Opening Statement to Oireachtas Joint Committee on Health

Concerns for the operation of S38/39 voluntary organisations providing services to people with intellectual disabilities and/or autism

Wednesday, 19th June 2019

Mr. Bernard O'Regan, Chairperson, National Federation of Voluntary Service Providers (formerly the National Federation of Voluntary Bodies) and CEO, Western Care Association;
Ms. Anna Shakespeare, Vice-Chair, National Federation of Voluntary Service Providers (formerly the National Federation of Voluntary Bodies) and CEO, St Michael’s House.

Chairman and Members

Thank you for the opportunity to address you today on behalf of 59 service providers who are members of the National Federation (NFVSP) and, more importantly on behalf of the thousands of children and adults with intellectual disabilities and/or autism that they support, and their families, to discuss our concerns for the future of voluntary organisations.

The NFVSP is the umbrella organisation for voluntary agencies that provide approximately 85% of this country’s direct support services to over 25,000 children and adults with intellectual disability and/or autism in Ireland.

All providers are governed by Boards of Directors, of whom there are about 395 volunteers involved, and are subject to a wide range of regulation from HIQA to Company Law and Housing Regulations, where the provider concerned is also an Approved Housing Body.

The Disability sector is facing a critical challenge in 2019 owing to financial constraints which if not addressed in a comprehensive way, will have serious repercussions for service provision which will impact on people with disabilities and their families.
In 2017, financial losses occurred in 23 member organisations for which full accounts are publicly available. The combined deficits of these companies were €25.2 million (See appendix 1).

Some Boards that are carrying operational deficits are unable to sign Service Agreements as effectively they would be signing off on a “reckless trading” situation which is contrary to their legal obligation as directors of companies limited by guarantee.

Some have signed the SA as a “good faith” gesture in anticipation of addressing the underlying funding deficit as part of an engagement process with the HSE. However, if the deficit is not addressed, the agency will be left with no option but to cut services, transfer services to the HSE, or enter into a voluntary liquidation process.

A number of key drivers have led to this situation (See Supporting Document: Funding Crisis in Disability Services – Drivers and Deficits in Intellectual Disability Services) but we want to highlight the following:

- Providers have frequently felt forced to implement cost increasing measures following HIQA inspections to avoid being in breach of the law and facing closure orders. Boards of Directors are faced with the unenviable task of meeting the terms of HIQA Regulation, or face legal proceedings, which have often led to creating financial deficits;

- Changing needs of persons in services, together with the higher standards required resulting from regulation, are the other most significant cost driver in voluntary agencies at present.

Due to the lack of appropriate supports, thousands of citizens with ID are not being supported to live lives of their choosing, or to maximise their potential and live as independently as possible, as contributing active citizens.

In addition to the personal cost, this is not compliant with the requirements of the United Nations Convention on the Rights of Persons with Disabilities, which Ireland has ratified.
Older family members are trapped in unsustainable caring roles in the community due to the lack of investment in planned supports.

Families are forced to watch key milestones in their child’s development pass without appropriate intervention due to waiting lists, and in the most distressing cases, children and young people moving into full time care on an unplanned basis.

Financial deficits relate in the main to compliance with HIQA regulatory standards and the need to respond to urgent support needs of children and adults. Also, it is critical to note that the required expenditure reduction over the period 2009 to 2016 and the continued maintenance of agreed service levels over that period is central to understanding the current financial sustainability predicament.

Providers have exhausted all possible savings across management/administration, maintenance, and non-pay, in addition to savings achieved through roster reviews, service innovations and attendance management initiatives. (See Appendix 3)

There is a significant risk for the State in terms of the financial viability of voluntary disability provider sector where verified deficits totalling circa €25m have been evidenced.

It is important to note the vulnerable position of volunteer Company Directors that are faced with intensive demands to deliver services whilst meeting extremely demanding regulatory compliance which has created a significant burden in both professional and reputational terms for those concerned. The degree to which these significant stakeholders can maintain their position should be of particular concern in terms of resilience and capacity to continue indefinitely to maintain organisational service delivery.

