

Opening Joint Statement by Ms Teresa Cody, Assistant Secretary, Department of Health on behalf of the Department of Health and the HSE

Oireachtas Committee on Health

31st January 2018

Chairman and members of the Committee

I am Teresa Cody, Assistant Secretary in charge of National HR Division in the Department of Health. I will be making a joint statement on behalf of both the Department of Health and the Health Service Executive.

I am joined by Sorcha Murray, Principal Officer in National HR Unit from the Department of Health.

I am also joined by HSE colleagues, Stephen Mulvany, Chief Financial Officer; Ann O'Connor, National Director for Community Operations and Rosarii Mannion, National Director of HR.

I want to begin by thanking the Chairman and the committee for inviting us here today to discuss "*the extent to which the Public Health Service is dependent on Section 39 organisations and difficulties being experienced in that sector in retaining staff.*"

I know that you have already heard from representatives of the Disability Federation of Ireland, National Federation of Voluntary Bodies and the Not for Profit Association, through their joint presentation. I understand that representatives of the ICTU Health Sector Committee were also in attendance.

The Government, the Department of Health and the HSE recognise and appreciate the important work carried out by staff who work in Section 39 funded agencies. In the recent Dáil debate on this issue, the Minister of State spoke at length on the role played by voluntary agencies and the efforts underway to address the complex issues that have arisen.

Voluntary organisations have been engaged in and have contributed significantly to the provision and on-going development of the health and social care services in Ireland over many generations.

An important point to note at the outset is in relation to what is meant by the term 'voluntary sector'. Agencies funded by the HSE under both Section 38 and Section 39 of the Health Act 2004, go to make up what is often referred to as the 'voluntary sector'. While Section 38 funded agencies are not the focus of this discussion, it is important to recognise that they too make a valuable contribution. The HSE provides a total of €3,576 million to the voluntary sector, with 78% allocated to Section 38 organisations, with the remaining 22% going to Section 39 organisations.

Under section 39 of the Health Act 2004, the HSE provides financial assistance to organisations by means of a grant. Section 39 legally underpins the provision of services similar or ancillary to a service that the HSE may provide. To put it in context, the HSE provides financial assistance to **2,224** Section 39 organisations. In 2017, the HSE provided funding of approximately **€800 million** to these agencies. These grants can range from very large amounts in their millions, to much lower amounts of just a few hundred euros.

The services covered by the funding to these agencies include - Services to People with Disabilities, Services to Older People, Mental Health Services, Primary Care Services, Social Inclusion Services, Palliative Care Services and Health & Wellbeing Services. The Chief Officers in the Community Health Organisations (CHOs) have delegated accountability for the funding they release to these agencies.

The profile of these agencies ranges from large, long-established and nationally recognised service providers providing essential services to smaller organisations that have evolved over the years providing non-acute services, advocacy or other related support to local communities. Equally, some of these bodies are large employers and others may rely on volunteers with very few staff employed.

The HSE is very reliant on Section 39 organisations to deliver services. In the case of disability services, for example, circa. 25% of disability services are delivered by Section 39 providers. Again, for Mental Health services, the statutory services are primarily provided by the HSE directly, but valuable additional services are provided by Section 39 providers which add value and capacity to the HSE directly provided

services. Representatives of these providers have, also, over the years been involved in working with the State sector to help shape policy and strategies for the on-going development and improvement of these services.

The HSE is held accountable for the use of public funds and it, in turn must ensure transparency and accountability in how Section 39 organisations spend the grants provided for services. The monitoring which the HSE has in place seeks to be proportionate to the nature of the services provided and the scale of financial assistance provided.

We are aware that during the financial crisis, as public spending was reduced, section 39 agencies looked to reduce costs, including pay costs. Where staff in these organisations had their salaries reduced, there is an understandable desire to see these reductions unwound, particularly where such adjustments are underway across the public and private sectors.

However, in assessing and seeking to address this issue, in conjunction with the Department of Public Expenditure and Reform and the HSE, the Department must be mindful of a number of considerations.

Employees of Section 39 organisations in the health sector are not public servants and are therefore not covered by the Public Service Stability Agreements. Staff in these organisations were not subject to the FEMPI legislation, passed by this House, which imposed pay reductions on public servants. Neither do the recent revisions made to this legislation cover employees of Section 39 agencies.

As the employer, it is a matter for Section 39 organisations to negotiate salaries with their staff as part of their employment relationship and within the overall funding available for the delivery of agreed services.

All agencies had their budgets cut during the financial crisis and were expected to make savings. Given that a large part of the budgets of these organisations are spent on pay, the pay budget was the logical place to start. While it is understood that pay cuts were imposed on Section 39 employees, this was not uniform. Even where pay reductions were made, it is not clear how and when these cuts were

actually applied in each case. We understand that different organisations did different things depending on their specific circumstances. There may have been increment freezes. There may have been a stop to all recruitment. The number of staff working in the agency may have been reduced over time. They needed to do more with less which is what they did.

This issue has been the subject of detailed consideration by officials in the Departments of Public Expenditure and Reform and Health and discussions have taken place between the Minister for Public Expenditure and Reform and the Minister for Health. The urgency around this issue is also heightened as industrial action is threatened for 14 February in a number of these organisations.

It is clear that in order to address the problem, there is a need for a much deeper understanding of the funding position in these grant -aided voluntary organisations, the extent to which pay reductions were made and the manner in which they were applied.

The Minister for Health has asked the HSE to take forward, as a matter of urgency, an evidence gathering exercise with Section 39 organisations to establish the factual position regarding pay reductions and pay restoration. It is important that such an exercise is properly conducted, having regard to the need to ensure value for money for the taxpayer, given the significant sums involved, and appropriate treatment where the approach taken by agencies differs. Although this will be a very complex piece of work, it is anticipated that this process, will bring about the necessary clarity and transparency and, ultimately, an agreed way forward for all parties involved.

I would conclude by stating that the Minister for Health, his officials and the HSE are working to address the matter. We are committed to doing all we can to ensure there is no disruption to the delivery of health services.

Thank you