



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

Committee of Public Accounts
Meeting on Thursday 27th February 2014

Opening Statement
by
Mr. Tony O'Brien

Director General
Health Service Executive

Good morning Chairman and members of the Committee.

Thank you for the invitation to attend the Committee meeting today.

I am joined by my colleagues:

- Mr. Pat Healy, National Director for Social Care
- Mr. Pat O'Dowd, Assistant National Director-Contracts

Introduction

Voluntary/non-statutory service providers have a long history of providing health and personal social services in Ireland. These organisations vary in scale and complexity, ranging from large acute hospitals to local community based organisations providing social care services.

The HSE acknowledges the role and significant contribution of such organisations in the development and provision of health and personal social services and is committed to the continuous improvement of effective governance arrangements with the sector in accordance with the legislative intent of the Health Act 2004 and in accordance with the requirements of good practice.

Section 38 & 39 Arrangements

The HSE funds over 2,600 Agencies which operate over 4,200 separate funding arrangements to a value of approximately €3.3bn. 39 of these agencies, accounting for €2.4bn are funded under Section 38 of the Health Act, 2004 while the remaining agencies, in excess of 2,500, are funded under Section 39 of the Act.

Under Section 38 the HSE may enter in to an arrangement with a service provider for the provision of health and personal social service on its behalf.

Under Section 39 the HSE may give assistance to a person or body to provide a service that is similar or ancillary to a service that the Executive may provide.

The governance context in which the HSE engages with Section 39 agencies is distinctly different to that which applies in the case of Section 38 agencies. For example the employees of Section 39 Agencies are not public servants, are not members of public sector pension schemes and unlike their Section 38 counterparts are not directly bound by the Department of Health's Consolidated Salary Scales.

In a situation where a funding arrangement under Section 39 was reclassified as coming under Section 38 the cost to the State of providing that service would likely increase in a material sense in the immediate and long term due to increased public sector numbers, pay rates and pension costs as well as a loss on the current flexibility around development & reorganisation of services. No such reclassification has taken place in recent years.

Service Arrangements with RehabCare and National Learning Network

RehabCare and National Learning Network (NLN) are wholly owned subsidiary companies of Rehab Group and the HSE has contracted these two organisations to provide a range of services to support children and adults with a range of disabilities and mental health needs across our 4 regions in line with the agreed Service Arrangements under Section 39 of the Health Act, 2004.

The HSE has service arrangements with RehabCare to deliver day services delivered through resource centers, residential and respite care, supported accommodation, outreach and home-based services.

The HSE provided funding of just over €41m to Rehabcare in 2013 which, based on 2012 published accounts, is estimated to constitute approx 92% of the company's total turnover for last year.

The HSE has service arrangements with NLN to provide rehabilitative training and related services across our 4 regions to enable people with a disability to achieve their potential in a manner, which takes account of their personal, social and environmental needs.

The HSE provided funding of just over €13.5m to NLN in 2013 which, based on 2012 published accounts, is estimated to constitute approx 30% of the company's total turnover last year.

Table 1: Funding Arrangements

	DML	DNE	South	West	Corporate	Total - 2013
Funding Provided						
Rehabcare	15,459,144	4,942,761	3,848,920	16,805,859	7,000	41,063,684
NLN	3,807,608	2,347,778	4,014,236	3,352,619	0	13,522,241
Total	19,266,752	7,290,539	7,863,156	20,158,478	7,000	54,585,925
Number of individual funding arrangements						
Rehabcare	9	4	4	9	1	27
NLN	6	6	3	8	0	23
Total	15	10	7	17	1	50

Table 2: Summary of Service Quantum -Residential, Respite, Day and Home Support/Respite Services and Rehabilitative Training- 2013

Region	Rehabcare				NLN
	Number of service Users receiving Residential Supports	Number of Service Users receiving Day Service Supports	Number of Service Users in receipt of Home Support	Number of Respite Beds providing residential respite services	Number of Service Users availing of RT
Dublin Mid-Leinster	37	359	741	5 beds	340
Dublin North East	25	285	21	5 beds	166
South	51	377	42	2 beds	349
West	106	480	158	19 beds	201
TOTAL	219	1,501	962	31 beds	1,056

As the tables above demonstrate just over €40m is provided to Rehabcare for the provision of a very wide range and quantum of important client facing services. There are 219 service users receiving residential support nationally, over 1,500 receiving day service support, 962 receiving home support. They also have a capacity of 31 respite beds nationally which is a very important service component in the overall spectrum of services funded by the HSE for persons with a disability.

The HSE provides just over €13.5m funding to National Learning Network to provide over a 1,000 rehabilitation places nationally.

