

The Treasury

Budget 2011 Information Release

Release Document

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: John MacCormick
Sent: Monday, 4 April 2011 4:00 p.m.
To: [3]
Cc: Chris Bunny; Rienk Asscher; [3]
Subject: Note on Health Capital

Hi [3]

Chris has asked me to send you this note to inform discussions with Hon Ryall's office.

The key change from previous advice is that we've now got firm numbers on Health's 2010/11 underspends for the Budget package.

Please call if you wish to discuss.

John MacCormick | Senior Analyst | **The Treasury**
[3]

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Considerations for Zero Health Capital Budget 2011 Allocation

Key Points

- Health has [6] current balance in the Health Capital Envelope plus \$350 million of baseline (depreciation) funding.
 - The [6] in the capital envelope may be sufficient in the short-term, but will depend on Canterbury's capital requirements following the earthquake – preliminary estimates are low [2]
 - The \$350 million baseline funding (from 2010/11 DAPs) is difficult to reallocate, as it is on individual DHB balance sheets and is the basis of their asset management. However, increased balance sheet scrutiny is one way of managing within tight capital budgets.
 - In its March meeting, the Capital Investment Committee agreed with a Ministry proposal to put all capital proposals on hold pending more information from Canterbury – subsequently the Ministry is preparing this proposal for consideration by Ministers.
- Operating underspends can also be made available to fund capital expenditure.
 - The balancing item in Health's budget package is an increase in health's appropriated risk reserve of [6] (The total risk reserve will then be [6])
 - The 2011/12 risk reserve increase is partly funded by al [6] underspend in the 2010/11 risk reserve. It is likely further 2010/11 underspends will be identified in Vote Health before 30 June.

[2],[6]

[3]

[6]

[2]