

ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
ADDITIONAL INFORMATION
MINISTRY OF HEALTH
FRIDAY, 2 JULY 2010



Medical Equipment Replacement Program

Clarification provided to the Hon Ken Travers MLC, regarding the following issues:

1. Where does the additional cash flow appear in the program?

The additional cashflow of \$120.4 million for the Medical Equipment Replacement Program (MERP) is included as a top-up to the existing project titled 'Equipment Replacement Program' (on page 198 of the Budget Statements). This is evident when comparing the Estimated Total Cost of the Equipment Replacement program which increased from \$186.375 million in the 2009/10 Budget Statements (page 180) to \$306.775 million in the 2010/11 Budget Statements, i.e. an overall increase of \$120.4 million.

The additional funding was allocated over three years: \$43.4 million in 2009/10, \$38 million in 2010/11 and \$39 million in 2011/12.

The table below provides a reconciliation of the MERP funding in 2009/10 budget statements to the MERP funding in 2010/11 budget statements to demonstrate that additional funding has been allocated for this project in 2010/11:

	Prior Year Actuals	2008/09	2009/10	2010/11	2011/12	2012/12	Total
	000s	000s	000s	000s	000s	000s	000s
MERP funding in the 2009/10 budget papers	127,546	41,215	13,000	2,000	1,000	1,614	186,375
MERP funding in the 2010/11 budget papers	127,546	39,596	58,019	40,000	40,000	1,614	306,775
Additional funding provided in the 2010/11 budget process	-	(1,619)*	45,019	38,000	39,000	-	120,400

* Adjustment to reflect the out-turn for 2008/09.

2. Why is the additional funding shown in a category "Works in Progress" rather than as a new item -

The MERP is an ongoing rolling programme to cater for equipment replacement needs on an ongoing basis. The additional funding is a refresh of an existing program rather than a new program.

The current asset classifications shown in the Asset Investment Program table in the budget statements is principally designed to highlight the various stages of infrastructure projects which have a beginning and an end-point. Hence the categorisation of New Works, Works-in-Progress and Completed Works. This categorisation does not work so well for ongoing programs such as the MERP and Minor Building Works, which continues to be shown as Works-in-Progress, notwithstanding that new funding is provided in the Budget from time to time.