2004-05 from external sources. There is a general increase in revenue across the forward years resulting from an expected increase in the provision of services to client agencies.

The following charts show revenue and expenditure trends across budget and forward years. Figures for 2003-04 are based on actuals. Figures for 2004-05 and forward years are estimates only and are indexed in accordance with the wage cost index (WCI) parameters issued by the Department of Finance and Administration (DoFA).

Figure 7: Trends in Total Revenue for the Health Insurance Commission

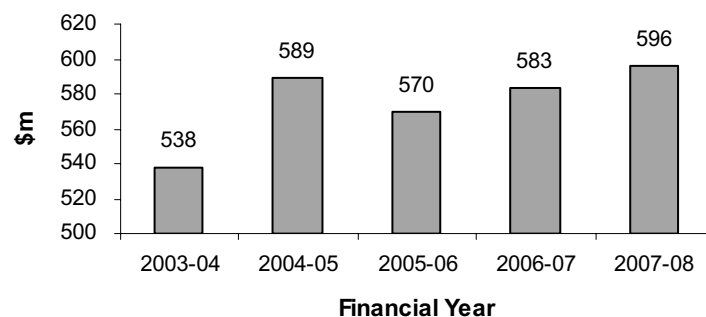
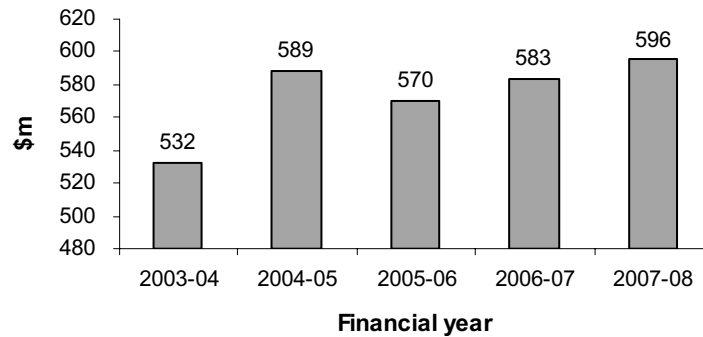


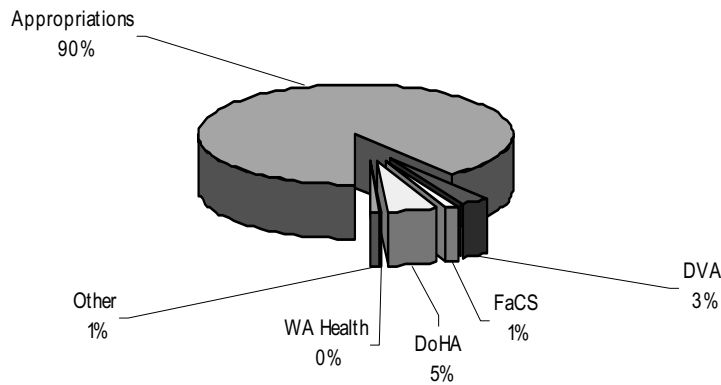
Figure 8: Trends in Total Expenditure for the Health Insurance Commission

Total revenue for 2004-05 is estimated at \$589.1m, an increase of \$49.0m on budget. Total expenses for 2004-05 are estimated to be \$588.9m, an increase of \$48.8m on budget. The increase in revenue and expenditure is primarily a result of revised estimates for external revenue (\$23.8m), revised parameter and volume adjustments (\$6.8m), and new measures (\$15.8m) announced since the 2004-05 Budget. These measures are identified in Section 1. The reduction in 2005-06 estimates in both expenditure and revenue relates to one-off unearned revenue in the 2004-05 financial year.

Table D.2.3: Sources of Estimated Total Revenue for the Health Insurance Commission for 2004-05 to 2007-08

	2003-04	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m	\$m
Appropriations		526	532	545	558
Revenue from other sources					
Department of Health and Ageing	503	29	4	4	4
Department of Veterans' Affairs	17	19	18	19	19
Department of Family and Community Services	8	8	8	8	8
Health Department of WA	1	2	2	2	2
Other	9	5	5	5	5
Total	538	589	570	583	596

Figure 9: Sources of Total Revenue for the Health Insurance Commission for 2004-05