The sector is in a seriously weakened state in terms of financial stability and organisational resilience.

The provision of support from the HSE including providing cash liquidity to ensure day to day operations are maintained, has provided some remedy for the organisations concerned; however, this cannot and will not provide the necessary
ultimate solutions to ensure an on-going and resilient voluntary provider sector into the future.

In terms of finding solutions to establish immediate and longer term resolution to these challenges, the following is recommended.

- There is an urgent need for the State and Voluntary Sector to work together to implement in full the recommendations of the Independent Review Group. Its recommendations challenge all stakeholders and provides a framework for addressing the urgent challenges facing us;
- There is a need for urgent financial investment on the part of the State to resolve the unsustainable deficit situation;
- There is an urgent need for a multi-annual investment programme to address the unmet needs outlined in the supporting document and in the Working Group 1 report of the Transforming Lives Programme;
- There is a requirement for a change in the approach to the application of HIQA Regulatory compliance that moves from a position of “compliance” to a model of “service user outcome”. This should include a legal obligation to have regard to the financial resources available prior to compliance plans being developed and accepted;
- The State and service providers must work together to innovate and develop new models of integrated service delivery, in line with Slaintecare, harnessing the capacities of the community and voluntary sector, in the provision of effective social care to people with disabilities.

We are happy to answer any questions.
Appendix 1

**Income Profile**

- On aggregate, based on an analysis of income over the period 2013 - 2017, the HSE provided about 83% of the total reported income of the Federation’s members, with 2% coming from fundraising, 2% from other government funding and other income including earned revenues and unspecified income of 13%;

- Most Federation members are in receipt of 80% of their funding from the HSE, with five organisations depending on it for more than 95% of their current income.

**Financial trends**

Analysis of the period 2013 – 2017 shows a deteriorating position in the financial health of member organisations

- In 2017, financial losses occurred in 23 out of 47 member organisations for which full accounts are publicly available. In 10 of these, expenditure exceeded income in each of the past three years. In 2017, the combined deficits of these 23 companies was €25.2 million, a substantial increase on the level in 2016;

- 9 companies have less than 13 weeks operating reserves, attracting a material concern or “emphasis of matter” by their auditor;

- The aggregate value of reserves has contracted by approximately 12%;

- In 2017, the reserves are a negative value in 6 organisations, with an additional two showing negative unrestricted reserves.

**Employment profile**

- At least 20,069 people are employed by member organisations, based on 2017 financial statements. The majority (12,870) are employed by Section 38 organisations with remuneration directly linked to public servants, with the balance employed by Section 39 organisation (7,199).
Appendix 2

Ongoing Cost Containment Programmes
Like all other sectors within Health, Disability Service Providers have implemented significant cost reduction measures as a result of emergency financial actions taken during the recent and prolonged period of economic downturn:

- Cessation/curtailment of non-core services;
- Non-replacement of Management/Administration Staff;
- Skill mix and roster savings;
- Use of National Procurement Contracts;
- Postponement/Delay of planned Maintenance;
- Insurance savings through State Claims Agency coverage (Section 38 only);
- Staff Absence Management;
- Reconfiguring of service delivery models.

Traditional cost reduction measures such as increasing the number of service users in residential locations are no longer possible in Residential Services as the capacity of each residential unit is set as part of the registration process. If they exceed the registered capacity, providers will be breach in of their registration and may face enforcement proceedings by the Regulator.

Equally, there is an important policy imperative to implement *Time to Move on from Congregated Settings* which seeks to provide people with community based housing and support solutions as distinct to outdated Institutional model services.

In respect of Day Services, any plans to consolidate locations in order to reduce staffing/overhead cost would be in contravention of the New Directions in Day Services Policy.
This only leaves scope for service reductions in sessional supports such Respite and Home Help and P.A. services. However, these non-residential services supports are typically used to prevent the need for long-term and high cost residential placement.