The HSE is satisfied that in general both companies are discharging their roles and responsibilities under their respective service arrangement to an acceptable standard in terms of service delivery, quality and cost effectiveness.

A more detailed briefing on the Service Arrangements and service quantum has been provided to the Committee.

Governance & Oversight Arrangements

The HSE has a governance framework in operation for all Agencies funded to provide health and personal social services. This framework applies a standardised approach to our engagement with agencies according to the level of funding and the scale and range of services provided.

The significant funding to both NLN and Rehabcare is managed by the application of the National Standard Section 39 Service Arrangement.

Under the HSE's governance framework for Section 39 agencies where the HSE's annual funding exceeds €0.250m the arrangement is required to be covered by a standard Service Arrangement which consists of two separate but inter-related parts.

- Part 1 is the main contract document setting out, inter alia, the principles of the arrangement, the roles and responsibilities of the parties, dispute resolution mechanisms etc.,
- Part 2 consists of a series of schedules specifying the detail in relation to, inter alia, service quantum, staffing, funding and quality & service standards.
- For the purpose of administrative coherence agencies are only required to sign one Part 1 per region but are required to ensure that each funding arrangement is covered by a set of schedules.
- Where the HSE's annual funding is below the €0.250m threshold the arrangement is required to be covered by a grant aid agreement.

Service Arrangements are managed on a day to day basis at local Area level by the relevant Disability Manager and team, reporting to the ISA Manager. Regional coordination of services provided across a region is managed by a lead area manager reporting to the Regional Director.

As part of this process, all agencies including Rehabcare and National Learning Network are monitored via regular review meetings with HSE Management at Area and Regional level. These review meetings address financial reports, human resources, activity data, planning, review of agreed performance indicators and compliance with quality and standards etc. There is also operational service planning meetings held regularly in relation to individual service users. There is an increasing focus on the use of internal audit in monitoring the operation of Section 39 agencies where warranted and this process will increase in line with the 2014 service plan.

In line with the requirements of the service arrangement (part 1) and Schedule (Part 2) all agencies including RehabCare and NLN are required to submit information returns as outlined below:

- Audited Financial Statements
- Annual Report
- Memorandum and Articles of Association
- Mission Statement and Aims and Objectives
- Tax Clearance Statements/charitable status
- Insurances/Indemnities
- Key Performance Indicators (KPI) reports
- Activity Reports
- Service Reports
- Detailed Service Specification templates with resource allocation information to unit of service delivery.
- Human resource information
 - General all grades numbers
 - Detailed Senior Staffing Template

The National Business Support Unit, under the leadership of a Health Service senior manager, provides business/technical support to the local areas on the implementation of the governance framework with non-statutory agencies. .

With the implementation of the new national structure for the Health Service, there is now for the first time a National Director of Social Care with responsibility for all of these services across elderly and disability, which provides an opportunity to develop an overall national process on the management of service arrangements across the sector. The 2014 Operational Plan for Social Care outlines work to be undertaken on streamlining governance arrangements and maximising efficiency including the introduction of a new IT based system to support the management of service arrangements.

Compliance with Public Pay Policy

Since the introduction of the *National Standard Governance Framework with the Non – Statutory Sector* the HSE has been continuously reviewing and strengthening these arrangements in accordance with the requirements of sound governance and accountability and in order to ensure that it is aligned with the ever changing exigencies of our health and personal social services. One such enhancement was the introduction in 2013 of a requirement on all agencies covered by a service arrangement, both Section 38 and 39, to complete a template setting out details of the remunerative arrangements for Senior Managers (Grade VIII and above).

The HSE placed priority focus on Senior Managers' salaries in the Section 38 Agencies as they account for €2.4bn (or 74%) of the €3.3bn allocated by the HSE to non statutory providers. In prioritising the Section 38 Agencies the HSE had regard to the fact that their employees are public servants, are members of public sector pension schemes and they are directly bound by the Department of Health's Consolidated Salary Scales.

Notwithstanding the foregoing it is important that all agencies in receipt of public funding would have due regard for overall Government pay policy. The HSE's Director of Human Resources wrote to the CEO's of the Section 39 funded agencies on the 10th December, 2013 stressing the importance for each such organisation to have due regard for overall Government pay policy in respect of the remuneration of their senior managers.

The HSE is currently involved in a process of verifying and validating the Service Managers' remuneration templates with a priority focus on the larger Section 39 Agencies who receive in excess of €5million in funding annually from the HSE. The HSE hopes to have a report on the outcome of this validation process by the end of the first quarter of 2014.

This concludes my opening statement and together with my colleagues we will endeavour to answer any questions you may have.

Thank You.