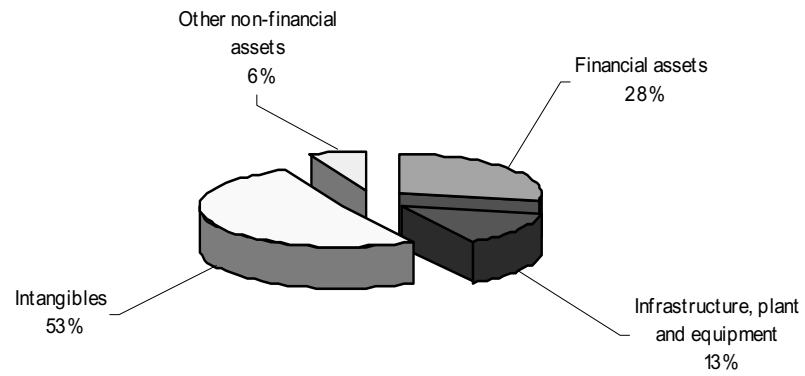
Statement of Financial Position

HIC's budgeted net asset position of \$111.9m represents an increase of \$19.5m from the 2003-04 actual. The increase is primarily due to the expectation that unearned income of \$25.2m will be recognised as receipts in 2004-05.

In relation to HIC's primary assets:

- Receivables are expected to increase from budget by \$15.5m to \$50.3m primarily as a result of an adjustment to restate the opening balance to reflect 2003-04 actuals.
- Intangibles are expected to increase from budget by \$7.5m to \$112.4m as a result of new software development associated with several of the new measures (\$4.1m), an adjustment to restate the opening balance to reflect 2003-04 actuals (\$2.8m) and revised estimates on capital spending.
- Other non-financial assets are expected to decrease from budget by \$6.6m to \$13.5m as a result of an adjustment to restate the opening balance to reflect 2003-04 actuals.

HIC's primary liability continues to be accrued employee leave entitlements of \$70.2m. This represents an increase from budget of \$9.8m and is due to an adjustment to restate the opening balance to reflect 2003-04 actuals (\$4.8m) and revised estimates for this liability for growth in staff numbers (\$5.0m).

Figure 10: Budgeted Assets for the Health Insurance Commission for 2004-05

BUDGETED FINANCIAL STATEMENTS

Departmental financial statements

Budgeted departmental statement of financial performance (see table D.2.3.1)

The statement represents the expected financial results for HIC by identifying total accrued revenue and expenses. This provides an indication of whether HIC is operating at a sustainable level.

Budgeted departmental statement of financial position (see table D.2.3.2)

The statement represents the financial position of HIC and assists decision-makers in tracking the management of assets and liabilities.

Budgeted departmental statement of cash flows (see table D.2.3.3)

The statement represents the nature and extent of expected cash flows for HIC resulting from operating, investing and financing activities.

Departmental capital budget statement (see table D.2.3.4)

The statement represents planned capital expenditure (expenditure on non-current assets) for HIC, whether funded through capital appropriations or from internal sources.

Departmental non-financial assets — summary of movement (see table D.2.3.5)

The summary shows budgeted acquisitions and disposals of non-financial assets during the budget year for HIC.

Table D.2.3.1: Budgeted departmental statement of financial performance (for the period ended 30 June 2005)

	Actual 2003-04 \$'000	Revised Budget 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
REVENUE					
Revenues from ordinary activities					
Revenue from government		526,437	532,370	545,200	557,816
Goods and services	535,481	60,641	35,366	35,687	36,183
Interest	764	1,250	1,250	1,250	1,250
Dividends	-	-	-	-	-
Revenue from sale of assets	16	-	-	-	-
Reversals of previous asset write-downs	-	-	-	-	-
Net foreign exchange gains	-	-	-	-	-
Rents	-	-	-	-	-
Royalties	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-
Other revenues	1,264	800	800	800	800
Revenues from ordinary activities	537,525	589,128	569,786	582,937	596,049
EXPENSE					
Expenses from ordinary activities (Excluding borrowing costs expense)					
Employees	288,602	325,538	322,093	334,963	351,107
Suppliers	204,696	228,249	211,909	208,334	206,003
Grants	-	-	-	-	-
Subsidies	-	-	-	-	-
Depreciation and amortisation	33,252	35,140	35,784	39,640	38,939
Write-down of assets	5,243	-	-	-	-
Value of assets sold	-	-	-	-	-
Net foreign exchange losses	18	-	-	-	-
Correction of fundamental error	-	-	-	-	-
Other expenses	-	-	-	-	-
Expenses from ordinary activities (Excluding borrowing costs expense)	531,811	588,927	569,786	582,937	596,049
Borrowing costs expense	-	-	-	-	-
Share of net profits or (losses) of associates and joint ventures accounted for using the equity method	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-
Operating surplus or (deficit) from ordinary activities	5,714	201	-	-	-
Gain or loss on extraordinary items	-	-	-	-	-
Correction of fundamental error	-	-	-	-	-
Net surplus or (deficit)	5,714	201	-	-	-

