

Opening Statement
Public Accounts Committee
Thursday 27th June 2019
Department of Health

Introduction

I am joined by my colleagues Colm Desmond, Assistant Secretary, Finance and Evaluation Division, and Aonraid Dunne, Principal Officer.

As Accounting Officer for the Department of Health's Vote 38, I am pleased to be here today to deal with the 2017 annual report and appropriations accounts of the Comptroller and Auditor General. The other item on today's agenda, the HSE financial statements 2018, will be addressed in the first instance by Mr. Reid, as the accountable person for those accounts.

Since 2015, under the provisions of the Health Service Executive (Financial Matters) Act 2014, funding of the HSE is provided from the Vote of the Minister for Health - Vote 38. Accordingly, in 2017 the Department was responsible for a budget of €14.341 billion for the salaries and expenses of the office of the Minister and certain other services administered by that office, including grants to the HSE and to a range of other research, consultative, regulatory and advisory bodies.

The budget includes the additional €195 million provided by Government in 2017 to the Health Vote, by way of a Supplementary Estimate.

I will now set out the main points of the 2017 Vote 38 accounts. Funding is allocated to the Department of Health in respect of its own costs and in respect of grants to a number of bodies under the aegis of the Department such as the HSE, the Mental Health Commission, the Food Safety Authority of Ireland, HIQA and a range of other bodies. The Department's role is to support the Minister in providing strategic leadership for the health service and to ensure Government policies are translated into actions and implemented effectively. We support the Minister and Ministers of State in their implementation of Government policy and in discharging their governmental, parliamentary and departmental duties.

Much of the public debate tends to be on weaknesses in our health services. Identifying measures to address these in association with our colleagues in the HSE undoubtedly demands continuing work on the part of the staff of the Department. The Sláintecare Implementation Strategy defines this reform agenda, which is ambitious in scope and intended to progressively improve the accessibility and quality of services over a ten-year period.

The Department has established a Sláintecare Programme Office and is working closely with the HSE, other Departments and a range of stakeholders to implement reforms.

More generally, the Department seeks to frame policies and legislation to promote health. Under the Healthy Ireland umbrella, we work cross-sectorally to achieve this objective. Our life expectancy in 2017 was 82.2 years which was 1.3 years above the EU-28 average. It has increased by 3.2 years between 2005 and 2017.

We also work internationally with EU colleagues and the World Health Organisation on health issues. Currently considerable work is under way with the EU and the United Kingdom to address the health challenges caused by Brexit and to ensure that North-South and east-west co-operation on health matters is maintained.

We also support the Minister and Ministers of State in their work including their legislative priorities and their public and parliamentary accountability. For example, in 2018 the Department processed almost 11,500 parliamentary questions, representing 23% of all parliamentary questions tabled to Ministers across Government.

The 2017 gross provision, current and capital, for Vote 38 was €14.801 billion. The 2017 outturn was almost €14.798 billion. There was an overall surplus of €2.3 million. This was after accounting for a supplementary estimate of €195 million.

Of the 2017 gross provision for current expenditure, €204 million was provided to the Department-related subheads in respect of its own costs and in respect of grants to agencies under the aegis of the Department, other than the HSE. The 2017 outturn for these subheads was €189 million, giving an underspend of €15 million.

€14.040 billion of the 2017 gross provision for current expenditure was provided to HSE related subheads. The 2017 outturn for these subheads was €14.052 billion, giving an overspend of €12 million. The overspend primarily related to funding the existing level of service in both acute and community services and pension costs. This overspend was met from savings elsewhere in the Vote.

The 2017 provision for capital expenditure was €557 million and the 2017 outturn was €557 million. The 2017 appropriations-in-aid to the Health Vote was €1 million short of profile at €459 million. The end year net outturn for current and capital was €14.339 billion against a net provision of €14.341 billion, resulting in a saving to the Exchequer of €2.3 million.

Whilst I am appearing here in the context of the Appropriation Accounts for 2017, I am conscious that the Committee has expressed concerns around the accounting treatment of the consultant pay arrears in the HSE's Annual Financial Statements for 2018.

I would like to assure the Committee that there is nothing untoward about this, and there were very good reasons why the Department considered this to be the most appropriate course of action. This was a purely technical solution to address the specific characteristics of the consultant settlement.

As the Committee is aware, consultants took a High Court case regarding their dispute on the non-implementation of pay increases under the 2008 Consultant Contract. These increases were not implemented over the intervening period due to the financial emergency.

Had the State lost the Court case, the re-instatement of increases with full retrospection would have required immediate pay-out running to hundreds of millions of euro. Instead, the State negotiated a settlement in June 2018 which capped the historic element at less than 55% and achieved an agreement to pay this out over two subsequent years, in 2019 and 2020. This involves additional once-off payments which were estimated at €73m in 2019 and €109m in 2020 in respect of the historic element of the settlement. Payment of the increases

due from the date of settlement to the end of December 2018 was also deferred to 2019. The ongoing cost of the settlement was estimated at €62m on an annual basis.

Agreement for payment over the two years, 2019 and 2020, represented a very substantive benefit to the State of the settlement agreement as, in the event of a Court award, the State could have been faced with a requirement for immediate payment of higher salaries and pensions and very significant arrears.

Under Section 36 of the Health Act, 2004, the HSE prepares its financial statements in accordance with standards specified by the Minister. These, for the most part, reflect Financial Reporting Standards. However, a number of exceptions have been made through specific policy directions including in respect of future pension liabilities, liabilities under the clinical indemnity scheme, depreciation and capital grants.

In light of the specific characteristics associated with the consultant settlement, it was decided to direct the HSE to apply a ‘receipts and payments’ convention so that recognition of the expenditure arising from this agreement would be appropriately matched with the future funding from the Department of Health Vote.

The reason for this approach was to acknowledge the special and unique characteristics of the settlement which, from a State budgetary perspective, was successfully spread over a subsequent two-year period. The substance of the agreement upon which the cases were settled informed the approach taken.

Had the full liability been recorded in the HSE's 2018 accounts - regardless of the fact that payment was not due until 2019 and 2020 - the deficit arising would, under health legislation, have been required to be offset against 2019 funding. This would have reduced the amount of funding available for the delivery of health services in 2019, since under the settlement some €109m in once-off payments do not actually fall due for payment until 2020, and the funding for these will not be provided until then.

This additional direction for 2018, in respect of the non-recognition of this liability, is time-bound and will only apply until 2020. Different options were looked at by the Department and the HSE so as to address the issue on a transparent basis and the direction which issued to the HSE was incorporated in the finalised Annual Financial Statements approved by the HSE Directorate.

I am happy to take any questions.