

For information
On 14 January 2001

Paper No. CB(2)852/01-02(04)

LegCo Panel on Health Services

Over-commitment Limit for Subhead 979 Hospital Authority – equipment and information systems (block vote)

Purpose

This paper informs Members that the Administration intends to seek the agreement of the Finance Committee of the Legislative Council (FC) to increase the over-commitment limit of the approved provision under Head 177 SUBVENTIONS : NON-DEPARTMENTAL PUBLIC BODIES Subhead 979 Hospital Authority – equipment and information systems (block vote) from 50% to 80%.

Justifications

2. Prior to 2001-02, purchase of equipment costing over \$100,000 each was charged under Subhead 977 and funding of information systems costing over \$100,000 each was covered by Subhead 978. The standard limit of 50% by which approved provision may be over-committed under each of these capital account block vote subheads was however not sufficient to enable the Hospital Authority (HA) to spend fully the approved provision under the two subheads. The Finance Committee of the Legislative Council (FC) approved in June 1996 the increase in the limit of over-commitment for Subhead 977 and Subhead 978 to 90% and 70% respectively with effect from 1996-97. Over the years, the higher limits of over-commitment for Subheads 977 and 978 have proved to be useful to enable HA to fully utilize the approved provision in the subheads.

3. To provide greater flexibility to the HA in managing resources for the procurement of equipment and the development of its information systems, Subhead 977 was merged with Subhead 978 to form a new Subhead 979 with effect from 2001-02 against which expenditure on all equipment items and information system projects costing over

\$100,000 each is to be charged. The standard limit of 50% by which the approved provision may be over-committed applies to this new Subhead 979. The nature of procurement of equipment and information systems is such that lead time is required in the process. On the basis of past procurement experience, there is a proven need to increase the over-commitment limit to 80% for the new Subhead 979. For instance, Subheads 977 and 978 were fully utilized in 2000-01, with the total commitment incurred exceeding the approved provisions by 90% and 42% respectively, representing a 79% over-commitment for the two subheads combined. FC's approval is required to increase the over-commitment limit of the new subhead in order to enable HA to fully utilize the approved provision in Subhead 979 to procure medical equipment and information systems it requires.

Way Forward

4. We shall seek the approval of the FC to increase the over-commitment level of Subhead 979 to 80% with effect from 2001-02 at the FC meeting to be held on 25 January 2002.

Health and Welfare Bureau
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