Table D.2.3.1: Budgeted departmental statement of financial performance (for the period ended 30 June 2005) (continued)

	Actual 2003-04 \$'000	Revised Budget 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
Outside equity interests in net surplus or (deficit)	-	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	5,714	201	-	-	-
Net credit (debit) to asset revaluation reserve	-	-	-	-	-
Net exchange difference recognised as a direct debit (credit) to equity	-	-	-	-	-
Adjustments arising from standards recognised as direct debit (credit) to equity	-	-	-	-	-
Initial adjustments from transitional UIG consensus view recognised as direct debit (credit) to equity	-	-	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	-	-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners	5,714	201	-	-	-

Table D.2.3.2: Budgeted departmental statement of financial position

	Actual 2003-04 \$'000	Revised Budget 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
ASSETS					
Financial assets					
Cash	92,196	9,893	9,829	9,765	9,765
Receivables	6,551	50,270	49,753	53,359	59,062
Investments accounted for under the equity method	-	-	-	-	-
Investments (section 39 FMA Act; section 18 CAC Act; section 19 CAC Act)	-	-	-	-	-
Other investments	-	-	-	-	-
Accrued revenues	598	598	598	598	598
Other financial assets	-	-	-	-	-
Total financial assets	99,345	60,761	60,180	63,722	69,425
Non-financial assets					
Land and buildings	-	-	-	-	-
Infrastructure, plant and equipment	31,080	28,879	29,002	27,929	26,061
Heritage and cultural assets	-	-	-	-	-
Inventories	-	-	-	-	-
Intangibles	96,178	112,431	112,162	111,866	111,243
Other non-financial assets	13,549	13,549	13,549	13,549	13,549
Total non-financial assets	140,807	154,859	154,713	153,344	150,853
Total assets	240,152	215,620	214,893	217,066	220,278
LIABILITIES					
Interest bearing liabilities					
Loans	-	-	-	-	-
Leases	-	-	-	-	-
Deposits	-	-	-	-	-
Overdraft	-	-	-	-	-
Other interest bearing liabilities	-	-	-	-	-
Total interest bearing liabilities	-	-	-	-	-
Provisions					
Employees	71,255	70,227	65,002	65,076	66,799
Capital use charge	-	-	-	-	-
Other provisions	-	-	-	-	-
Total provisions	71,255	70,227	65,002	65,076	66,799
Payables					
Suppliers	50,256	32,732	34,745	35,015	35,216
Grants	-	-	-	-	-
Dividends	-	-	-	-	-
Borrowing costs	-	-	-	-	-
Other payables	26,290	794	511	241	34
Total payables	76,546	33,526	35,256	35,256	35,250
Total liabilities	147,801	103,753	100,258	100,332	102,049

**Table D.2.3.2: Budgeted departmental statement of financial position
(continued)**

	Actual 2003-04 \$'000	Revised Budget 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
EQUITY *					
Parent entity interest					
Contributed equity	-	-	-	-	-
Reserves	-	-	-	-	-
Statutory funds	-	-	-	-	-
Retained surpluses or accumulated deficits	-	-	-	-	-
Total parent entity interest	-	-	-	-	-
Outside equity interest					
Contributed equity	134,172	153,487	156,255	158,354	159,849
Reserves	10,693	10,693	10,693	10,693	10,693
Retained surpluses or accumulated deficits	-52,514	-52,313	-52,313	-52,313	-52,313
Total outside equity interest	92,351	111,867	114,635	116,734	118,229
Total equity	92,351	111,867	114,635	116,734	118,229
Current assets	112,894	74,310	73,729	77,271	82,974
Non-current assets	127,258	141,310	141,164	139,795	137,304
Current liabilities	112,174	68,640	67,757	67,794	68,650
Non-current liabilities	35,628	35,114	32,501	32,538	33,400

* Note: 'equity' is the residual interest in assets after deduction of liabilities.

Table D.2.3.3: Budgeted departmental statement of cash flows (for the period ended 30 June 2005)

	Actual 2003-04 \$'000	Revised Budget 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	565,218	63,423	40,616	37,921	37,158
Appropriations	-	479,936	527,637	539,360	551,139
Interest	764	1,250	1,250	1,250	1,250
Dividends	-	-	-	-	-
Other	25,192	16,126	16,126	16,126	16,126
Extraordinary items	-	-	-	-	-
Total cash received	591,174	560,735	585,629	594,657	605,673
Cash used					
Employees	285,476	326,566	327,318	334,889	349,385
Suppliers	203,548	286,595	225,505	223,660	221,335
Grants	-	-	-	-	-
Borrowing costs	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Total cash used	489,024	613,161	552,823	558,549	570,720
Net cash from/ (used by)					
Operating activities	102,150	-52,426	32,806	36,108	34,953
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	16	-	-	-	-
Proceeds from sales of financial instruments	-	-	-	-	-
Bills of exchange and promissory notes	-	-	-	-	-
Repayments of loans made	-	-	-	-	-
Investments (section 39 FMA Act; section 18 CAC Act; section 19 CAC Act)	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Total cash received	16	-	-	-	-
Cash used					
Purchase of property, plant and equipment	52,623	49,192	35,638	38,271	36,448
Purchase of financial Instruments	-	-	-	-	-
Bills of exchange and promissory notes	-	-	-	-	-
Loans made	-	-	-	-	-
Investments (section 39 FMA Act; section 18 CAC Act; section 19 CAC Act)	-	-	-	-	-
Other	-81	-	-	-	-
Extraordinary items	-	-	-	-	-
Total cash used	52,542	49,192	35,638	38,271	36,448
Net cash from/ (used by)					
investing activities	-52,526	-49,192	-35,638	-38,271	-36,448

Table D.2.3.3: Budgeted departmental statement of cash flows (for the period ended 30 June 2005) (continued)

	Actual 2003-04 \$'000	Revised Budget 2004-05 \$'000	Forward estimate 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	34,197	19,315	2,768	2,099	1,495
Proceeds from issuing financial instruments	-	-	-	-	-
Proceeds from loans	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Total cash received	34,197	19,315	2,768	2,099	1,495
Cash used					
Repayments of debt	-	-	-	-	-
Capital use charge paid	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other	-	-	-	-	-
Extraordinary items	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from/ (used by) financing activities	34,197	19,315	2,768	2,099	1,495
Net increase or (decrease) in cash held	83,821	-82,303	-64	-64	-
Cash at the beginning of the reporting period	9,136	92,196	9,893	9,829	9,765
Effect of exchange rate movements on cash at the beginning of reporting period	-	-	-	-	-
Cash at the end of the reporting period	92,957	9,893	9,829	9,765	9,765

Table D.2.3.4: Departmental capital budget statement

	Actual	Revised	Forward	Forward	Forward
	2003-04	Budget	estimate	estimate	estimate
	\$'000	2004-05	2005-06	2006-07	2007-08
		\$'000	\$'000	\$'000	\$'000
CAPITAL APPROPRIATIONS					
Total equity injections	34,197	19,315	2,768	2,099	1,495
Total loans	-	-	-	-	-
Represented by					
Purchase of non-current assets	34,197	19,315	2,768	2,099	1,495
Other	-	-	-	-	-
Total	34,197	19,315	2,768	2,099	1,495
PURCHASE OF NON CURRENT ASSETS					
Funded by capital appropriation	34,197	19,315	2,768	2,099	1,495
Funded internally by departmental resources	19,107	29,877	32,870	36,172	34,953

Table D.2.3.5: Departmental non-financial assets — summary of movement (Budget year 2004-05)

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of year	-	-	-	31,080	-	96,178	-	127,258
Additions	-	-	-	10,800	-	38,392	-	49,192
Disposals	-	-	-	-	-	-	-	-
Net Revaluation increment / decrement	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	-	-	13,001	-	22,139	-	35,140
Write-off of assets	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	-	-	28,879	-	112,431	-	141,310
Total additions								
Self funded	-	-	-	10,800	-	19,077	-	29,877
Appropriations	-	-	-	-	-	19,315	-	19,315
Total	-	-	-	10,800	-	38,392	-	49,192

NOTES TO THE FINANCIAL STATEMENTS

The financial statements reflect the entries to the Accrual Information Management System (AIMS) as at January 2005.

Basis of accounting

The agency budget statements are prepared in compliance with Australian Accounting Standards, Accounting Guidance Releases and having regard to Statements of Accounting Concepts.

The statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which are at valuation.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits can be reliably measured.

The continued existence of HIC in its present form and functions is dependent on government policy and ongoing business.